WORKING PAPER

PROMISING PRACTICES TO ASSIST DISLOCATED WORKERS

By

William Schweke
CFED

For

The North Carolina Rural Economic Development Center

September 2004

Table of Contents

Introduction **4**

What Is Economic Dislocation? **5**

Who Are Dislocated Workers? **7**

A Good Framework for a Workforce Development System **8**

Criteria for Selecting Promising Practices and Policies **8**

Promising Practices **9**

Understanding the Big Picture and Taking Preventive Actions **11**
- Establishing an Economic Dislocation "Radar" 11
- Mature Industries Commission 14

Minimizing the Free Fall **15**
- Modernizing Unemployment Insurance 16
- Boosting Incomes 18
- Mobilizing a Community-wide Crisis Intervention 19
- Restoring Health Benefits 20
- Mitigating Foreclosures 25
- Tapping the Talent of the Workers 27
- Running Worker Service Centers 29
- Dealing with State and Local Revenue Loss 31

Improving Displaced Workers Understanding of and Access to Reemployment Options **32**
- Using Management Innovations to Improve Job Brokering Services in One-Stop Centers 33
- Soft Skills: A Bridge to Employment 36
- Involving the Business Community in Customized Employment Services 36
- First Source Hiring Agreements 37
- Targeted Job Creation Grant Program 38

Improving Displaced Workers' Appreciation of and Access to Training and Education **38**
- Delivering Quality Incumbent Worker Training 39
- Applying Effective Practice Models to Retraining Displaced Workers 40
- Tailoring Educational Services for Older Student/Workers 43
- Linking Manufacturing Modernization Programs with Workforce Development 45

Extending and Supporting New Enterprise Development **45**
States with an Entrepreneurial Vision 47
Self Employment for Dislocated Workers 48
Community Development Capacity-Building 49
Expanding Employee Ownership 51

Novel "Outside The Box" Initiatives **52**
A North Carolina Corporate Responsibility Compact 52
A Proposal for Manufacturing Triage 54
A "Manhattan Project" for Aiding the Older Worker 56
"Play or Pay" Training Taxes 57
Employer-based IDAs 58
Raising Citizen Awareness of the "New Basic Skills" 59

Next Steps **61**

Conclusion **63**

Appendix One: Training for What? **66**

Appendix Two: Exemplary Corporate Conduct **69**

Selected Bibliography **72**

William Schweke Biography **75**

About CFED **75**

Introduction

That North Carolina has been hit hard during the recent recession is news to no one. The state has seen a record number of jobs lost, plants closed, and mass layoffs as its traditional manufacturing base restructures and moves abroad. More than a quarter of the state's manufacturing base disappeared (about 219,800 jobs) between 1990 to late 2003.[1]

Admittedly, such economic dislocation is an inherent feature of market economies. Entrepreneurs are driven to innovate; this process of "creative destruction," in the words of Joseph Schumpeter, is "the essential fact about capitalism." Automation, increased trade, new product development, and outsourcing raise productivity, foster competition, create new jobs domestically, and spur income growth. But plant closings, mass layoffs, and economic dislocation inevitably accompany these processes. Overall, more persons benefit from such change than lose. But some communities, workers, firms, and shareholders are harmed, and those who lose opportunities and wealth due to economic restructuring are concentrated in certain industries and certain areas of the state.

Most worrisome is the magnitude of the recent dislocation in North Carolina, relative to other states. In a study of only NAFTA-related job losses (North American Free Trade Area), North Carolina was tenth in terms of net employment lost.[2] Historically, North Carolina's economic fortunes have historically rested largely on its sizeable manufacturing base. In 1996, nearly 27 percent of its output came from manufacturing. (The United States' figure was 17 percent.) Employment levels show similar trends. In 1970, 29.7 percent of North Carolina jobs were in manufacturing; in 1980, it was 27.4 percent; and in 2000, it was only 16.2 percent. (Employment in the service industry increased as a share of jobs between 1980 and 1996. It is now 27.1 percent.) The manufacturing sector's future continues to look grim at its worst, or mixed at its best.[3]

Even as the North Carolina economy improves and exits from the recent recession, the challenges faced by dislocated workers and their communities will remain unless state policymakers act more aggressively. They must devise a much more comprehensive and creative set of policies to mitigate hardship, prepare the workforce for the new economy, nurture entrepreneurial initiative, modernize mature firms, and revitalize declining communities.

The purpose of this paper is to explore new alternatives for addressing the causes and effects of economic dislocation.[4] Its outlook and proposals are based on almost three decades of research and practice in this field.[5]

---

[1] Unpublished research by Catherine Moga of North Carolina Rural Economic Development Center (2004).
[2] Robert Scott, "The High Price of 'Free Trade': NAFTA's Failure has Cost the United States Jobs across the Nation." (Washington, D.C.: Economic Policy Institute, 2003), p. 7. Net job loss is calculating the sum of gross jobs created (exports) and gross jobs lost (imports) due to NAFTA. Note: most of the top ten NAFTA job loss states have larger populations than North Carolina.
[3] Ibid.
[4] Thanks to the North Carolina Rural Development Center for the financial support. Also thanks to Ann Scharff at the Center for all her advice.
[5] More details about the economic dislocation research used to draw these conclusions can be found in CFED's recent revision of its comprehensive literature review on the subject, *Economic Dislocation: Issues, Facts, and Alternatives*. It should be noted that the literature has appeared in waves. Lots of material – academic, case studies, how-to manuals – in the eighties and early nineties – then, a hiatus during the long economic boom, until the recent recession. During the last few

Since the scope of this paper is to look at models across the country, it may understate the level of activity occurring in North Carolina to help dislocated workers. At the state, local, and community levels, North Carolina is already involved on many of the fronts covered by this paper. In fact, the starting point is that state leaders are working hard and creatively already. As the economy improves, it is time to move even more assertively in the direction of generating positive changes, not just reacting to undesirable changes.

The report is organized as follows.[6] First, it begins with a discussion of the nature of economic dislocation and why this problem will not go away. An exploration of the ways in which recent changes in America's labor markets establish a different context for programs that seek to enhance the reemployment prospects of displaced workers follows. Then, a description of what an improved and more integrated workforce development and economic development system might look like gives the reader a vision of the "ideal." Selection criteria for the promising policies and practices that are later suggested for consideration follow. This leads to profiles of innovative practices that serve dislocated workers or prevent/mitigate the impacts of economic restructuring. A few "outside-the-box" ideas are advanced for consideration. Following this, three questions to guide readers sifting through this material and developing their own priorities are posed. In this section, the author offers his top ten list of next steps. The paper concludes by identifying the most important state functions for dealing with these challenges.

This paper covers a lot of ground and offers close to 30 specific recommendations for action. It is important for each reader, individually and with others, to sift through these ideas, melding some proposals with others, brainstorming new alternatives, and coming up with his or her preliminary priorities for action. Are there some problems that demand our utmost compassionate attention? Are there others that begin getting at the root causes of the problem? Are there some that could spark systemic change and integrate better the worlds of economic development, workforce development, and human services?

What Is Economic Dislocation?

The North Carolina, United States, *and* world economies are all undergoing one of their most fundamental transformations in history. The forces propelling these changes are creating the economic turmoil. Many of these changes may cumulatively amount to something as significant as the industrial revolution. Due to globalization and the information technology explosion, we may be entering a new economic epoch.[7]

---

years, there has been a flourishing of academic studies, spurred by off-shoring and globalization concerns, but little best practice material.

[6] This paper primarily represents the views of William Schweke of CFED. Lillian Woo provided editorial advice and conducted some research and writing on older workers. Dwayne Anderson did some last minute gap-filling research. Lucy Gorham also provided editing and organizational suggestions. Jessica Thomas did last minute proofing and copy editing.

[7] Tying these two forces together, Wayne Ellwood writes: "Globalization is a new word which describes an old process: the integration of the global economy that began in earnest with the launch of the European colonial era five centuries ago. But the process has accelerated over the past quarter century with the explosion of computer technology, the dismantling of trade barriers and the expanding political and economic power of multinational corporations." Charlie Leadbetter's *Living on Thin Air* highlights another unique dimension: "What do you do to make your living? Do you

More specifically, the economic landscape is being altered by a number of monumental trends:

- The increased application of information technologies in a variety of ways across firms and industries (from fishing to airplane design);
- The shift from a manufacturing to a service economy;
- Increased global opportunities for financial and capital investment;
- The negotiation of much more far-reaching multilateral, regional, and bilateral trade and investment agreements which lower traditional national "buffers" to global goods and services competition and foreign direct investment;
- A weakening of national economic sovereignty;
- An acceleration of the product life cycle, leading from idea to commercialization to mature market (and "then it starts over again");
- The growing importance of high performance workplaces engaging in continuous improvement with new occupational expectations for the frontline worker; and
- The emergence of new basic skills for thriving in the new economy.

Although the processes of innovation, competition, entrepreneurship, trade, and productivity growth have increased our economic prosperity, certain of its consequences merit the label "dislocation." Economic dislocation is best understood as a process of change within a local or regional economy; a change, which by virtue of its size, speed or particular character, exceeds the capacity of the area economy to return to sustained growth.

The sort of economic restructuring that is virtually synonymous with a developed market economy – new products, new firms, more competition, automation, mergers, new partnerships – may be good for consumers, shareholders, and employees in growing firms, but certain workers, occupations, and sectors will be harmed. Depending on a worker's occupational skills and the state of the area economy, he or she may face big obstacles in accessing a decent job.

When these problems show up in lots of places across the state, they become a state concern, not just a local problem. Current trends in U.S. manufacturing as a whole and North Carolina's historic sectors – furniture, textiles, apparel, and tobacco – foreshadow continued outsourcing, strong import competition, and further improvements in industrial productivity. The implications of this are clear:

- There will be more job loss and more community dislocation (just anticipate the North Carolina effects of the termination of the Multi-Fiber Agreement in 2005);[8]

---

make anything tangible that can be weighed, measured or touched? For most people the answer is no. You probably provide a service – teaching, accounting, retailing or consulting – or maybe you analyze information and make judgments about it. More and more of us are making our livings from thin air – from our ideas and our know-how." Even in manufacturing, computers and changes in workplace organization call for new basic skills – problem solving, expert thinking, complex communication. The division of labor occupationally and globally is also being transformed by computerization, according to economists Levy and Murnane. These are all reasons why the term, the "New Economy," is bandied around so much.

[8] The multi-fiber arrangement or agreement (MFA) on textiles, under which advanced industrial countries were allowed to impose quotas restricting clothing and textile imports from developing nations, is due to lapse in 2005, enabling more inexpensive goods to enter the United States. This will have a large, mainly negative effect on North Carolina. MFA

- Economic change creates and redistributes wealth, involving people and their livelihoods, their present and their children's prospects;
- The scale, speed, and character of dislocation may make it stand out as worthy of response;
- Not all economic problems are self-correcting in the price system – some people and communities plummet and, without outside aid, will never get back on their feet;
- Displaced workers and their communities face special adjustment challenges and would benefit from more humane and efficient assistance;
- Winning in today's marketplace requires playing by its rules (e.g., intensified global competition and integration, liberalized trade and investment markets, accelerated technological change, widespread foreign industrial policies and subsidies, etc.); and
- These new "rules" appear to be permanent, or at least, long-lasting.

Who Are Dislocated Workers?

"Dislocated" or "displaced" workers are those who lose their jobs due to a facility shutdown or layoff.[9] The literature on the subject offers the following generalizations of their key traits. Dislocated Workers have previously maintained a stable employment history. They tend to be older, less geographically mobile, male,[10] homeowners and contributing members of the community, concentrated in declining occupations, industries, and employment areas, and more likely to experience psychological and health problems upon job loss. Less skilled and less educated workers are more likely to be displaced. In unionized settings, they were paid relatively higher wages and are therefore likely to experience significant earnings losses. In non-union workplaces, they were paid less than in union shops, but, due to tenure on the job and accumulated firm-specific work skills, they typically earned better wages than the average job in the area. Frequently, these traits are interconnected, creating multiple barriers to reemployment.[11] The obvious remedy for worker dislocation is finding these workers new jobs. What is far less clear is how to achieve reemployment, especially for older workers.

---

began in 1974, has been altered over time, yet, always sought to protect American producers. Developing economies have regarded it, along with the developed countries' agriculture subsidies, as the rich countries' worst protectionist measures. Likewise, the World Trade Organization's finding against American cotton subsidies will likely lead to trade sanctions that could affect this state, as a cotton producer.

[9] There are numerous "technical" definitions of the term, varying by research study data used, or government law. Examples include: those who lost jobs due to plant closings or relocations, abolition of a position or a shift, or slack work (a common definition used by researchers); and those made unemployed by mass layoffs under the Workforce Adjustment and Retraining Notification Act, (WARN law). The most prominent one is that which is defined by the Workforce Investment Act of 1998, in section 101. For this paper's purposes, the key labor force characteristics of dislocated workers are the most important aspect for this paper's definition. Dislocated workers are considered "structurally unemployed", when their joblessness arises due to is a mismatch between the skills demanded and supplied in a given area or an imbalance between the supplies of and demands for workers across areas. In other words, occupational/educational/skill mismatches or spatial/geographic imbalances. You don't have the skills for the jobs nearby or the jobs you could work in are elsewhere. If wages were completely flexible and if costs of occupational or geographic mobility were low, market adjustments would quickly eliminate this type of unemployment. However, this is not the case in the real world.

[10] In North Carolina, females constitute a larger proportion of the dislocated worker pool. This is due in part to prevalence of textile and apparel industries in the state. However, national research found as many as two-thirds of the displaced were men.

[11] A thorough treatment of all the key dimensions of this issue can be found in CFED's revised literature review on the topic, *Economic Development: Issues, Facts, and Alternatives.*

A Good Framework for a Workforce Development System

How do you recognize a good framework for dealing with this new economy?

To start, the framework needs to fit today's economy which is characterized by: fierce competitive pressures, many more women in the workforce, balancing work and family responsibility challenges, volatile industries, stagnating wages for the less skilled, falling unionization rates, and the information technology revolution.[12]

New policy strategies should promote efforts that invest in today's education and work skills, that aid career shifts for older and less educated workers, that help individuals stay employed and advance, that encourage employers to hire, train, and support displaced and other struggling workers, and that pursue advancement goals *across education, work force development, human services and economic development policies*.[13]

For decades, states, counties, municipalities, and localities throughout the United States have conducted a variety of employment training and economic development programs. Economic development is judged by the quantity and quality of jobs created; employment training is judged by job placement rates and wage rates. Lack of coordination and integration has often resulted in people being trained for jobs that do not exist. The North Carolina's State Workforce Investment Board (called the North Carolina Commission on Workforce Development), has been actively exploring a number of new initiatives that involve both economic development and workforce development leaders.

Where should we be heading?

We need much more integrated economic, workforce, and social services program systems. Achieving *a North Carolina economy that is international, high value-added, and inclusive requires a workforce in which virtually all are educated and skilled, as well as motivated to pursue lifelong learning.* An agile and entrepreneurial economy requires agile and entrepreneurial people, employed in high performance, high wage workplaces.

Criteria for Selecting Promising Practices and Policies

The criteria used for selecting new policies, programs, and practices to highlight in this paper were:

- Demonstrated effectiveness in the research and evaluation literature on economic dislocation;
- Support by practitioners from the field;
- Sufficient scope and scale to address the dislocated worker reemployment challenge;

---

[12] For two good pictures of this changing scene, see Paul Osterman, Thomas Kochan, Richard Locke, and Michael Piore, *Working In America: A Blueprint for the New Labor Market* and Carl Van Horn, *No One Left Behind: The report of the Twentieth Century Fund Task Force on Retraining America's Workforce.*

[13] Adapted from the work of CAEL, Jobs for the Future, and the Workforce Development Program, *Toward a National Workforce Education Program* (2003).

- Political and administrative feasibility; and
- Compatibility with the values and preconditions of family-strengthening human resource policies – better pay and benefits, a family-friendly workplace, opportunities for job and career advancement.[14]

Promising Practices

Any comprehensive state (or local) effort to assist dislocated workers, families, and communities should target five major objectives:

1. Understanding the big picture and taking preventive actions;
2. Minimizing the "free fall" of workers and communities;
3. Improving the dislocated workers' understanding of and access to actual or emerging job opportunities;
4. Improving their appreciation of and access to education and training; and
5. Extending and supporting new enterprises. [15]

This paper will present the following initiatives for addressing these goals.

Understanding the Big Picture and Taking Preventive Actions

Establishing Economic Dislocation "Radar"
Mature Industries Commission

Minimizing the Free Fall

Modernizing Unemployment Insurance
Boosting Incomes
Mobilizing a Community-wide Crisis Intervention
Restoring Health Benefits
Mitigating Foreclosures
Tapping the Talent of the Workers
Running Worker Service Centers
Dealing with State and Local Revenue Loss

Improving Displaced Workers Appreciation of and Access to Reemployment

Using Management Innovating to Improve Job Brokering
Services in One-Stop Centers
Soft Skills: A Bridge to Employment

---

[14] These criteria are slight modifications of the "Policy Matters" Project of the Center for the Study of Social Policy. For more detail, consult the CFED draft report *Family Economic Success* (2003). Also instructive are the Annie E. Casey Foundation publications, such as *Building Strong Financial Futures for Families and Communities: A Framework for Family Economic Success* (2003). David Gordon's classic work, *The Working Poor* (1978) is still worth a read.

[15] The scope of this paper does not include business recruitment strategies. The state of North Carolina is well-regarded in this field (such as by the publishers of *Site Selection*).

Involving the Business Community in Customized Employment Services
First Source Hiring Agreements
Targeted Job Creation Grant Program

Improving Displaced Worker's Appreciation of and Access to Training and Education

Delivering Quality Incumbent Worker Training
Applying Effective Practice Models to Retraining Displaced Workers
Tailoring Educational Services for Older Student/Workers
Linking Manufacturing Modernization Program with Workforce Development

Extending and Supporting New Enterprise Development

States with an Entrepreneurial Vision
Self-Employment for Dislocated Workers
Community Development Capacity-Building
Expanding Employee Ownership

It should be pointed out that the order in which these strategy areas are presented follows some logic. They begin with trying to understand the problem and prevent layoffs, then go to "coping" actions, followed by efforts to renew the economy.

Although nobody has solved this cluster of challenges, there are many precedents upon which to build.[16] The most promising and well-demonstrated examples will be presented first. A variety of creative ideas that are less tried and true will follow; these more novel options are assumed to meet the test of political and administrative feasibility, at least in the medium-run.

The material has not been organized around "special groups" or "unique needs" except for extra attention given to the older workers. But here are a few thoughts about working with:

- *Rural communities*: Although, nationally, less likely than a metro area to experience layoffs and closures, the average rural displaced worker has a harder time finding a job and maintaining health insurance than her urban counterparts.[17] In this state, the majority of the manufacturing layoffs have often been in rural areas. The limited jobs base means that economic development efforts, especially self-employment programs, have a larger role to play than in the cities. Business incentives rarely work effectively in these settings, unlike the package of incentives that mostly drive further growth to the most developed parts of a state. (Just such an alternative to traditional subsidies is this paper's proposed Targeted Job Creation Grant Program. Transportation may also be a large issue, if jobs are in other counties. Further, given their smaller professional and organizational infrastructure, collaborations with state and regional agencies and institutions are critical.

- *Women*: The research is mixed. Some indicates that they fare better with regard to

[16] This includes, of course, the good work that North Carolina policymakers and others are already doing.
[17] See Karen Hamrick, *Displaced Workers in Non-metro and Metro Experience in the Mid-1990s,* U.S. Department of Agriculture, ERS Rural Development Research Report No. 92, October 2001.

reemployment than men, while other data suggest that males do somewhat better.[18] Depending on the woman's marital status and whether she has children, the need for so-called "work supports" (or "work attachment" policies) enter the picture. The most important of these are: health insurance coverage for the children, child care and (possibly) elder care support. Women also still face barriers to entering some types of employment. Wider Opportunities for Women's body of work on accessing non-traditional jobs could be relevant to the female dislocated worker. Two other areas for policy learning and potential adaptation are displaced homemaker programs and networks and the numerous examples of college-based programs aimed at non-traditional, economically disadvantaged students (such as those leaving welfare).

- *Textiles*: The dislocated workers from this sector are "classic" dislocated workers: they tend to fit the definition precisely. One North Carolina difference, however, stands out: a larger proportion of women are dislocated workers, and in this state, a lot of African-American women have lost jobs in this sector. The limited educational background, rural location of most plants, and the mill-town culture mean that an extra effort to advance these workers' fortunes will be needed, as opposed to the terminated engineer from Nortel. Implications include: addressing class and race issues; paying attention to discriminative practices – whether intended or not; and considering the goal of upgrading these workers' "soft skills" -- and dress language, communication skills and style, ability to work in teams, level of motivation, and the capacity to adapt to varied work cultures.[19]

Understanding the Big Picture and Taking Preventive Actions

In tough times, there is a natural tendency for policymakers to act fast, to do what they have always done, and/or to copy their neighbors. But it is also important to step back and try to understand how the current downturn is affecting their state's economic base and what sorts of strategic actions foster comparative advantage. What is happening to its leading industries? Which industries are weathering the crisis the best? What systemic weaknesses require attention? Which communities and regions are suffering most from sectoral restructuring and economic decline? How could the state, its universities, and its private sector create a better industry intelligence system (e.g., What are the state's leading industries and how healthy are they)?

Establishing an Economic Dislocation "Radar"

State governments and their private, public, and nonprofit partners do the best job in both the economic development and economic adjustment fields when their actions are based on the best research and when they are more proactive. States need better "intelligence" on what is happening

[18] For instance, Marie Howland's book, *Plant Closings and Worker Displacement: the Regional Issues* suggests that women do better than men. Paul Osterman's *Securing Prosperity* provides other evidence that they do about the same in getting reemployed.

[19] For more on soft skills, see: Annie E. Casey Foundation, *Taking the Initiative on Jobs and Race* (2001); Philip Moss and Chris Tilly, *"Soft Skills" and Race: an Investigation of Black Men's Employment Programs;* and Harry Holzer, *What Employers Want* (1996). There has also been an understandable and fascinating discussion in the literature and conferences about whether some elements of the "soft skills" issue are in part racist and discriminatory.

both within their borders and in the national and international arenas. This section, outlines three ways to get that information. (These are not mutually exclusive.)

