Back on Track

16 Promising Practices

to Help Dislocated Workers,

Businesses and Communities

September 2006

A Joint Publication of
The North Carolina Rural Economic Development Center
and CFED

This report is produced as part of the Rural Center's Dislocated Worker Initiative, a partnership of state and local leaders dedicated to helping North Carolina's laid off workers survive their job losses, retool their skills and return to work.

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Project Funding

We wish to express a special thank you to Wachovia and the Z. Smith Reynolds Foundation for support of the research and writing by CFED.

WACHOVIA

Z. Smith Reynolds Foundation

Funds for the overall project and publication were provided by the N.C. Rural Economic Development Center through its Research & Demonstration Grants Program

Back on Track:

16 Promising Practices

to Help Dislocated Workers,

Businesses and Communities

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For the

North Carolina Rural

Economic Development Center

September 2006

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Will Lambe holds an undergraduate degree from the University of Colorado and a graduate degree from Duke University's Sanford Institute of Public Policy. Prior to graduate school, Will managed several small businesses and spent two years as a management consultant. He has worked on various economic development issues with CFED, including those focused on asset accumulation for low-income workers and preventive strategies for economic dislocation. Last year, Will helped author an evaluation report for the North Carolina Department of Labor on the department's administration of Individual Development Accounts (IDAs). His most recent research is focused on early warning protocols for identifying companies at risk and preventing economic dislocation. He is now a research associate at the School of Government at the University of North Carolina at Chapel Hill, where he is managing a study of effective rural economic development strategies in North Carolina and across the country.

CFED is a nonprofit organization that works to expand economic opportunity so that every person can participate in, contribute to, and benefit from the economy. As a leader in economic development, CFED works at the national, regional, state and local levels in collaboration with diverse partners.

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Introduction

If Bob Dylan was right when he said, "You don't need a weatherman to tell you which way the wind blows," then you don't need a Ph.D. to know that North Carolina and the rest of the nation is in the midst of a profound and wrenching economic transformation. The tell-tale signs can be seen in hundreds of communities across the state: shuttered factories, busy food banks, "must sell" signs on front lawns, and the large numbers of applicants for jobs with new high-profile employers like the Dell Corporation in Winston-Salem.

The economic landscape is being altered by three major shifts: from an industrial to an information economy; from a somewhat insular national economy to a more interdependent global one; and from a rapidly expanding labor force to one experiencing a slower growth rate along with compositional changes.

The question of whether these transformations will cause widespread hardship and erode living standards for Americans is an issue of intense national debate. Those who doubt substantial negative impact may recall the unemployment 'crisis' of the 1960s that never materialized. The emergence of cybernetics and automation did not put millions of people out of work, as was widely expected at the time. Rather, job growth kept pace with labor force growth in the United States in the long-term. Others postulate that, even if this current restructuring is good for the vast majority of people, today's globalizing technological revolution will severely hurt certain groups of workers – particularly those employed in so-called 'mature,' or low-skilled industries.

These arguments are more than academic. Whatever the outcome of these controversies, state policymakers, public agencies and nonprofits will need to grapple with the most evident symptoms of this transformation: facility shutdowns and wave after wave of layoffs. For that reason, this report of promising practices was written to offer a variety of options for dealing with the five major challenges faced by those who assist displaced workers and their communities:

1. Understanding the big picture and taking preventive action;
2. Minimizing the drop in living standards of dislocated workers and their communities;
3. Improving the displaced workers' access to employment;
4. Enhancing workforce skills; and
5. Fostering entrepreneurial initiative.

To give the report breadth, most of the cases profiled here are from outside North Carolina. And though there are other cases that merit a place in a document like this, we have chosen to limit the examples cited to keep the publication to a manageable size and to focus primarily on policy and practice beyond our state borders.

We call the options discussed "promising practices" – and not "best practices" – for a fundamental reason: they seem to work, but some have not been subjected to a thorough evaluation, while others are newly-launched. Ideally, the criteria used for selecting the effective policies, programs and practices highlighted in this report are multi-dimensional.

They include:

- Promising innovation, or strategy with demonstrated effectiveness;
- Support by practitioners from the field;
- Sufficient scope and scale to address the dislocated worker reemployment challenge;
- 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.

The programs discussed also include efforts to:

1. cope with these changes
2. prevent closures and layoffs
3. identify and nurture those competitive advantages that enable places to flourish in the New Economy.

A comprehensive, forward-looking, efficient and humane response to the changing economic landscape requires all three.

It should be noted here that this report is not intended as a single-shot effort to improve services for dislocated workers and rejuvenate their communities. The North Carolina Rural Economic Development Center and its partners have been grappling with this issue for more than two years, conducting research, holding statewide conferences, meeting with stakeholders, assembling a "blue-ribbon" advisory committee to identify policy alternatives, publishing an action agenda and encouraging legislative and executive action.

Lastly, these are not band-aid solutions; they are policies and programs that address systemic problems. These challenges will not be overcome quickly or easily, making it necessary for state and local policymakers and practitioners to be engaged for the long haul.

Understanding The Big Picture & Taking Preventive Action

Understanding the Big Picture and Taking Preventive Action

In tough economic times, there is a natural tendency for policymakers to act fast, do what they have done in the past and often, to copy their neighbors. But before they take specific actions, it would be prudent for them to step back and try to understand how the downturn affects their state's specific economic base and what sorts of strategic actions foster comparative advantage. Some key questions for policymakers include: What is happening to the state's leading industries? Which industries are weathering the crisis the best? What systemic challenges in the economy 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? What are the state's leading industries and how healthy are they?

Despite what many think, the industries and firms most affected by this current wave of economic restructuring are not doomed to extinction. There are firms thriving in the worst of sectors and some companies, even in the throes of shutdown, can be saved and rejuvenated. Cost-effectiveness is a crucial factor, as the resources required to retain existing jobs can be dramatically less than those needed to entice new companies into economically troubled regions.

The Steel Valley Authority's **Strategic Early Warning Network (SEWN)** is credited with saving scores of companies and thousands of jobs in Pennsylvania since its inception in 1986, drawing on proven strategies to avoid mass layoffs and closures. **Foundations for Growth** in Alabama is an exemplary business retention program that combines computer technology with business visitation procedures to keep existing industries competitive.

The **Economic Stabilization Trust** and the **Ohio Employee Ownership Center** are other statewide examples of successful business retention and turnaround operations. The trust offers special financing that might otherwise be out of reach for Massachusetts businesses experiencing difficulty, while the center specializes in helping Ohio businesses explore the possibility of employee ownership and ensuring ownership transitions are made smoothly. In Cleveland, the **Westside Industrial Retention Network (WIRE-Net)** is compelling due to its highly proactive and largely successful efforts to retain Cleveland's local manufacturing base.

Strategic Early Warning Network (SEWN)

Summary

The Pennsylvania Steel Valley Authority runs a proven and well-regarded early warning system for avoiding mass layoffs and needless shutdowns.

The Pennsylvania Steel Valley Authority's Strategic Early Warning Network (SEWN) is an intermunicipal government authority that has operated as a layoff aversion contractor since 1993. Since its inception, SEWN has monitored industries in southwestern Pennsylvania and developed strategies to retain key manufacturers and businesses when they are at risk of closure or major downsizing. The network provides confidential, efficient operational and financial restructuring, turnaround, buyout, and labor management services to firms in distress. SEWN is unique in its strategy to bridge private market solutions with public resources.

Background

Between 1975 and 1995, western Pennsylvania lost more than 157,000 high-quality manufacturing jobs. The Pittsburgh region suffered the most severe industrial and economic dislocation in the nation in the 1980s, caused by the devastation of the steel and related industries. The City of Pittsburgh and 11 mill towns founded the Steel Valley Authority in 1986 to retain and revitalize the region's economic base. The Pennsylvania Department of Labor and Department of Industry and Commerce, supported by local business chambers, labor groups, and political leaders, contracted with the Steel Valley Authority to create a layoff aversion program in 10 counties in 1993.

Today, SEWN operates in 49 counties, representing most of western and central Pennsylvania. The network has received national recognition for its early warning systems, job retention efforts, and response to plant closings and worker dislocation.

Services

The Steel Valley Authority intervenes through the provision of workplace retention, turnaround and buyout strategies to address the root causes of economic hardship faced by working families. With a small professional staff, the network has provided confidential and efficient operational and financial services to hundreds of Pennsylvania firms. The network has assisted all industry types, including steel, metals, electrical, industrial equipment, instruments and food/baking. The SEWN staff manages an ever-growing internal network of private, nonprofit and for-profit partners to augment its in-house staff and draw on specialized expertise. In doing so, the Regional Retention Team was created to discuss common issues in the area and to work in partnership on certain projects.

SEWN's services complement and enhance the types of assistance available from other public programs. These services are provided on a case-by-case basis:

1. **Timely Identification of At-Risk Businesses**. The SEWN network utilizes numerous intelligence-gathering tools, including "early warning" sources (federal Worker Adjustment and Retraining Notices issued by companies when they plan large layoffs, Dun and Bradstreet reports on company problem and newspaper notices), and coordinates a Regional Retention Team that acts as both a conduit for early alerts and a resource for coordinated responses to mass layoffs. The team includes the Rapid Response office, as well as the Governor's "Action Team," regional economic development coordinators for the Commonwealth and local economic development agencies, private consultants, and utilities.
2. **Initial Viability Assessments**. Within 48 hours of a request from a company or other sources of referral, SEWN contacts the company and cooperates with management and workers to provide an evaluation/situational analysis of a company at risk. It also makes referrals to other public or private agencies when appropriate.

3. **Delivery of Key Services**. Small and middle-market firms employing between 25 and 500 workers support most of the high-paying jobs in western Pennsylvania. SEWN provides these employers access to trained professional guidance on business planning, financial restructuring assistance, operational restructuring and cost management advice, succession planning and employee/management ownership transition (e.g., ESOPs, or Employee Stock Ownership Plans) and labor-management relations.
4. **Prefeasibility Studies**. Through a federally funded program coordinated by the U.S. Department of Labor and the Ohio Employee Ownership Center, the SEWN network provides prefeasibility funds to assess the potential for employee buyouts and other alternatives to layoffs for steel and aluminum-related industries impacted by trade.

Other services include company buyout help, business continuity services, high-road labor-management relations and operations and cost management advice and planning. In short, SEWN delivers services tailored to its clients' needs.

To promote greater use of layoff aversion practices across the nation, the U.S. Department of Labor provided funding for the Steel Valley Authority to create "The Layoff Aversion Guidebook." This publication has been distributed through three national conferences held by the U.S. Department of Labor for states and their rapid response offices, as well as through presentations to 30 cities.

In addition, as part of a major initiative to strengthen manufacturing industries in Pennsylvania, this year the Steel Valley Authority was commissioned by the state to implement a Layoff Aversion Training and Technical Expertise (LATTE) project. The project delivers planning sessions hosted by the Workforce Investment Board to:

- Provide an orientation for workforce/economic development stakeholders, including businesses and labor constituents, on early warning and layoff aversion strategies.
- Create regional early warning communication networks and layoff aversion partnerships.
- Provide strategic industry research and access to technical resources to help strengthen regional economies.
- Provide links to national and statewide investors.

SEWN's work is supported primarily by funds derived from federal Workforce Investment Act (WIA) Rapid Response dollars, matched with local government and foundation support.

Networks

As part of the recent attention given to manufacturing industry retention by the governor and other state legislators, the Steel Valley Authority has assembled a regional retention team to advise and guide SEWN expansion. The team includes the Governor's Action Team, the state dislocated worker unit, regional technology and planning agencies, city and county economic development groups, industrial unions and chambers, and utility and academic groups.

Impacts

Since 1993, SEWN has worked with approximately 450 companies representing over 25,000 full-time employees. The network has contributed to the retention or creation of 12,400 jobs over this period. In addition, SEWN has saved the Commonwealth of Pennsylvania hundreds of millions of dollars in wages that would otherwise have been lost, taxes and required income supports.

The network, which got its start in 10 counties, grew to21 countries and was recently expanded by the Rendell Administration to cover a total of 49 counties.

Innovation or Distinction

SEWN's distinctive feature is that its services form a problem-solving 'bridge' between the public and private sectors *and* between labor and management. It offers market solutions supported with public economic development assistance for struggling businesses. In addition to its internal staff, SEWN utilizes private-sector consultants for specialized situations. Steel Valley Authority's Heartland Labor/Capital Network is an investment network in the United States and Canada that focuses on the responsible investment of union pension capital in economic development.

Lessons

1. **Federal Workforce Investment Act dollars are valuable for layoff aversion**, not just in response to layoffs.
2. **Proactive business retention and layoff aversion is cost effective** compared to the cost of attracting new business or retraining workers.
3. **Many closures and layoffs are unavoidable.** Companies must learn to identify problems and differentiate between an inevitable business failure and a preventable closure.
4. **Monitoring the local and regional economy provides benchmarks for tracking opportunities and problems**, and makes it possible to develop "early warning system" tools. These tools provide as much advance warning as possible about market and economic shifts that can affect broad sectors of a region.
5. **Affiliation with the right groups matters.** Some of the Steel Valley Authority's success comes from being closely associated with and effectively recognized by the governor's office. In order to marshal the needed expertise, fiscal resources, and legitimacy required for success, SEWN maintains strong connections with both private investment groups and labor unions.
6. **Successful retention practitioners must be able to provide fast, informed assessments** and must have certain business skill-sets and leadership ability to identify, marshal and manage a broad range of resources and processes that can come into play during a retention case.

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Foundations for Growth

Summary

The Foundations for Growth initiative helps strengthen programs and policies for Alabama's existing industry. The initiative employs a state-of-the-art software application along with a consistent set of business visitation procedures to enhance business retention and expansion efforts throughout the state.