The first method is to create an "observatory" that tracks state performance relative to the other 49 states and industry trends and prospects. It should be pointed out that North Carolina is blessed with lots of intellectual talent that is knowledgeable about the state's economy, history, current conditions, industrial mix, and likely evolution. A new "virtual" organization could link these resources through a central Internet site and hold occasional meetings in the form of consensus-building sessions and policymaker/media briefings. The network would include academic researchers, private sector consultants, and nonprofit analysts. One further function would be to try to ascertain what's known and where the jury is still out. Thus, it could help to shape future research. To elaborate, a start might be structured along these lines. (This is just a template: other models may be more appropriate.)

In the past, the CFED has proposed that state governments in the U.S. adopt a three-part "Intelligence System":

- Economic Intelligence. Economic Intelligence is the basic, more "all-purpose" benchmarking tool, akin to CFED's Development Report Card for the States (see http://drc.cfed.org). It would track how a given state ranke vis-à-vis the other 49 states. (For example, how does its unemployment rate compare to other states?) A state could also consider creating regional report cards. (Carnegie Mellon University, the Progressive Policy Institute, Southern Growth Policies Board, MDC, and CFED have all developed different versions of these.)
- Industry Intelligence. The Industry Intelligence is a much more detailed look, involving both primary and secondary data, at industry trends and prospects. The benchmark would be best industry practices in the United States. This is an area where the **North Carolina Department of Commerce** is very active. Commerce has organized "enterprise teams" of in-house staff and outside experts that track growing industries (e.g., automotive suppliers), mature industries (e.g., textiles, apparel, hosiery), and emerging industries (e.g., nanotechnology). On the automotive front, the Department is working with North Carolina State University and UNC-Charlotte to hold an auto supply chain summit or workshop. Commerce researchers are also focusing on "advanced manufacturing." Commerce Department research will be completed and released for discussion this fall to see what the state can do to improve the future of manufacturing. (This work parallels this paper's later treatments of high-tier, high-road manufacturing firms.)
- Strategic Intelligence. Strategic Intelligence would track policy *accomplishments* instead of stated policy goals. Such Strategic Intelligence requires a state government or other respected entity with authority over state policy to develop a vision and establish clear policy goals and performance measures. (It would be similar to the state benchmarks founder and premier example, **Oregon Benchmarks**. Examples might include: raise average wages within the state or increase the rate of new business formation.) The **North Carolina Progress Board** and the **Vision 2030** are examples of this type of strategic intelligence in North Carolina.

The second approach to gain important information on North Carolina relative to other states would involve the North Carolina legislature following in the footsteps of **California** and establishing a permanent **Joint Select Committee on Trade, Democracy and the North Carolina Economy**. This bipartisan body could hold hearings, commission research, and monitor developments on:

- Multilateral, bilateral and regional trade, investment and procurement agreements,
- The North Carolina-based industries most vulnerable to trade-induced job loss,
- Best practices in economic adjustment and trade-focused economic development, state and local sovereignty issues,
- Ongoing trade negotiations, and
- Activities of the Congressional Trade Committees and the Office of the United States Trade Representative, etc.

By doing so, the legislative leadership would be in a better position to work with their Congressional delegation; play more intensive advisory roles in associations such as the National Conference of State Legislatures (it has a standing committee on the topic) and the Forum on Democracy and Trade; and better equip North Carolina workers, businesses and communities to prosper in the global economy.[20]

Many such trade agreements can have large positive or negative effects on a state's economic base and on the legality of its economic development subsidies, regulatory policies, and tax incentives.

The third way is to create an early warning system. Early warning systems endow decision-makers with the ability to intercept signals in time to make appropriate interventions. They enable states, regions, and localities to anticipate – rather than merely react to – important economic events, trends, and disasters. The actual form of early warning systems can range from keeping a pulse on a wide range of operating establishments through regular but informal communications and visits, to the development of a formal fully-automated data-driven system that provides a series of standard indicators pertaining to industrial sectors, individual firms, and geographic locations.

There are myriad ways that these early warning systems can be developed. For instance, most counties in North Carolina possess economic development or chamber of commerce staff that which conduct regular business retention and expansion visits. Some use formal surveys as part of their process. Others rely on personal interactions with businesses to understand which companies may be vulnerable. In many cases, the data generated could be "mined" and acted on in deeper ways. Hence, the state might offer a class for developers on how to get more out of business visitation programs. Or, to take another route, and setting aside proprietary and confidentiality issues for now, it could be used to shape Regional Partnership organizations' and other business service providers' plans to retain firms.

An interesting early warning model can be found in **Pennsylvania**. In 1993, Pennsylvania's Department of Labor and Industry helped launch the **Strategic Early Warning Network** (SEWN)

[20] Excellent mainstream ("no rioting in the street") discussions of these issues and importance can be found in: William Waren, "Trade Agreement Trade-Offs," in *State Legislatures* (July/August 2004); and William Schweke and Robert Stumberg, "The Emerging Global Constitution: Why Local Governments Could Be Left Out," in *Public Management* (January 2000).

in 21 counties in western Pennsylvania. The program's mission is to save jobs and retain manufacturing firms. It is managed by the Pittsburgh/Mon Valley-based Steel Valley Authority (SVA). SVA staff work very closely with the Rapid Response Unit of the Department of Labor and Industry to try to avert layoffs, closures, and negative trade impacts. SEWN offers confidential and professional "layoff aversion" services, such as operational and financial restructuring, turnaround, buy-out, high-performance workplace, and labor-management cooperation advisory services. To date, SVA has worked with about 300 firms in all major industry sectors. It focuses on small and middle-market enterprises employing 25-500 workers. It claims to have helped save 12,724 jobs. Discussions are afoot to expand these activities throughout Pennsylvania.

In addition to raising the information and profile of industry and firm trends, the "intelligence system" and the early warning mechanisms could also be used to increase the pressure for complying with the federal WARN law that requires firms to notify its employees and local community in advance of mass layoffs or shutdowns that affect certain numbers or percentages of their workers.

Existing resources can be adapted and leveraged to provide advance notice of industry shifts. Employers can be sent information about in-state business retention and layoff aversion services whenever the state database that tracks Unemployment Insurance (UI) and workforce employment shows that those firms have a certain percentage decrease in workers, e.g., 15 percent. Unions have developed lists of early warning signs of potential closings, layoffs, and relocations. Their memberships can be trained to watch for these, thereby spurring more timely conversations between owners, technical assistance providers, labor, and management over the fate of the facility.

Mature Industries Commission

Creative retrenchment of mature industries, especially manufacturing, is important to many states' and our nation's future for a variety of reasons. First, many of our mature industries have provided jobs with decent wages and needed benefits. Second, internationally traded services and manufacturing are often closely linked; our ability to be competitive in such services depends on a strong United States manufacturing sector both for drawing experience and doing business. Third, many regions are dependent on traditional manufacturing industries and, without assistance, will unduly suffer during this time of economic transformation. Moreover, many troubled and closing firms can be turned around: they are not all in hopeless shape.

Although North Carolina's manufacturing base has a future, this depends on timely action to help firms follow the examples of the world's premier companies, which "discover ways to add value in design, in engineering and function, in precision, in speed of delivery, in appearance and many other aspects of production."[21] They can charge more, thereby raising their gross margins and enabling them to pay higher wages. On these last points, Regional Technology Strategies' Trent Williams has also said: "In the U.S., lower value-added manufacturing operations are, at best, an endangered species . . . Manufacturing is still the prime mover of the U.S. economy. As the primary industrial source of R&D and technological innovation, manufacturing generates the productivity gains that drive economic growth." [22]

[21]Personal conversations with Trent Williams, Regional Technology Strategies, Inc. (July 29, 2004)
[22] Ibid.

A **Mature Industries Commission**, modeled on one created in **Massachusetts** almost two decades ago, would bring together government, business, civic, labor, and academic leaders to focus on stabilizing and modernizing a state's traditional economic base and helping those firms to operate profitably in a specific niche. The Commission would seek ways in which to strengthen these industries, to assist financially troubled firms, and to improve services to displaced workers. It would research current and future trends in mature industries, collect best practice information about what other states and communities have done to deal with these problems, closely examine layoff aversion and business retention strategies, and prioritize actions.

Another permutation of this idea is the recent **Governor's Manufacturing Summit** in **Pennsylvania**. On March 23, 2004 a standing room only crowd of over 150 business, labor, and citizen leaders discussed major steps to address the lagging economic recovery and the manufacturing crisis in the Keystone State. Governor Rendell was the master of ceremonies for the day-long event that tackled the following concerns:

- A Deloitte/Touche report on the state of Pennsylvania's manufacturing and current globalization trends;
- The need for fairer global labor standards;
- The status of the steel industry and labor-management relations;
- Ideas for regulatory and tax relief;
- The need for bi-partisan action;
- The efforts of Michigan's chief executive and eight other governors to communicate state efforts to modernize industry, as well as federal action to curb off-shoring trends; and
- Manufacturing sector proposals developed by business owners that would aid their respective industries.

In the wake of this event, the Steel Valley Authority has suggested that the state needs a **"Next Generation" Manufacturing Strategy** driven by a new Governor's Office for Pennsylvania Manufacturing. Its functions would be to: expand statewide regional early warning systems; provide a seed fund for new apprenticeship and high school pre-apprenticeship programs; consolidate all state financing for manufacturing under this office; develop a new benchmarking system for tracking manufacturing trends and health; organize an office for monitoring trade issues; and develop leadership on relevant federal policies that affect manufacturers, and others.[23]

Minimizing the Free Fall

In the wake of the personal pain and suffering of a loss of a job comes the struggle to maintain one's home, feed one's family, and pay utilities. Very quickly, unemployment compensation and savings run out, and the household faces the real possibility of eviction from rental housing or a home mortgage foreclosure. Further, a major plant closure can spark a larger downward spiral: as the unemployed spend less, other small businesses shrink or fail; tax revenues fall; and underfinanced public services deteriorate in quality. The cumulative effects of all these changes can worsen the overall business climate of a place, thereby weakening the economy still further. It is important to break this vicious circle.

[23] Steel Valley Authority, "A Governor's Office for Pennsylvania Manufacturing" (June 2, 2004).

This section begins with the safety net protection provided by unemployment insurance. Next, comes a discussion of how reemployment in a poorer paying job can be mitigated by a number of income boosts. Addressing two other big risks that can start the free fall in income and savings are the loss of health benefits and one's home follow.

The section concludes by discussing how displaced workers and community leadership can limit the damage further by motivating workers to participate in all appropriate programs, mobilizing the community's full portfolio of employment and human services, and managing its declining governmental revenues well. This is done via employee/management reemployment committees, peer group networks, community crisis teams, and savvy fiscal managers.

Modernizing Unemployment Insurance

The first line of defense for workers displaced from their jobs is the unemployment compensation system.[24] Established in 1935, it is a joint federal/state program that has a number of objectives: to assist individual workers in times of unemployment,[25] to provide the unemployed with exposure to alternative job opportunities through, what was called for decades, the Job or Employment Service, to stabilize the supply of labor by keeping available a supply of skilled labor for employers faced with seasonal or irregular employment, and finally, to contribute to general economic stability by maintaining unemployed workers' purchasing power.[26] Unemployment insurance (UI) provides substantial benefits to both labor and business. It is also worth pointing out that in recent years many states have begun to explore opportunities for using the unemployment compensation system to improve the overall functioning of the labor market.[27]

---

[24] For more information, see: Christopher O'Leary and Stephen Wandner (editors) *Unemployment Insurance in the United States: Analysis of Issues* (Kalamazoo, MI: Upjohn Institute for Employment Research, 1996; and the classic, National Commission on Unemployment Compensation, *Unemployment Compensation: Final Report* (July 1980). The latter work sets policy standards for state UI programs, that are still relevant. For more data on how North Carolina stacks up against the other 49 states, see: CFED, *State Asset Development Report Card* (2002). Also, consult the website of the National Employment Law Project – www.nelp.org. They maintain an up-to-date tally of state actions and author a legion of UI research and advocacy papers.

[25] NELP cites a U.S. Department of Labor study (1999) that concluded that $1 of UI boosts the GDP by $2.15. And according to the Congressional Budget Office: "UI benefits may have prevented up to one-fourth of long-term recipients from having their monthly family incomes fall below the poverty line." Personal conversations with NELP staffer, Rich McHugh (August 4, 2004).

[26] According to calculations by the Economic Policy Institute on U.S. Department of Labor data (2002), North Carolina ranked 15th among states for its average weekly benefit as a percentage of the state average wage (in 2001). Another way to look at it: the minimum wage benefit amount for the state is about $103 weekly; the median wage benefit amount is approximately $230 weekly. Absolute minimum weekly benefit is $30; the absolute maximum is $375.

[27] The system is a lot different today (although those with historical perspective could see this as a swing back to an earlier Job Service mission and organization). In this state, the North Carolina Employment Security Commission (ESC) provides labor market information and services to its employer and worker UI customers. In addition, there are JobLink Career Centers, which were created by the federal Workforce Investment Act and overseen by the state Department of Commerce. Their purposes are to be "one-stop" service centers for 17 federal categorical programs. In short, they are meant to be user-friendly facilities which provide job seekers and employers access to a variety of employment and training services all under one roof. They involve partnerships and memoranda of understanding with a variety of state agencies. Local areas decide whether they want to place the one-stop in an ESC office, a community college, a department of social services office, or other location.

The policy reform most needed by displaced workers who are not eligible for Trade Adjustment Assistance benefits is probably long term unemployment benefits.[28]

Historically, only seven states have adopted the Total Unemployment Trigger permanently: **Alaska, Connecticut, Kansas, Oregon, Rhode Island, Vermont, and Washington.** (**North Carolina and Michigan** have adopted it on a temporary basis.) In 2003, while Congress debated proposals to extend federal jobless benefits, seven states (**Kansas, Massachusetts, New Hampshire, New Jersey, New Mexico, Oregon, and Utah**) adopted various measures to extend unemployment benefits to the long-term jobless:

- **Kansas** provides workers two weeks of state-funded extended benefits.
- **Massachusetts** liberalized the eligibility for qualifying for federal jobless benefits so that more than 3,000 persons could take advantage of them.
- **New Hampshire** added13 weeks of state-funded benefits that follow the 13 weeks of federal benefits.
- **New Jersey** allows more workers to collect the full regular 26 weeks of state UI, which automatically makes them eligible for federal help.
- **New Mexico** chose to take fuller advantage of the 50/50 Extended Benefits permanent program by altering the level of joblessness to qualify.
- **Oregon** now provides 20 weeks of state-funded extended benefits, supplementing the national program.
- **Utah** is entitling the jobless to receive five weeks of state-funded benefits.

Other ways in which states are using their UI systems, with a more "modernizing" spin, include: "worksharing" (an arrangement under which employees reduce their work time and receive partial UI benefits for the hours that they do not work).[29] Starting in California, now about a third of states[30] have modified their unemployment compensation systems to allow employees worksharing. Shared work seeks to maintain the workforce and yet contain costs. According to survey research, it is also popular with workers. It also allows workers to receive more income than they would on UI alone, to remain employed, and to avoid the stigma of being laid-off. Furthermore, from the state's point of view, shared-work programs improve long-term growth by improving productivity, maintaining workforce morale, increasing flexibility of the firm, and reducing the potential for long-term dependency by stabilizing employment.

---

[28] There is a permanent extended benefits law that provides 13 more weeks of UI for those who have exhausted their UI limits. (Most states provide 26 weeks of UI coverage.) The states and the federal government share the costs. But it is so restrictive, it is almost never triggered. Instead, Congress acts by passing temporary extensions during recession. Depending on the program, there can be a 50/50 split in cost-sharing. The costs are financed 100 percent by the federal government.

[29] For more detail, see Ramelle McCoy and Martin Morand (editors) *Short-time Compensation: A Formula for Work Sharing*, Berkeley Policy Associates, *Evaluation of Short-time Compensation programs: Final Report;* and Richard Freeman and Peter Gottschalk (editors), *Generating Job* (Freeman article on this topic and use of shorter workweek in France to "create" jobs.)

[30] States with work-sharing in effect are: **Arizona, Arkansas, California, Florida, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Minnesota, Missouri, New York, Oregon, Rhode Island, Texas, Vermont, and Washington. Connecticut** has a program but has not issued regulations required for its administration. Worksharing is also sometimes called "Short-time Compensation."

Other unique and allowable UI support approaches include: customized training (some UI tax receipts are earmarked for supporting these programs)[31] and self-employment an arrangement under which workers continue to receive benefits while launching their microenterprise ventures. Hence, starting a business replaces the work search requirement for receiving UI. It is permissible, but not required. States must exercise this right. 1997 survey found the following states were doing so: **California, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, and Washington State.**[32]

Unemployment compensation may seem like an "old economy" program, but it is still a necessary tool for preserving the incomes, assets, and savings of those unlucky enough to lose their jobs.[33]

Boosting Incomes

One of the two broad approaches to raising reemployed worker incomes is boosting them directly.[34] It is not typical for reemployment to make up for wages lost during unemployment or lead to a job that pays as well as the one lost.

A backdrop to worker displacement is growing national income inequality. Individuals are working more for less real income. For the lowest fifth of earners, much of the loss in real wages over the last twenty years is due to the fact that the minimum wage has, for the most part, not kept up with inflation.[35] Another factor contributing to the large number of North Carolinians earning less than a living income is that the largest job growth has been in the lowest paying jobs.[36]

A state Earned Income Tax Credit (EITC), modeled on the federal EITC, would boost the incomes of displaced workers with families that land a low-paying job and have families. It would offset the substantial state and local taxes, which regressively extract income from the low-income. It can efficiently reach families that are most in need of assistance, including those that do not receive food stamps, Medicaid, or other key income supports. A growing number of states have also enacted state EITCs. State EITCs may either be refundable or non-refundable. (Refundable means that even if a credit exceeds a family's total income tax liability, the difference is paid to the family.) Refundable credits are superior to non-refundable credits if the goal is to provide a net subsidy to families. States with non-refundablr EITCs are: **Iowa, Maine, Oregon, and Rhode Island**. The refundable honor roll includes: **Colorado (suspended for 2003), Illinois, Indiana, Kansas, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Vermont, and Wisconsin**. In 2002, six states (**Maryland, Massachusetts, Minnesota, New York, Vermont, and Wisconsin**) had a state EITC, made it refundable for all families who have children and receive

[31] **North Carolina** has such a fund, but it is now depleted because of the recession.
[32] C. O'Leary, and S. Wander (editors), *Unemployment Insurance in the United States* (Kalamazoo, MI: 1997). This became legal under a 1993 reform of NAFTA. States that do elect to use this option must provide small business training and technical assistance services for these displaced workers. The federal government also sets annual limits: states can allow no more than 5 percent of the UI claimants to participate in self-employment programs.
[33] See Rob Atkinson, *Modernizing UI for the New Economy and the New Social Policy*. (Washington, DC: Progressive Policy Institute, February 2002).
[34] The other approach is retraining workers so that they are more productive and better remunerated.
[35] For more, see: Frank Levy, *The New Dollar and Dreams* and Richard Freeman, *The New Inequality*.
[36] Sorien Schmidt and Dan Gerlach, *Working Hard is not Enough* (Raleigh, North Carolina: North Carolina Justice and Community Development Center: 2001, p. 13.)

the federal EITC, and set its refundable state EITC at a level that is at least 15 percent of the federal credit.[37]

Other solutions that boost income directly include: taking full advantage of the new federal Alternative Trade Adjustment Assistance (ATAA) program which targets workers 50 years or older who suffer significant wage losses in their new jobs,[38] increasing the state minimum wage, and mandating livable wages for state and local government employees, for eligible private contractors, and as a condition for companies to receive business incentives.[39]

There is a great deal of other available aid, if displaced workes' incomes fall to poverty levels ranging from food stamps to Medicaid. (See Mike Aheron's fine paper, also prepared for the Rural Dislocated Worker Summit, for details).

Mobilizing a Community-wide Crisis Intervention

For large workforce reductions relative to the size of the local economy, creating a Community-wide Economic Adjustment Team (CEAT) to mobilize and coordinate a comprehensive response to the closure, is a worthwhile response to consider. (The Pillowtex closing sparked the organization of such a group in Kannapolis.) Broadly representative of management, unions (if they exist in the workplace) or workers, a CEAT (including the chamber of commerce, Workforce Investment Board, Job Link Center, human services, community college, media, county manager) would tackle issues such as: reemployment and job search training; job clubs and support groups; mental health and other personal counseling problems; household budget issues; job creation; and education and training. These Teams can take the place of the labor-management committees outlined above, or include a worker/management sub-committee.

There have been countless examples of such CEATs. The vast majority have made a real difference even if they could not buffer the workers and community from all the harm caused by the shutdown and even if they did not transform the area's economy in the wake of its restructuring. In a comprehensive examination of 28 such examples for the Council for Urban Economic Development (now called the International Economic Development Council), John Lynch concluded that:

> There really can never be any one composite recovery approach which fits all communities … There is one common element among the 28 community recovery and diversification

[37] CFED, *2002 State Asset Development Report Card,* p. 123-124.

[38] If such a worker is reemployed full-time within 26 weeks (not by the previous employer that laid off the worker) and is making no more than $50,000 annually, she or he can receive 50 percent of the difference between the old and new wage for two years (not to exceed $10,000 yearly).

[39] The first concept directly targets dislocated workers. The others just increase the pay of new employment. In business incentive terminology, requirements that companies create "good" jobs in exchange for public subsidies are called "wage standards." According to the North Carolina Justice and Community Development Center, the statewide average living wage (2001 cost data) is about $10.60/hour. The minimum wage is $5.15/hour. According to a CFED/North Carolina Justice Center Study (2001), *Dislocated Workers in North Carolina,* for manufacturing workers in the state, "the average pre-layoff wage would have provided a living income for a one-parent, one-child household in either a rural or urban county in North Carolina. In every case, the post-layoff standard earned by those workers was below the Living Income Standard. In fact, both before being laid-off and after reemployment, the average manufacturing worker did not earn enough money to support a two-parent , two-child family alone . . . The best case for these reemployed manufacturing workers is that another family member can work full-time to get them up to Living Income Level."

> cases examined in this study: a certain individual or group of persons had a concern, a commitment, and a compassion for the future wellbeing of his her community. This leader or group of leaders was not satisfied to let complacency . . . rule the community's future . . . Most of all, they provided leadership during the crisis or period of change.[40]

The state role is to have the staff expertise, training skills, time, and how-to materials to equip these efforts early in the layoff process.[41]

Restoring Health Benefits

North Carolina lags behind other states when it comes to health insurance availability. The state ranks 23rd in the U.S. in terms of employer-provided health insurance. Furthermore, of the 415,000 working parents in North Carolina earning below 200 percent of the federal poverty level, about one-third or 137,000 already do not have health insurance. Worker displacement just adds to the problem of the uninsured by creating more of them. Why?

Even if their former employers are covered by COBRA laws[42] and continue paying their past employer-sponsored insurance, now they must pay the full premium – about $553 for family coverage and $255 for individual coverage. With UI averaging $1066 monthly, few could afford this price tag. The result? While 65 percent of all workers qualify for COBRA, only 7 percent of those who lose their jobs enroll in it. Indeed, more than 46 percent of the jobless lack health insurance. Further, during the last recession, about 1.5 million workers lost their jobs monthly. At the same time, more than 690,000 of these workers lost their health coverage each month. Household budget data documents that those workers without insurance, for even short-term periods such as six or less months, face action by a collection agency for nonpayment of medical bills (37 percent), do not see a doctor although sick (31 percent), and do not fill prescriptions (35 percent).[43]

---

[40] John Lynch, "Composite Plant Closure Recovery Project" in Lynch (editor), *Plant Closures and Community Recovery* (CUED: 1990), p. 187. A similar view is espoused by Ross Gittell in *Renewing Cities* (1992) in his discussion of Lowell, MA and other older industrial small cities. Louis Ferman's studies of community strategies in the sixties and seventies said success depended on "a combination of concern, coordination and mobilization, augmented by a realistic strategy to solve problems and a determination to use resources of several levels of government." Without a good plan and implementation, more money will just be wasted, he also opined. Terry Buss and Roger Vaughan have authored a book, *On The Rebound: Helping Workers Cope with Plant Closings* (Washington, DC: Council of State Policy and Planning Agencies, 1988), which looks at these questions in relation to Youngstown, Ohio's experience with more 20 steel plant closings alone. Leadership made a larger difference there and its uneven quality undermined responses to the closing in the early years. Conflicts in the city probably discouraged efforts to raise monies for economic development and adjustment programs as well.

[41] Some experts, such as economist Howard Rosen, believe that the need for such structures (CEATs) to be created in states is infrequent enough that these efforts would be better served by specialized national U.S. Department of Labor staff, instead, providing the required set-up and management technical assistance.

[42] COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1985) is a federal law that allows an unemployed worker to maintain his previous health benefits policy at his last firm, if he pays the full premium himself. The person has a right to continue this insurance for two years, through the former employer's plan.

[43] Stan Dorn, "Some Facts about Laid-off Workers without Health Coverage" Economic and Social Research Institute (no date). More background can be found in: Lynn Etheredge and Stan Dorn, "Health Insurance for Laid-off Workers: A Time for Action." Economic and Social Research Institute (Current Policy Series Number 5: February 2003); Stan Dorn and Jack Meyer, "What Health Coverage Would Laid-off Workers Obtain under recent Tax Credit Proposals?" Economic and Social Research Institute (Issue Alert 2: March 2002); and Stan Dorn and Jack Meyer, "Health Coverage for Laid-off Workers: Searching for Common Ground." Economic and Social Research Institute (Issue Alert 3: May 2002).

Within this otherwise grim picture rose a glimmer of hope, provided by the latest version of Trade Adjustment Assistance (TAA). Traditionally, it provides income support, training, job search and relocation assistance to workers whose jobs were lost in large part to increasing imports. Enacted first in 1962, the latest version, passed as part of Bush's Trade Promotion Authority Bill (2002), now provides a health insurance tax credit. This is a refundable and advanceable tax credit that covers 65 percent of a premium. This federal program is called the Health Coverage Tax Credit (HCTC).[44] It was enacted as part of the Trade Act of 2002 to help two groups of American workers:

1. Workers who lose their employment due to effects of international trade and are eligible for certain Trade Adjustment Assistance benefits, or are eligible for benefits under the Alternative Trade Adjustment Assistance program; and
2. People who receive benefits from the Pension Benefit Guarantee Corporation and are at least 55 years old. (This last group is irrelevant for the purposes of this paper.)

Workers who are certified under Trade Adjustment Assistance (which means they lost their jobs due to imports or relocation abroad) can access a program that pays 65 percent of their health plan premiums as long as they are eligible. Hundreds of thousands of Americans can potentially take advantage of this program. It can also cover their family. Further, it is not a government insurance program. Instead, private insurers selected by the state or by employers through COBRA provide the insurance.

It became operational on August 1, 2003. There have been some hiccups in its implementation. However, there are also a few serious systemic issues that have appeared in almost all states.[45] Let's look at these difficulties to start with:

1. The 65 percent subsidy is too small for most affected workers.
2. Unless the state implements a special bridge financing program (like North Carolina's), beneficiaries must pay the first several months of premiums in full themselves, before advance payment starts.
3. Unreasonable expectations are placed on workers to establish and maintain coverage. At the outset, they must apply for coverage in three places (the state workforce agency, the health insurer, and the IRS). They cannot waive confidentiality and let an expert represent them; instead, as circumstances change and problems emerge, they are largely asked to fend for themselves. As a result, many do not obtain coverage or they lose it after a short time. Also, when a state or health plan steps in to provide the necessary case management, the administrative costs can be immense.
4. States are permitted to offer non-group coverage with medically underwritten premiums. As a result, because of factors entirely outside a worker's control (such as age, gender, and prior health history), insurance can be unaffordable. Ironically, it is least affordable for those that need it the most.

[44] Internal Revenue Service, *HCTC Tool Kit.*
[45] Stan Dorn and Todd Kutyla, *Health Coverage Tax Credits under the Trade Act of 2002: A Preliminary Analysis of Program Operation.* Commonwealth Fund: April 2004.

5. No benefit requirements apply to state-based coverage. As a result, in some states (thankfully not in North Carolina), no health plans are available that provide essential services.
6. Workers who are uninsured for 63 days or more between job loss and enrolling in an HCTC plan can be subject to preexisting condition exclusions or flatly denied coverage.[46]

A few states have done an especially good job of implementing HCTC.[47] **Maryland** has the best record of enrolling HCTC participants (according to IRS data). The state uses a community-rated high-risk pool as their state-qualified plan. The plan is age-rated, but there is no medical underwriting.[48] They offer two plans: a more generous HMO (Health Maintenance Organization) and Preferred Physician Organization (PPO) with more cost sharing. Most HCTC beneficiaries choose the HMO.

Maryland also has a bridge-type program, akin to North Carolina's. They have automated routines that expedite outreach to laid-off workers as follows. Their UI database shows the worker's last employer. The state automatically cross-checks that listing against the firms that the U.S. Department of Labor has certified as trade-impacted (TAA eligibility). They then investigate the information on hand about workers whose prior firms are so listed, sending appropriate names to the HCTC program.

A noteworthy step that **Michigan** has taken is to provide pure, community rated coverage via Blue Cross/Blue Shield. Everyone buying single-person coverage pays the same premium amount, regardless of age or gender, and there is no medical underwriting. The Blue Cross/Blue Shield Plan in Michigan does not seem to have a problem with that approach. (Michigan's nongroup market has very different rules from North Carolina. So, this would require some investigation, relevant to its feasibility.)

There are a variety of thoughtful suggestions for rectifying HCTC's flaws. Federal legislation has already been introduced to tackle these issues.[49] But if this does not happen or if federal action is

---

[46] Stan Dorn, Economic and Social Research Institute (July 2, 2004) Personal communication. This list does not include the problems caused by slow certification of TAA eligible firms and workers. Also, see: "Jury Still Out on Tax Credits to Cover the Uninsured" Commonwealth Fund (April 1, 2004) Press Release; and Stan Dorn and Todd Kutyla, "Health Coverage Tax Credits Under the Trade Act of 2002." Economic and Social Research Institute (Issue Brief: April 2004).
[47] Personal communication regarding state approaches from Stan Dorn (July 9, 2004).
[48] Some definitions are needed now. Medical underwriting (e.g., experience rating) is the process of setting the price for a health insurance policy by using the actual health status of the person or group that is covered to estimate their likely future claims. The opposite of this is community rating – setting health insurance rates so that every one in the community pays the same rates. Some forms allow modest adjustments for age and gender. Next, a HMO is an organization that provides comprehensive medical care for a fixed annual fee. Some rely on staff doctors; others use a network of affiliate physicians. A PPO is a group of physicians who have contracted with an insurance company to offer more favorable rates.
[49] A noteworthy bipartisan amendment that received 54 Senate votes (not the 60 needed to pass) was based on the detailed federal reform suggestions found in: Stan Dorn, "How Can National Policymaker Improve Health Coverage Tax Credits under the Trade Act of 2002. Economic and Social Research Institute (May 2004). For other reform ideas and policy analysis, see: Sonya Schwartz, "The Trade Act Health Insurance Subsidy: Update from the States" Families USA (no date). In addition, the following bills have been introduced to rectify HCTC difficulties: S. 1018 (Bayh-D, Rockefeller-D, Mikulski-D, Clinton-D and Sarbanes-D; S. 2531 (Wyden-D); and HR. 3881 (many sponsors). Decent reforms are a definite possibility. The Bush Administration itself is concerned about the limited use of their HCTC program.

slow, creative state governments such as North Carolina's could address the above challenges in the following ways:

1. Supplement the 65 percent subsidy. A state could either, for example, kick in another 15 percent of the premium for everyone, or pay a lot more than 65 percent for low-income recipients (as certified by the state agency running its State Children's Health Insurance Program, for instance).[50]
2. Run something similar to the existing ad hoc North Carolina bridge financing program. The state would work with the IRS to see if a revolving loan fund could be established. It might work as follows: The worker who gets the bridge payment assigns to the state the worker's right to an HCTC refund of coverage for that month. IRS could then pay the refund directly to the state, financing future bridge payments.
3. Offer community-rated coverage. For example, a state could offer "shadow" Medicaid or SCHIP coverage. The same insurer that provides SCHIP children could provide the same benefit package, with the same provider networks, to HCTC beneficiaries. HCTC participants would need to be placed in a separate group, to avoid violating federal statutory prohibitions of contracting with a federally-reimbursed state health plan. The premium would be set based on the cost of coverage.[51]

Finally, there is a remaining problem. Not all displaced workers are eligible for TAA benefits like the tax credit. A state could use the HCTC, along with its needed reforms, to build a broader set of changes to help all displaced workers without health coverage. According to health insurance expert Stan Dorn,

> Long before HCTC, **Massachusetts** established a program for UI recipients, called the **Medical Security Program** . . . Basically, the state contracts with Blue Cross to administer a commercial-type set of benefits, called "Direct." Workers with incomes under 200 per cent of Federal Poverty Level (FPL) can either have the state pay a percentage of COBRA premiums (something like 75 percent) or enroll in Direct. Workers between 201 and 400 percent of FPL must use COBRA if available, but can go into Direct if it is not available.
>
> Something like this could be integrated with HCTC. For example, a state-established direct pay plan could be available on a sliding scale – for free to laid-off workers with income below 100 percent of poverty, for a 10 percent premium payment between 101 and 200 percent of poverty, and a 20 percent premium payment above that level, perhaps limited to HCTC beneficiaries.
>
> The state would try to maximize federal dollars by using HCTCs to pay 65 percent of premiums (lowering the state's share) and maximizing Medicaid eligibility.[52] (Plus, the state could tap its unique North Carolina Health Choice for Children program to cobble something worthwhile and a bit more comprehensive than HCTC on its own.)

[50] The State Children's Health Insurance Program (SCHIP) was created in 1997. Its purpose is to address the health care needs of children in families with incomes that are to high to qualify for Medicaid but too low to afford private health coverage.
[51] Personal communication with Stan Dorn (July 9, 2004).
[52] Ibid.

The state could also take a very different tack and pursue an effort to improve small business provisions of health benefits: a popular idea, given the constituency and the fact that roughly 47 percent of the uninsured are employees at small firms (100 or fewer employees). Yet, this approach will not eliminate the problem of the uninsured displace worker as the last suggestions would begin to do, but it offers another piecemeal, potentially popular avenue for insuring more of the uninsured. Moreover, the unaffordability of small business benefits would affect displaced workers if they are reemployed by a smaller firm.

Here are the usual reasons advanced and a synopsis of the policy options:

- Small businesses are an important source of North Carolina's employer-based health insurance coverage. Improving their ability to offer this benefit gives better employment opportunities for all North Carolina job seekers, including the displaced.
- Future health premium increases will likely cause further reductions in coverage.
- Low-wage workers are more likely to work for firms that do not offer coverage.
- The smaller the firm the less likely health coverage is offered.
- Health coverage is important for employee retention.
- Workers may not be taking the insurance offered due to premium cost share.

There are a variety of ways of tackling these concerns:

COSE (Council of Small Enterprises) is a division of the **Greater Cleveland Partnership** – one of the country's largest metro chambers of commerce – serves as a one-stop resource for nearly 16,700 member companies. The organization uses its group purchasing power to negotiate the best deal for health insurance and other employee benefit plans. COSE even manages these programs on behalf of its members.

The state of North Carolina could create a task force with the small business community and help them devise an appropriate approach. It is perfectly legal. The only challenge is designing it so that it does not harm other non-member businesses and North Carolina citizens by amassing a "too" healthy pool of customers and curbing the approach of community rating. This is quite a challenging danger to overcome.

There are two models being used by business coalitions helping small business get access to their provider networks and associated discounts and expertise: the simple coalition approach and the co-operative.

The evidence is that the coalition model does a better job at offering the small business members' employees more insurance choice, relieving their employers of some administrative burdens and giving them better advice, than at actually lowering costs markedly.[53]

Cooperatives really do not do a lot better.[54] They tend to be often good at offering choice, since they have a more explicit "grassroots" membership wanting this. But they may do even worse than

[53] Jack Meyer and others, "Business Initiatives to Expand Health Coverage for Workers in Small Firms: Volumes I and II" (The Commonwealth Fund: 2001).

simple coalitions in lowering premiums much. Private insurance companies find the cooperative structure and membership base somewhat challenging to deal with. To save a lot on price, they, like the coalition model, have to get big and reach critical mass. This is hard. At the same time, even if they are fairly large, they will not be big enough to have an appreciable effect on lowering the numbers of the uninsured. Critics also argue that their likely size also is not optimal for offering full community rating.

COSE works, because it is so big – its enrollment is about 200,000 persons. Another success is a **California** entity, created originally by the state and now run by the Pacific Business Group on Health (**PacAdvantage**). This cooperative has 147,000 members. In our state, however, the **North Carolina Purchasing Alliances** started in 1995, folded in 2000.

There are further dangers with these approaches.[55] The insurance model is predicated on the ability to spread risk as broadly as possible. Nobody knows in advance whether they will be high or low risk. Since 5 percent of the public use about 50 percent of the health care dollar, seniors are more needy than the young, the poor are more needy than the rich, women cost more to cover than men, and many of the young disproportionately self-insure, private insurance firms can use medical underwriting and try to "cherry-pick" a small, defined group that is more profitable to serve. Such an approach can also be a good deal for the selected group, saving them money, relative to other insurance options. But it also can have the effect of leading to a scenario where the young, the affluent, and the healthy exit health insurance risk pools that include too many of the poor, the sick, and the old.

A permutation of this, relevant to small business buying efforts and health insurance cooperatives, is the current federal proposal for Association Health Plans (AHP). These could allow small employers to use their purchasing power, operating outside state insurance laws, thereby weakening consumer protections and undermining the group markets. By being exempt from state rules, AHPs could lower their premiums but by doing so they can avoid having business members with older or sicker workers. This, in turn, will drive up the prices of many other employers seeking to create their own AHP and buy policies just for their firm.

The lesson? If private, rather than public options are pursued, they should encourage larger group markets and try hard to insure the uninsured, rather than just offer new and better deals for the currently insured.

So, the large fiscal resource potentials of HCTC should not be scoffed at. It can work better and be integrated with other health programs like North Carolina Health Choice. What is needed is more creative thinking and packaging of the separate federal/state pools of insurance funds.

Mitigating Foreclosures

An all too frequent nightmare that displaced workers and their families face is falling behind in their mortgage payments and losing their homes. In the wake of foreclosure, "credit is ruined, families

[54] See the Issue Brief by Elliot Wicks, "Health Insurance Purchasing Cooperatives." (The Commonwealth Fund: November 2002).
[55] This discussion is based strongly on testimony of Ronald Pollack, Families USA, entitled "America's Uninsured: Myths, Realities and Solutions" (January 6, 2004).

are displaced, children are uprooted from their schools, domestic tensions heat up, safety and security are diminished and hope for the future is battered. Perhaps most importantly, families lose their single best hope for building wealth and owning their share of the American dream. At a broader level, foreclosures can have a dramatic negative impact on neighborhood and community wealth, property values, tax collections and the demand for services. As with individual families, mortgage foreclosures can sap communities of their vitality and optimism and contribute to a vicious cycle of failure that can make prosperity very difficult to recapture."[56] In North Carolina, "job losses and declining wages have combined with other factors to cause state home mortgage foreclosures to shoot up from around 15,000 in 1998 to 44,000 in 2003."[57]

Pennsylvania's program, **Homeowners Emergency Mortgage Assistance Program** (HEMAP), was established in 1983 during a time of record mass layoffs and foreclosures. HEMAP "provides temporary loan assistance to bring a loan current and may provide up to 24 moths of continued mortgage payment assistance. Today, after 21 years, more than 32,000 homeowners have been helped."[58]

A North Carolina anti-foreclosure coalition has developed a proposal, the **North Carolina Home Protection Fund**, akin to the Pennsylvania program. The proposal was interested in the recent short session and would apply to households that are 60 days delinquent, that are experiencing hardship through no fault of their own (e.g., job loss, family illness, underemployment after dislocation), and whose lenders approved their rights to seek financial assistance from the Fund. The applicant would have 30 days to work with a certified financial counselor and seek funding. During the application phase, foreclosure proceedings could not be brought against the borrower.[59] Approved applicants would have to demonstrate reasonable prospects of being able to carry the mortgage in the future. Total mortgage help could not exceed two years and "the lien position would need to be no worse than one-third."[60] This version of the legislation did not pass, but $1.7 million was earmarked in the budget for a pilot lending project, that would be managed by the North Carolina Housing Finance Agency. The rules and criteria for the demonstration are now being developed.

Two preventive measures offer states additional instruments for lowering mortgage delinquency and foreclosures: post-purchase education and counseling.[61] First, there is Homeownership Sustainability Training, which offers new and existing homeowners informational background on everything from home repair and safety to budgeting and tax issues. Second, Delinquency Counseling tries to help homeowners that are struggling to make their housing payments. Indeed, one key to avoiding foreclosure is adequate time to negotiate with lenders. Too often, borrowers call counselors after being delinquent for 90 days. Agencies funded by HUD to provide the latter service dealt with 150,000 delinquent borrowers in 2001. At the same time, nationally, there were

---

[56] North Carolina Justice and Community Development Center, "Home Mortgage Foreclosure Flood Continues: What Can State Lawmakers Do to Stem the Tide?" *North Carolina Policy Brief* (May 17, 2004), p.2. Rental evictions are also important. But they are a complicated issue involving local *and* state laws that we won't deal with here.
[57] Ibid.
[58] Ibid, p. 2.
[59] Ibid.
[60] Ibid, p. 2-4.
[61] See Mark Wiranowski, *Sustaining Home Ownership Through Education and Counseling* (Joint Center for Housing Studies of Harvard University/Neighborhood Reinvestment Corporation, October 2003); and Lucy Gorham, Roberto Quercia, and William Rohe. *Effective Practices in Post-Purchase Foreclosure Prevention and Sustainable Homeownership Programs,* Center for Urban and Regional Studies, University of North Carolina at Chapel Hill, October 3, 2003.

about 400,000 homeowners in the foreclosure process at the end of 2002.[62]

There are several promising post-purchase counseling and education models which can be replicated. Further research on which stakeholders could really benefit from lower rates of foreclosure is needed.[63] Federal Community Reinvestment Act (CRA) credit could be offered to lenders who pilot and test the effectiveness of innovative education and counseling models.[64]

Tapping the Talent of the Workers

Innovative policymakers and program managers should not neglect involving soon-to-be displaced workers.

Two options that capitalize on workers' themselves are *management-employee committees* and *peer counseling networks*. On-site management-employee committees are comprised of workers and managers who collaborate with other public, private, and nonprofit organizations to assess adjustment needs, plan the best ways to meet these needs, and address the pressing problems of dislocated workers. These committees help displaced workers because they aid in assessing the critical needs of the target population, developing customized plans for assistance, and monitoring service delivery and program effectiveness.

Canadian policymakers masterminded a very effective approach to engaging the soon-to-be terminated workforce and connecting them to the local labor market and available services through the creation of plant-level management-employee committees. The Industrial Adjustment Service uses this tool, because its staff believes that worker adjustment should begin before the shutdown and much of this assistance is best delivered or channeled directly through those involved in the workforce reduction.[65] The U.S. experience with management-employee committees has been favorable as well.[66] In fact, the U.S. Department of Labor advocates this approach and outlines the elements in their successful operation on its own website.[67]

A report issued by the U.S. General Accounting Office (GAO) addresses the effectiveness of labor management committees and identifies the "best practices" at the state level.[68] Determinations about the effectiveness of such labor management committees are derived from four in-depth case

---

[62] Ibid

[63] Gorham, Quercia, and Rohe state on page 3: "Even though mortgage loan holders save a significant amount of money when a delinquent borrower avoids default, many do not perceive a direct benefit from funding for post-purchase services. An assessment is needed of who really profits from post-purchase services and the results used to make the case for who should fund them."

[64] Wiranowski, p. 2.

[65] For background on IAS, see: Office of Technology Assessment, *Technology and Structural Unemployment: Reemploying Displaced Adults*.

[66] The U.S. Department of Labor points out that they are called a variety of names – workforce adjustment committees, workforce adjustment committee, workforce transition committee, transition teams, community response teams, community adjustment committees, peer counseling networks, joint adjustment committees, etc. Some of these are structured differently and undertake varied activities. This will become clearer as the paper unfolds.

[67] htpp://www.doleta.us/

[68] "Dislocated Workers: Labor Management Committees Enhance Reemployment Assistance" U.S. General Accounting Office, Washington D.C. HRD-90-3, November 1989. The Brock Task Force on Worker Adjustment during the Reagan Administration also recommended this approach be widely adopted.

studies in **Idaho, Michigan, New Jersey, and Vermont**.[69]

More specifically, the report states: "The ability of labor-management committees to tailor assistance to worker needs was strengthened when (1) state officials provided guidance on effective dislocated worker assistance and available resources, (2) service providers worked willingly with the committee and committees had sufficient authority to influence service delivery decisions, and (3) committee members were available to carry out committee activities."[70] **Michigan** actively uses them. A staff person in the **Wisconsin Dislocated Worker Unit** contends that they work most effectively if a trade union is present and takes part. Peer counseling networks have been organized by a number of national unions to support and advise fellow workers in transition in their careers.[71]

The State of **Idaho** continues to organize peer groups to assist dislocated workers. The primary goal of the Peer Support effort is the reemployment of the workers unemployed by the closure.