Foundations for Growth is a statewide program that was initiated by the Economic Development Partnership of Alabama Foundation (EDPA Foundation). The program has two key goals: to help local economic developers create a consistent approach for building relationships in their respective communities; and to help the economic development community analyze and understand trends both in their local regions and statewide. The latter goal is accomplished through the application of a sophisticated software package that provides a consistent method for collecting and analyzing economic trends on the state and local level.

Background

The Economic Development Partnership of Alabama (EDPA) is a private, nonprofit organization committed to helping Alabama realize its full economic development potential. Working alongside state, regional, corporate and local organizations, EDPA and the EDPA Foundation have worked for years to help attract new business to Alabama. In an effort to bring a more balanced approach to the program's economic development work, Jim Hayes set out to add business retention activities when he took the reins as president. Under his leadership, the EDPA Foundation created Foundations for Growth.

Description

First and foremost, a business retention and expansion program builds relationships between the economic development community and local job producers. When nurtured, these relationships keep the community leaders apprised of trends, opportunities and threats to their economic viability. Community leaders learn the issues faced by local employers and have opportunities to work together to make local companies more profitable. Many times these relationships lead to expansion opportunities and sometimes help communities understand and prepare for job losses, which cannot always be prevented.

Foundations for Growth works to improve the flow of communication between companies and economic development institutions, increase the community and region's understanding of company needs and acquaint the private sector with the concepts of workforce development, management, marketing and financing services. Most programs include a business visitation process, undertaken by economic development professionals or volunteers.

Foundations for Growth has had great success with the deployment of the Synchronist software, which includes a survey instrument, a data entry component and the capacity to generate more than 40 different pre-programmed reports. The software enables users to capture, codify and report over 250 data points of interest and includes a tool for assessing and ranking the vulnerability and strengths of individual companies. The software helps gauge a business's value to the community, its growth potential, its risk of downsizing or closing, the company's satisfaction with the community, existing or emerging problems and untapped marketing opportunities.

While the EDPA Foundation prefers that every community use the Foundations for Growth software, it is not mandatory. All counties and regions have flexibility to design a program unique to their own needs, as well as to develop customized outreach initiatives. However, counties that choose to use the software benefit from being part of a consistent interview process that collects consistent data during business interviews.

The EDPA Foundation holds a master license for all 67 Alabama counties and works with counties and regions to put together sublicenses under the master agreement. All participants in Foundations for Growth that use the Synchronist software sign a participation agreement with the EDPA Foundation. Both parties agree to all terms of the agreement, which pays particular attention to protecting the confidentiality of data collected during an interview. Software developer Blane Canada and the EDPA worked together to provide interviewer training classes, software use instruction and technology support in 2004.

Impact

In 2004, the EDPA Foundation offered Foundations for Growth to all 67 counties in Alabama. In less than one year, more than half of the state's counties had signed on to this system. Today, 52 Alabama counties are participating. In its first year of operation alone, more than 300 Alabama businesses had been positively impacted by the program. To date, the program has been successful in the following areas:

- Creating awareness among existing firms of the value of existing business support programs;
- Calling attention to the importance of local or regional industries;
- Conducting in-depth surveys of existing firms resulted in data that can be used strategically by county and state development staff and researchers;
- Fostering regional alliances has helped identify and address broader issues that surfaced during interviews of existing firms;
- Identifying vulnerable firms that local, regional, or statewide groups could aid;
- Offering communities a quality tool that they could use to implement an existing industry outreach program.

In many situations, Foundations for Growth is able to help strengthen businesses so they can retain or add workers. A recent success story showing how it can help when businesses consolidate or shrink operations is that of Palm Harbor Homes. Company management contacted the Marshall County office of Foundations for Growth when it lost its lease on the building housing its operations in Boaz, Alabama. The company decided to close its Alabama plant and relocate to another state where it owned debt-free buildings. Only about 40 workers are making the move out of state with the company, leaving another 200 out of work. The employer began posting job listings from other area businesses for its employees and held a job fair on-site at its manufacturing facility. Foundations for Growth mailed out over 200 job fair invitations to other area businesses on behalf of the employer, along with an outline it had developed with the local one-stop career center for area businesses about the Workforce Investment Act program and its benefits for employers. In response, 18 area businesses with multiple job openings participated in the job fair and many others have been in contact to ask for resumes and report job openings within their companies.

Innovation or Distinction

While many individual communities have created existing business programs, it is rare to find a statewide approach that employs technology as specifically and as successfully as the Foundations for Growth initiative. The organization's retention and expansion program won an award in 2005 from the global trade association, Business Retention and Expansion International (BREI), for its work in rolling out the Foundations for Growth program to all 67 counties and for its work crafting a detailed and well-thought-out participation agreement.

Lessons

1. **Computer programs combined with a clear service delivery model can target business retention services to the most vulnerable businesses.**
2. **The use of confidentiality safeguards increases companies' willingness to participate.**
3. **Creating a position responsible for existing industry shows commitment** to the concept and signals that the local development entities see existing business initiatives as a key part of their mission.
4. **Strong leadership played a major role in the creation of this business retention program**, signifying that it is not always outside events that trigger the creation of new, innovative approaches.

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Economic Stabilization Trust

Summary

The Economic Stabilization Trust in Massachusetts delivers effective turnaround assistance to save companies that are planning to close but may still be viable.

The Economic Stabilization Trust (EST) provides loans and management assistance to mature manufacturing companies that are committed to retaining or adding jobs in the state. Its mission is to strengthen the management tools and capabilities of its borrowers. By providing loans where traditional financing is not available or where credit is no longer extended, companies are able to implement restructuring plans to create a stable financial future for the company and its employees.

Background

Textile and other basic industries began deteriorating in Massachusetts even before the 1970s. By the 1980s, the erosion of manufacturing, electronics and defense industries intensified. The Massachusetts Industrial Services Program was created by the Mature Industries Commission legislation in 1984 to respond to the specialized needs of mature industries.

The Industrial Services Program bridged economic and workforce development efforts through programs that monitored economic trends and critical industries, implemented preventive programs to avoid plant closures and established rapid response and worker assistance centers. The Massachusetts Economic Stabilization Trust was one of the original programs of the Industrial Services Program. The trust currently resides in the Commonwealth Corporation, a quasi-public organization that develops and implements a wide range of economic, workforce and youth development initiatives.

Services

The trust provides higher risk financing (at prime +3 percent and a floor of 10 percent) to small- to medium-sized manufacturing firms that are unable to secure adequate capital financing in the private sector. It also provides management and turnaround assistance to distressed companies. Six loan officers, each with manufacturing industry experience, form the core staffing for the financing and business consulting services of the trust.

The trust operates as a revolving loan fund, receiving repayments on the loans and investments made to companies. In 2000, the trust received $200,000 in operational support from the state's Workforce Investment Act (WIA) Rapid Response funds for its turnaround manufacturing assistance services, an amount that was matched by the companies it engages. This allowed the trust to provide up to $10,000 each in subsidized consulting services to each client seeking to preserve jobs.

Specific services include:

1. **Financing Investments and Loans:** The trust offers a wide variety of financing, including working capital, lines of credit for inventory, bank guarantees on lines of credit, term financing and loans for capital equipment purchases. Loans range from $100,000-$500,000. Currently, outstanding loans total approximately $22 million. Loans have the following characteristics:

   - Available only to manufacturers and other value-added businesses that are based in Massachusetts and have at least 12 employees. Retailers, service firms, distributors and real estate businesses are not eligible.
   - Provided only in situations where additional funding from traditional sources is no longer available.
   - Loans considered only when and if they lead to the financial stability and improvement of the business.
   - Loan amounts limited to $7,500 per job.
   - Personal guarantees and positions on assets are required.

2. **Turnaround Management Assistance:** The trust staff provides turnaround management assistance, retaining specialized consultants when a client company needs specific types of experience. In addition to helping firms manage turnaround, consultants work to improve productivity and operating margins and control inventory.
3. **Employee Stock Ownership Plans Financing:** The trust provides assistance to companies interested in establishing employee stock ownership plans **(ESOPs)**, including feasibility assessments and referrals for technical assistance and financing.

Networks

The trust partners with banks and community development finance institutions, private turnaround and ESOP consultants, other state agencies in Massachusetts, local governments and development, community and educational institutions.

Impacts

Over the last five years, the trust has assisted nearly 260 Massachusetts companies, helped create or retain 7,600 jobs and protected $450 million in payroll.

Northstar Industries illustrates the trust's approach to layoff prevention. Northstar is a manufacturing firm in Massachusetts that produces pre-manufactured natural gas metering and regulating facilities. Northstar's smaller facility design had also been awarded environmental honors from the gas industry for being efficient and environmentally friendly. Northstar's design-to-manufacturing system utilizes an interesting modular construction process where a team consisting of its union craftspeople, company engineers, business managers and industry specialists oversees production, from pipelines to end users.

In 1999, after six years of business, the owners hit a plateau during which the company needed more capital to grow to meet the challenges of the energy market, but they could not obtain enough traditional financing to do so. The Massachusetts Economic Stabilization Trust provided a timely loan of $400,000, practical technical assistance and links to other valuable resources for the company. As a result of this support and the leadership of the firm, the company increased its sales from $1 million in 1996 to sales of $17.5 million in 2001, growing its employment base tenfold in the process. [1]

Innovation or Distinction

The trust's success is due largely to its use of workforce development funds for business retention, combined with nontraditional financing. Typically, business retention and workforce development are pursued in isolation and federal Workforce Investment Act funds are rarely used for layoff aversion.

Lessons

1. **Management assessment is critical.** Personal familiarity with a company's management team and strategy for profitability is the most important component to making smart investments.
2. **Successful triage is key**. It is important with turnaround efforts to focus on those companies that can be saved.
3. **Public-private partnerships are key to leveraging resources**. For every public dollar invested in the trust, a little over $2 is leveraged from banks.
4. **Combining financing options with management assistance is crucial.**
5. **Federal Workforce Investment Act funds can be used successfully for layoff aversion.**

[1] U.S. Department of Labor, Layoff Aversion Guidebook (2003). A Case Study of the Economic Stabilization Trust.

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Ohio Employee Ownership Center (OEOC)

Summary

The Ohio Employee Ownership Center (OEOC) specializes in organizing worker-owned ownership transitions, a method of saving companies and jobs. OEOC is a non-profit, university-based program working out of Kent State University to provide outreach, information and preliminary technical assistance to Ohio employees and business owners interested in exploring employee ownership. The organization's activities are designed to promote employee ownership under a variety of circumstances, from succession planning to employee buyouts.

Background

OEOC was founded in 1987 as part of Ohio's commitment to economic development. Over the past 19 years it has grown into a multifaceted support organization for employee ownership, offering a variety of programs to assist in the creation of new employee-owned companies and in improving the management of established companies. It has also established that employee ownership can be a major tool to anchor capital and jobs locally as part of an overall economic development strategy.

OEOC's philosophy is that collaboration is the best way to achieve goals and benefits for all members of an organization. "Employee ownership is one of those rare catalyzing ideas that really pulls the community together because employee ownership is compatible with some of our most deeply felt American political views," OEOC Director John Logue explains. "As Americans, we tend to view ourselves, much as Thomas Jefferson viewed the country two centuries ago, as a nation of economically independent citizens, even though most of us are no longer farmers, craftsmen and proprietors. Employee ownership is simply the modern version of Jefferson's vision, adapted to the economics of modern business corporations."

The organization has two overriding goals: to broaden ownership among more Ohio employees, creating more employee wealth; and to increase employee participation and decision making in the companies they own.

Funding for the organization is provided by the Ohio Department of Development, private foundations, dues from firms belonging to Ohio's Employee-Owned Network, income from training contracts and donations.

Services

OEOC provides free preliminary technical assistance to companies and unions interested in exploring the possibility of employee ownership. In addition, it offers ownership training on a single and multi-company basis to existing employee-owned firms.

The organization runs two international initiatives, including Capital Ownership Group (COG), a "virtual think tank" focusing on employee ownership best practices internationally. (See http://cog.kent.edu) In addition, OEOC recently acquired a revolving loan fund.

Networks

The Ohio Employee Ownership Center operates in partnership with the Department of Development and Kent State University. The employee ownership field includes two "trade associations" —the National Center for Employee Ownership and the Employee Stock Ownership Plan (ESOP) Association. In addition, the Capital Ownership Group is an international network consisting of the most dynamic employee ownership professionals in the world. The organization has played an important role in creating an employee ownership trade association in Ohio, as well.

The Ohio Employee Ownership Center has many other partners, including emerging federations of worker-owned cooperatives, the network of Dislocated Worker Units, EFES (European Federatrion of Employee Share Ownership) and labor organizations.

Impacts

Since 1987, OEOC has helped 515 Ohio companies and 98,000 workers explore the possibility of employee ownership. Of these companies, 77 have implemented partial or complete employee ownership plans. In fiscal year 2003, OEOC provided technical assistance to 39 companies and employee groups investigating employee ownership. Two of the companies OEOC worked with became employee owned, creating 395 new employee owners. OEOC's technical assistance work has grown to include succession planning seminars for business owners, training for employees in employee-owned companies and screening of projects for government feasibility grant funding.

Innovation or Distinction

The Ohio Employee Ownership Center is the most successful, long-running public or nonprofit service center for promoting and encouraging employee ownership in the nation today. The organization is constantly adapting itself to the changing needs of the businesses it serves. The organization's success is a testament to the importance of a synergistic, complementary portfolio of services and products. OEOC's track record also demonstrates the critical importance of a clear, well-articulated mission, measurable goals, deft positioning and an appropriately trained and committed staff. OEOC staff has not been afraid to drop ideas they found to be ineffective and embrace new tactics and strategies.

Lessons

1. **Job retention is cost effective**. In 2002, the cost of each job retained, created, or stabilized through Ohio's Employee Ownership Assistance Program was just $423, substantially less than other states have paid through tax breaks and incentives to create a single job.
2. **Employee ownership can be an effective strategy for saving jobs.** Employee-owners are likely to use different criteria for making decisions about their business than owners who are not personally invested in the stability and quality of the company's jobs.
3. **Employee ownership leads to localized wealth creation.** A preliminary study estimated that the companies helped by the OEOC to become employee owned created more than $300 million in employee wealth between 1987 and 2001 and that this total grows annually by more than $20 million in new wealth for worker owners.

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Westside Industrial Retention Network (WIRE-Net)

Summary

WIRE-Net has helped pioneer the idea of neighborhood-based industrial cooperation, acting as an intermediary between businesses and the community by providing job training and referrals, workforce development services, industrial real estate services and technology assistance to companies.

Background

WIRE-Net was first organized in 1988 when a city council member and three community development corporations met to develop a strategy to retain and strengthen the manufacturing base of Cleveland's west side. The original goal was to help manufacturing businesses—and jobs—stay in the community at a time when plant closings and downsizing were commonplace.

In the course of more than 200 initial company visits, WIRE-Net staff found that even though manufacturing companies (most with fewer than 100 employees) provided about 60 percent of the community's jobs, they had been overlooked and underappreciated as community assets. WIRE-Net helped businesses get organized to win attention from the state and local government and built relationships between business leaders and public officials.

Beginning in 1995, WIRE-Net began building a more comprehensive economic development approach to help retain and grow west side manufacturers. It was at this time that WIRE-Net moved beyond the more basic issues of helping businesses with permitting, taxes, industrial services, public infrastructure, etc., to deeper issues more central to the running of the business, such as the lack of industrial land on which to build and tools to help business leaders run their internal operations more successfully.

The organization is funded through a combination of state and local grants, foundation grants, membership dues and program revenues and has earned a solid reputation both in the workforce and economic development arenas

Services

WIRE-Net's approach to the issue of industrial retention is to combine labor force programs with direct assistance to member firms. WIRE-Net offers a number of programs which foster the attraction, growth and retention of local firms, including manufacturing and technology assistance, peer-to-peer learning, inter-firm collaboration, manufacturing advocacy and an array of business consulting services.

The organization's WorkSource program matches the needs of employers with training programs at local schools and community colleges. Through WIRE-Net's School to Career program, located within a Cleveland public high school, students learn work-readiness skills such as workplace behavior and ethics, time management and, in general, meeting the expectations of employers. They also meet potential employers and have job shadowing opportunities. WIRE-Net also pioneered work in the sectoral employment field through its Machine Trades Sectoral Initiative, which helps support regional programs in the precision machining field.

Although more than half of WIRE-Net's budget is dedicated to its employment programs, another major area of growth in recent years has been its industrial real estate efforts. In the early 1990s, WIRE-Net conducted a survey which found that one reason companies leave their west side base is that they want to expand and simply don't have the space. Today, WIRE-Net is in the midst of a major redevelopment project that will transform a 21-acre former heavy metal stamping facility into a 'green' industrial park, incorporating high performance design and environmentally friendly building construction methods.

Networks

WIRE-Net's network of manufacturing companies, community development corporations (CDCs), business service providers and policy makers includes the following:

- More than 210 manufacturing and related members (as of June 2004).
- Five Community Development Corporations, each of which collaborates with WIRE-Net and has its own unique focus to strengthen local retail districts, develop and maintain housing and provide residential and other services.
- City, county and state policy makers.

Impacts

In 2004, WIRE-Net served 271 companies, helped 134 residents find jobs in area manufacturing related businesses and created a coalition of Ohio manufacturers to promote policies to enhance the region's manufacturing capabilities. WIRE-Net's impact on west side businesses was similar in 2005, when it served about 300 companies and 13,000 workers.

Innovation or Distinction

WIRE-Net has implemented a distinctive organizational approach to dealing with industrial retention. By organizing as a membership-based, neighborhood-focused economic development entity, WIRE-Net has been able to overcome the familiar issues of credibility and buy-in from private sector firms. WIRE-Net customers are company leaders, rather than affected workers. The dynamic is unique and creates a situation in which companies are primary stakeholders in WIRE-Net's activities. In addition, the organization's geographic concentration allows it to maintain focus and demonstrate results.

In a sense, WIRE-Net is a manufacturing trade association model. But, unlike most American-based associations, its principal purpose is keeping its membership in business, rather than advocacy and lobbying.

Lessons

1. **A balanced approach to meeting both business and community needs is necessary for long-term success.** Developing programs around manufacturing companies as the primary customers has been key to WIRE-Net's success. At the same time, if the businesses had formed an association or network by themselves, they may not have placed the same priority on job creation and training area residents for the jobs as the community development corporations that helped create WIRE-Net.
2. **It is important for community organizations with an interest in job placement and training to build credibility and develop access to employers**. This unique connection between business and community entities has led to WIRE-Net's success in areas ranging from industrial development and manufacturing assistance to job placement and training.
3. **Facilitating appropriate partnerships is crucial for undertaking large-scale efforts**. Partners must have the capacity to take on these large-scale efforts and should have a shared vision, as well.

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Protecting Living Standards and Curbing Downward Mobility

Protecting Living Standards and Curbing Downward Mobility

In the wake of personal pain and suffering from the 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 community, thereby weakening the economy further. It is important to break this vicious circle.

There are several ways to ease the pain of dislocated workers and mitigate the negative impact of worker dislocation on communities.

One approach that several states, including the State of Washington through their **Training Benefits Program**, have used to help dislocated workers and their families is to extend the duration of time unemployed workers can collect unemployment benefits if they are engaged in training.

Losing health insurance coverage is certainly among the biggest problems to befall a displaced worker and his or her family. Although many believe it needs to be expanded to offer meaningful assistance to most dislocated workers, the **Health Coverage Tax Credit** (HCTC) offers a promising solution from the federal government. And to overcome HCTC implementation challenges, North Carolina officials worked with the U.S. Department of Labor to create bridge grants that help states offer immediate assistance with health care insurance costs to eligible dislocated workers.

Lastly, affected workers and communities have many needs when their economic lifelines are cut. Especially difficult are larger plant shutdowns. North Carolina marshaled a large, holistic effort to mitigate some of the pain and negative reverberations of the **Pillowtex** closing in 2003. This effort is a noteworthy source of lessons and precedents.

Training Benefits Program

Summary

The state of Washington uses a distinctive approach to providing income support for longer-term training by using its unemployment insurance system.

Jobless workers face a large challenge of supporting themselves and their families while they are taking advantage of education or retraining options. Following in the footsteps of the state of Washington's Training Benefits Program, states could allow unemployed workers that are taking part in approved training to continue collecting unemployment insurance for periods long enough to complete meaningful retraining. While workers participating in the federal Trade Adjustment Assistance (TAA) program may qualify for additional weeks of unemployment compensation while participating in approved training, these benefits are limited to workers dislocated as a result of trade.

Background

Although being unemployed can be traumatic, it can also create the opportunity for a worker to upgrade his or her skills and make a career change for the better. If a state wants to help those that are working in declining occupations and industries and potentially reduce unemployment insurance demands in the future, it can make it easier to do so by allowing jobless workers participating in approved training programs to continue to collect unemployment insurance beyond the normal duration of state benefits.

A handful of states grant such extensions – called "additional benefits." States justify such extensions when retraining is needed for a claimant to land a full-time job in another industry that is characterized by current labor shortages or favorable forecasts for jobs. By having more than standard 26 weeks of unemployment income support available in most states, a worker is much more likely to complete substantial training that can lead to a better job and career path.

To date, this has been a tough sell. Opponents argue that state benefit extensions deplete state unemployment trust funds and raise unemployment insurance program costs. Advocates counter by contending that, ideally, these higher expenses will be offset, at least in part, by reductions in future job loss (and thereby, fewer filed claims) and by wage and productivity increases, which then expand the economy and the tax base.

Services

Some states offer additional unemployment benefits tied to training. They include:

- **The California Training Benefits Program** provides up to 52 added weeks of unemployment insurance for jobless workers enrolled in approved training. Participants must be retrained in a "demand occupation" and must apply no later than the sixteenth week of their unemployment insurance claim.
- **Maine's Dislocated Worker Benefits Program** gives up to 26 weeks of additional unemployment insurance benefits for approved trainees.
- **Massachusetts allows up to 18 more weeks of unemployment insurance payments for those in approved training program**s that apply for the extension no later than the fifteenth week of unemployment compensation.
- **New Jersey, New York and Washington State also offer such additional benefits for retraining.** Under Washington's law, unemployment insurance applicants must prove that they need training benefits in order to get a steady, good-paying job and that they would not have access to that job without the training.

In the state of Washington, to be eligible for the Training Benefits Program, an individual applying for unemployment insurance must show a need for training to find suitable work, establish that the full-time training program will enhance their marketable skills and earning power and confirm that training is for an occupation that is in high demand in the local labor market as determined by the local workforce investment board. This means that unemployment insurance applicants would not qualify for training benefits if they could get a job without any training that has similar pay as the job for which they are training.

Networks

The nonprofit National Employment Law Project is the major national clearinghouse on this and similar unemployment insurance reforms. Especially helpful is its book, *Changing Workforce, Changing Economy: State Unemployment Insurance Reforms for the 21st Century*.

Impacts

There are no data on dislocated workers who used unemployment insurance funding for longer-term training. However, in partnership with the Upjohn Institute, the state of Washington has done a lot in terms of evaluating its training programs. The results of the evaluations have demonstrated the importance of training for dislocated workers' and others' future outcomes.

Findings suggest that:

- All state workforce development programs evaluated were successful in boosting earnings and public tax revenues.
- Most adults that received training obtained jobs related to the training.
- Over 85 percent of employers reported they were satisfied with the overall quality of work performed by new hires that completed training.
- 83 percent of dislocated workers that participated in training were able to secure new jobs within six to nine months.
- 68 percent of dislocated workers found jobs related to their training nine months or more afterward.
- 76 percent of dislocated workers said their newly-attained skills greatly improved their employability.

Innovation or Distinction

As noted above, only a few states provide long-term unemployment insurance for those citizens who need longer-term training. Furthermore, because of cutbacks in the research and data collection operations of unemployment insurance programs in the states, few, if any, keep track of recipients' experience with Unemployment Insurance retraining stipends.

Again, the state of Washington serves as an exception by offering such a program and conducting some evaluations of its training efforts.

Lessons

1. **Trainees cannot eat training**. They must support themselves and their households while upgrading their skills. Few dislocated workers, especially those who did not make a lot of money before they lost their job, would have the savings to do so. Thus, it is important that those who require longer-term training have access to financial assistance such as unemployment benefits throughout their training.

2. **There is greater willingness to support a workforce development program if there is solid data on the program's success**. It is important to collect data to evaluate the impacts of the program, including whether it led to good jobs and whether participants experienced greater job security as a result.

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North Carolina's Pillowtex Response

Summary

The Pillowtex initiative is a unique and comprehensive state, local and community partnership that came together in response to the largest layoff in North Carolina history. It involved the mobilization of public, community and corporate resources and helped deliver comprehensive services to thousands of dislocated workers

On July 30, 2003, Pillowtex announced the immediate closing of its total operation, dealing a major blow to the company's approximately 4,800 textile workers in and around the small North Carolina cities of Kannapolis and Eden, as well as Pillowtex workers in other states. The success of partnerships formed in North Carolina among federal, state and local governments, social service organizations, housing agencies, faith-based organizations and other nonprofit groups was unparalleled and unprecedented. Today, the Pillowtex initiative serves as a case study in how to provide comprehensive services to dislocated workers and deliver effective economic disaster recovery. As the location where most Pillowtex jobs were lost, Kannapolis and the response to the thousands of jobs lost there are featured in the description of services below.

Background

The Pillowtex layoff was not a surprise. Textile plants in North Carolina had been closing for years as free trade agreements pushed production overseas. Pillowtex first filed for bankruptcy in 2000 after defaulting on $650 million in loans and, hoping to avoid a second round of bankruptcy protection, the company had been 'on the market' since March 2003. Pillowtex had already laid off workers in North Carolina and put some of its workers who remained in its plants on reduced work schedules. In April 2003, Pillowtex executives met with the N.C. Department of Commerce's Dislocated Worker Rapid Response Team and other state officials to discuss a state response to mass layoffs, which by that time were all but inevitable.

Services

Immediately after Pillowtex announced it was shutting down operations, the Centralina Workforce Development Board and the JobLink Career Centers in Cabarrus and Rowan counties (with support from the Employment Security Commission state office) set-up a JobLink Resource Center at one of the company's plants in Kannapolis to coordinate and integrate the delivery of state and federal services in that community. Workforce development activities included job search and placement assistance, career counseling, payment of tuition and expenses for training, opportunities for on-the-job training assistance, administration of Unemployment Insurance, healthcare premium payment assistance and wage supplementation assistance for older workers. Services were expanded and adjusted as necessary to address the needs of thousands of workers who faced a very uncertain future.

The human service delivery strategy, made possible by advance planning and foresight at the local level, began with the central location of a 'ground zero' for service delivery. Less than a week after the announced layoffs, the Community Service Center was opened in a church one block away from the JobLink Resource Center. Locating the Community Service Center in a church was a way to get services to dislocated workers in a comfortable community setting. The Cabarrus County government equipped the church with a network of phones and Internet connections, computers and fax machines. It also designed a shared database of information about each client, including the kind and amount of assistance received.