The Peer Support Specialists serve as advocates for these dislocated workers, act as their liaison with service delivers, and monitor the outcome of their reemployment effort. (All Peer Support Specialists are actually dislocated workers from the same facility whose fellow employees they are serving.)

The Peer Support Specialist's work activities are in support of the following objectives: (1) assist in providing information on available services for laid-off employees; (2) aid in identifying the service needs of laid-off employees; (3) maintain an updated comprehensive list of all laid-off employees that indicates each person's status for seeking reemployment; (4) assist in outreach efforts and promote early reemployment and retraining service utilization; (5) coordinate closely with the Job Service (one-stops) and Idaho Department of Labor's Rapid Response Team; and (6) assist in other reemployment efforts as requested by the Job Service.

The Peer Support Specialists go through an orientation at the Job Service so they have first-hand knowledge of all services available for impacted employees. The Peers are hired on a contract basis for a defined period of time. If their services are needed beyond the specified date, the Department extends the contract.[72]

Idaho AFL-CIO representatives provide all peers with a peer training session. The company is also involved. They assist us identifying appropriate individuals to work as peer counselors.

Peer Support Specialists can make a big difference in the success of programs to help workers who are stressed out, while coping with job loss or obsolete skills. Peer Support Specialists help with the transition to new employment, principally by motivating workers to take constructive and timely action and utilize all relevant adjustment and human service programs.

---

[69] Canada has run similar programs for many years. These have been well-evaluated, documenting their positive impacts on dislocated workers' reemployment experiences. A good short description of its work can be found in Leigh, *Assisting Displaced Workers: Do The States Have A Better Idea?*

[70] Ibid, 21-22.

[71] For more details, see: Lee Schore and Jerry Atkin, *Serving Workers in Transition: A Guide for Peer Support.* Washington, DC: AFL-CIO Human Resources Development Institute, 1995.

[72] Personal correspondence with Leandra Burns, Idaho (June 29, 2004).

Running Worker Service Centers

One of the most successful programs to deal with plant closings and major workforce reductions have been comprehensive worker assistance centers, which provide a central place for job training, referral, and counseling, along with other needed services. The centers are typically created through collaborative efforts of companies, unions, and public agencies. They are the exception, however, not the rule: most firms have (at most) limited program orientation sessions and job search workshops. (In fact, a U.S. Government Accounting Office study in 1991 found that only one-third of employers offer any job assistance when a plant closing happens.)[73]

Research in the early 1990s for the U.S. Department of Labor, Bureau of Labor-Management Relations and Cooperative Programs hired two experts that had observed and participated in the development of cooperative worker assistance programs at more than 40 companies.[74] In the final report, they selected four plant-specific programs and one union-wide program for further analysis. Most operated under collective bargaining agreements, but varied greatly, concerning the amount of advance notice given to employees, prior cooperation between company and union, the role of the public agencies, and the willingness of the company and union officials to closely observe and document the efforts.

Researchers authored four plant-specific case studies of initiatives jointly sponsored by:

- Allied-Signal Corporation/United Auto Workers (UAW), Vincennes, **Indiana**;
- General Electric Company/International Union of Electrical Workers (IUE), Schenectady, **New York**;
- International Harvester Corporation/UAW, Louisville, **Kentucky**; and
- Bethlehem Steel Corporation/United Steelworkers of America (USWA), Sparrows Point, **Maryland**.

An additional case study investigated the USWA union-wide model assistance center program. Besides exploring these examples, the authors consulted the collective bargaining frameworks and any established union or company policies and practices on the adjustment issue.

Ideally, centers operated before and after the layoff on-site or nearby, include space for workshops, counseling, job search activities, meetings, orientation sessions, and so forth. Typical services available at the centers include:

- Center orientation and employee benefits counseling;
- Self-help reemployment assistance (e.g., job search workshops, job clubs, resume preparation assistance, job and career counseling, etc);
- Services to offset the impact of job loss (e.g., stress counseling, referrals to social services, etc);

---

[73] U.S. Government Accounting Office, *Plant Closings: Limited Advance Notice and Assistance Provided Dislocated Workers.* (Washington, DC: GPO, 1987.

[74] Ruth Fedrau and Kevin Balfe, *Cooperative Labor-Management Worker Adjustment Programs.* (Washington, DC: U.S. Department of Labor, Bureau of Labor-Management Relations and Cooperative Programs, BLMR 133: 1991). The study also included a short literature review of important studies, articles and books, running back to 1955.

- Direct job placement assistance (e.g., job development, notification of job openings, coordination with Employment Service, training and relocation programs, etc); and
- Education and training (e.g., some on-site, some on-the-job or classroom based elsewhere).

The study outlines the "invariant" reactions and stages of those losing their job, the usual steps for creating and operating a well- designed and -managed center, the dynamics of a tripartite planning process, the role of collective bargaining provisions, the uses of Job Training Partnership Act funds (precursor to WIA), and the factors that support or undermine such an approach to labor-management cooperation.

Before summarizing site achievements, the authors noted the factors that can affect results and must be kept in mind when designing or evaluating these centers:

- The health and structure of the local economy and especially the number of displaced workers with similar skills competing in the area;
- Displaced employees' wage rates relative to prevailing wages;
- The availability of severance benefits and early retirement options (the latter eliminates workers from the job seekers, while the former may delay their job search or be more selective than those without such funds);
- Worker skills, education levels, and wages;
- Plant's reputation in field – a factor in facilitating job placements; and
- The circumstances of the layoffs – did it involve any recalls, does the plant have a history of layoffs and recalls, was it sold to another company, is it closing, etc.

Allied Signal and International Harvester showed impressive results in worker participation rates in available services and job placements (73 and 66 percent). Wages were lower than before, but reasonably good, compared to other manufacturing jobs in the community. Two of the programs were still operating: final results were not available. And one of these had difficulties recruiting and placing participants, because the center was opened after the layoffs, plus plant recalls had given workers the hope that more old jobs would be reinstated. Company and union representatives were generally happy with the results. These efforts also helped to improve labor-management relations to a degree and encourage further cooperation elsewhere at other facilities in union-company efforts to raise productivity. The other examples, that the authors were familiar with, documented roughly similar outcomes.

Encouraging such approaches in North Carolina is highly desirable, but superficially impractical. They are driven in part by union participation and organized labor is very weak in this state. It might be possible to interest larger corporations, which are otherwise financially healthy, and who are known for a more humane approach to layoffs to consider co-creating a center with public partners and employee volunteers/appointees. With time and money (both of which are short), the employee participants could undergo additional training and orientation instruction by the North Carolina Dislocated Worker Unit staff. Possibly, union experts on centers and peer counseling from outside the state, if they are not available in-state, could be hired as consultants and trainers.

Dealing with State and Local Revenue Loss

In times of recession and major plant closings, state and local policymakers face a situation that is, in some respects, tougher than that of the business community. Deficits are ballooning, budgets have been slashed, but, unlike private companies, their "customers" are demanding more services: more and more citizens need income support, food stamps, retraining, health and housing assistance, and dozens of necessary and *costly* services. State and local governments are forced to make tough choices about their spending priorities and taxing regimes. But it is not uncommon for many of the resulting funding choices to treat the most obvious symptoms of economic trouble and often displace efforts that seek more solidly grounded, long-term gains. An illustration would be if a governor cut K-12 education while funding new business incentives. (North Carolina Governor Easley enhanced K-12 education monies and worked hard to protect other educational institutions during the recent fiscal crisis.)

Yet, there is another way to look at these fiscal challenges: admit that hard times are never welcome, but they do create opportunities for positive changes in governmental structures, spending priorities, service delivery methods, and revenue policies. Long, put-off changes, that have been elusive for years, often can rise to the top of the list of essential actions.[75]

Governor Locke in **Washington State** was facing a massive budget shortfall of $2 billion in 2002. His staff and consultants began with fiscal "first aid":

- Undertaking a reasonable effort to forecast short- and mid-term revenues;[76]
- Delaying program expansions to an explicit certain date;
- Deciding if any tax loopholes, credits or deductions should be suspended or terminated;
- Instituting an amnesty program to collect unpaid taxes and toughen collection efforts for those that did not take the amnesty option;
- Requiring employees to take unpaid days off (e.g., often called – furloughs);
- Issuing general obligation and/or revenue bonds to finance projects, especially capital projects, to free up general fund monies;
- Refinancing, if feasible, existing bonds at lower interests;
- Stepping up foundation and government fundraising activities; and
- Encouraging early retirement by providing cost-effective incentives to employees.

Governor Locke also chose to use the crisis as a means of breaking with "business-as-usual." His consultants from the Public Strategies Group (including David Osborne and Peter Hutchinson) argued that the fiscal challenge should be turned on its head: one starts by changing the definition of the problem from "cuts" – how best to trim 10 to 15 percent to "keeps" – how best to spend the 85

[75] Much of this section is based on discussions with David Osborne and his new book – *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (co-authored with Peter Hutchinson). This book, along with the comprehensive *The Reinventor's Fieldbook* (co-authored by David Osborne and Peter Plastrik), abound with real-live examples that flesh out these ideas for reform.

[76] A high quality estimate can give policymakers, public administrators, and the citizenry more transparency and start building a consensus about the size and character of the problem.

or 90 percent.

This entailed the Locke Administration to adopt a "results-based" budgeting process. This involved no longer looking at last year's budget as entitlements. Policymakers, staff, and other advisors decided on a "price of government" (e.g., overall spending and revenues) that they intend to live within, set priority benchmarks for administration (after getting feedback from citizens, experts, agencies, etc.), reexamined existing programs across agencies that address a specific benchmark (for instance, increasing the percentage of workforce with associates and college degrees), and determined which current programs matter and what new programs should be launched. Next, they calculated costs for each priority and finalized the budget. Lastly, they developed a "purchasing" strategy that could entail continuing service delivery in the same old way, privatizing some services, or converting public agencies to "enterprises" that must, at least, stay within budget, but, ideally save money or even generate new revenues. (And hopefully, the results are monitored and a more refined, less frantic version is launched for the next budget.)

Much of this approach could be adapted for a smaller-scale model in counties and towns that are hit by significant shutdowns. In this case, local policymakers could use the fiscal situation to consolidate services like printing, fleet maintenance, telecommunications, and information technology, exploring new partnerships with other jurisdictions and levels of government. To cite other examples, this might be the right time to consolidate schools, sell water treatment services to another town, regionalize law enforcement data, or create new Internet portals.

Improving Displaced Workers Understanding of and Access to Reemployment Options

The purpose of these adjustment efforts is to speed the process of reemployment and cut the private and social costs of joblessness.

Several traditional steps can be taken to reduce the mismatch between the availability of specific job opportunities and the awareness and capacity of dislocated workers:

- Assist workers to seek jobs in new, growing industries, through job search training, job clubs, job development, help in resume presentation, etc.;
- Help with rehearsing job interviews; and
- Create needed support services in areas such as transit and day care.

In addition, in this section of the report, we focus on some other promising paths to faster and better reemployment:

- Using management innovation to improve one-stop performance ranging from career counseling to job search advice, from job development to job clubs, from GED's to occupational training referrals;
- Enhancing "soft skills" (e.g., non-technical often "people" skills, work attitudes, accommodating work culture in a specific firm, participating in teams);
- Getting businesses more involved in job search, job development, and other adjustment

activities;

- Requiring "First Source" Hiring Agreements for firms accepting a North Carolina business incentive; and
- Funding subsidies for hiring the state's jobless, including displaced employees.

Using Management Innovations to Improve Job Brokering Services in One-Stop Centers

Matching workers with job opportunities is an essential process for a dynamic capitalist economy. Annually, more than 10 percent of the American labor force is seeking new employment. Some are unemployed; others are not. Many, because of the networks they know, their ability to sell themselves and their skills, will succeed in finding a good match between their desires and qualifications and an employer's. Others, however, due to a shortfall of jobs, rusty or undeveloped job search skills, the formality or informality of employers' approaches to recruitment and hiring, need help. Likewise, businesses benefit from this assistance in their efforts to screen prospects and obtain reliable referrals.[77]

Historically, the New Deal's Wagner-Peyser Act created the Employment Service (ES), which has performed many of these services universally for both businesses and job seekers without charges or conditions. Today, ES operations include more than 3,400 offices nationwide. They help to make up part of the network of one-stop shops, as called for in the Workforce Investment Act (WIA) of 1998.[78]

One stop activities for job seekers include: assessment, counseling, testing, job search training, and job placement. For employers, the one-stops take job orders, recruit, screen, and refer suitable applicants. In addition, they collect and manage labor market data and administer Unemployment Insurance and a number of required labor adjustment programs.[79] Under WIA, 17 categories of programs, called "mandatory partners" and possessing appropriations of $15 billion in appropriations from four agencies, are required to provide services through this new one-stop system.[80]

Overall federal financing for ES functions have been dramatically reduced. Measured in real terms, its budget fell by 37.2 percent from 1984 to 2002. Outside evaluations found, understandably, a decline in one-on-one assistance, counseling and testing associated with decreased funding. The variation in performance across states widened. Yet, some still operated at a high standard; others did not.

Other past national studies of ES job brokering activities, find that:

- Although ES primarily places workers at jobs that require little screening, it is highly cost

[77] Randall Eberts and Harry Holzer, "Introduction" in David Balducchi, Randall Eberts, and Christopher O'Leary (editors), *Labor Exchange Policy in the United States* (Kalamazoo, MI: Upjohn Institute for Employment Research, 2004).
[78] U.S. Government Accounting Office (GAO), *Workforce Investment Act: Exemplary One-Stops Devised Strategies to Strengthen Services, But Challenges Remain for Reauthorization* (GAO-03-884T) June 18, 2003. WIA was passed in 1998 and implemented by most states by 2000.
[79] Eberts and Holzer (2004).
[80] GAO, p. 3.

effective in reducing the length of joblessness and does not place registrants in dead-end jobs.

- ES was effective with those clients who were most likely to face challenges in finding work on their own.
- ES makes the greatest difference after UI recipients have exhausted their benefits.
- ES labor exchange activities are important the more that information about the quantity and quality of jobs is imperfect and that certain classes, races, and ethnic groups are either discriminated against or isolated from important job referral networks.
- ES is most used by the poor, the less educated (only high school education), racial minorities, etc.
- Nationwide, ES was used most by industries hiring white collar workers with no college education, for manufacturers, and the largest establishments.
- The Internet is changing the job search process, but is far from ending the need for more personalized, interactive services.
- The use of ES has fallen during the past decades.[81]

The WIA law has increased the importance and centrality of the ES despite this bleak funding picture. Is there a way to enhance their services, raise average practice to best practice, and enhance ES offices and other one-stop centers productivity? 14 sites investigated by the U.S. Government Accounting Office appear to point the way forward.

GAO found that "state and localities found ways to use the flexibility of WIA to develop creative new approaches to providing services through their one-stop systems . . . To streamline services for job seekers, they ensured that job seekers could readily access needed services, made sure that staff were knowledgeable about all of the one-stop services available, or consolidated case management and intake procedures. To engage and serve employers, the centers dedicated staff to work with employers or industries, tailored services to meet specific employers' needs, or worked with employers through intermediaries. To build a solid one-stop infrastructure, the centers found innovative ways to develop and strengthen program partnerships and to raise additional funds beyond those provided under WIA."[82]

Highlights include:

- In Erie, **Pennsylvania**, a staff person knowledgeable about all the center's options spoke with each customer on entrance.
- In Boston, **Massachusetts**, the one-stop placed staff off-site at family courts, correctional facilities, and welfare offices to inform potential clients.
- In Salt Lake City, **Utah** and Pikeville, **Kentucky**, all staff were trained to know the full range of 17 programs. Pikeville staff even designed an accessible services flow chart for its clients.

[81] Background drawn from Holzer and Eberts (see above).
[82] GAO, p. 1. This does not mean that more federal financing is not needed. One-stops need more funding to deal with incumbent employees and their employers. And the cost sharing with partners is not enough to provide the quality of services required by existing customers.

- Ten of the centers consolidated their intake processes and case management systems. In Blaine, **Minnesota**, caseworkers from various one-stop programs met jointly to deal with customers enrolled in multiple programs.
- In Killeen, **Texas,** staff were dedicated to serve not only the single point of contact for all employer calls and requests, but to identify job openings with these firms.
- In Aurora, **Colorado**, staff were assigned to work with specific industries, such as health care. To deal with a nursing shortage, the one-stop helped to create a health care recruitment center and program.
- The Pikeville one-stop offered tailored services for business attraction (e.g., pre-screening and interviewing applicants and conducting a job fair to attract potential employees).
- Erie staff positions were reorganized into teams – a career resource team, a job seeker services team, an employer services team, and an operations team. This specialization, combined with periodic joint problem solving and innovation meetings led to improved performance.
- Managers in 12 of the 14 sites studied increased funds through fee-based services, grants, and contributions from employers, their federal categorical partners, and state and local governments – Dayton, **Ohio** ($1 million), Clarksville, **Tennessee** ($750,000), and Kansas City, **Kansas** (two-thirds of its $21 million budget.)

In North Carolina, the Opportunities Industrialization Center (OIC) of Wilson, a WIA-sponsored community based organization provides training to assist displaced rural workers, many of whom are former tobacco workers, reenter the workforce. OIC of Wilson's "Project New Start," has established working relationships with employers, recruiting, staffing, and placement organizations. According to its program manager, it has done a great deal to increase the motivation of the displaced work to seek new employment and training opportunities. The challenge has been to strengthen employer receptivity to the workers.

The U.S. Department of Labor and technical experts have been encouraging another emerging strategy that uses statistical tools to tailor services, spur reemployment and cut UI costs. What is needed is a technique that helps the ES staff memberidentify those likely to have the greatest challenges in becoming reemployed and deciding on the proper mix of employment services for a client. This could lead to proactive efforts, rather than waiting until someone has been unsuccessful in their job hunt for some time, and then augmenting earlier services.

The one-stop could possibly tap outside expertise to match a job seeker's attributes (e.g., age, schooling, prior employment, etc.) and create an employability likelihood number. When entering the system, the ES staff person will gather relevant information and classify the client in one of three employability categories. They are then matched with the relevant package of JSA services. This approach has been well tested with welfare-to-work clients and awaits new applications, such as dislocated workers.[83]

[83] Randall Eberts, Christopher O'Leary, and Stephen Wandner (editors) *Targeting Employment Services.* (Kalamazoo, M.D.: Upjohn Institute for Employment Research, 2002.

Soft Skills: A Bridge to Employment

Generally speaking, displaced workers are "job ready" – they have been in the workforce for some time and know what is expected of them in their old line of work. However, there may be cases where their so-called "soft skills" are weak if they wish to move to a firm whose "culture" is very different from their previous job.

> Soft skills . . . are nontechnical skills, abilities, and traits required to function in a specific employment environment to: deliver information or services to customers and co-workers; work effectively as a member of a team; learn or acquire the technical skills necessary to perform a task; inspire the confidence of supervisors and management; and understand and adapt to the cultural norms of the workplace.[84]

There are scores of organizations providing soft skills training, aimed principally at youth, former welfare recipients, ex-offenders, and others facing challenges in obtaining and retaining suitable employment. But it could be adapted for use with dislocated workers wishing to leave their previous occupation and industry.

The leader in this field is probably **STRIVE**. Based in **New York City** (Harlem) with affiliated sites elsewhere, it offers a well-tested three-week training program emphasizing individual ownership of the skills and attitudes needed to obtain and retain employment. Training also begins the process of thinking about job advancement and long-term careers. STRIVE delivers follow-up services as well. Regarding no job is a dead-end job, the program is structured to help its clients develop a solid work history and then be invited to return and take their Career Path program, consisting of advanced attitudinal training, career planning, and sectoral and hard-skills training. 80 percent annual job placement rates have been recorded by STRIVE (New York) and its 23 affiliates. (Soft skills are an element in some **North Carolina** workforce programs as well.)

Involving the Business Community in Customized Employment Services

A few employers are known for their innovative approaches to employment security and responsible layoff policies. These firms make employment security a part of their corporate strategy by matching workforce levels to long-term demand, encouraging flexibility by cross training employees, maintaining a lean workforce, and pursuing collaborative efforts to improve productivity and costs. They also use human resource management techniques to buffer the workforce against swings in the business cycle, technological improvements, and other threats to the enterprise. These firms really go the extra mile to find new jobs when layoffs occur by providing adequate advance notice and outplacement services to laid-off or terminated workers. And if the plant is being closed and it is feasible, they could work cooperatively with those seeking to find a new owner, or to convert the facility to attract or create replacement jobs, or even to explore an employee buyout of the plant.

Levi Strauss is known for its severance packages, retraining assistance, and its grants to local communities for needed community and economic development projects.

Levi Straus Corporation was forced in 1997 to accelerate its layoffs and downsizing. The last two American plants, located in San Antonio, TX are now closing. The firm is even outsourcing their Docker manufacturing jobs, which is one of their most profitable lines.

[84] Annie Casey Foundation, "Soft Skills Gap," (Jobs Initiative, no date) www.aecf.org .

Levi Strauss sought to provide significant benefits to its terminated employees. Each former worker was given handsome severance benefits, based on tenure at the firm (many had worked there for 20-plus years), and a $6,000 "allowance" that could be used for education or retraining, starting a small business or relocation expenses. This second benefit was designed carefully so that, regardless of the state in which the employee resided, it would not jeopardize eligibility for state or federal benefits. Additionally, Levi Strauss established a career support center for one year, hired career counseling professionals that provided individualized advice and guidance,[85] and hired a job development firm to help former employees search for and land a new job.

During the last few years, Levi had to trim some of these benefits. The $6,000 fund has been reduced to roughly $2,500 and the career guidance and job search assistance is now delivered only on a group basis. Since 1997, the 14,000 to 15,000 Levi employees who formerly worked in approximately 25-plus plants have received severance packages somewhere between this one and the one described above.

Many other private firms go the extra mile as well. For instance, **J. P. Morgan – Chase**, hired CAEL to run a career center for their laid off employees. Each employee is notified of their termination sixty days in advance. CAEL works with the laid off workers by providing tailored one-on-one career guidance and helping them to spend wisely a $2,500 education grant. CAEL makes sure that the training provider is a reputable operation. In addition, there is another firm that provides job development and search services for these employees.

Obviously, most companies cannot or will not go this far. But it is important that economic adjustment staff know about the range of private practices and talk to firms about their willingness to partner and invest.