The Community Service Center simplified the process of applying for human services, reduced the necessary paperwork and rushed to provide individual emergency assistance. More than a dozen agencies coordinated their activities at the center through the use of a single assessment application. Services included those related to healthcare, basic needs, housing, debt management and foreclosure avoidance.

Through the center, local agencies and nonprofits provided more than $350,000 to assist with health insurance premiums and prescription drug costs. County officials worked out a deal with Northeast Medical Center to provide prescription drugs at cost to dislocated workers living below 200 percent of the federal poverty line. An additional $600,000 was provided to assist with rent/mortgage, utilities, auto payments and basic necessities. The Cannon Foundation provided $1 million in funding and substantial grant support for activities and outreach at the center.

Networks

The governor formed a special advisory team made up of high-ranking officials from the staff of the state Department of Commerce, Commission on Workforce Development (North Carolina's state workforce investment board), the Employment Security Commission, the North Carolina Community College System, the N.C. Department of Health and Human Services, Pillowtex management, union representatives, local community colleges, local government and other local service providers to coordinate response activities.

Local agencies and nonprofits, including the Cabarrus County Department of Social Services (DSS), United Way Central Carolinas, Cooperative Christian Ministries (CCM), Centralina Workforce Development Board, JobLink Career Centers from Cabarrus and Rowan counties, Employment Security Commission and Rowan-Cabarrus Community College formed a core planning group to coordinate human service needs.

Impacts[2]

- The Community Service Center received 4,300 visits from 1,200 people.
- Rowan-Cabarrus Community College created courses—including pharmacy technician, medical coding and billing, medical unit secretary, general construction trades and customer service certification—to reflect dislocated worker interests and perceived labor market opportunities. Community college programs such as welding technology, electrical/electronics and air conditioning, heating and refrigeration experienced enrollment increases of 40 to 400 percent following the Pillowtex closure.
- Dislocated workers who lost jobs at Pillowtex in Kannapolis and Eden received extensive assistance from multiple public agencies.
    - 4,820 received Unemployment Insurance and/or Trade Readjustment Assistance benefits.
    - 2,320 enrolled in the state's Community College System.
    - 934 enrolled in Basic Skills Programs, including Adult High School and GED Programs
    - 543 enrolled in the Human Resource Development (HRD) program, which assists with job search and employability skills.
    - 451 enrolled in short-term occupational training.
    - 923 enrolled in a curriculum program leading to a degree, certificate or diploma.
    - 2,010 enrolled in state-sponsored employment and training programs through the Division of Employment and Training (Department of Commerce).
    - 4,749 received employment services through the Employment Security Commission of North Carolina.
- As of third quarter 2005, 2,730 former Pillowtex workers had entered employment.
- State and federal agencies provided more than $67,197,000 in income support benefits in the form of Unemployment Insurance or Trade Readjustment Allowances.
- Forty-five workers over the age of 50 received wage supplementation through the Alternative Trade Adjustment Assistance program when they took a new job making less than their Pillowtex job.

[2] Data source for all other than Community Service Center and Rowan-Cabarrus Community College data: Employment Security Commission, Labor Market Information Division, "Pillowtex Worker Update," June 22, 2006 (most service level data reflects services provided from July 2003 through June 2005).

The enormous challenges posed by the Pillowtex layoff also led to improvements in the community. Because it was difficult for many dislocated Pillowtex workers to pay their share of health insurance costs required for assistance under the Health Coverage Tax Credit, the community applied for and received funding to open a community health center in Kannapolis.

And although some former Pillowtex workers are still unemployed or underemployed three years after the event, the response did help a great many of those laid off in 2003 secure a new job—in many cases outside the vulnerable manufacturing industry. As of third quarter 2005, 57 percent of the former Pillowtex workers were employed in a new job.[3] Less than 30 percent of those reemployed after the Pillowtex layoffs went back to work in manufacturing.

Innovation or Distinction

The Pillowtex initiative was innovative on many fronts. First, local public agencies, private nonprofits and faith-based communities came together without preconceived ideas about 'turf' and provided effective service delivery. In a small, tight-knit community such as Kannapolis, the people and organizations had worked together before and were ready to respond.

Secondly, state government responded proactively, supporting local organizations in their efforts and working closely with private and federal partners as well. The governor's office and workforce and human service agencies worked closely with each other and local organizations, sponsoring Community Service Delivery Forums to facilitate better identification of service delivery needs and solutions. Due to the scope of the Pillowtex shutdown, Governor Michael Easley was able to mobilize resources across the state, ultimately raising $400,000 from Wachovia, Blue Cross and Blue Shield of North Carolina, Bank of America and Duke Energy.

Lastly, Congressional leaders, federal agencies and state officials worked to fully tap and then adapt federal resources for maximum benefit to dislocated workers. Almost all of the former Pillowtex workers qualified for Federal Trade Adjustment Assistance (TAA) which, in addition to funding for retraining and other basic human needs, includes a 65 percent tax credit on health insurance costs through the Health Coverage Tax Credit (see page 29). When Pillowtex closed, the group health insurance plan that covered its workers was immediately terminated with $5 million in unpaid claims pending. A $7.6 million National Emergency Grant (NEG) from the United States Department of Labor helped to pay the 65 percent health insurance subsidy that was part of TAA and North Carolina worked with the Department of Labor to bridge the time gap between workers' expenditures on health premiums and reimbursement through the federal tax credit. The state also requested and was awarded a $13 million grant for employment transition-related services, including capacity building at community colleges.

Lessons

1. **Advance notice is crucial** for mobilizing resources and coordinating the response for delivery in a timely manner.
2. **Interagency collaboration and a shared mission maximize impact**. In the Pillowtex closure response, this collaboration made it possible to pool resources and ideas. Because service delivery organizations were focused on the mission and did not care who got the credit, dislocated workers were the winners.
3. **Leadership provides needed vision and coordination**. Successful coordination and integration of services in the Pillowtex response were largely driven by consistent, dedicated leadership.

[3] Source: Employment Security Commission, Labor Market Information Division, "Pillowtex Worker Update," June 22, 2006.

4. **Training and employment services are often not the first concerns of dislocated workers**. The greatest immediate concern of dislocated workers is replacing lost income so they can keep a roof over their heads and food on the table. It was important as part of Pillowtex to assure immediate payment of unemployment insurance benefits, which then allowed them to focus on their career goals. Health insurance was also one of the early concerns of dislocated Pillowtex workers and also the most complicated, expensive and difficult to deal with.
5. **Flexibility promotes innovation.** Agencies have greater success in meeting the needs of dislocated workers when they are able to work outside their normal rules and regulations for solutions.

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[4] Note that this is a partial list – there were dozens of local, state and federal entities, as well as private-sector partners (nonprofit and for-profit), that played a large role in serving former Pillowtex workers and providing resources or other forms of assistance. In fact, the strength of the response owed much to the coming together of such a large and diverse set of leaders and organizations.

Health Coverage Tax Credit (HCTC) and North Carolina's Bridge Grant Innovation

Summary

The Health Coverage Tax Credit (HCTC), a federal health care subsidy available to dislocated workers eligible for Trade Adjustment Assistance, covers 65 percent of the dislocated worker's health insurance premium. The use of the HCTC during the massive Pillowtex closure in North Carolina in 2003 and other large textile and apparel layoffs highlighted some of the strengths and weaknesses of federal policy intended to deal with the health insurance issue for dislocated workers, and it led to development of innovative solutions for implementation that are now used in other states as well as North Carolina.

North Carolina has been so proactive in introducing strategies to help dislocated workers access the HCTC that a disproportionate number of the federal program's enrollees are from North Carolina.

Background

The Health Coverage Tax Credit, or HCTC, was included in the latest version of Trade Adjustment Assistance (TAA) passed as part of the Trade Act of 2002. The legislation grew out of concerns over the loss of health care coverage among dislocated workers. Lawmakers also knew that the fast-track trade authority being proposed at the time had the potential to add to and accelerate job losses.

The HCTC was added to the existing package of services for dislocated workers eligible for Trade Adjustment Assistance income support. It also became a service available to workers under the new Alternative Trade Adjustment Assistance (ATAA) program introduced with the Trade Act of 2002, which allows workers aged 50 or older to qualify for wage supplementation if they go back to work and earn lower wages in their new job.

Services

The HCTC, which first went into effect in November 2002, covers 65 percent of the health care insurance premium for workers who lost their jobs as a result of trade. The credit is a refundable tax credit, meaning that even if an individual owes no federal taxes, he or she can obtain the same assistance in paying for health insurance premiums. The HCTC was modified so that, starting in August 2003, it could be paid in advance by the Internal Revenue Service to a qualified health insurance plan. This meant that a dislocated worker would only be responsible each month for paying the remaining 35 percent of the health insurance premium.

The federal government developed the concept of a "Bridge Grant" payment system that states could elect to set up to "bridge" the time from November 2002 to August 2003, when the advance payment system became available through IRS. Rather than setting up a new, transitional payment system, North Carolina's innovation was to use National Emergency Grant funds to set up a different kind of "bridge" that would provide assistance directly to trade-affected dislocated workers. North Carolina's "Bridge Grant" innovation was created when North Carolina officials realized the gap in help with health insurance coverage during the time an individual is registering to obtain advance help in paying for health care premiums, before the advance tax credit is set up for the individual. This became evident following the Pillowtex closure, which occurred around the same time advance HCTC payments were introduced. Concerned about the requirement that dislocated workers would have to pay 100 percent of their premiums while paperwork filtered through the Internal Revenue Service, the State of North Carolina applied for and received a U.S. Department of Labor National Emergency Grant to provide a "Bridge Grant" to address this challenge. The $7.6 million federal grant was allocated to provide the 65 percent subsidy until HCTC payments were issued.

The Employment Security Commission designed the system so that checks were written to the insurance provider and mailed to the eligible HCTC trade-affected worker, for the worker to then send to the health care provider (Blue Cross/Blue Shield or another provider if a COBRA situation) for payment. The worker would then add his/her own check to the envelope and send both to the health care provider.

In addition to the administration of the Health Coverage Tax Credit and the creation of Bridge Grants to help dislocated workers maintain continuous health insurance coverage, various organizations in North Carolina have worked to promote the Health Coverage Tax Credit. For example, in partnership with the Employment Security Commission as the administrator of Trade Adjustment Assistance and the HCTC, Connectinc. (a nonprofit organization profiled in this report) provides personalized assistance to explain the program to eligible dislocated workers and walk them through completion of the HCTC registration forms. Local Employment Security Commission staff provided hands-on assistance as well. Also, volunteer tax credit preparers have helped maximize the numbers of applicants.

Impacts

- From the inception of the advance tax credit option of the Health Coverage Tax Credit on August 1, 2003, through June 30, 2006, 37,454 trade-affected dislocated workers across the U.S. received help paying their health insurance premiums under the HCTC. Of those served through the federal tax credit program, 5,953 (16 percent) were from North Carolina.[6]
- 1,145 former Pillowtex workers in North Carolina have received benefits through the HCTC.[7]
- Over 10,000 trade-affected dislocated workers have received assistance through the North Carolina Bridge Grant or other federal gap-filler grants. Over 5,700 of those people have been served by North Carolina.[8]

Innovation or Distinction

North Carolina's active use and promotion of the Health Coverage Tax Credit, as well as the creation of the North Carolina Bridge Grant approach to eliminate gaps in health insurance coverage, have made it the national leader in making this federal tax credit available to dislocated workers affected by trade. The one-on-one assistance to explain the Health Coverage Tax Credit to eligible dislocated workers and help them apply has made enrollment rate for North Carolina much higher than the HCTC enrollment rate for the nation as a whole. The Bridge Grant efforts to help trade-affected workers maintain continuous health insurance coverage have been followed by other states, such as Virginia, Kentucky, Georgia and South Carolina.

North Carolina has also been active in identifying remaining challenges of the Health Coverage Tax Credit and related federal policies and advocating for policy change. For example, a "dislocated worker action agenda" developed by a coalition of workforce development and economic development leaders in 2005 called for key Trade Adjustment Assistance reforms, including expanding the Health Coverage Tax Credit from 65 percent to 80 percent of health insurance premiums.[9]

[6] Internal Revenue Service, "Health Coverage Tax Credit Quarterly Participation Report – North Carolina" -- report with current and cumulative data for quarter ending June 2006.

[7] Employment Securty Commission, Labor Market Information Division, "Pillowtex Worker Update," June 22, 2006.

[8] Source: Curtis Morrow, Employment Security Commission of North Carolina.

[9] North Carolina Rural Economic Development Center, "Gaining a Foothold: An action agenda to aid dislocated workers," April 2005.

Lessons

1. **A refundable tax credit available to dislocated workers in advance of bills can help address critical needs such as health insurance coverage.**
2. **Substantial technical assistance is needed by applicants** to navigate assistance made available through the tax code, and tax-related confidentiality provisions may make it harder to provide that assistance.
3. **Initiatives may need significant reforms** after initial creation to be accessible to a significant proportion of dislocated workers.

For more information:

See Internal Revenue Service website for…

- More information on the Health Coverage Tax Credit: http://www.irs.gov/individuals/article/0,,id=109960,00.html
- More information on the National Emergency Grant Bridge Program (temporary assistance for applicants): http://www.irs.gov/pub/irs-utl/neg_contact_information_7-2006.pdf

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Improving Connections to Employment

Improving Connections to Employment

Softening the blow of worker dislocation can be accomplished in many ways, but the most successful strategies speed the process of reemployment and cut the private and social costs of joblessness. To be effective, those strategies should also address the gap that is often present between the availability of specific jobs, the ability of the worker to seek out those positions and the capacity of workers to qualify for and succeed at reemployment.