First Source Hiring Agreements

The jobless who are hurting most in the hiring queue often need a "hand-up." "First Source" hiring agreements require private companies that receive public monies to agree to use the public sector (and its nonprofit contractors) as their "first source" for new job hires, such as dislocated workers, persons moving from welfare to work, and so forth. The state or local government acts as the "job developer" on behalf of the private firm, identifying and screening potential workers, and arranging training services. The private company is under no obligation to hire these workers, but must interview them before seeking any other possible employees. **JobNet**, a successful program in Portland, **Oregon**, started in the mid-1980s when the city required a semi-conductor firm to hire all production workers through the city's Comprehensive Employment Training Act (CETA) program in return for incentives. Since then JobNet has worked with over 160 companies, completed 52 first source agreements, screened more than 16,000 individuals, and filled 2,018 jobs throughout the metro area. Of these hires, most were minorities, living in the targeted area of Northeast Portland; more than 90 percent of these had low or moderate-incomes. Other successful programs exist in

[85] This firm, CAEL (Council for Adult and Experimental Learning), had people on-site. They were also charged with helping employees integrate any and all services that were needed. Especially important were their efforts to line up sources of small business technical assistance. Interviews with their staff were the source for this section. It is also important to note that Levi's and their partners made mistakes along the way. Not everything went perfectly.

Berkeley, **California** and Minneapolis, **Minnesota**.[86] **North Carolina's House of Representatives** passed unanimously a first source hiring bill (House Bill 1760) along these lines in the short session in 2004, but the bill did not get out of the Senate Finance Committee.

Targeted Job Creation Grant Program

One of the paradoxes of the field of business incentives is that most development subsidies are capital-based, though they are intended to create jobs. Capital subsidies *can* generate increased employment but usually as a byproduct of increased production.[87] Labor-targeted subsidies offer more direct and potentially cost-effective ways of creating jobs. More than a dozen such labor-based programs have been run nationally, statewide, or as particular demonstration projects (and there are scores of illustrations in Europe).

One example of a successful state-level employment subsidy that is linked to a job referral system for hiring the unemployed was the **Minnesota Emergency Employment Development** (MEED) program. Passed in 1983 in response to the state's worst depression since the 1930s, MEED began as a two-year, $70 million program to create temporary jobs in government and nonprofit agencies and permanent jobs in the private sector. MEED offered employers up to $4 an hour in wage subsidies and $1 an hour in benefits for 26 weeks to hire people who had been state residents for at least one month, were unemployed, and were ineligible for unemployment insurance and workers compensation. Over its existence, MEED enrolled about 42,000 people, with more than 64 percent filling private sector jobs. An internal evaluation documented that by the end of the program, the initial cost was partially offset by reductions in general assistance payments and increases in state tax revenues. It created over 18,000 permanent jobs (more than was projected) at a net cost per permanent job of around $3,100. According to an evaluation by economist Timothy Bartik, "In surveys of participating employers, more than 90 percent reported that the program had a minimum of red tape and its rules were easy to understand. More than 80 percent of participating employers were satisfied with the performance of their MEED workers."[88]

Improving Displaced Workers' Appreciation of and Access to Training and Education

The American workplace is undergoing profound changes that are requiring many more workers to acquire advanced skills to stay competitive in a global economy. A skilled workforce is key to maintaining the nation's productivity and economic competitiveness.[89] Moreover, it can raise worker incomes, augment their marketable skills, and improve the profitability and survival prospects of their employers.

---

[86] For more, Center for Community Change, Making Connections: *A Study of Employment Linkage Strategies*.

[87] Indeed, with more productivity, the most likely consequence is to cut jobs. Only if its markets are also expanding will a business offer more jobs as an accompaniment to increased productivity. The jobs and their skill requirements may change as well.

[88] Timothy Bartik, *Jobs for the Poor: Can Labor Demand Policies Help?* (Upjohn Institute for Employment Research, 2001), p. 216. CFED has developed a proposal for a North Carolina program in *Are There Alternatives to Traditional Business Incentives?*

[89] Regional Technology Strategies, Inc. *A Comprehensive Look At State-Funded, Employer-Focused Job Training Programs*, National Governor's Association, Center for Best Practices: 1999.

Yet, employers often under-invest in training, especially for the non-college educated segment of their workforces. (Empirical research documents a tendency to invest least in the less-skilled employees for a series of related reasons.)[90] This is true despite today's seemingly large scale private sector spending on training services. There is an understandable incentive to invest less than society needs (and the firm needs) and to earmark scarce monies for firm-specific uses, because employees that are better trained and more productive are the most tempting targets for workforce "piracy." Investments in training, like any other business financial decision, are undertaken only if they generate a sufficient return. Many of the returns to increased firm training accrues to either the employee, society, or the "free-loading" firm, making the investment unattractive.

Employees are also likely to invest "sub-optimally." Lack of quality and accessible information on the types of specific training or education that pays off, risk aversion, and for the less affluent, cash flow challenges combine to make training unattractive to workers.

And there is always the inevitable question: "Training for What?" Appendix One deals with this hefty subject.

In this important section, we discuss a number of exciting training reforms:

- Delivering quality incumbent worker training;
- Applying effective practice models to displaced workers;
- Tailoring educational services for older adults; and
- Linking workforce development with manufacturing modernization

Delivering Quality Incumbent Worker Training

Potentially displaced workers are probably best helped by good incumbent worker training programs, due to their on-the-job training structure. Most state governments run customized worker training, focusing in large part on upgrading incumbent worker skills, along with financing training for new business attraction projects.

Probably the foremost and most studied model is **California's Employment Training Panel** Program. Originally created in 1982, it was meant to fund customized job training for displaced or potentially displaced workers and helps California firms avert layoffs and upgrade their productivity. It was financed creatively by reducing the state portion of the UI taxes paid by employers by 0.1

[90] See, for instance: Amanda Ahlstrand, Lauri Bassi, and Daniel McMurrer, *Workplace Education for Low-Wage Workers.* (Kalamazoo: Upjohn Institute for Employment Research, 2003). They state: "Once people leave the education system, most – perhaps all – of their continuing education and training opportunities are provided through the workplace . . . It is now a well-established research finding that the probability that workers will receive workplace education is directly proportional to their wage and education levels." (p. 2) Firms believe that they get a better yield on their training dollar for the higher skilled and low-wage, and low-skill employees previous experience with schooling make them less than enthusiastic in demanding more education and training. Sadly, "the best evidence on the impact of workplace education and training indicates that those workers who receive it earn significantly higher wages than comparable workers who do not receive education at work. For example the wage rate benefit of 40 hours of workplace education is estimated to be 8 percent, which is as large as the return from an entire year of schooling." (p.4)

percent, and enacting a new equivalent state Employment Training tax of 0.1 percent on employers with positive reserves in their UI accounts. Funds from a previous year can be carried over.[91]

Today, 95.2 percent of ETP trainees are incumbent workers (the rest are dislocated workers seeking new employment). Governed by an independent panel of management and labor representatives, it has spent $762 million and trained 417,000 workers. ETP is paid for its performance – a trainee must complete the program and hold a training-related job for 90 days. Jobs must meet wage and benefit standards (minimum standards for each industry) and be fairly secure (e.g., low turnover rates).[92]

A thorough, recent study documented that in the first year after training, the program increased *trainees' employment stability*, which saved the state $2 million. It increased *productivity* by $48 million (by increasing *trainee earnings* and increasing *employment at other California businesses*). ETP also *saved California jobs*. The study translated this positive impact into the following figures. It amounted to: $61 million in UI savings, a prevention of trainees' temporary earnings losses (another $167 million), and prevention of other California firms' losses (an estimate of $134 million). The researchers calculated in total that the ETP cohort's training had an impact of about $413 million on the California economy in the first year after training.[93] Case studies of particular firms also evidenced positive benefits over costs, as well as happy business customers. Lastly, the authors recommended that customized training programs in other states would be enhanced if they:

1. Share governance between labor, management, and public representatives
2. Make sure that state investment generates additional training and does not simply replace existing training
3. Pay for performance
4. Subsidize training, but don't foot the whole bill
5. Target basic (export-oriented) industries and threatened companies; and
6. Avoid the use exclusive training providers by maintaining competitive bidding processes and performance reviews. [94]

Applying Effective Practice Models to Retraining Displaced Workers

It is important to note that case studies and how-to best practice materials on economic adjustment virtually disappeared during the boom of the nineties. With labor markets tight, the manufacturing rebound of Michigan, Ohio and others, and a drop in the size of the displacement population, little work on best practice occurred (this is despite the increase in WIA dollars for dislocated workers).

If you sift through the literature and the scores of premier examples from the eighties and nineties, the lessons and benefits are clear:

---

[91] Richard Moore, Daniel Blake, Michael Phillips, and Daniel McConaughy. *Training That Works: Lessons from California's Employment Training Panel Program.* Kalamazoo, MI: Upjohn Institute for Employment Research, 2003, p. 7.
[92] Ibid, p. 7.
[93] Ibid, p. 154.
[94] Ibid, 173-182. **North Carolina** is also known nationally for the quality of its Community College System and its incumbent worker training.

- Advance notice helps.
- Access to the plant and the workers before shutdown is needed.
- On-site service delivery works the best.
- Joint management/employee involvement matters for planning, participation, and implementation.
- Technical and financial support is required.
- A strong communication network helps to keep workers informed and motivated.
- Workers need to be convinced that this is a final layoff and they will not be called back.
- Participation in transition programs can be high—100 percent for orientation on services and benefits, 70 percent for testing and assessment, 30-35 percent for education and training.
- Job search training, personal networks, the employer's respect and contacts, and a professional job developer hired to serve the workers are the preferred ways to get a new job.
- On-the-job training (OJT) worked the best.
- Classroom training was usually not effective.
- Workers tended to be reluctant to access remedial education/literacy programs. But, if combined with OJT, it seemed to happen and be effective.
- Earlier wages were not matched. But, in the best programs, those that obtained assistance did better those that did not.
- In some cases, 90 percent of workers felt services were helpful, effective and well publicized and even had positive views of their employer.[95]

Although there is not much current case example materials available on programs targeted for the displaced, here is an interesting one. **Mississippi's** Greenville Tech is well-respected for their **Quick Jobs with A Future Program.** Operated by the Buck Mickel Center, its managers take pride in their ability to help the unemployed, as well as the person lacking a particular skill or searching for a better job move forward rapidly on these goals. In 2001, when 14,000 upstate workers lost their jobs, the program's staff quickly responded with meetings with local employers to assess their area's employment potential and required job skills. Building on this with a needs survey, Tech staff identified 25 courses to meet the likely job openings. They also sought to develop a training product that offered basic skill development in a short-term, affordable, flexible, and hands-on format. Training would last for only 90 days or less to keep course costs low and aid in rapid reemployment. Those students without a high school diploma or GED were not exempted from participation.

A massive outreach and marketing effort was mobilized, involving low- and high-tech, the formal and informal. By working with the state ESC and local Workforce Investment Board (WIB), they compiled a list of every displaced worker and mailed them a letter, describing the courses, available funds for subsidizing training, and orientation and counseling information. $57,000 was raised for funding – mostly from the community. As of 2003, more than 700 jobless workers registered,

[95] Gary B. Hansen, "Two Years Later: A Follow-up Survey of the Labor Force Status and Adjustment of Workers Displaced by the 1983 Ford San Jose Assembly Plant Closure." Utah State University, Business and Economic Development Services (April 1986).

graduate rates were at 84 percent, and about 82 percent of the graduates have found employment.[96] This effort appears to be a promising model for fast training for moderate-skill and moderate-income jobs. Its marketing was thoughtful too, involving churches, schools, the media, and mailings.

Project Quest in **San Antonio, Texas** originated in part from a major plant shutdown. It sought to help these workers and later, those in the workforce that fit the profile of a potential displaced worker, but one who was holding down a job and wanted to advance up a career ladder. It provides up to two years of training, requires a high school diploma and screens its applicants. During their training, participants are linked to various support services they may require: child care, counseling, even veterans' assistance programs. Many participants are supported during training by public income support, some live with family members, and some work. Financed by both government, foundations, and corporate contributions, they place graduates in more than 50 employer partners. Jobs start at a minimum of $7.50 per hour. Continuing labor market research, combined with job pledges from corporate partners, assures that such jobs will be waiting for graduates.

Although Quest requires a diploma or GED, nearly 60 per cent have received welfare, 60 percent are women, one-third are single parents, and three-fourths are minorities. Pre-program incomes are low, but the program, according to an early MIT evaluation, increased annual earnings for participants between $4,923 and $7,457. Its yields on its dollars invested are positive and Quest has been singled out for a number of awards as an exemplary workforce development organization. Project Quest has demonstrated to its corporate partners that its graduates are ready to work.

ESC of Wilson, North Carolina assists in promoting and sustaining the economic well being of North Carolinians in the world marketplace by providing high quality and accessible workforce-related services. Wilson's **School Payment Program** is aimed at assisting displaced workers by providing unemployment assistance while workers go back to school and attain a high school diploma. In order to stay in the program, individuals must maintain a 2.0 GPA and good class attendance. The program reimburses clients for commuting expenses in some cases and provides daycare assistance. Once an individual completes the program and finds a job, the ESC pays the employer during the firm-specified training period approximately one-half of the individual's hourly rate – up to a maximum benefit of $1,500.

The best way to bring this portrait of displaced worker training practice up to date is to look at the decades of U.S. workforce development policy and practice with a range of clients (not just the dislocated), describing the direction in which the field is moving and identifying effective practice principles and service packages that seem to fit displaced workers' profile.

First, what success factors stand out? Employer involvement. Quality training in hard and soft skills. Job development, placement, retention, and advancement services are as key as the actual skill upgrading. Workforce supports like help with day care may be a necessity.[97]

---

[96] Background from Promising Practice, Workforce Development, Special Populations at www.southern.org (Southern Growth Policy Board).

[97] The literature is vast. A trip to the Job Initiative site at www.aecf.org will pay off handsomely. Also, consult the works of the Corporation for Public/Private Ventures, such as: Carol Clymer, "By Design: Engaging Employers in Workforce Development Organizations" www.ppv.org . Go to the Workforce Alliance case studies www.workforcealliance.org (Its publication, "Skill Training Works" is helpful as well.) and those at the National Network of Sector Partners www.nedlp.org . For a community-base angle, see: Rist and Sahay, "Community-based

Training and intermediary organizations that make most short lists include:

- Business-based: **Greater Cleveland Growth Association**; and **San Francisco Works.**
- Community-based: **Center for Employment Training (California, North Carolina, etc); WIRE-NET (Cleveland); Focus-Hope (Detroit); Jane Addams Resource Corporation (Chicago); Bethel New Life (Chicago); STRIVE National Network (New York City);** and **Training Inc. National Association (Boston).**
- Coalitions: **Chicago Jobs Coalition;** and **New York City Employment and Training Coalition.**
- Unions and labor affiliates: **Consortium for Worker Education (New York City);** and **Wisconsin Regional Partnership**.
- City government: **Seattle Job Initiative.**
- Rural: **Coastal Enterprises (Maine).**

Next is the vision, as expressed by an American Assembly meeting on labor market policies and intermediaries.

1. It is a dual customer system -- meeting the needs of workers for jobs and career advancement and of employers for productive employees.
2. Because of the shrinking number of unionized workplaces, the growth of contracting out, and the decline in "internal labor markets/structured career ladders," new workforce intermediaries are required. These workforce intermediaries bring labor supply and demand together with the aims of linking together key partners and functions to advance careers for all workers (including the poor) and to increase productivity and competitiveness. Business organizations, nonprofits, community colleges, secondary education institutions, labor organizations, public workforce actors, and others can all pursue workforce intermediary strategies.
3. This may require creating new institutions or "virtual" organizations.
4. These linkage and intermediary-building efforts organize multiple partners and funding streams around common goals, bringing together businesses, educational institutions, social service agencies, and other providers to design and implement programs and policies that improve labor market outcomes.
5. Brokering or labor market services that understand the special needs -- and gain the trust -- of firms and industries go beyond recruitment and referral services.
6. Such "effective practice" models should seek to reduce turnover and increase economic mobility for workers by assuring continued support and opportunities to upgrade skills.
7. They must engage in continuous improvement.
8. Above all, they must be results-oriented and improve outcomes for both firms and their workers by catalyzing improvements in public systems *and* business employment practices.

Tailoring Educational Services for Older Student/Workers

Organizations and Business Networks" (CFED); Weiss and Harrison, "Workforce Development Networks: Community-based Organizations and Regional Alliances"; and Lyall and Schweke, "Using Alliance-based Development Strategies for Economic Empowerment" (CFED).

Displaced workers aged 55 and older pose particular educational and retraining challenges. Like most non-traditional students, they are usually financially independent and have dependent(s). They rarely enroll as full-time students, meaning that their educational commitment is just one among important, competing demands such as family or life maintenance. They have limited time, money, and energy for education, and they are reluctant to reenter formal classroom settings where instructors may be younger and/or know less about particular subjects than they. Yet, older displaced workers are especially vulnerable to shifts in job requirements and industrial or trade strengths since they are least likely to be willing to relocate or to have skills that are easily transferable. Those most in need of help adapting to the current labor market conditions are the least likely to seek training.

Now since "the number of working adults pursuing any sort of training or education already outnumbers traditional college students by 6 to 1,"[98] community colleges, universities, employers, and government agencies have adopted a number of practices that increase the likelihood that an older student will enroll and succeed in his or her program of study. These include:

- Hiring *peer instructors* who can relate to the life circumstances of their students. These instructors regard students as collaborators in the education process. (University of **Idaho**)
- *Flexible class offerings* that allow students the opportunity to work, seek work, or care for children while also enrolling in school. This can include classes taken over the Internet (Durham County Technical College, **North Carolina**) as well as classes taken in the evenings or on weekends (Maryhurst University, **Oregon**).
- Pairing students with *mentors or advisors* from community-based organizations and businesses to ensure the relevance of the program of study to occupation goals (Empire State University, **New York**)
- *Flexible tuition arrangements* that recognize the many financial demands of older students (e.g.—mortgages, car loans). Arrangements that schedule payments over the semester (DePaul University, **Illinois**) sometimes make it possible for older students to enroll. Syracuse University (**New York)** rewards consistent achievement with reduced tuition or free credit hours.
- *Connecting course content to everyday life or work* raises the relevance of the material and the engagement of the older student (**West Virginia** Institute of Technology).[99]

To summarize:

> Working adult students pursuing credentialed skill development would benefit most from eligibility policies that allow and support shorter credential programs, modularization of courses, open entry-open exist programming, and distance learning. In a world where skills are skills and traditional four-year degrees no longer are key, working adults need access to shorter, more flexible education and training opportunities.[100]

---

[98] Brian Bosworth and Victoria Choitz, "Held Back: How Student Aid Programs Fail Working Adults.' (Future Works: April 2002), p. 3.
[99] This discussion is based on: Thomas Flint, Paul Zakos, and Ruth Frey, *Best Practices in Adult Learning: A Self-Evaluation Workbook for Colleges and Universities. (*Chicago, IL: Council for Adult and Experimental Learning and Adult Learning Focused Institution of Higher Education: 2002); and the thorough, but a trifle dated chapter on adult education in OTA, *Technology and Structural Unemployment: Reemploying Displaced Adults.*
[100] Bosworth and Choitz, p. 84.

Linking Manufacturing Modernization Programs with Workforce Development

During the past few years, a number of Manufacturing Extension Partnership (MEP) centers, state customized training programs, and state and local Workforce Investment Boards (WIBs) have begun to collaborate more closely.[101] They include:

- In **Oklahoma**: an effort to train staff in twenty companies about "lean manufacture";
- In **Rhode Island**: WIA-financed Individual Training Account monies (a kind of voucher) were used to enable laid-off and lower-income incumbent workers to take courses in "lean manufacture" processes;
- In **New York**: a variety of workforce funds were tapped to finance English-as-a-Second-Language classes for shop floor workers;
- In **Oregon**: efforts include an Advanced Manufacturing Academy;
- In **Pennsylvania**: outreach about careers in manufacturing to area high school students, summer internships with firms, and the creation of a consortium of firms working on common training issues and strategies;
- In **Illinois**: agencies worked cooperatively upgrade firm-based skills for first tier suppliers to the new (and mega) Boeing project; and
- In **Maine**: training and other assistance to in-state firms helped them to become suppliers to defense contractors through the New England Defense Manufacturing Supply Chain Database.

To advance this cause and take it to another level might require copying the U.S. Department of Labor demo projects for establishing private/public sector or consortia-based efforts to deal with skill shortages and intermediary development. Grants could be provided for: (1) skill gap assessments across sub-state regions; (2) strategic skills gap action plans; and (3) training capacity enhancement seed grants. (U.S. Senator Cantwell – D-WA; and Senator Collins – R-ME are working on a federal bill along these lines.) But North Carolina could get ahead of the curve and tailor their own approach.

Extending and Supporting New Enterprise Development

Entrepreneurship in many respects is virtually synonymous with economic development.

Economic development is a process through which wealth is created. Wealth is generated by innovation. Innovation is spurred by know-how – both formal and tacit. Know-how is embodied in people as human capital. In a market economy, human capital is in the service of profit-making.

[101] Personal conversations with Nancy Hewat of Public Policy Associates on June 20, 2004, about an upcoming publication, *Building Successful Relationships in Economic and Workforce Development*. When the study is approved by the federal government and published, more details will be available about names and locations.

Development then is a profoundly human process. People who combine resources—natural, capital, and technological – in new ways and to new ends are the dynamic elements in the economic equation. These individuals are usually called – entrepreneurs.

Entrepreneurs try to "capture customers' spending with innovations in goods and services, in methods of production, or in markets. It is an endless discovery process. The twists and turns as the development path unwinds cannot be easily predicted. Opportunities arise out of the fact that all solutions to economic problems – what to produce, how to make it, and where to market it – are not readily known."[102]

The popular image of the entrepreneur is that of a white, male engineer in his mid-30s, starting a high-tech business backed by venture capital. Certainly this is an accurate picture of some, but just as certainly it is not an accurate picture of the hundreds of thousands of Americans who will start businesses this year, or, more importantly, of those who could start businesses.

Entrepreneurs are made, not born. The extent to which they are made depends on the degree to which they are perceived by society – and by themselves – as potential creators of wealth, and the extent to which they therefore receive the encouragement, educational investment, and access to capital to hone their entrepreneurial talents.