Some traditional methods for addressing these issues include: helping workers seek jobs in new and growing industries through job search training, job clubs and resume preparation; help with planning for—and even rehearsing before—job interviews; and increasing the availability of support services such as free or low-cost transit and day care in affected areas.

This section of the report will focus on promising paths to faster, better reemployment. Illustrating those paths is: **Connectinc.'s Next Steps Program**, North Carolina's cutting-edge approach to getting dislocated workers and their families productively engaged once again in the labor market; **First Source Hiring Agreements** in Oregon, which leverage state and local dollars by requiring firms receiving business incentives or other subsidies to consider referrals of job applicants from the area's JobLink centers; and the now-defunct **Minnesota Economic and Employment Development (MEED)** job development program, noted for its ability to create business incentives for smaller firms that generated new jobs in needy areas of the state.

Connectinc.'s Next Steps Program

Summary

Connectinc. combines highly-skilled case managers with sophisticated computer and communication technology to help residents of North Carolina find and keep jobs, develop careers and build assets.

Connectinc. is the parent organization for a variety of call center services designed around the needs of those seeking a job or trying to keep one. Through the Next Steps Program, Connectinc. customizes its high-tech case management services to address the unique needs of dislocated workers. Its niche in the workforce development system is to increase access to existing workforce development and supportive service programs.

Background

Connectinc., which originated from North Carolina welfare-to-work efforts in the late 1990s, grew out of the need to expand the services delivered by its initial program work. The organization created its Work Central Career Advancement Center in 1999 to broaden its services for former welfare clients, employing technology-supported case management and resource information.

Today, the program operates a call center which fields between 600 and 1,000 calls daily. The Work Central Center was initially funded by the state Department of Health and Human Services. Connectinc. was established as a private, non-profit parent organization for the center in 2002 so the organization could expand and become eligible for grant and foundation support.

As layoffs accelerated in North Carolina in the early 2000s, it became clear that Connectinc. services would also be valuable for those affected by globalization. Beginning with individual grant-funded projects supported by the Golden LEAF Foundation and culminating in a major initiative to serve workers affected negatively by trade in partnership with the Employment Security Commission and the state Commission on Workforce Development, Connectinc. developed a major program area focused on dislocated workers known as the Next Steps program.

Connectinc.'s successful development and deployment of technology, along with its proven track record of strong leadership, has drawn the attention of President Bush, the U.S. Department of Health and Human Services and several national research and development institutions.

Services

At the heart of all Connectinc services is a versatile and sophisticated communication system headquartered in rural Battleboro, North Carolina that enables representatives to serve customers anywhere in the state during extended service hours.

In its services to both dislocated workers and former welfare recipients, Connectinc. representatives provide callers with information on available jobs, childcare, transportation, financial institutions and training opportunities. The center is designed to help households get the help and information they need without leaving their home. Case managers can play the role of employment brokers, setting up three-way calls with employers and faxing resumes and job applications on behalf of the customer. They can also set up conference calls to discuss available services with workforce development or supportive service partners.

For dislocated workers affected by trade, Connectinc. staff can walk the individual through Health Coverage Tax Credit program applications over the phone and complete the form on behalf of the dislocated workers. This has proven to be an especially beneficial service for workers facing literacy challenges, especially in the case of complicated forms, such as those required by the Internal Revenue Service.

During telephone interviews, Connectinc. representatives access and record on-line information about customers, the resources available to support them and their transactions with Connectinc. GIS maps are available to Connectinc. representatives at the touch of a button as they work with individuals to pinpoint the location of employers and resources such as JobLink Career Centers, child care providers, transportation systems, etc. Although communications consist mainly of outgoing phone calls, there is also a significant number of incoming calls from customers seeking support, referrals and coaching to help manage their personal and career needs.

Currently serving trade-affected dislocated workers in 64 counties, Connectinc. has four main objectives:

- Re-employment: to create job search plans, develop job readiness strategies and help keep family and work demands balanced.
- Job retention: review support systems, promote problem-solving and focus on job longevity.
- Career advancement: introduce customers to career paths, training options and education plans.
- Asset accumulation: link customers to checking and savings account resources, inform them on financial matters and educate them about home ownership opportunities.

As a part of its suite of high-tech case management services, Connectinc. runs a series of ancillary programs intended to support the working poor and promote education and training. The Volunteer Income Tax Assistance (VITA) program helps low-income families file tax returns and claim tax credits, such as the Earned Income Tax Credit. TEACH Central, funded by Z. Smith Reynolds and Embarq, promotes teacher retention through participating school systems by offering first-year teachers emotional support, professional guidance and resources for their transition into the classroom.

Networks

Connectinc. has a legion of partners, including the North Carolina Commission on Workforce Development, Employment Security Commission, Department of Commerce, local workforce investment boards, community colleges, social service agencies, large corporations and community development corporations.

For several years, Connectinc. services have been made available on a contract basis to workforce investment boards, county departments of social services and other organizations. Since Fiscal Year 2005-06, the Employment Security Commission has contracted with Connectinc. to partner with its Employment Service staff in guiding dislocated workers eligible for federal Trade Adjustment Assistance to available services. The Employment Service division has provided Connectinc. staff with current job openings and orders, assisted clients in the re-employment stage of Connectinc's services and promoted and networked with businesses. While continuing its strong partnership with the Employment Security Commission to serve trade-affected workers, Connectinc. is exploring additional partnerships to extend its services to other dislocated workers as well.

Impacts

- Through all of its programs to promote career advancement and self-sufficiency (through training, job search, etc.), Connectinc. has focused on helping customers obtain and/or retain jobs paying good wages. As of June 30, 2006, the combined wages of customers or former customers totaled over $106 million.

- The Next Steps program addresses a critical need in the workforce development system—–the need to connect dislocated workers to the many programs available to them. It also helps affected workers overcome one of their biggest challenges—the lack of public transportation.
- Between July 1, 2005 and June 30, 2006, Connectinc. :
  - served 7,723 dislocated workers eligible for Trade Adjustment Assistance
  - referred 3,767 dislocated workers to Health Coverage Tax Credit resources
  - helped 1,277 dislocated workers enter retraining programs
  - helped more than 1,280 dislocated workers find work
- Connectinc. has been recognized for its accomplishments and is now influencing other states to consider similar strategies. Minnesota is set to begin its start-up of similar services using Connectinc. software in the northwest.

Innovation or Distinction

Connectinc.'s use of technology to deliver career development and social services makes it truly unique. The organization's software program allows Connectinc. to manage and track its customers' progress over time for maximum impact and efficiency.

Connectinc. has the capacity to link thousands of dislocated workers to a broad range of available services, overcome transportation challenges that keep some from accessing services, deal with the isolation and fear some dislocated workers may feel and provide all its customers with clear, personalized information and follow-up

Lessons

1. **It is possible to help dislocated workers successfully navigate the maze of services available** to them and improve rates of program participation and individual outcomes as a result, even without face-to-face contact.
2. **It is critical to hire and train case managers** who are well-versed in their area of expertise and can communicate effectively.
3. **One-size does not fit all**; customization within case management is crucial.
4. **Today's information technologies, search engines, web sites, data bases, etc., can revolutionize the job search** and overall case management processes.
5. **These technologies can overcome the distance and transportation problems** faced by the jobless and working poor, especially those living in rural areas.
6. **Although there are more workforce development services and supports** than in the past, potential applicants do not always know of their availability, the terms of eligibility and the application process. Programs that expand knowledge of work supports can fill these gaps.

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First Source Hiring Agreements

Summary

Oregon's First Source hiring program creates job opportunities for dislocated and other disadvantaged workers by requiring businesses that receive special benefits to sign hiring agreements that essentially guarantee the business will first consider these workers for new jobs.

A firm must sign a First Source Hiring Agreement if it directly receives or substantially benefits from proceeds of the Oregon Lottery or if it will have its investment in new property exempted from property taxes for a period under Oregon's enterprise zone program or its strategic investment program.

State and local government agencies and organizations act as job developers on behalf of the private firm, identifying and screening potential workers, arranging training services and so forth. The private company is under no obligation to hire these workers, but must consider them in the process of seeking employees.

Background

First Source hiring agreements have deep roots in Oregon, beginning in the late 1980s under Portland's then-mayor Neil Goldschmidt. Faced with a semiconductor firm's request for tax abatements and job training assistance in exchange for locating its operation in the city, Goldschmidt saw the opportunity to help both the firm and the city. In approving the deal, the city required that the business hire all of its production workers through the city's federally-funded Comprehensive Employment and Training Act (CETA) program. The city trained 450 residents with the necessary job skills and placed most of them in jobs with the semiconductor firm.

JobNet was created at the Portland Development Commission in 1989 to institutionalize and expand training and placement efforts related to economic development. One of the program's main tools was First Source. JobNet tried hard to reach into the city's more economically disadvantaged neighborhoods and averaged about 600 placements annually in its heyday. JobNet was discontinued as Oregon moved toward a system of one-stop centers for workforce development, but First Source hiring agreements continue to flourish in Oregon's Enterprise Zones.

Services

First Source hiring agreements and other such job linkage programs are designed to increase a particular population's access to timely information about job openings and to expand real opportunities for the economically disadvantaged to achieve more gainful employment. Such agreements direct employers to offer local people the chance to compete for jobs while retaining the employers' autonomy in the actual hiring decision. These agreements can produce substantial numbers of direct job hires of unemployed and under-employed residents in the private sector.

First Source agreements vary in terms of program design, employer incentives and partnerships. They do, however, tend to share the following three characteristics: they leverage jobs in the private sector through public incentives; they share access to timely information on job opportunities; and they establish formal mechanisms for referring and placing job seekers.

In order to participate in Oregon's Enterprise Zone program, a company must adhere to the following requirements:

1. Notify designated employment agency of all employment openings, job qualifications and interview and hiring schedules;
2. Provide adequate lead time for agencies to respond;
3. Allow all openings to be posted in the public labor exchange system;
4. Fully consider all referrals from the agency; and
5. Abide all relevant employment laws (e.g., discrimination, etc.).

First Source is also a critical marketing tool for the publicly funded agencies and organization that assist low-income and other economic disadvantaged persons. These agencies and organizations can use the agreement as an inroad for offering its services to businesses poised to hire, and improve the chances that people helped with public resources be the first to get jobs fostered with public funds or tax abatements.

Networks

Several national advocacy organizations are seeking to make such agreements a reality in more states and localities, including Good Jobs First, ACORN, Policy Link, the Center for Community Change and Los Angeles Alliance for a New Economy.

Much of the policy work currently being done on First Source hiring agreements is taking place within the Community Benefits Agreement movement. A Community Benefits Agreement (CBA) between private developers and coalitions of community organizations seeks to ensure that a community's residents share in the benefits arising from major projects. Community Benefits Agreements allow local citizens and community groups that represent them to tailor projects to meet community needs and hold the developer accountable for their commitments.

Similar to "linkage" agreements that were advocated and created by affordable housing advocates and policymakers, Community Benefit Agreements are starting to animate a new movement for greater accountability and transparency in the fields of economic development and inner city development. They are useful tools to mobilize people and build local power to put a community's stamp of approval on local efforts to create jobs, build enterprises, improve amenities and create new alliances. First Source is often found in such agreements, which are principally negotiated in local jurisdictions and neighborhoods, rather than being statewide efforts.

Impacts

Oregon does not keep statewide statistics on the actual jobs that are filled from first-source referrals, though the program is widely considered to be effective on many levels. Generally, enterprise zone program managers and local leaders believe that the program has had a positive effect on placing qualified people in need into a good job. Although not always welcomed by the business community, many businesses appreciate the program and see it as a way to meet any employment discrimination or diversity concerns and to fill high-turnover slots with people eager to get back into a steady job.

In Portland, where Oregon's First Source hiring agreements originated, the city's JobNet program tracked data that provides evidence of success with first source hiring agreements. Between 1989 and 1999, JobNet 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 and living in the targeted area of Northeast Portland and more than 90 percent of these had low or moderate-incomes.

Innovation or Distinction

First Source can play a unique role in bringing the private sector and the economic development and workforce development fields together. Such agreements are valuable not just for the job opportunities they create, but also for their ability to clarify the strengths and weaknesses of area workforces and their support institutions. Successful First Source efforts raise the public return on investment and help to ensure that the public benefits, not just the financed business or project.

Lessons

The success of a First Source program depends on its ability to refer competent workers who are prepared for the specific job opportunities available.

For First Source agreements to work the way they are intended, they must include:

1. **A firm commitment to the effort by local and/or state policymakers.**
2. **Effective business assistance programs** that draw employers into First Source participation.
3. **A willingness to use regulatory powers** to encourage participation
4. **A commitment to link development incentives** with First Source provisions.
5. **A network of cooperative community-based organizations** that refer job seekers.
6. **A service-oriented program that efficiently delivers** pre-screened, qualified workers from a single point of contact.

First Source programs are still rare, but most cities and states have some requirements on the books related to local hiring or using minority labor or local businesses in procurement. First Source hiring agreements create the institutional foundations for such goals and define requirements by targeting benefits toward those job applicants most in need.

In some cases, labor shortages may motivate employers to cooperate voluntarily with First Source agreements. Although some of the approaches described above do not require any extra costs or time on the part of the firms, companies may view them with some suspicion. Nonetheless, able design and good outreach and marketing can overcome these barriers.

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Minnesota Economic and Employment Development (MEED) Job Creation Grant Program

Summary

The now-defunct Minnesota Economic and Employment Development (MEED) program was heralded for its unique approach to creating jobs for the unemployed in Minnesota, primarily through the state's small business sector.