A full-blown state effort to nurture and support its entrepreneurial talent might set these goals:

1. Bring entrepreneurial education programs to a large proportion of North Carolina's school districts within five years;
2. Offer credit (and continuing education) courses in entrepreneurship in all of the state's four-year universities;
3. Increase enrollment in entrepreneurship education classes in the community colleges (North Carolina is already active in this area);
4. Make training opportunities for fledging entrepreneurs readily available in all parts of the state;
5. Ensure affordable, convenient, and effective sources of information and technical assistance to entrepreneurs across the state;
6. Promote an entrepreneurship culture within the most economically disadvantaged parts of the state;
7. Raise the profile of North Carolina entrepreneurs and the state's improving entrepreneurial climate (such as an annual award for entrepreneurial development);
8. Ensure access to equity and debt capital in all parts of the state; and
9. Make entrepreneurship a high-priority economic development strategy (e.g., creating a standing entrepreneurship commission, publishing an annual report on progress regarding the above goals, acting as the advocate and guardian of the agenda, etc.).[103]

[102] Roger Vaughan, *The Wealth of States.* (Washington, DC: Council of Planning Agencies, 1985), p. 5.
[103] This is drawn from Brian Dabson, *Connecting the Dots*, A Report on Entrepreneurship for the Winthrop Rockefeller Foundation of Arkansas (CFED: 2002)

States with an Entrepreneurial Vision[104]

Sadly, many states simply rename and repackage what they are already doing in economic development and call it an entrepreneurial initiative. But there are those that put in a genuine effort: "those that walk the walk and talk the talk."

West Virginia has launched a model, a **"league of entrepreneurs"** in the Advantage Valley that many entrepreneurial policy experts are watching. Developed by entrepreneurship policy gurus and researchers Tom Lyons and Greg Lichtenstein in work for the Appalachian Regional Commission, the Advantage Valley Entrepreneurial League System is designed to apply the concept of baseball farm clubs to this field! Lyons and Lichtenstein argue that past efforts to support entrepreneurs have run effective programs, organized around a specific tool or strategy, but have not cultivated a real climate for entrepreneurial initiative, reached any serious level of scale, created a less confusing and more integrated and accessible system of services, and have not transformed the enterprise growth process. The League is a tiered learning organization structured to link entrepreneurs with resources and mentors. Business owners will be assigned to one of four classes – rookie, class A, AA, and AAA – based on skill level. The purpose is to encourage peer learning, raise skills, and refer the owner to the right technical assistance provider or source of financing at the right time.[105]

The latest entry in the field is **Georgia**. Its **Entrepreneur Network** is a joint effort of the Advanced Technology Development Center and Georgia Tech's Economic Development Institute, which is designed to help communities develop and implement strategies to encourage and support entrepreneurs, starting with raising awareness, mapping assets, and identifying programs and practices that will make a genuine difference in the entrepreneurial climate.[106]

North Carolina has been on the enterprise development map for some time with its capital access program, microenterprise support services, and efforts to expand venture capital for rural firms (Dogwood Equity). Today, North Carolina is fortunate to have a major project underway, the **Institute for Rural Entrepreneurship** (sponsored by the North Carolina Rural Economic Development Center), that is tackling the full challenge of creating a positive climate for entrepreneurs. As part of this work, the Rural Center funded research by the Center for Rural Entrepreneurship.[107] The study has been completed and made these recommendations:

1. *Collaboration*: The Business Resource Alliance ("The Alliance") is a great step in bringing all providers together. The Alliance should consider some joint training. Collaborative Branding of the whole service system with joint marketing, a common logo, and statewide

[104] The important strategy of business retention and modernization is addressed later in the paper.
[105] Gregg Lichtenstein, Thomas Lyons, and Nailya Kutzhanova, "Building Entrepreneurial Communities: The Appropriate Role of Enterprise Development Activities (January 2004). Their critique of past programs and statement of the nature of entrepreneurial communities is very illuminating.
[106] Others that stand out as rural exemplars are: **Nebraska**: REAP effort for microenterprise lending and its Hometown Competitiveness effort to build community development capacity and leadership; **Minnesota**: VEN or Virtual Entrepreneurship Network, an effort of Minnesota Rural Partners; **Kansas**: The Kansas Department of Development is using Community Development Block Grant Funds to bankroll five rural pilots of the internationally replicated Enterprise Facilitation approach of the Sirolli Institute. The source for these examples is a conversation with Don Macke, Center for Rural Entrepreneurship (July 7, 2004) and more information can be found at http://ruraleship.org .
[107] Erik Pages and Deborah Markley, "Understanding the Environment for Entrepreneurship in Rural North Carolina" (Center for Rural Entrepreneurship: January 2004).

portal and 800 number would help too. These changes might lead to more coordinated and common intake procedures.

2. *Increased funding*: This is needed for both the SBC (Small Business Centers) and SBTDC (Small Business Technology Development Centers. These are the state's chief means of providing assistance in management, marketing, financing, business planning, etc. for North Carolina's smaller firms.
3. *Recognized diversity*: Now is the time to embrace new ways to reach out to the growing Hispanic population and provide appropriate services. Similar efforts targeted through the Institute for Minority Enterprise Development and the North Carolina Indian Economic Development Initiative would lead to serving more customers and linking them more closely with the larger Alliance.
4. *A pipeline of entrepreneurs*: Build on North Carolina REAL Enterprises' efforts in youth enterprise, along with other youth-based business education programs.
5. *Information for economic development professionals*: Historically, North Carolina local development practitioners worked almost exclusively on attraction efforts and were not conversant with entrepreneurial dynamics, networks, and strategies. This is changing, but more could be done to provide these professionals with training on small business development strategies.
6. *Seed local networks*: Encourage local networks of entrepreneurs and the self-employed to meet, learn from each other, and evolve common policy agendas.
7. *Creation of a "step-up" microenterprise program*: This would provide larger loans -- $25,000 to $50,000 to micro-owners ready to expand their operations.
8. *Build formal research capacity*: We need more detailed knowledge of this dimension of the North Carolina economy and the workings of support programs.

Along with the precedents in other states, there's a wealth of ideas in the Center for Rural Entrepreneurship's study that North Carolina policymakers should consider for action. Another study will be released in fall 2004 on entrepreneurship education and training in the state, which might offer more lessons for North Carolina specifically related to workforce development.

The **North Carolina Institute for Rural Entrepreneurship** recently launched an entrepreneurial communities effort. Its premise is to move beyond the standard concept of "enterprise development" as assistance to entrepreneurs in support of the creation, growth and survival of their businesses. The state has already plenty of enterprise development "stuff". What is required, instead, is a full-court press to promote entrepreneurial "culture" in our rural communities. This will start creating a pipeline of new entrepreneurs, a new relationship to business assistance providers, and promoting entrepreneurial awareness and literacy among community leadership.

Self Employment for Dislocated Workers

Also key is implementing a microenterprise education, training, and financing effort targeted at those displaced workers who possess the motivation and a sound business idea to succeed.

Self-employment programs allow unemployed workers the option of starting a small business as an alternative to looking for wage work. This is especially important in rural areas that have lost their industrial base and have few employment alternatives when people are laid off.

A decade ago, he U.S. Department of Labor funded pilot projects to test these propositions in Washington State and Massachusetts.

The jobless were given training and assistance in setting up their business, and their UI payments are used as support while they do so. Evaluation research reported that:

- The likelihood of starting a business roughly doubled for those participating in the program.
- Participant businesses were no more likely to fail over the first 18 months of operation than the control group businesses.
- Program participants were significantly more likely to enter any employment (either self-employed or working for others) than control group members.[108]

Numerous examples abound that have acted on this precedent, including: **Delaware, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania**, to name just a few that are allowed within the framework of UI.

The **New Opportunities for Workers** (NOW) program is an entrepreneurial training program that is targeting dislocated workers. NOW is funded by WIA dollars approved by the North Carolina Commission on Workforce Development and managed by the North Carolina Department of Commerce and Community College System. It is a joint venture of the North Carolina Rural Center, the North Carolina Small Business Center Network of the North Carolina Community College System, and North Carolina REAL Enterprises. Its goals are to provide access to small business training resources for displaced workers in struggling economies, provide alternatives for workers operating businesses "on-the-side," and provide an introductory training for workers interested in self-employment.

This is the program's second year. It was pilot-tested in 28 counties and is about to be rolled out to additional counties. Rapid Response Teams, JobLink Career Centers, and independent ESC offices are often the first point of entry and orientation, the Small Business Centers at community colleges offer counseling and other services for dislocated workers who express an interest in the program, North Carolina REAL Enterprises provides training through its entrepreneurship courses, and the North Carolina Rural Center's microenterprise loan pool is available for financing. Additional outreach and marketing is in the works, orientation and needs assessment for the workers is a key element, and referrals to technical assistance or peer group networks are available as well.

Community Development Capacity-Building

Communities long dependent upon a single employer or a particular economic sector for generations often face considerable difficulties in adjusting to a process of restructuring and decline. As important as conventional economic adjustment programs are in easing the pain of a major plant closing or mass layoff, UI, severance pay, household budgeting advice, and job search assistance often play only supportive roles in renewing communities affected by major industrial shifts or layoffs. What communities need most is a dynamic and diverse economic base and the institutions,

[108] For more details, see CFED literature review and the report, *Self Employment Programs for Unemployed Workers* (Washington, DC: U.S. Department of Labor, Employment and Training Administration, UI Occasional Paper 92-2, 1992).

attitudes, and patterns of behavior to support it on a self-sustaining basis. The critical issue facing such areas is how to create new jobs.

Solid studies, common sense, and personal anecdotes document that growth results from sustained, broadly-based local development activities. Going beyond traditional business attraction efforts to include public and private sector cooperation, local economic and community development champions must build these and other relevant capacities: assisting and requiring community planning exercises, providing financing and training to community-based development groups, targeting technical assistance and financing to communities hard hit by plant closures and general decline, and exploring new types of regional development collaborations.[109] (North Carolina Commerce Department is already active on this front with its **"21st Century Communities"** effort and the N.C. Rural Center has been active in leadership development efforts.) In the end, development organizations must be professionally competent and focused on what really matters.

There are several models of innovative community-based economic development that the state can study for consideration. **Tyrrell County** has worked hard to open its political process to be more inclusive and has created a local economy around eco-tourism and small business development that focuses on sustainability rather than luring large employers or resource-intensive industries. **The Conservation Fund** (TCF) helped the area establish a Community Development Corporation that has spawned a number of new and minority-owned businesses. A Youth Conservation Corps was established to provide job skills and educational training for young adults, along with an intensified connection with the land. Most recently, TCF is shepherding a very unique partnership, involving: assistance to the military's need for finding "compatible uses" (military flight training *and* conservation) on priority lands, promoting new economic development that leverage the area's military bases, while protecting the land and water resources and significant bird species, *and* providing for technical assistance and incentives to sustain environmentally compatible economic uses on their farms.[110]

Other programs, such as **Oregon's Rural Development Inc**. (RDI), have devised proven methods for helping a community to ascertain its competitive strengths and weaknesses and devise a new local development effort. Rural Development Initiatives' program began as "Community Initiatives," a part of the Oregon Economic and Community Development Department in 1979. Many rural, resource- dependent communities in Oregon were being impacted by the tremendous changes taking place in the use of the state's natural resources, particularly timber. The establishment of this program was based on the expressed need of rural communities for focused, hands-on assistance to respond to these changes and revitalize their depressed communities. Its initial work focused on two areas: (1) helping depressed timber dependent communities undertake strategic planning to diversify and rebuild their economic base and (2) strengthening the leadership base of rural communities through its leadership development program. In 1992, it was spun-off as a private nonprofit organization.

---

[109] For background on these approaches, see CFED, "Building Community Capacity," *The Entrepreneurial Economy Review* (Winter 1991); CFED, *Building Competitive Rural Communities: Lessons from Mississippi* (1991); CFED, *Building Healthy Communities: Resources for Compatible Development* (1997); Aspen Institute, *Measuring Community Capacity Building* (1997); and Center for Compatible Economic Development, *A Citizen's Guide To Achieving A Healthy Community, Economy and Environment* 1996).

[110] Personal conversation with M. Sager, The Conservation Fund (August 4, 2004).

Also underway in **North Carolina** is a brand-new demonstration project, **Community Entrepreneurship Demonstration Grants.** The ten projects just funded are varied – some are regional, some are not; there are a variety of sponsors, such as a community college, a town, a CDC, a crafts commission, a regional tourism office, etc. One is even led by a group of entrepreneurs. Each is exploring different strategies, from mentoring, to the Sirolli model,[111] from a cluster focus to youth enterprise. This too is a North Carolina Rural Economic Development Center effort.

North Carolina may want to develop a **Community Renewal Response Team**, akin to the **Dislocated Workers Unit** and strongly based on RDI's experience, to help struggling communities reposition their economies and create jobs in the wake of closings and downsizing. Discarded plant sites can be converted into small business incubators or new industrial parks. Entrepreneurial training can teach jobless executives and dislocated workers to create their own jobs. Federal, state, and philanthropic resources can be tapped to capitalize revolving loan funds, community development finance institutions, and seed capital funds. Such efforts would complement retargeting development incentives to poorer and struggling areas. This "SWAT" team could also help a soon to be devastated community sift through its economic development plans and determine with local input which ideas can be fast-tracked. Moreover, it could act as a sounding board, advisor, and referral for any local committee that might be tackling assignments like marketing or reusing the closed facility.

Expanding Employee Ownership

Employee ownership of business is one of the most rapidly growing phenomena in the American economy.[112] Almost unknown a couple of decades ago, there are now approximately 11,400 employee stocks ownership plans (ESOPs) and stock bonus plans. While most ownership plans provide employees with small amounts of stock, some firms are owned largely by their workers. This major and largely unheralded experiment in broadened ownership has succeeded in putting an estimated $650 billion in company assets into the hands of some 10 million white- and blue-collar workers.[113]

Employee ownership can be an excellent method of avoiding the closing or liquidation of profitable or potentially profitable businesses, thereby preserving jobs. Employee ownership gives workers a second source of income beyond their wages and is one of the few direct ways that public policy can address the problem of fostering "good jobs." Finally, employee ownership is a way to preserve and enhance the local control of economic development. Such firms are much less likely to relocate than an absentee owner branch plant.

Fueled by federal tax legislation that granted several major tax benefits, a number of states provide assistance for ESOP. Since 1974, 28 states have acted to encourage employee ownership. The efforts include declarations of support, state centers with extensive programs, tax benefits,

---

[111] The Sirolli model is a grassroots mobilization approach. A facilitator (preferably local) is hired to provide advice and support to entrepreneurs, to scout for new talent, and motivate an entire county, regarding the potential of increased entrerpreneurship.

[112] This section draws upon information from the web site of the National Center for Employee Ownership – www.nceo.org .

[113] Employee ownership is also important, because it potentially allows more equitable sharing in the productivity gains of a firm. It is meant to be a "mutual gains enterprise."

exemptions from state securities laws, loan guarantees, interest-rate subsidies and other types of special financing.[114]

The **Ohio Employee Ownership Center** (OEOC) is probably the premier nonprofit in this field. A non-profit, based at Kent State University, OEOC was founded in 1987 to provide outreach, information, and preliminary technical assistance to Ohio employees and business owners interested in exploring employee ownership. It provides ownership training on a single and multi-company basis to existing worker-owned firms and is funded by grants from state government, private foundations, dues from companies belonging to Ohio's Employee-Owned Network, income from training contracts, and donations. Services include:

- Preliminary technical assistance to companies and unions interested in exploring this ownership option;
- Pre-feasibility studies to determine whether a firm can be saved if the employees choose to purchase it (using federal Workforce Investment Act funds administered by the Ohio Displaced Worker Unit);
- Standardized and customized training that improve participation and communication in employee-owned firms;
- Educational forums for the Ohio Employee-Owned Network;
- Succession planning program (helping retiring owners find a private or employee-owned successor); and
- Publications and research.

Novel "Outside The Box" Initiatives

This section of the paper highlights six novel approaches, which address outstanding challenges in a serious way. Most need further refinement. Some are very controversial. They are:

- A North Carolina Corporate Responsibility Compact
- A Proposal for Manufacturing Triage
- A "Manhattan Project" for Aiding the Older Worker
- "Play or Pay" Training Taxes
- Employer-based Individual Development Accounts
- Raising Citizen Awareness of the "New Basic Skills"

A North Carolina Corporate Responsibility Compact

[114] Consult, for specifics, John Grummel and John Logue: "Employees and Ownership: Characteristic and Policy Implications of State Employee Ownership Legislation" OEOC: 2003.

The main federal funding tool for dislocated worker services, the Workforce Investment Act, calls for an expanded role for the business community in Workforce Investment Boards. But there are many other possibilities as well. In fact, there is no way to summarize neatly the business community's potential contributions to this effort – it depends on the needs of the state and of the local communities, and on the type and amount of private resources available. It also depends on what benefits might be gained by any particular employer and their trade associations and chambers of commerce.

Business participation in displaced worker programs can take two forms: (1) involvement and cooperation of an employer who is closing a plant or laying off workers; and (2) participation and assistance by the general business community, i.e., those not involved in the shutdown. The North Carolina's Dislocated Worker Unit seeks to obtain maximum company collaboration in working with the displaced employees. The North Carolina Commission on Workforce Development, the state workforce investment board, seeks to increase private participation in workforce issues, problem-solving, and policy making.

At a minimum, businesses can assist in worker dislocation programs by:

- Offering advice and technical assistance;
- Committing resources, either financial or in-kind;
- Publicizing the state and local programs and enlisting employer participation;
- Assisting in job development and worker placement;
- Providing access to workers prior to shutdown/layoff; and
- Providing pre-notification of closings and major workforce reductions.

Some companies go beyond this list. As noted earlier, Levi Strauss is known for its severance packages, retraining assistance, and its grants to local communities for needed community and economic development projects.

One step forward would be for the North Carolina Department of Commerce and the state Employment Security Commission to partner with appropriate business organizations and hold a statewide meeting on innovative private sector employment security practices (e.g., alternatives to layoffs) *and* "compassionate" downsizing practices.

Executives from exemplary companies, within or outside the state, could showcase their models to avoid workforce reductions and assist in workers' transition. The event could help to encourage greater compliance in North Carolina with the WARN pre-notification law and improved cooperation with the state's Dislocated Workers Unit.

There are two other precedents to consider and might be good ways to build on the suggested meeting/conference. A number of years ago, during the Brown Administration (1983), the California Manufacturing Association adopted a policy statement and authored an employer guide for workforce reductions. Its policy guidelines called for partnering with involved governmental, nonprofit, and employee organizations in a climate of cooperation, trust, candor, and respect. It said company actions should be guided by the maxim – "If this were happening to me, how would I wish to be treated?" The pamphlet, "Difficult Times, Difficult Decisions," was distributed to its members and workshops summarizing it were held as well.

In the first Bush Administration, the U.S. Department of Labor established a working group of high level CEOs, union presidents, and outside experts to explore whether they could draft a joint statement, regarding dealing with economic change. The final consensus document, "Labor-Management Commitment: A Compact for Change," included a fine policy statement that said: "Top management must be committed to promoting employment security and continuity as a major corporate value and policy objective . . . Planning for employment continuity must figure importantly in the corporate planning process at the same level of attention as is given product development, marketing, and capital requirements. . . Permanent involuntary separation of workers will be an action of last resort." Later, the text touched on the importance of adequate investment in workforce skills, the need for employees to take responsibility for participating in company-sponsored opportunities to upgrade skills, and so forth.

These past efforts suggest some obvious questions: Is there an opportunity for the North Carolina corporate community to adopt a *voluntary* compact, addressing these sorts of issues and alternatives and absorbing some of the costs of acquainting their member companies with best practice in both layoff aversion and adjustment assistance? Could they take a position that there should be full compliance with WARN advance notice laws? And could the North Carolina business community suggest to companies too small to be covered by WARN to make a good faith effort to provide early notification of closures and layoffs?

A Proposal for Manufacturing Triage

America and North Carolina are continuing to lose the manufacturing jobs that have been the backbone of their economies throughout most of the last century. In the U.S., 2.5 million manufacturing jobs have vanished since late 1998.[115] Can the remaining and threatened firms be saved? Should they be saved? Or should we bow to the dictates of the market?

Dan Luria, a Vice President at the Michigan Manufacturing Technology Center and Joel Rogers, executive director of the Center on Wisconsin Strategies and a chaired professor at the University of Wisconsin at Madison argue that a triage approach is required.[116] In a provocative unpublished paper, "Babies, Bathwater, and American Manufacturing: What's Worth Saving and How," they state that the national and state policy debate fails to distinguish what manufacturing sub-sectors are more critical to national well-being, provide decent wages, demonstrate the productivity rates and growth capable of taking on China and the European Union, invest in workforce skills, and are dedicated to continuous improvement, from those cost-sensitive, low-paying, unsafe, environmentally degrading ones that are the most likely to fold or head for the Third World.

To elaborate, as stated by Trent Williams of Regional Technologies:

---

[115] Researchers at the Michigan Manufacturing Technology Center and the Center on Wisconsin Strategies have documented that manufacturing output and job losses in the 1979-83 and 1989-93 periods were experienced primarily in cities and unionized plants. The recent declines in both employment and output have been almost the same, in percentage terms in suburban, rural, and urban areas.

[116] Dan Luria and Joel Rogers, "Babies, Bathwater, and American Manufacturing: What's Worth Saving and How," undated.

> Though the pace and complexity of markets have changed a good deal over the last two decades, firms still compete and prosper by capturing market share and by maintaining or increasing profit margins. To do this, they must be able to sell their finished goods for more than they paid for the raw materials, parts and components needed to make them, and sell their services for more than it costs to produce them. In these volatile, segmented and often lucrative global niche markets they create this difference – this margin – by adding value in design, in engineering and function, in precision, in speed of delivery, in appearance and many other aspects of production.[117]

Looking at this from an economic development view, policymakers' and practitioners' interest in technology, innovation, and diffusion isn't in sharply distinguishing "high-" and "low-" tech. Instead, what is key is the power of technology to add value in the marketplace. "Firms use technology to add value in design, in engineering, in function, in precision, in durability, in speed of delivery, in appearance and on and on. The more value is added on a per employee basis, the more wealth is created by the enterprise and the greater the economic return to workers, managers, and investors."[118]

This applies even to some of our older, more mature industries. They are not all poised for extinction. Not only do these manufacturing firms provide jobs with decent middle-class wages and needed benefits (often for the less educated and the minority and immigrant workforce of the state). Many still provide value and may be nimble enough to modernize by taking advantage of growing international and domestic markets for new market niches, improvements in timeliness and quality in firm products and services, along with automation, better *domestic* supply chains, new technologies, improved workforce training, and innovative management and frontline worker strategies. And holding onto more of the existing job base (if it is still competitive) is infinitely preferable to trying to hold it all together even with the best-run efforts to cope with mass layoffs and closures. These firm characteristics and policy imperatives, according to Luria, Rogers, and Williams must guide North Carolina manufacturing modernization policies.