In July 1983, the state of Minnesota began a program to reduce unemployment through six-month wage subsidies directed at hiring new employees in both the public and private sectors. As compared to other American experiments with hiring subsidies, the Minnesota Economic and Employment Development (MEED) program takes the form of a grant, not a tax credit or deduction. Moreover, it is also distinguished by the level of subsidy, its requirements for job retention, focus on job creation and economic development and programmatic targeting of small business. Although no longer an active state program, MEED set a precedent as a business subsidy that could create jobs as fast as, if not faster than, the average business attraction strategy.

Background

Passed in 1983 in response to the state's worst depression since the 1930s, the Minnesota Emergency Employment Development Act began as a two-year, $70 million program to create temporary jobs in government and nonprofit agencies and permanent jobs in the private sector. The program was originally funded to serve 12,500 individuals, with 40 percent coming from the private sector. The state legislature provided recurring funding for MEED in 1985 with a two-year appropriation of $27 million. MEED's July 1987 appropriation was cut to $18 million and the program was terminated in 1989 when the economy rebounded.

MEED was expensive, but all indications point to it producing long-run savings for the state. A report commissioned by the state during MEED's second year projected that by the end of the three-year program the initial $100 million cost would be partially offset by a $19.2 million reduction in general assistance payments and a $24.7 million increase in state tax revenues. The report projected that MEED would create over 12,000 permanent private jobs, but by the time the program was terminated in 1989 it had created over 18,000. The net cost per job was approximately $3,100.

Services

Under MEED, the state subsidized qualified employers up to $4 an hour for wages ($7.64 per hour by today's inflation and wage standards) and up to $1 per hour for benefits for each qualified individual employed under the program. As an incentive for long-term job placements, if an employee continued on the job for at least one year after the initial six-month subsidy, employers paid no reimbursement to the state. However, for employees that were on the job less than 18 months, employers were required to repay up to 70 percent of the subsidy.

A business could avoid repaying the subsidy through a process called 'backfilling,' whereby a new MEED worker was hired to replace a previously hired MEED worker. Priority was given to employable resident job seekers ineligible for unemployment insurance and without other means of support. Small private firms using state resources and businesses that planned to operate primarily in Minnesota were targeted for subsidies.

Temporary public sector and nonprofit jobs were subsidized under the program as long as their purpose was to achieve social goals, such as weatherization of residential and public buildings, reforestation and expansion of social services. A small amount of funding was available for childcare services and job search skill training.

Funding was geographically allocated according to the degree of unemployment, with some bonus funding granted to successful regional MEED offices. In conjunction with tax credits available to employers under the Federal Targeted Jobs Tax Credit program, MEED offered additional financial incentives to create new and long-term jobs for the chronically unemployed. To further target the benefits of the program to the most disadvantaged, Aid to Families with Dependent Children (AFDC) benefits were diverted as wage subsidies.

Impacts

During its program life, MEED enrolled 45,600 people, more than 64 percent of whom filled private-sector jobs. More than 21,000 participants found permanent unsubsidized employment, earning an average of $5.12 an hour at a time when the minimum wage was $3.35. Eighty-six percent of those who enrolled in the program were employed in private-sector subsidized jobs 60 days later. Thirty-eight percent of those enrolled were eligible for general assistance, 26 percent were from households with no other source of income, 42 percent were women and 24 percent were minorities. The latter statistic is impressive considering the state of Minnesota had a total minority population of about 4 percent in the late 1980s.

Of the participating businesses that responded to a 1984 survey, 79 percent said they expanded their production because of MEED's assistance, while 52 percent said they invested in new equipment and machinery because of the program. Eighty-three percent of the firms using MEED employed fewer than 20 workers and 95 percent employed fewer than 100.

Innovation or Distinction

MEED was a highly unique job creation subsidy that used grants rather than tax incentives, promoted hiring the jobless and was most effective for smaller firms rather than mid or large-sized companies. It was also innovative in requiring payback if the placements did not turn out to be long-term. As a result of the program's emphasis on job creation, MEED was not solely a countercyclical economic instrument, but rather a tool to promote industrial transition and growth.

Although the long-term results of the MEED project were never studied in depth, its innovative design offered the program greater chances of success than many other job creation efforts. Also significant is the fact that MEED did not promote a zero-sum game, meaning that workers placed through the program did not take the place of other workers. In addition, eligible firms could not be in the process of downsizing. During an economic upswing, firms could not hire MEED placements in lieu of any recently laid-off workers. To further prevent such replacements, labor unions, in cooperation with MEED, monitored the program to guard against such possibilities.

Lessons

1. **MEED was valuable in large part because it provided incentives for long-term job retention**.
2. The program was able to achieve success in such a short time because of its **individualized, flexible program administration, which included minimal rules and local administration**.
3. For maximum benefit, programs like MEED should **complement and enhance other federal and state jobs programs.**
4. Minnesota's small businesses were eager to hire MEED's eligible workers, in part because of the state's **history of excellent public/private relations** and in part because the amount of subsidy made the program worth their while.
5. Programs like MEED **do not have to be cyclical and can be operated on a long-term basis** in counties suffering from economic restructuring, large-scale layoffs or from chronic distress.

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Enhancing Workforce Skills

Enhancing Workforce Skills

The American workplace is undergoing profound changes that are making it necessary for workers to acquire more advanced skills in order to be competitive in a global economy. A skilled workforce is crucial to maintaining the nation's productivity and economic competitiveness. Moreover, enhanced workforce skills can raise employee incomes, augment their marketable skills and improve the profitability and survival prospects of their employers.

Yet employers often do not invest enough in worker training, especially for those workers without a college degree. In fact, research documents a tendency for employers to invest least in their less-skilled employees for a series of reasons.[10] This is true despite today's seemingly large-scale private sector spending on training services and despite the many indications that employees that are better trained are more productive. Why? The answer, at least in part, seems to lie in the understandable fear among employers that an investment in worker training will not lead to a return on that investment should the employee use their newfound skills to seek other employment.

Employees are also likely to under-invest in training for several reasons. Busy lives, lack of information on the types of specific training or education that are likely to pay off and a dislike of formal training programs, to name just a few. Of course, for many low-skill, low-wage workers, affordability presents its own challenges to participating in education or training programs.

This section of the report will discuss a number of promising training reforms and programs. **Quick Jobs with a Future** at Guilford Community College embodies its name and delivers a rapid, yet thorough, training program for those that want to secure a job in as little time as possible. The California **Employment Training Panel** is a nationally-recognized model for retraining "incumbent workers" (currently employed workers), targeting those whose jobs are at risk due to technological advances in the workplace or domestic or global competition facing the employer. **Project QUEST** is another national leader in long-term skills training and fostering career mobility for dislocated and other struggling workers.

[10] 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; 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).

Quick Jobs with a Future

Summary

Quick Jobs with a Future provides short-term, intensive skills training in 28 occupations through courses designed to get job seekers ready for available jobs quickly.

Background

A number of Guilford County community groups came together in the mid-1990s looking for a response to mounting layoffs in the textile, furniture and tobacco-related manufacturing industries. The groups wanted to find a way to put people back to work quickly. Greenville Technical College in South Carolina, an area similar to Guilford County in terms of demographics and the problems of dislocated workers, had implemented a program called Quick Jobs with a Future and was having success with it. Representatives from Guilford Technical Community College (Guilford Tech) visited with Greenville staff and returned home to implement their own version of the program.

Layoffs are no longer once-in-a-lifetime events. Today's workers are likely to have three to five careers and hold 10 or more jobs over the course of their working life. Yet many workers who have held jobs for a long time fail to keep abreast of new technology or to update their skills. Training needs to be a continuous undertaking for which workers themselves must take greater responsibility. Quick Jobs was based on the idea that most new jobs require specific skills rather than academic degrees.

Most dislocated workers do not want to believe that demand for their particular skill set has changed permanently. Many remain in denial for quite some time, hoping that the textile industry will rebound or that their skills will lead to another decent-paying job in another industry. Quick Jobs sells the concept of spending time and money on retraining to unemployed people who don't initially believe they have sufficient time or enough money to pursue such training. In response to their needs and limitations, Guilford Tech's Quick Jobs classes offer a short, intense class schedule that can usually be completed in less than 90 days at an affordable price of less than $300 per class.

Services

Quick Jobs offers a wide variety of affordable courses at convenient times and locations. All training courses are designed to provide specific skills needed for targeted jobs. Participants earn certificates when courses are completed. Some classes do not require a high school diploma or GED in order to participate. Offerings include training in areas such as:

- Accounting
- Automotive maintenance
- Bank teller
- Certified nursing assistant
- Dental administrative assistant
- Electrician's helper
- Payroll specialist
- Pharmacy assistant
- Manufacturing technician (certified)
- Warehouse technician
- Welder

Participation in Quick Jobs often leads to enrollment in other Guilford Tech courses, including continuing education, GED, English as a Second Language and more than 70 degree pathways. The staff of Quick Jobs is also trained to make referrals to draw on assistance from other social service agencies including the Salvation Army and the United Way.

Networks

Quick Jobs works very closely with the Employment Security Commission of North Carolina and advises its applicants to first visit the unemployment office, sign up for unemployment compensation, explore job placement assistance and determine potential eligibility for Trade Adjustment Assistance from the federal government.

Quick Jobs also directs applicants to visit the nearest county JobLink Center, where they can explore such options as job search help, employment readiness workshops, career assessments, vocational rehabilitation services and skill training scholarships. The next stop is Quick Jobs, where the potential student can sift through the occupational course offerings and explore the possibility of receiving student financial aid.

Impacts

Interest in the Quick Jobs program at Guilford Tech has been strong since its inception, when approximately 1,000 people went to the campus to attend the first information session in January 2004. The staff at Quick Jobs has since worked to expand course offerings. Some of the new occupational training courses currently under development include pharmacy technician, phlebotomy, health care technician and veterinary assistant. In addition, the staff continually strives to identify local employers' needs and find new ways to assist dislocated workers who require moderate-level skills training, such as computer skills and project management, rather than basic training.

- 2,407 people have attended one of Quick Jobs' monthly information sessions to date.
- 1,113 people have participated in one or more of the 112 classes offered through the program.
- 28 occupations have been identified for training under the program thus far.
- 90 percent of program participants successfully complete their skills training.
- 80 percent of the students who complete a Quick Jobs training course and have sought new employment have found it.

Innovation or Distinction

Although it is not a one-of-a-kind program in the United States, Quick Jobs stands out in its customization of services for the average dislocated worker. Providing shorter, more intensive training for real job openings and promising careers makes good sense for dislocated workers, many of whom receive unemployment benefits for six months or less and are under financial pressure to find a new job quickly. In its design and management of the program, Guilford Technical Community College has demonstrated an uncommon capacity to deliver a much-needed service for workers in and around Guilford County.

Lessons

For those thinking of starting a program similar to Quick Jobs, the Guilford Tech staff suggests:

1. **Get wide community support.**
2. **Work cooperatively** with Employment Security and Workforce Development-Job Link
3. **Get employers to buy into the Quick Jobs concept** and agree to the skills required for the jobs.

4. **Accumulate success stories early on**. They will help sell the program.
5. **Be prepared to spend time listening to the concerns of dislocated workers**.
6. **Have adequate staffing**.

The economy continues to pose problems. Quick Jobs graduates are dependent on finding job openings. Although the county's unemployment rate is a relatively low 5.3 percent, there are a limited number of available positions with decent pay and benefits. For many of the workers served in the program, long-term employment at a textile manufacturing company meant earning upwards of $30,000 a year. Most of the Quick Jobs occupations offer starting wages of $8 to $11 per hour, adding to the economic turmoil for dislocated workers.

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Employment Training Panel (ETP)

Summary

The California Employment Training Panel (ETP) is the largest state-funded incumbent worker training program in the nation.

The ETP began its operations in response to plant closures in California during the late seventies and eighties in a variety of sectors, including several large-scale shutdowns in the auto industry and its supplier sectors. Today, the mission of the ETP is to provide financial assistance to California businesses for the promotion of customized worker training. That goal is carried out through partnerships with government, business and labor groups, allowing the state to attract and retain businesses that promote a healthy economy, provide workers with good-paying jobs and help California compete successfully in the global economy.

Background

The ETP was created in 1982 with a mandate to address worker displacement from plant closures by moving the unemployed quickly into jobs or by saving jobs for workers threatened with displacement. In its first few years, the program served more dislocated workers than incumbent workers, but the focus shifted in the mid-1980s as the need for retraining of existing workers increased. The program has expanded to benefit the overall state economy by serving as a cooperative business-labor effort to retrain workers in danger of being laid off as a result of technological advancements in the workplace, or because of foreign and domestic competition. In 1994, legislative amendments required that employers have out-of-state competition to qualify for standard retraining funds. The program's success was validated in 2001, when the Employment Training Panel became a permanent economic and workforce development program.

Services

The ETP is governed by a seven-member panel that sets policy for the operation of the program and meets each month to consider applications from employers and training agencies. Panel members have backgrounds in business, labor, economic development and job training. Three panel members are appointed by the governor and two each by the speaker of the California Assembly and the president pro tem of the California Senate.

In general, companies are eligible to apply for ETP funding provided they are subject to the state's Employment Training Tax and face out-of-state competition and need to retrain current employees. Training may also be provided in situations where there is no out-of-state competition for certain categories of workers: so-called 'frontline' workers who earn at least the state average hourly wage (currently $21.50 per hour); workers in high unemployment areas of the state; workers with multiple barriers to employment; or small business owner training.

The ETP is financed by a creative policy of zero-sum resource reallocation by reducing the state portion of the Unemployment Insurance taxes paid by employers by one-tenth of a percent and enacting a new equivalent state employment training tax of the same amount on employers with positive reserves in their Unemployment Insurance accounts.

Networks

The California Labor and Workforce Development Agency acts as an umbrella organization overseeing seven major departments, boards and panels, including the ETP. As the only joint business and labor program with customized worker training for both incumbent and unemployed workers, the program is vital to the agency.

Key partners are enlisted for marketing outreach to target industries, ensuring the needs of all constituencies are adequately addressed. These partners include the California Manufacturers and Technology Association and the AFL-CIO, California's labor federation. The panel also works closely with the state Employment Development Department, workforce investment boards, the California Chamber of Commerce, training consultants and other interested stakeholders to make the program accessible to businesses.

Impacts

Since its inception in 1982, the ETP has provided more than $950 million for the training of approximately 650,000 workers employed at 60,000 California businesses. More than 90 percent of the workers trained have been incumbent workers needing retraining, while the remaining 10 percent were unemployed individuals. In terms of small business assistance, 61 percent of all businesses served last year were employers with less than 100 full-time employees. Independent research findings support the value of ETP-funded training, including a return on investment of over $5 for every $1 in ETP funds spent on training.

A media release in October 2003 reported that the California Workforce Investment Board studied the ETP and found an average increase in participant earnings of over $4,000.

Innovation or Distinction

The ETP is distinctive for its focus on good jobs, the sheer scale of its operations and its wide range of services.

Other unique features of the ETP that contribute to its success:

- Funded by Business Taxes. This, in turn, serves the workforce needs of those California employers. General Fund dollars are not used to support ETP.
- Joint Labor/Management Collaboration. Panel members have backgrounds in business, labor and job training to ensure fair representation of all constituencies.
- Training Customized to Businesses Needs. Employers decide which workers need training, develop their own training plans and select their own trainers.
- Businesses Match State Investment. Employers match at least one dollar of private money for every dollar spent by the state.
- Catalyst for Employer-Provided Training. Recognizing the benefits of worker training, employers who participate in projects increase their own investment in training their workers.
- Pay-for-Performance Ensures Training for Real Jobs. A key feature is the 100 percent performance-based contracting requirement, which ensures that training is tied to a real job. Contractors are paid only if training results in a trainee workers at least 90 days in a training related job, at a required wage.

Lessons

This program is probably the most thoroughly studied state-based training program in the nation today. The most recent in-depth evaluation of the organization suggested the following lessons and strategies for replicating effective program results:

1. **For multiple employer contracts, focus funding on projects that provide on-site training** to intact groups of workers and eliminate off-site training with classes made up of trainees from many employers.
2. **When funding multiple employer projects, give priority to projects that are linked to other technical assistance programs.**
3. **Target funding on company sites with fewer than 500 workers**.

4. **Target funding on jobs that do not require a Bachelor's degree**.
5. **Require a training needs assessment** in applications and provide model needs assessment methods to help applicants conduct effective needs assessments.
6. **Require clear behavioral learning objectives** and a complete curriculum before training begins.
7. **Have annual best practices awards** and publicize the practices of winners to promote best training practices.
8. **In order to play an active role in state economic development initiatives, fund new-hire training only when it is linked to job creation or if it serves a 'bottle neck' occupation.**

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Project QUEST

Summary

Project QUEST provides longer-term job training for workers who would not otherwise have access to such training. Originally designed as a short-term response to plant closings in San Antonio, Texas, today the program has evolved into a permanent effort focused on training for high-end jobs.

Project QUEST is a workforce development program that defines the skills required to succeed in targeted, hard-to-fill occupations and then recruits, trains and provides help with personal development for unemployed or underemployed adults so that they are qualified and ready to meet employers' expectations for skilled workers. The mission of Project QUEST (Quality Employment Through Skills Training) is to demonstrate the social and economic benefits that can be achieved through investments in long-term training for those who otherwise would not have the opportunity. The distinctive features of Project QUEST are its commitment to long-term training and the unique connection that the organization has to local employers, which allows it to virtually guarantee jobs will be waiting for participants upon completion of training.

Background

Throughout the 1980s, San Antonio lost more than 14,000 jobs in manufacturing, textiles, transportation, construction and other industrial occupations. At the same time, however, the city gained almost 19,000 good-paying jobs in fields that demanded relatively high skills, from health care and education to auto repair and legal research. The creation of Project QUEST in 1992 was in response to a high profile closure of a Levi Strauss facility.

It was made possible by the efforts of two community-based organizations, the Metro Alliance and Communities Organized for Public Service (COPS), which designed the training program that became Project QUEST and sought out the cooperation of local government and corporate leaders who pledged jobs. Five hundred people from the San Antonio community rallied the city council to support the proposed initiative.

Today, three principles guide the work of Project QUEST: first, training must be long-term because this matches the nature of available jobs; second, training must be job-driven; and third, there must be financial support for training participants.

The goals of Project QUEST are to demonstrate that:

- An employer-driven system increases the number of quality job opportunities for program participants.
- A truly excellent job training program will provide workers with the skills they need for long-term employment and higher incomes.
- An individual approach can be more cost-effective than traditional, institution-based approaches to service delivery.
- A better skilled and more productive workforce will enhance the region's economic growth and vitality.

Services

Project QUEST acts as a broker between community colleges, employers and participants. The program offers up to two years of training to participants who are recruited by outreach teams made up of volunteers from the community. The organization works with local community colleges to adapt their curriculum to fit the needs of both employers and of participants. Employers work with colleges and with Project QUEST to clarify their labor and skill requirements.

Current occupations that Project QUEST provides training for include: healthcare/medical; information technology/business services; and installation, maintenance and repair. Training areas may shift based upon employer needs and available training.

Project QUEST has a rigorous selection process and accepts only one out of every ten applicants, on average. Criteria for participation include: possession of high school diploma or GED; unemployed or underemployed and reading and math competency of at least an 8th-grade level. Different funding sources have additional criteria such as residency and income.

Staff members remain in contact with candidates after they have enrolled in the community college or technical school of their choice. Project participants are required to attend weekly group motivational sessions with a counselor, but counselors are also available for support services at other times when needed.

The program invests an average of $10,000-12,000 in each student that completes training. Although substantially more expensive than other publicly-funded job training programs in San Antonio, Project QUEST offers participants more benefits upon graduation than the typical program – namely, stronger skills, the opportunity for higher wages and better long-term job security.

Networks

Project QUEST works closely with community organizations, local colleges and employers. A number of other organizations have supported Project QUEST's work, including the San Antonio City Council, Bexar County Commissioner Court, Alamo WorkSource, Texas Workforce Commission and the United States Department of Labor.

Impacts

More than 2,000 people (unemployed or underemployed) have received training through participation in Project QUEST to date and about 75 percent of them have completed the program.

Studies commissioned by the organization over the years point to the program's long-term effectiveness. Employees who complete the program go on to earn an average of $5,000 to $7,000 more each year. Further, data shows program graduates are able to reduce or altogether eliminate their reliance on public assistance. While nearly half of the participants are receiving some form of welfare payments or food stamps when they begin the program, only a quarter continue to do so after graduating.

There are important familial benefits of the program, as well. Time and again, Project QUEST graduates report on the positive effect their participation in the program has had on those around them. More than half, in fact, say the program led to their children or other family members expressing greater interest in their own educational goals.

Innovation or Distinction

Project QUEST is anything but the typical job training program. Rather, it is designed to support the participant throughout what is usually a 17-month college training process. Program graduates get the skills they need to carve out long-term career goals for themselves and are virtually guaranteed that a job will be available to them after they complete the program.

The program is especially relevant in today's environment, where unions are in decline, government regulation of employment has weakened, public school systems are struggling to prepare young people for jobs and workers increasingly need training to obtain a job with good pay and benefits.

Lessons

1. **Recruit carefully**. Take care to inform participants about the rigorous expectations.
2. **Establish close links with employers, education providers and the community**. These provide a basis for job training.
3. **Root vocational training in a thorough understanding of the jobs it will lead to.** This means analyzing the job market to find which sectors have vacancies, involving employers in training design and helping education providers to rethink their curriculum.

4. **Long-term training programs prepare workers for more job opportunities**, given the escalating skill/training requirements of employers.
5. **It is necessary to provide intensive support for participants at every stage**. In some cases this will be necessary even before applicants join the program.

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Fostering Entrepreneurial Initiative

Fostering Entrepreneurial Initiative

Entrepreneurship, in many respects, is the purest form of economic development because it is the process through which wealth is created. In essence, entrepreneurs are people who combine resources—natural, capital and technological—in new ways and to new ends. They are the dynamic elements in the economic equation.

The popular image of the entrepreneur is that of a white male in his mid-30s starting a high-tech business backed by venture capital. While that may depict some entrepreneurs, a great many others do not fit that mold, either personally or professionally. A growing number of entrepreneurs are women and research shows entrepreneurship rates growing faster among minorities than any other group.

High-tech entrepreneurial ventures are crucial drivers of economic innovation, to be sure, but what about the small firms that silently fuel local economies and provide a steady paycheck for workers and their families? Small firms of five employees or less often have the ability to provide jobs when larger businesses cannot, especially in rural areas. The people who own and operate these small firms generally seek out self-employment opportunities either to support their lifestyle or out of necessity after losing a job.

Research tells us that hundreds of thousands of Americans will start their own businesses this year and that many of them will fail within the first five years of operation due to a lack of support in their community or because they lack access to critical business support services and financing. What the data does not capture is the number of those with the potential to start a business. Still, workforce development officials know that entrepreneurship offers a good chance at economic stability for some displaced workers. They also know that their success could well depend on the extent to which they receive the encouragement, educational investment and access to capital needed to hone their skills and talents.

In this section, we profile two approaches to helping dislocated workers explore business creation and self-employment options, in particular. **Coastal Enterprises, Inc. (CEI)** in Maine is a world-class development bank that links training and workforce development with business financing. The **New Opportunities for Workers (NOW) Program** in North Carolina helps dislocated workers determine if self-employment is right for them and then provides the necessary entrepreneurship training they will need to make their ventures successful.

Coastal Enterprises, Inc. (CEI)

Summary

Coastal Enterprises, Inc. (CEI) is widely regarded as one of the best community-based financial institutions in the country. It is unique in its effort to link workforce training with business finance.

CEI is dedicated to promoting economic development among low-income and working families in Maine and in select areas in upstate New York and northern New England. CEI principally provides financial and technical assistance to support development of micro and small businesses, natural resource industries, community facilities such as child care and affordable housing, as we as policy research and advocacy.

Background

CEI is a private, nonprofit Community Development Corporation (CDC) and Community Development Financial Institution (CDFI) founded in 1977 to work primarily in rural communities in Maine with an initial focus on small business development and natural resource-based industries.

CEI pursues a holistic approach to building assets and fostering development by linking development finance to workforce development, entrepreneurship, sustainable development and policy development, advocacy and research. It operates in markets where financial returns are not sufficient to attract traditional private investment, but where a professional, business-minded social entrepreneur can make a difference.

There are several differences between CEI and its peers, primarily that CEI is both a Community Development Corporation and a Community Development Financial Institution. This means it offers a broader scope of services and more programs that require financial support. Financing has shaped the organization's structure, goals and mission since its inception. Organization founder Ron Phillips' strategy was to build assets among low-income individuals and communities and link them to CEI's own assets.

CEI takes on more risk than most of its peer organizations that operate as community development financial institutions and as such has a higher default rate. It offers subordinated debt business loans,[11] filling a gap in the Maine market where community banks focus on mainstream commercial loans. CEI co-invests with conventional lenders as part of its normal course of business. The subordinated debt acts as equity in the deal, allowing them to finance projects that are too risky for traditional bank loans. In addition, CEI has two venture capital subsidiaries through which it provides equity investments to small businesses.

Services

CEI is motivated by its "3E" philosophy of investing: achieving positive economic, equity or social and environmental outcomes from its work. For instance, CEI requires borrowers to craft a workforce development plan as a condition of securing a loan. This agreement is called an Employment Training Agreement, or ETAG. CEI also works with borrowers on reducing their environmental impact by specifying what actions they will take to improve their products and/or business operations.

CEI provides household and business counseling to around 2,000 people annually, including minority business owners, foreign-born entrepreneurs and first-time home buyers. The organization brokers and provides job training support to small and large firms to help people with lower incomes gain access to better job opportunities.

[11] "Debt that is either unsecured or has a lower priority than that of another debt claim on the same asset or property. Also called junior debt." (www.investorwords.com)

CEI's organization includes several subsidiaries: CEI Ventures, Inc. and CEI Community, Inc., the group's venture capital arms; CEI Staffing Services, Inc., which develops full-time, supportive and flexible employment for the economically disadvantaged and the disabled; and CEI Capital Management, LLC, which oversees its $249 million allocation under the federal New Markets Tax Credit program.

Networks

CEI is very active in and aided by the National Community Capital Association, Community Development Venture Capital Association, the Center for Responsible Lending and the National Community Reinvestment Coalition. It works closely with New England and Maine banks, venture capitalists, chambers of commerce, community development corporations and a range of governmental programs and agencies.

CEI worked in partnership with other organizations and institutions before collaboratives became a popular concept—a necessity in a small state like Maine. The organization has always been savvy about partnering with other groups that have the expertise that it does not.