Obviously, politically and morally, it is not appropriate to refuse to aid a struggling manufacturing firm in dire straits that requests technical assistance and counsel. But our manufacturing modernization strategy should have a different "high-road" sense of priorities for its more proactive strategic endeavors.

Past Commissions and studies have agreed upon the key traits of America's premier manufacturing firms. The outstanding questions are those to do with: How can they be efficiently nurtured by the federal and state/local governments?[119]

Luria and Rogers outline a multi-part agenda, calling for: (1) further research into the motives for out-sourcing and off-shoring by larger firms, the big cost concessions being demanded from supplier firms, the realities behind American productivity statistics, the true distribution of productivity and job quality across industries, firm sizes and regions; (2) a concerted outreach,

---

[117] Drawn from unpublished research by Trent Williams of Regional Technologies, Inc. (2004).
[118] Drawn from research by Trent Williams of RTS.
[119] The authors point out that the average "treatment" by a state manufacturing extension program raises a client firm's productivity by about 5 percent. But to whip China, a 12 percent spike in productivity is required. This number may be inflated by exchange rates, hidden Chinese subsidies, etc. However, the meaning is clear: for manufacturing to remain an important sector in North Carolina, business as usual will not cut it.

education, and dialogue campaign aimed at high-end manufacturers; (3) expanding and focusing more aggressive efforts to modernize such firms *by linking job training, finance, management, technology, and marketing assistance;*[120] and (4) launching demonstration projects, such as a speedier diffusion of information technology to such firms, expansion of industry-based consortia of high-road firms, etc.

A "Manhattan Project" for Aiding the Older Worker

Older workers face the gravest difficulties in becoming reemployed, earning a comparable wage to the job they lost, and participating successfully in a retraining or education program. Being without a job for any length of time can also deplete their savings for retirement or deprive them of their home and its asset value. Nationally, many of these workers, viewed less enthusiastically by potential employers, are also dropping out of the labor force and collecting Social Security Disability payments. In many cases, given their working class roots and occupational wear-and-tear, this may be fine. But this federal program is not meant to be a transition to retirement for the never-to-be-rehired.

We suggest that state policymakers convene a "Manhattan-type Project", drawing on experts from adult education, career counseling, adult literacy, occupational training, social work, corporate human resource staff, the elderly worker, community college administrators, one-stop managers (ES), psychotherapists, and other related disciplines. A special effort would be made to tap the talent of the North Carolina system of higher learning. The Manhattan Project goals would be to:

- Augment in a cost-effective fashion incumbent worker and dislocated worker training programs in the state;
- Identify ways higher learning and retraining could be made more customer-friendly and less intimidating for older workers;
- Explore methods to "profile" older workers and deliver more tailored and timely job search assistance, career counseling, etc;
- Examine the merits of financing wage-paying jobs in public and nonprofit sectors to address a broad range of community needs (these would be targeted at displaced older workers that have exhausted their UI benefits);[121]
- Look into ways the state could provide subsidized health insurance for all displaced workers (55 or older) that cannot obtain it at their new job or afford it on their own; and
- Reexamine the accomplishments and unfinished business of North Carolina's 1996 Older Workers' Task Force to identify any further priority actions.

---

[120] We should probably add a product development dimension as well. If the sorts of small firms that Modernization Extension Programs work with are to offer better wages in the future, it will not be enough just to reduce waste and enhance productivity. They must be able to "command market premiums through distinctive products, processes, and business strategies." (Modernization expert Phil Shapira – 1998) Employee ownership, profit- and gain-sharing are also ways to share the productivity gains.

[121] Efforts could be made to have the public/community jobs be temporary and an on-going search to find private employment could be required. They could also be time-limited (each stint could last no more than 2 years, let's say). There are also trade-offs in how high to set the pay levels: you want them to be adequate enough to meet household needs and to encourage productive work, but not so high that it makes almost all private sector jobs a less preferred choice. A good practical publication on community/public jobs programs is: Clifford Johnson, Matt Hull, William Schweke, *Creating Jobs: Private and Public Strategies for the Hard-to-employ*, (CFED: 1999).

"Play or Pay" Training Taxes

Earlier we touched on why labor markets do not work flawlessly. Let's go over the main systemic reasons that might suggest another human capital financing reform.

First, firms under-invest in non-job specific training principally because the trainee may leave to work for another company.

Second, the information needed for a worker to make wise decisions about training options, the future of certain occupations, et cetera is expensive to acquire and largely unavailable. To elaborate, when it comes to making personal decisions about human capital investments,

> Few people make explicit and careful cost-benefit calculations. Many cannot even consider the most productive options because they cannot afford them. But people *do* make decisions and they apply as much information as they have to the decision process. The rewards for effective decision-making are reflected in finding a job and, in the long run, in higher earnings. A wrong decision is costly and cannot easily be reversed.[122]

The consequences of these challenges are lower rates of worker-based human capital investments.

Third, it is much more difficult to access long-term capital for financing human capital improvement than it is to fund plant and equipment. Private loans to firms for firm-specific or basic skills upgrading are unlikely. And for the employee, the governmental funding situation is far from rosy:

> The U.S. Department of Labor has decreased its inflation-adjusted investments in worker training by 29 percent between 1985 and 2003. These cutbacks have included a 33 percent reduction in Workforce Investment Act (previously Job Training Partnership Act) funding . . . Since 2000, WIA Dislocated Worker funding has declined by 15 percent (in inflation adjusted terms), cutting sharply into past gains.[123]

Reaching further back: the amount (in constant dollars) the federal government spent on jobs/workforce development programs was the same for 1968 and 1998![124]

A simple, but controversial solution to this under-investment dilemma is the idea of the "play or pay" training tax. Employers beyond a certain size "play" by investing some percentage of payroll costs in training its non-college educated, wage-earning workers. If they do not, they have to pay a comparable (or slightly higher) tax which goes into the state customized training fund accounts or even private sector consortia of firms engaged in workplace education and training.

France runs a program along these lines. It has received mixed reviews – some favorable, some not. To elaborate: On one hand, the data supported that the program appeared to work. It appeared to

---

[122] Vaughan, Roger and June Sekera, *Investing In People* (Corporation for Enterprise Development), 1982, 8-9.
[123] Robin Spence and Brendan Kiel, *Skilling the American Workforce "On the Cheap": Ongoing Shortfalls in Federal Funding for Workforce Development* (Washington, DC: Workforce Alliance, September 2003), p.1.
[124] Sar Levitan, Garth Mangum, Stephen Mangum, and Andy Sum, *Programs in Aid of the Poor: Eighth Edition.* (Baltimore, M.D.: Johns Hopkins University Press, 2003), p. 34-37.

motivate additional training. Yet, the law was poorly drafted, leading to creative accountants taking advantage of it by claiming something was training when it was not. Plus, the program was not targeted enough and could even subsidize a French executive brushing up on his English.

A number of policy experts have advanced ideas regarding how the French-based model could be improved. In addition, national legislation in the U.S. has been drafted and introduced a number of times. It was originally a central plank in President Clinton's first term legislative agenda. In the United States Congress opposition surfaced, because of the sentiment that "it was tax and all taxes are bad." Secondly, it is sort of payroll tax. So, wouldn't this discourage hiring to some degree?

Its proponents argue that: (1) it can be focused better on those workers that need workplace education and training investments the most; (2) it is a tax that should not be collected (instead, spurring firms to customize their own approach for using the money); (3) it is a very American and incentive-based approach for dealing with private sector underinvestment in workforce skills; and (4) its workplace site and its on-the-job approach make it ideal for the average, less educated worker.

Employer-based IDAs

Individual Development Accounts (IDAs) are matched savings accounts that enable working poor families to save and build wealth. IDAs are used typically to finance home purchases, start businesses, or pay for post-secondary education. While an invaluable asset-building tool for which 66 million Americans are eligible (based on their incomes), IDAs reach only a small fraction of those households. Community organizations are unable to reach more families for a host of reasons including funding limitations, competing programmatic priorities, limited staff capacity, and inadequate matching funds.

One potentially scaleable approach to broaden the use of IDA accounts is to deliver them through employers. Employers have direct and routine access to millions of lower-income workers. Data from a national IDA demonstration showed that 58 percent of individuals saving in an IDA were working full time and 20 percent part time. Workplaces provide ample opportunities for educating workers about IDAs, both informal exchanges among employees[125] as well the more formal channels of human resource departments. Employers can also communicate information about IDAs through employee orientation, newsletters, flyers in paycheck stubs, and human resources staff.

Securing matching funds for IDAs is an ongoing challenge. If provided with the incentive to do so, employers will provide matching funds. Currently, the IRS is considering allowing employers to take a tax deduction for matching employee contributions to IDAs.

Employer participation in IDAs is likely to vary depending on a firm's capabilities and interest, other programs and benefits provided to employees, and partnerships with other organizations, such as nonprofits or financial institutions. It can range from an employer providing information about

[125] Insight from existing IDA programs, in both employer and non-employer IDAs, suggests that the relay of information from IDA holders to others is one of the better ways to communicate information about IDAs and increase program participation.

IDAs in employee newsletters or time on the clock for employees to attend the requisite financial education courses all the way to employers who provide matching funds for their employees' accounts. If IDAs become a core benefit offered through employee benefits systems, they will be a cornerstone of sustainable asset-building for lower-income working families.

The federal government through its Assets for Independence program provides some funding. And more than 20 states (including **North Carolina**) provide some sort of support for IDAs.[126] In this state, the **IDA and Asset Building Collaborative of North Carolina** seeks to promote wealth creation among Carolinians through supporting and building programs, changing public policy, and fostering asset building strategies that promote economic self-sufficiency. There are now 25 program sites and 700 accounts. The Collaborative has mainly been financed by private foundations and corporate partners. The state's **Department of Labor** through a federal Assets for Independence Grant and Commerce's **Division of Community Assistance** through federal Community Development Block Grant funding have also provided support. And the Collaborative has contracted with the state Department of Labor to provide some technical assistance to in-state sites.

This is an area where more research (especially on tax incentives for employer IDAs) and a great deal more outreach and conversation with employers and employees is needed to wrestle with design, policy, administrative and other issues.

Raising Citizen Awareness of the "New Basic Skills"

Important as it is to deliver many good programs that aid reemployment or assist in starting up an enterprise, policymakers must take seriously their civic education goal of building a broader and more subtle understanding of the new economy and its requirements for labor market success.

This emerging frontier of employment policy is about what can be called – "education for enterprise", "lifelong learning," and the "new basic skills."

In order to be successful in gaining and keeping employment, the worker today, and even more so in the future, must possess the enterprising skills of:

- Assessing personal and group strengths and weaknesses, and working in a team;
- Identifying and generating problem solving and productivity enhancing and entrepreneurial ideas;
- Planning time, setting goals, and using information and advice;
- Negotiating, influencing others and communicating
- Decision-making, organizing and managing;
- Resolving conflicts and stresses;
- Monitoring and evaluating performance;

[126] Only one of these Carolinian programs focuses on employer-based IDAs. In addition, there is exploration, regarding employer-based IDAs, as a possible employee benefit, at Duke University. CAEL also has a project akin to CFED's developing LLLAs (Life Long Learning Accounts). Go to htpp://www.cael.org/lilas.htm. It's fascinating.

- Self-assessing in order to acquire new skills; and
- Becoming aware of the dynamics and opportunities in the changing labor market of the future (e.g. flexibility, teamwork, entrepreneurship, lean manufacturing, total quality management, global competition, and the nonprofit sector).[127]

We can embellish and strengthen the argument for this list by consulting further research. *Teaching the New Basic Skills* by Murnane and Levy looked at firms and skills from three perspectives. What skills are needed to earn a middle-class wage? How do today's leading edge white-collar and blue-collar firms work with their "frontline" workers? And what skills do they need?

They found that there was a 'floor" when it came to the New Basic Skills. (Consider the floor as an escalator, constantly climbing.) These skills include the following:

- The ability to read at a "real" high school level
- The ability to do math at a high school level
- The ability to solve semi-structured problems and to originate improvements
- The ability to work in teams
- Skills in oral communication
- Skills in inspection (the ability to detect errors)
- Ability to use a personal computer[128]

Their latest work, *The New Division of Labor: How Computers are Creating the Next Job Market,* tackle four big questions:

- What kinds of tasks do humans perform better than computers?
- What kinds of tasks do computers perform better than humans?
- In an increasingly computerized world, what well-paid work is left for people to do now and in the future?
- How can people learn the skills to do this work?[129]

In a nutshell, they argue that some new applications of computers in the workplace enhance productivity but encourage more out-sourcing and off-shoring. At the greatest risk are jobs that can be expressed in programmable rules (e.g., mortgage scoring, blueprint specifications for aircraft parts, credit scoring tests) – blue collar, clerical, and similar work that requires moderate skills and used to pay middle-class wages. The loss of these jobs leaves a growing division between those who can and cannot earn a good living in the computerized economy.

Moreover, high-wage/high skill jobs involving extensive problem solving and interpersonal communication skills and demand higher levels of literacy and numeracy, along with good "soft skills" are going to command higher salaries and more potential for mobility.

---

[127] This list was developed by CFED through a couple of consulting projects, one of which involved Motorola.
[128] Richard Murnane and Frank Levy, *Teaching the New Basic Skills* (New York: Free Press, 1996), p.21-21.
[129] Frank Levy and Richard Murnane, *The New Division of Labor*. Cambridge, MA: Harvard University Press, 2004, p. 2.

A "campaign" to raise widespread awareness of the prerequisites for occupational success in the new economy could be considered. North Carolina politicians – whether they be state or local must broadcast this message, over and over, in the press, in churches, in chamber meetings, in union halls, in governmental offices. When it comes to raising such awareness, Theodore Roosevelt's "bully pulpit" is still an under-utilized and necessary 21st century approach.

Next Steps

This paper is intended to be a thought paper, sharing examples of promising practices and identifying important policy and program issues for debate. The ideas are meant as a starting point for state and local leaders in North Carolina in developing a rural dislocated worker action agenda.

Principles that are important to consider in developing comprehensive strategies to help dislocated workers could include the following:

Be kind. When the writer Aldous Huxley was on his deathbed, after a long life of creativity and spiritual pursuits and encounters with impressive human personalities, he was asked: If you had it to do over, what would you have done differently? His answer: "I would have been kinder."

The human face of displaced worker services is so important. Cross-training of pivotal staff, making the process of intake and referral as customer-friendly as possible, handling each worker as an individual, seeking to motivate and equip displaced workers for doing what they know they need to do. This cannot be done on the cheap either. Listening and being responsive costs time and money. And remember: "If not for the grace of God, you could be there."

Make the three "one." There are three very different packages of services available to these jobless workers. There is Trade Adjustment Assistance. With all its imperfections, it is the best. There are the workers who are covered by the WARN Act. They get needed attention by the rapid response services of the state's Dislocated Worker Unit. Then there are the non-WARN layoffs. These workers get the crumbs. It may not be possible fiscally to level the playing field totally, without federal funds and action. But we must try, even if it means appropriating more state funds and enacting a state advance notice law that fills in the gaps in WARN's coverage of firms.

Who gets best practice? Setting aside the mistakes that accompany any human endeavor, the only dislocated workers that get best services are those that belong to a strong union that has good displaced worker services written in their collective bargaining contracts or those lucky enough to work for a private firm, like Levi's, or Chase, or Brown and Williamson, that made a significant investment in doing right for their loyal workers. So, what does that mean for North Carolina? Is there a way to replicate it without the union base? How might firms be encouraged to do more? Is there a Carolina public, private, nonprofit way to get there?

Save the middle class. Foreclosure protection and restoring health benefits honor the implicit social contract kept by those that have worked hard, paid their dues, and achieved a middle-income standard of living for their families. They should not be allowed to plummet into poverty, due to no

fault of their own. A roof over one's head and insurance against medical disasters are prerequisites of a *decent* life and give a jobless household freedom from two great fears.

Then there is the related issue of a *"living wage."* Doing all we can to advertise and maximize the use of the alternative TAA wage supplements program is an imperative. Another is adopting a state EITC. Both would help improve the ultimate earnings of the new jobs that the displaced are likely to land, bringing them at least a bit closer to their former economic status.

These are not normal students. They come out of the blue in the wake of economic disaster. They need training or education services now. They have not attended school in years. They have to balance lots of family responsibilities and a tough household cash flow. Programs must be tailored around these facts. Traditional legislative budgeting does not work for sudden influxes of older than average students. Money for community colleges must be earmarked in advance for these inevitable occurrences. In some cases, course work, certificates, even degree programs need to be done by a new calendar – the ordained maximum of 26 weeks of unemployment compensation. New tuition financing and arranging may need to be structured. In essence, these are new customers. They need a new product.

The best defense is a good offense. Work-based incumbent employee training helps to upgrade and modernize worker skills and raise firm productivity and profitability. They can, in some cases, prevent closings and contractions. And they equip the worker who might be displaced with a bit more skills to market in her job search. The empty coffers in the state's UI-financed training fund are unacceptable. We need more resources not less. Two steps are needed. First, restore UI solvency. Second, consider another reliable revenue source – the Play or Pay proposal. Third, link the economic development and workforce worlds through incentive-linked "First Source Hiring Agreements." Fourth, experiment with small grants to co-finance sector and consortia training strategies.

Saving jobs. A well-designed and -managed early warning system, coupled with a concerted campaign to save more of the state's manufacturing base and advance it up to world class practice, is the way to avoid this whole mess. Recognizing that this is no small feat, an *Early Warning and Response System* would be designed to endow North Carolina decision-makers with the ability to intercept signals in time to make appropriate interventions, such as averting closings and layoffs, retraining employees, modernizing manufacturing processes, and so on. Once a system prototype is designed with input from local, regional and state practitioners and leaders, it would be piloted in a couple of manufacturing regions as demonstration sites for testing and refining the business advisory/finance *response* elements of the system. (It would also be rolled out statewide, when the "bugs" were out.)

Yet, there is another reason for pursuing early warning systems: they could be a powerful catalyst for change in our service delivery systems for assisting firms of all types. It done right it could empower the firm and its needs, relative to the supplier of technical or financial assistance and its organizational "pro forma" tool kit.

What is ultimately needed is a seamless continuum of business and workforce development services committed to continuous improvement in their mission to raise average firm practice to superior practice.

At the same time, its early warning system could also be used to scout for good prospects: "high road" firms for proactive modernization, using a similar holistic, team-based, multi-service approach.

Create jobs.[130] It is the author's strongly held opinion that the Targeted Job Creation Grant Program and the entrepreneurial community effort by the North Carolina Institute for Rural Entrepreneurship hold the greatest promise for aiding job generation in the lagging areas of North Carolina. The first is the only incentive that might work for distressed communities and small businesses.

For the older worker who has exhausted his/her unemployment insurance, community jobs are a good option. There is no dishonor in improving the state's quality of life through public employment projects. And they can be designed to limit expenses and discourage any avoidance in seeking private sector employment, first and foremost.

Eyes wide open. There is more economic restructuring coming our way (both the good kind and the bad kind). Much of it is driven by international trade and other business agreements. We have to be aware and anticipatory. We have to be ready to take the offense or defense. Already legislatures in 14 states have created legislative, executive or public commissions to examine the international trade agreements for the state. Some are even permanent bodies that continue a monitoring role. North Carolina should join their ranks.

Conclusion

After this long tour through reform options, a number of obvious reflections arise. First, there is the issue of money. To cite one example: Can the one-stops adopt the sort of more intensive case-management and job development roles that the best corporate/union/public sector efforts[131] embrace without new funds? Probably not. With the looming and large federal budget deficit, the national government is unlikely to come to the rescue.[132] So, what can the state do?

Actually, quite a lot. The modernization of the North Carolina revenue system along the lines of the recommendations of North Carolina Governor's Commission to Modernize State Finances (2002), could create a tax code with lower rates, a broader base, more adequate and predictable revenues, and greater transparency.[133] But obviously, policymakers must sift through the options proposed and decide which ones are priorities. This paper is not calling for throwing money at all of its suggestions.

---

[130] Don't forget that the most fundamental way to create jobs for the long haul is *good government* – investing in people, the physical infrastructure and technological assets; running quality public services; having a modernized, adequate, fair, but not excessive tax system; and delivering professional, predictable, low-hassle, time-sensitive regulation.

[131] Best practices is based largely in the public sector in Western Europe where the services and supports are much more comprehensive.

[132] There are, of course, some obvious steps that the federal government could take: (1) reform the workings of the existing HCTC and expand this TAA health tax credit to non-TAA displaced workers, starting with those 55 and older; (2) provide the TAA wage supplements to all older dislocated workers; and (3) enact the community economic development grant provisions that did not make the final cut in the last fast track/TAA law.

Second, a more preventive strategy is what is needed, because high levels of dislocation often accompany the inevitable changes in the North Carolina economy. The long-term answer ultimately lies in *agility* – agile people – both workers and entrepreneurs.

Getting there is, fundamentally, a matter of investing adequately in North Carolina's citizens – via the quality of its early childhood resources, K-12 education, community colleges, and its institutions of higher learning. It is on the basis of a higher educational base and a more flexible skill set that a displaced worker stands a better chance of landing on his or her feet.

Progressing on this challenge is not just a question of funds: it's even more fundamentally a problem of program integration and complexity. The current "system" is still too fragmented. Until the state possesses a more seamless system for lifelong learning, its displaced workers will still be dogged by long spells of joblessness, a loss in the value of their firm-specific human capital, and drops in earnings in their new employment.

Putting "smart money" in building the demand for and means of a more customer-friendly, world class system for lifelong learning should be the number one economic development priority. Everything else, from nurturing a larger pipeline of entrepreneurs to creating a culture of continuous improvement in every in-state workplace depends on it.

Until then, high quality incumbent worker training and greater employer demand for it, along with the strategies to cope with dislocation and avert layoffs, will be the best means of defense.

Let us conclude with these reminders.

Even though the economy appears to be recovering from a serious recession, unemployment will persist for many. And North Carolina, because of its troubled manufacturing sector, may face especially prevailing threats. There are continuing needs to upgrade the country's and the state's human capital, to provide adjustment assistance to dislocated workers, and to create thousands of new jobs. State governments like North Carolina's are in a unique position to address these problems and run programs that address those needs. By virtue of their responsibilities in education, employment security, training, and economic development, states can play critical roles in easing America's economic transition.

Some activities a state can undertake include:

- Leveraging financial and technical resources from all levels of government, the private sector, nonprofits, and unions;
- Promoting clearer information and technical assistance to communities, businesses, and workers on how to respond to closing and layoffs;
- Targeting federal program funds (WIA, TAA, and others) to provide financial assistance;
- Monitoring closings and layoffs and developing a system to track data and to provide early warning to relevant parties;
- Modifying or creating programs (UI, health insurance, mortgage/rent aid, commuting worker programs) to use existing resources better or to deploy new ones;

- Preventing closings through worker buyouts, business retention programs, layoff aversion, modernization efforts, or alternative investors; and
- Helping to create new businesses and jobs through finance and entrepreneurial training.

Given the predicted wrenching changes ahead, state governments have no choice but to take on these activities. The only real questions are:

- *Whether the state's leadership and citizenry are going to recognize that existing efforts are not enough for displaced workers and our struggling rural counties.* Existing incentives, for instance, are mainly driving more private investment in already affluent areas. New policy directions are needed. ("If we keep on doing what we're doing, we're gonna keep on getting what we got.")

- *How well these new efforts will be designed and executed.* CFED coined the term "Third Wave" in the early nineties to describe creative actions to make development (and other programs) more customer-driven, to leverage resources from other sectors, to encourage performance-based innovation and management, and to establish stronger accountability mechanisms. It is a focus on *how* development is done, not just *what* is done. The three "watch-words" are: *quality, accountability* and *impact.*

- *Whether leaders in economic development, workforce development, and human services will work together to meet the needs of dislocated workers.* The challenge that faces dislocated workers and communities is simultaneously a job creation challenge, a human capital challenge, and an emergency and support services challenge. No single solution will do the trick. Furthermore, developing solutions within existing systems (e.g., silos) will inevitably lead to gaps in services and inefficient use of scarce resources. Leaders from all three systems must come together if we are to make significant headway.

As the economy starts to pick up and tax coffers are replenished, now is the time for bold, foresighted leadership and action. This report provides a place to start identifying, refining, and devising new efforts. North Carolina can do more to alleviate some short-term harmful effects of rapid economic change as well as build the foundations for long-term growth and prosperity.

Appendix One: Training for What?

This is a book length subject. But at least a few comments are required.

There is no simple answer. Nobody has a crystal ball and can perfectly forecast the business cycle, much less occupational trends with any high level of probability. Technologies and management strategies are changing rapidly. World trade and foreign investment is on the rise. The product development cycle has accelerated. Dangerous terrorists are lurking in the shadows. All of this makes for an uncertain world.

Then there is the basic fact that dislocated workers are structurally unemployed, which means that:

- Their skills do not match those required of an area's jobs or of growing sectors and occupations of the economy.
- The jobs that match skills and education are elsewhere.

And this imbalance challenge may be magnified if the region has high unemployment, an historical dependence on certain industry(ies), a weak entrepreneurial culture, is rather isolated, etc.

So, how do we proceed?

First, making long range projections are risky, but they must be done and done well. This requires a commitment of money and professional talent. They are of some value, coupled with decent career counseling and some sleuth work by the trainee or student as well. (The "student sleuth" should talk to recent graduates and hires in the field he is interested in and meet with Human Resource staff in companies that employ in his planned career field.)

Second, the past performance of a training institution can be a good predictor of future performance. If a community college has good connections and relations with area businesses and industries and excellent faculty, knowing both the placement rates *and* earnings of the graduates as a whole, and more importantly, for particular occupational, certificate and degree programs would be a great boon to potential students and workforce investment boards. After all, we already have countless superior guides to four-year colleges and universities that help students make wise decisions. We need complimentary products for vocational and technical institutes, community colleges, apprenticeship programs, etc. State governments need to collect and communicate such information.

Now, we are getting closer to a rough answer to the big question. In my view, it is all about relationships, the services and activities of labor market intermediaries, and the quality of the trained "product." And keep in mind that many countries handle all this very differently. In Germany, there is a more defined career path of apprenticeship for the non-university bound. Trade associations and craft and industrial unions are pivotally involved. All this takes a lot of the guesswork out of our question. The United States, on the other hand, is characterized by its more generalized (less tracked) form of K-12 education and its high numbers of college and university students. It is a much looser, fragmented system with less developed internal labor markets in companies, along with less corporate commitment to employment security for their employees, than Germany. You are much more on-your-own in the U.S.

Yet, there are some American-styled developments that are evolving, due to the strengths and weaknesses of our workforce development system and growing recognition by public and private leaders that improvements are needed and that new labor force entrants and displaced workers must possess the new basic skills.

Today, there are a variety of labor market intermediaries in the private, nonprofit, and public services who make it a point to nurture their relations with the employers that seek to hire. According to an interesting paper by economist Marc Bendick, it is all about surmounting the five common barriers to obtaining business cooperation:

1. *The business of business is business:* The sales pitch of the labor market intermediary is "we offer to solve a problem for the employer, not the reverse." (Could you please hire our displaced workers? We need your help. This won't cut it.)
2. *I can only give you thirty seconds of my time:* "In such circumstances, *user friendliness* of our employment and training products (such as potential employees, tax credits, and support services) is essential, not merely cosmetic. We must have simple, clear documentation. We must offer to do the paperwork. Each firm needs a readily-available single point of contact."
3. *Shoes are a very cultural business.* Firms and sectors possess differing business "cultures." According to Michael Porter: "The industry is the arena of competition." Nobody is simply "in business." One consequence is that the communication, persuasion, and sell must be very specific and demonstrate that the intermediary knows the sector. This requires reading the trade magazines, attending the trade shows, talking to a range of professions within the industry (not just the human relations staff), making a number of interactive presentations to the industry, etc.
4. *That is just the way we do things at Microsoft:* Corporate culture varies by industry and firm. Some of it is rational and productive; some of it is not. But it requires the intermediary staffer to "join them, not fight them" – to tailor to the circumstances of the client. If the business wants its ESL training delivered at the restaurant during the slack period between lunch and dinner, than do it. Moreover, using no-risk trial periods may be the way to get close, gain trust, and learn more about their culture.
5. *You just want a job placement; we want a supplier relationship:* A labor market intermediary should regard itself as part of a firm's supplier chain. Beloved vendors are good on costs, but also on quality, dependability, and adaptability. They need to really listen and problem solve. They need to guard their own "brand equity." If it starts to slip, the intermediary will lose placements, the firm's trust, and ultimately, the relationship. The Center for Employment Training in San Jose calls this – "relationship marketing" – and regards it as a major element of their actual business service. (This also has the implications that foundation and governmental funders should monitor the performance of their training/placement grantees in terms of more than job placements. But also look for signs of evolving long-term relationships.) Job development and job placement and job retention services are utterly key. Quality education and training approaches are just the first ingredients.[134]

To conclude, important as decent projections of labor force trends are and as helpful as accurate intelligence on a post-secondary or vocational school's track record, the move in the direction of –

[134] Marc Bendick, "Surmounting Five Common Barriers to Business Cooperation" (Bendick & Egan Economic Consultants, Inc. (October 2000) www.bendickegan.com .

creating novel and more appropriate intermediaries between labor supply and demand, cultivating and deepening business relationships, shaping a more responsive and positive corporate culture toward public/private/nonprofit workforce partnerships, encouraging the creation of industry-specific training programs/intermediaries, and motivating companies to invest more in their less skilled incumbent workers is even more significant. Likewise, there is no substitute, either, for primary surveys of employers.

Governments and nonprofits do not directly create jobs, but the business community does. They hold the cards. But it is up to us to change the game we play. It must move from a more charitable orientation to a vendor focus. When it comes to serving clients like displaced workers, it must marry both organizational heart and mind. And *the customers are dual in nature – they are both employers and workers.*

Training for what? It can be found at the intersection of supply and demand, company interest and employee product. And on the basis of mutual advantage, all parties – the firm, the intermediary, the trainee/job seeker – must be dedicated to sustained innovation.

One more thing: we cannot ignore the importance of place and the structure of local and regional labor markets. Having the best skills in a growing industry do you no good, if firms that offer such opportunities are not in your community. Understand what is growing or likely to come to your community.

Appendix Two: Exemplary Corporate Conduct

How does American economic adjustment practice compare to best world practice? If the standard is intensive, tailored services and more adequate income support, then the answer is not very well, especially relative to European displaced worker programs. They provide higher levels of income support, scope for labor to negotiate with management over the layoffs, longer-term training options, and so on. (See CFED literature review for more detail). Obviously, what federal and state governments offer in the United States is meager compared to the European models.

If, however, you select our best examples of what could be termed, "socially responsible downsizing", the picture improves. Kellogg Company[135] is one good example.

In 1999, Kellogg decided to close half of its flagship plant in Battle Creek, Michigan. About 500 unskilled workers were to be laid off, permanently. These unionized employees earned high hourly wages with premium benefits and they had worked for the corporation for an average of 20 years.

Kellogg wished to honor its commitment to its employees and to help them transition to decent employment options by crafting an adjustment program with the following goals:

- Provide employees with the necessary skills to transition into new careers;
- Maximize union involvement;
- Bring a variety of community/state resources together;
- Create an inviting environment for employees to make a career transition;
- Minimize the impact on families (some had worked for the plant for five generations); and
- Create a spirit of cooperation among unions, state agencies, the outplacement firm, and the company.[136]

Kellogg hired a quality professional career services firm that specialized in outplacement, career and leadership development and coaching. It employed eight staff persons, worked closely with the union, partnered with all available federal and state programs and resources, and created a joint adjustment committee (with representatives from union, management, and all agencies involved in transition help).

This committee met weekly to provide the entire adjustment effort with a venue for:

- Organizing the information that was delivered to employees;
- Sharing information among the committee members;
- Streamlining the transition process so roles were clearly defined; and
- Discussing issues of transition services to the laid-off workers.[137]

The consulting firm operated a transition center for 10 months that was located close to the facility and offered activities like career fairs, employer expos, educational expos, career assessment training,

[135] Sophia Muirhead, *Compassionate Downsizing: Making the Business Case for Education and Training Services.* (Conference Board: November 2003).
[136] Ibid.
[137] Ibid.

financial planning seminars, and individualized counseling. Those workers with special interests and needs had these met, whether this meant preparing to return to school or starting a new business. Special efforts were made to locate jobs within a 60-mile radius of the plant.

The professional transition firm and the overall effort

- Identified 3,000 job openings;
- Found employment for many at 75 percent of former wages;
- Arranged for NAFTA/TAA training and education benefits of roughly $12,000 for 78 employees;
- Housed all services in one convenient, hospitable site;
- Decreased employee, corporate, and community anxiety;
- Enhanced the union relationship;
- Worked effectively with the state rapid response team, tapping and brokering needed governmental resources and services;
- Published a monthly newsletter that chronicled employees' new jobs as well as announced upcoming events;
- Achieved a 90 percent career decision rate; and
- Created a model for possible downsizing situations.[138]

This, along with other illustrious corporate examples, is the true exemplar for best public/private practice. But in the United States, they rest on voluntary business decisions, rather than required private and public sector roles and activities.

Why do some firms go this far? They wish to sustain the morale of retained employees, demonstrate commitment to remaining workers, manage former employees' perception of the company, and sustain the firm's reputation in the community.

What types of firms do so? These companies do not face utter ruin or bankruptcy, have deep pockets, and are at least mid-sized in turnover and workforce. An interesting Conference Board (a corporate body) survey of business transition services in downsizing situations disclosed that:

- 41 percent of firms had rehired some laid-off employees (mainly those in wholesale and retail sectors);
- Most offered severance pay, outplacement assistance, and continued health benefits;
- Some enhanced severance packages with other benefits, such as career and educational counseling, references, interview coaching, and education and training benefits;
- Many were moving from a simple outplacement approach, which emphasizes immediate reemployment, toward a transition model, which stresses career growth, education and training;
- More respondents in energy, utilities, health care, and consumer manufacturing industries provided education and training benefits than other sectors;
- Half of firms that provide human capital benefits do so for all laid-off employees;

[138] Ibid.

- More than three-fourths of respondents are more likely to offer ed/training benefits to middle management and professional and technical employees than to the less skilled; and
- Among those firms that provide education and training benefits, the average annual cost per worker is $4,025.[139]

One of the ultimate challenges for the U.S. adjustment field and for North Carolina policymakers is: how might we raise average public/private practice closer to this vision. Further, to what degree can this be done on a voluntary rather mandated basis?

[139] Ibid.

Selected Bibliography

Anderson, S. and J. Cavanagh. "Toward a Progressive View on Outsourcing." *The Nation* (March 22, 2004), pp.22-23. Critical look at globalization with lots of facts, figures, and pictures.

Bardhan, A. and C. Kroll. *The New Wave of Outsourcing.* Fisher Center for Real Estate and Urban Economics. Berkeley, C.A.: University of California (Fall 2003). Anxious look at off-shoring and its effects on white collar jobs.

Timothy Bartik, "Thoughts on American Manufacturing Decline and Revitalization," Upjohn Institute Staff Working Paper No. 03-06, September 2003. How might U.S. manufacturing be saved and modernized.

K. Boo. "The Churn: Creative destruction in a border town." *The New Yorker* (March 29, 2004). Human interest story about people's struggles after plant closures.

Brian Bosworth and Victoria Choitz. *Held Back: How Student Aid Programs Fail Working Adults.* (Belmont, MA: Future Works, April 2002). Clear, intelligent, look at reforms needed to aid working adults seeking training and educational services.

Terry Buss and Roger Vaughan. *On the Rebound: Helping Workers Cope with Plant Closings.* (Washington, DC: Council of State Policy and Planning Agencies, 1988) Considered policy and program reflections based on a decade of studies in Youngstown, Ohio, the poster-child for plant closings in the U.S.

Carol Clymer. *By Design: Engaging Employers in Workforce Development Organizations.* (Philadelphia: Public/Private Ventures, December 2003). Case studies of organizations that have demonstrated how best to work with employers.

Brian Dabson. *Entrepreneurial Arkansas: Connecting the Dots.* (Winthrop Rockefeller Foundation, February 2003). A leading-edge view of state entrepreneurial policies.

Lou Dobbs. *Exporting America: Why Corporate Greed is Shipping American Jobs Overseas.* (New York: Warner Business Books, 2004) An unlikely crusader (a lifelong Republican) against off-shoring U.S. jobs, whose position is basically the same as the AFL-CIO.

Kimberley Elliott and Richard Freeman. *Can Labor Standards Improve Under Globalization?* (Washington, DC: Institute for International Economics, June 2003.) Can improved labor standards in developing countries work for them and us?

Henry Farber. *Job Loss in the United States, 1981-2001.* Princeton University Working Paper #4; 71, Industrial Relations Section, January 2003 (Revised: May 22, 2003). Very current picture of two decades of displacement trends in U.S..

Robert Giloth (editor) *Workforce Development Politics.* (Philadelphia: Temple University, 2004). Fascinating, somewhat academic, but clearly written view of the political barriers to workforce development reform. Includes case studies.

Norton Grubb. *Learning to Work: The Case for Reintegrating Job Training and Education.* (New York: Sage, 1996). Comprehensive workforce development from K-12 through college and vocational schools.

Excellent exposition of evaluation research on public training programs for poor, youth, displaced workers, and others.

Karen Hamrick. *Displaced Workers: Differences in Non-metro and Metro Experience in the Mid-1990s*. U.S. Department of Agriculture, ERS Rural Development Research Report No. 92, October 2001. A rural statistical picture.

Bennett Harrison and Marcus Weiss. *Workforce Development Networks: Community-based Organizations and Regional Alliances*. (New York: Sage, 1998). Fascinating and important view of exemplary workforce development organizations and the role of networks, alliances, intermediaries, and CBOs.

Harry Holzer. *What Employers Want*. (New York: Sage, 1996). What are the new basic skills in demand by employers?

Marie Howland. *Plant Closings and Worker Displacement: The Regional Issues*. (Kalamazoo Michigan: Upjohn Institute for Employment Research, 1988). Looks incisively at place and dislocation issues and effects.

Institute for Economic Development. *North Carolina Dislocated Worker Study: Problems and Prospects* and *Worker Dislocation: Anatomy of a Problem and Analysis of Policy Approaches* (Chapel Hill: University of North Carolina, 1999). A still relevant study of the problem and policy options in North Carolina.

D. Irwin. *Free Trade Under Fire*. (Princeton, NJ: Princeton University Press, 2002). Spirited, lucid economist defense of free trade.

Louis Jacobson. "Compensation Programs" in Susan Collins (editor) *Imports, Exports and the American Worker*. , (Washington: Brookings, 1999). Best academic overview of evaluation literature on displaced worker programs.

Peter Kuhn (editor). *Losing Work, Moving On: International Perspectives on Worker Displacement*. (Kalamazoo, MI: Upjohn Institute for Employment Research: 2002). Detailed view of Western European, Japan, Australia, U.S. and Canada policies on worker displacement.

Duane E. Leigh, *Does Training Work for Dislocated Workers? A Survey of Existing Evidence*. (Kalamazoo Michigan: Upjohn Institute for Employment Research, 1990). Jacobson and this work are the definitive academic treatments.

Duane Leigh. *Assisting Workers Displaced by Structural Change: An International Perspective*. (Kalamazoo: Upjohn Institute for Employment Research, 1995). How do other nations respond to economic dislocation?

Frank Levy and Richard Murnane. *Teaching the New Basic Skills*. (New York: Free Press, 1996). Case studies of companies, a good exposition of the new basic skills required, helpful ideas on education reform.

Catherine Mann. "Globalization of IT Services and White Collar Jobs: the Next Wave of Productivity Growth." *International Policy Briefs* (Washington, DC: Institute for International Economics: December 2003). A very lively defense of off-shoring/out-sourcing.

J. Marks. "The Outcry Over Outsourcing." *State Legislatures* (May 2004). What are the states up to?

Richard Moore and others. *Training That Works: Lessons from California's Employment Training Panel Program*. (Kalamazoo: Upjohn Institute for Employment Research, 2003). A lucid, thorough assessment of a superior incumbent worker training program.

Sophia Muirhead. *Compassionate Downsizing: Making the Business Case for Education and Training Services.* (New York: Conference Board, November 2003. Case studies of best practice and why do some corporations do it.

New York Times. *The Downsizing of America: Special Report.* (New York: Times Books, 1996). Excellent reporting on the millions of Americans who are losing their middle-class good jobs.

North Carolina Justice and Community Development Center and Corporation for Enterprise Development. *Dislocated Workers: Aiding Their Transition to Good Jobs.* 2002. Analysis of North Carolina problem with very detailed policy agenda.

Office of Technology Assessment. *Technology and Structural Unemployment: Reemploying Displaced Adults.* (Washington, DC: GPO, February 1986). Dated, but still definitive study. Would be great to update.

David Osborne and Peter Hutchinson. *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis.* (New York: Basic Books, 2004.) Reinvent government advice and case studies.

Paul Osterman. *Securing Prosperity. The American Labor Market: How It Has Changed and What to Do About It.* (Princeton, NJ: Princeton University Press, 1999). The labor market context for today's reformers.

"Powering the Assembly Line: Long-term Drivers Behind Manufacturing Health May Need Some Repair." *Fedgazette.* (Minneapolis, MN: Federal Reserve Bank of Minneapolis, November 2003). Why is American manufacturing in seeming decline.

Karl Rhodes. "Global Gain, Local Pain." *Region Focus.* (Richmond, VA: Federal Reserve Bank of Richmond, Winter 2004). Analysis of global and local manufacturing challenges in U.S.

Kenneth Scheve and Matthew Slaughter. *Globalization and the Perceptions of American Workers.* (Washington, DC: Institute for International Economics, March 2001). What do skilled and unskilled workers think about free versus fair trade debate.

Richard Swigart (editor). *Managing Plant Closings and Occupational Readjustment: An Employer's Guidebook.* (Washington, DC: National Center on Occupational Readjustment, 1984). Close to impossible to find except in academic and governmental libraries. But excellent overview of delivering superior adjustment services from start-to-finish.

Carl E. Van Horn. *No One Left Behind: The Report of the 20th Century Fund Task Force on Retraining America's Workforce.* (New York: Century Foundation Press, 1996). Excellent overview of entire topic.

William Waren. "Trade Agreement Trade-Offs" in *State Legislatures* (July/August 2004). The dangers posted by trade agreements and liberalization of so-called non-tariff barriers to trade (e.g., tax, spending, regulation, procurement) on state sovereignty and what states can do about it.

William Schweke Biography

William Schweke is the vice president of learning and innovation for CFED in the Durham, North Carolina office. Mr. Schweke is a specialist in development finance, plant closings, small and community business initiatives, local development planning, environmentally compatible development, and urban neighborhood development initiatives. In his technical assistance work, he has advised a variety of state and local governments, community-based organizations, foundations, trade unions, chambers of commerce, private utilities, and governmental authorities in the U.S., Europe and Great Britain. In the area of training, Mr. Schweke has developed courses on rural development, community economic development, and local development planning.

Mr. Schweke's latest publications include: "Smart Money: Education and Economic Development"; "Has the William S. Lee Act Worked for North Carolina?"; "Dislocated Workers in North Carolina: Aiding Their Transition to Good Jobs"; "Curbing Business Subsidy Competition: Does the European Union Have an Answer;" "Hidden in Plain Sight: A Look at the $335 Billion Federal Asset Budget"; "Could Economic Development Become Illegal in the New Global Policy Environment?"; and "Trade Agreements and Sustainable Development: 13 Reasons Why They Should Be More Compatible." He is currently researching and advising in these areas: addressing the potential impact of global trade, investment and procurement agreements on the future of domestic economic development, developing new state approaches for addressing plant closings and mass layoffs, and devising new business incentive reform alternatives. Mr. Schweke is a graduate of the University of Texas at Austin.

About CFED

At CFED (formerly Corporation for Enterprise Development) we believe that expanding economic opportunity to include all people will bring greater social equity, alleviate poverty and lead to a more sustainable economy. As a leader in economic development for more than two decades, CFED collaborates with diverse partners at the national, regional, state and local levels.

We bring together community practice, public policy and private markets in new and effective ways. We combine the innovation of a think tank with the "on-the-ground" insight of practitioners to:

Identify Good Ideas
CFED identifies ideas that make the economy work for everyone. We focus on communities that have traditionally been excluded from or limited by the mainstream economy. We conduct rigorous research, seeking ideas that have potential for practical application.

Find What Works
CFED works with partners in the field to help test and refine promising ideas. We pilot programs and provide funding to design and modify effective strategies to be successful in different cultures, regions and economic conditions.

Help Good Ideas Reach Scale
CFED develops and advocates for federal and state policies that move the nation toward a more

equitable and inclusive economy. We publish reports, convene working groups and provide information to help partners participate in the policymaking process.

Foster New Markets to Achieve Greater Economic Impact
CFED drives the application of proven ideas until other stakeholders are invested enough for these strategies to stand on their own. We document viability and market ideas to potentially interested partners. We help create intermediary institutions to broker skills, information and funding.