Impacts

CEI is one of the premier rural community development corporations (CDCs) and community development financial institutions in the nation today. Its impact statistics are impressive:

- 1,660 business financed to date
- 670 outstanding loans or investments
- $367.4 million in capital currently under management or committed
- $261.6 million in loan financing to date
- $838.1 million leveraged as a result of loans and investments made
- 21,693 full-time jobs created as a result of its business loans and investments
- 1,092 affordable housing units created or preserved

Innovation or Distinction

Chief among CEI's many innovations is its focus on both micro-businesses and small- and mid-sized firms with growth potential. In addition, CEI is unique among its peer lending institutions and revolving loan funds for its historic linkage of business finance and managerial assistance with workforce development. Very few financial intermediaries combine both of these skills and approaches, which help CEI increase the chances that a higher proportion of new jobs are filled by low-income people and dislocated workers.

Lessons

1. **The provision of development finance products—making capital available in more flexible and unconventional ways— can spur economic opportunity.**
2. **Financing and business opportunities can affect the focus of an organization** like CEI. The organization has transformed itself, from a midcoast organization to a statewide organization and then to a regional finance organization based on strategic opportunities.
3. **Organizations that build expertise in program work gain credibility in policy arenas**. Like some of its peers, CEI also takes on policy work and is beginning to focus more on the general environment under which it operates—particularly the Community Reinvestment Act, pay day and predatory lending—and not just the policies that create resources for the organization.
4. **Big payoffs and high risk go hand in hand**. Investments are needed to encourage risk-taking and promote creation of successful businesses.

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New Opportunities for Workers (NOW)

Summary

New Opportunities for Workers (NOW) is a pilot program in North Carolina to help dislocated workers who dream of owning their own businesses.

NOW is funded from North Carolina's share of federal Workforce Investment Act (WIA) dollars, and is implemented through a partnership among the North Carolina Community College System, its local Small Business Centers and two nonprofit organizations: NC REAL Enterprises and the North Carolina Rural Economic Development Center (Rural Center). The pilot program makes it possible for aspiring entrepreneurs who have lost their job through a layoff or business closure to get the training they need to start or expand viable businesses. NOW is distinctive in its particular approach to providing targeted training to dislocated workers who demonstrate the capacity to succeed in entrepreneurial endeavors, and then linking qualified applicants with strong business plans to the Rural Center's Microenterprise Loan Program.

Background

As manufacturing jobs have disappeared throughout the state, particularly in rural regions, policy makers and development professionals have been forced to think outside the box and consider all available means for dealing with the growing problem of worker dislocation. Self-employment presents a viable option for some of the more entrepreneurial displaced workers. According to one NOW program administrator, dislocated workers who grew up in a family business or had a part-time business were most likely to want to participate in NOW.

The NOW program provides access to small business training resources for displaced workers in struggling economies. The program offers alternatives for workers operating businesses "on-the-side," and introductory training for workers interested in self-employment. NOW was pilot-tested in 28 counties in 2003 and was later rolled out to 43 counties, collaborating with 22 colleges across the state. Beginning in Fiscal Year 2007, the program will be scaled back to 15 colleges that demonstrated the greatest impact in the program and have committed to making the program a priority and having impact in their regions.

Services

The NOW program provides training and encouragement to dislocated workers who dream of starting and running a business. NOW offers free entrepreneurial skills training to develop a business plan and increase the odds of success in business. Specific services include the following:

- A needs assessment for each interested person to determine the type and level of training suited to the individual.
- Scholarships to attend training in small business development through participating community colleges or NC REAL Enterprises program, an entrepreneurship education curriculum. Scholarship money for tuition, fees, books and other relevant supplies comes from the federal Workforce Investment Act.
- Follow-up counseling through a Small Business Center or referral to an outside technical assistance provider.
- For those who qualify and complete viable business plans, start-up loans and ongoing technical support through the NC Rural Center's Microenterprise Loan Program.

To be eligible for the NOW program, a participant must be unemployed or underemployed after being laid off since January 1, 2000. Underemployed is defined as earning less than three-quarters of one's former wage. Many of those accepted into the program already have a side business or a hobby they can build on to create full-time employment.

The Rural Center's Microenterprise Loan Program is designed to operate as a standard business loan, with a few crucial differences:

1. Qualifying standards and rates that recognize the particular challenges of dislocated workers;
2. Must have household income – either from existing business, an outside job, or a spouse's earnings;
3. Some form of collateral required;
4. Must show credit discipline since lay-off (no irresponsible spending);
5. Must complete training or other course of action as agreed with small business center; and
6. Must complete a business plan that demonstrates a market.

Networks

The NOW program is a partnership among the NC Community College System, the North Carolina Rural Economic Development Center, NC REAL Enterprises and the Division of Employment and Training at the N.C. Department of Commerce. The NC Commission on Workforce Development, North Carolina's state workforce board, authorizes the federal funding.

Rapid Response Teams, JobLink (one-stop) Career Centers and independent ESC offices are often the first point of entry and orientation into the program. 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 Economic Development Center's microenterprise loan pool is available for financing.

Impacts

The program was piloted during early 2004 at 13 community colleges serving the counties with the highest rates of unemployment and layoffs. More than 60 people attended information sessions, and about half went on to receive entrepreneurial training. The program has now been expanded to 22 community colleges, serving 43 counties.

- 19 of the 22 schools have active program participants.
- 179 information sessions have been held.
- 1,640 people have attended NOW workshops.
- 442 people have participated in NOW.
- 193 NOW participants intend to start a business in the next six months, while 87 already own their own business.

Innovation or Distinction

NOW is distinctive from other training programs in its mission to provide training and encouragement to dislocated workers who dream of starting and running a business. Most small businesses fail because the owners are not adequately prepared to run a business. NOW fills this gap by connecting entrepreneurial-minded displaced workers to resources and training geared toward small business management.

Lessons

1. **Entrepreneurship education is an attractive option for approximately 5 percent of dislocated workers** (those who already bring resources, background and experience with them). There's a need to incorporate entrepreneurship training into a "wheel of learning" that might include an introduction to entrepreneurship as one possibility among many. Budgeting, financial skills, reading spreadsheets, computer skills, new technologies, basic skills and English as a Second Language are all essential life-long learning courses that could introduce

laid off workers to many possibilities.

2. **Relationships are crucial for identifying potential entrepreneurs and linking them with training**—within the communities, among community colleges, with Job-Link and ESC.
3. **Valuable time is wasted between the announcement of layoffs and the last day of employment**. Dislocated workers need to be reached before they are desperate.
4. **Training workforce delivery system partners to be involved with the program is a crucial element for success.**
5. **Determining marketing strategies to reach the target market is essential**.
6. **Through individual counseling, some potential clients of the program determine that "business ownership" is not for them.** Also, some clients who attend entrepreneurship training and develop a business plan decide their idea is not a viable opportunity. Thus, training can be successful when the client decides not to continue with his or her idea and avoids becoming a business failure statistic.
7. **Working with dislocated workers can be an "emotional" experience for the client and for the delivery partner.** However, training individuals in groups of others with the same type of problems can provide a great networking and support system.

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Promising Practices in Perspective

In looking at the larger picture that frames these promising practices, some things are clear:

- They are a varied lot—some new, some established, some statewide, some rural, some urban.
- There is an understandably strong concentration in the complementary job search, job development and training arena. A number of programs started with a focus on dislocated workers but saw a need to broaden their mission in order to take on preventive worker dislocation measures and improve the job skills of the existing workforce.
- A continuum of worker dislocation services has developed in many areas — a good balance, in effect, between strategies aimed at business (job) survival and those designed to repair the damage when jobs are lost or entire businesses fold.
- Development strategies range from microenterprise support to manufacturing modernization.
- Lastly, many of the programs and initiatives aimed at dislocated workers contain a strategic element that runs the gamut, from understanding a state's economic evolution, to diagnosing what ails troubled firms, to helping communities wracked by economic restructuring create a new action agenda.

Promising Practices Table

Name	Strategy	Key feature	Geography	Age
Strategic Early Warning Network (SEWN)	Understanding and Prevention	Early warning and layoff aversion	Multi-county (Pennsylvania)	Established
Foundations for Growth	Understanding and prevention	Existing business visitation and surveys	Statewide (Alabama)	New
Economic Stabilization Trust	Understanding and Prevention	Turnaround assistance and financing	Statewide (Massachusetts)	Established
Ohio Employee Ownership Center (OEOC)	Understanding and Prevention	Ownership transitions, including employee ownership	Statewide (Ohio)	Established
Westside Industrial Retention Network (WIRE-Net)	Understanding and Prevention	Trade association model for broker and delivery of business retention and expansion services with training elements	Urban neighborhood (Cleveland, Ohio)	Established
Training Benefits Program	Protecting living standards	Provides Unemployment Insurance benefits as income stipend for longer-term trainees	Statewide (State of Washington)	Established
North Carolina's Pillowtex Response	Protecting living standards	Comprehensive mobilization of state/ local/community resources for big closure	Primarily one community, but full state response (North Carolina)	New
Health Coverage Tax Credit and North Carolina Bridge Grant Innovation	Protecting living standards	Timely subsidies from federal grant to provide health insurance	Statewide (North Carolina)	New
Connectinc.'s Next Steps Program	Improving connections to employment	"High tech/high touch" support and advice for job search	Multi-county (North Carolina)	New
First Source Hiring Agreements	Improving connections to employment	Requirement that firms in Enterprise Zones must give first look at state referred applicants	Statewide, in Enterprise Zones (Oregon)	Established
Minnesota Economic Employment Development (MEED) Job Creation Grant Program	Improving connections to employment	Innovative job creation subsidy for small firms to hire unemployed	Statewide (Minnesota)	Terminated
Quick Jobs with a Future	Enhancing worker skills	Fast training for real jobs	Countywide (Guilford County, NC)	New
Employment Training Panel (ETP)	Enhancing worker skills	Incumbent and dislocated worker training for good jobs	Statewide (California)	Established
Project QUEST	Enhancing worker skills	Longer term training for good jobs	City (San Antonio, Texas)	Established
Coastal Enterprises, Inc. (CEI)	Fostering entrepreneurship	Links training with business finance and management advice	Statewide, with rural focus (Maine)	Established
New Opportunities for Workers (NOW)	Fostering entrepreneurship	Self employment help for dislocated workers	Multi-county (North Carolina)	New

Preventing Worker Dislocation in Vulnerable Communities

In deciding which communities are vulnerable to widespread worker dislocation and require additional development and adjustment assistance, it is appropriate to use two types of criteria: eligibility and potential.

Eligibility Criteria

First, consider the needs of the community and whether the risks and possible weaknesses are static or dynamic. The degree of static risk would be based on whether the community's economy is already operating at a very low level. For example, is the economy characterized by high overall unemployment, are per capita incomes low on average and is population growth stagnant with more people leaving the area rather than moving in? The degree of dynamic risk is based on whether the local economy is vulnerable to a sudden downfall. For instance, is the community overly dependent on a small number of branch plants, or is the local job base too concentrated in troubled economic sectors?

Potential Performance Criteria

New initiatives should not be launched solely on the basis of need. Effective programs can only work if there is something to build upon. Here, you need to get a sense of the community's resilience. Consider these three factors:

- **Long Term Rebound Potential.** This is the community's long term assets, such as its physical infrastructure, natural resources, local labor markets, quality of life, climate for entrepreneurship and business and industry, etc.
- **Opportunity.** This is the community's short-term potential. For example, its ability to capture a key government contract.
- **Capacity.** This involves the community's ability to make good things happen. Consider the community's spirit, the level of volunteerism, the environment for public/private cooperation, the reach of its local and regional development agencies and the degree of foresight shown by local leaders.

To Retain Or Not To Retain

Development consultant Ross Boyle created a simple yet effective classification system in the 1980s to help determine if a company was salvageable or not. Boyle believed that the quality and appropriateness of any initiative designed in the wake of plant closures and mass layoffs would be enhanced by greater understanding of the reason and motivation for the decision. Boyle starts by noting that there are cases where local factors shape company choices and cases where they don't. He begins with those that are local/regional in nature.

1. **Facility-motivated**, where shutdowns result from problems in the facility itself. This occurs when the plant layout is obsolete, management is backward or inexperienced, the workforce is unmotivated and needs training, technologies are behind the times and so forth. Another cause of closing occurs when the owner has not planned for ownership succession if he dies or retires and has no heir to take over. Any of these problems, theoretically, can be fixed, given time, expertise and cooperation from the firm. What may, in fact, be needed is a change in ownership and/or management.
2. **Community-motivated**, where the pending closing is the result of problems associated with the community in which the facility is located. These dislocations happen when the community's local characteristics change substantially in a negative direction or when the location requirements for the facility change. Obvious problems include: deterioration in the physical infrastructure and schools, rising crime, higher taxes, worsening public services and environmental pollution. These trends are harder to turn around, but, if action is not taken too late and elected and civic leadership is strong, it is possible.

3. **Organization-motivated,** caused by decisions within the parent corporation. Such dislocations occur when a local operation no longer fits the plans of the parent organization, regardless of its performance. Corporate acquisitions can result in excess capacity, which parent companies often deals with by deciding to divest. Changes in product lines, marketing priorities, a refocus on its core business, et cetera, can lead to shutdowns as well, even if the facility is a viable free-standing business. Is this type of company salvageable? Sometimes, but it will be a moot point if the parent corporation needs additional capital to pay off creditors for its acquisitions, or if it generates these funds by milking profitable subsidiaries. Of course, these facilities could become a profitable enterprise once again under new private or employee ownership.
4. **Market-motivated,** where the shutdown or relocation is the result of changes in national and/or international markets. Growing imports, substitute products and services, cuts in domestic tariffs and other trends and events can undo a once-profitable firm's market position. This is the most difficult situation to turn around.

Knowing the motivation behind the decision to divest, relocate or shut down can help state and local policymakers and practitioners decide on whether helping the soon-to-be terminated employees is their only responsibility. More details about the business conditions of the firm and a tough-minded triage perspective will be needed if retention is attempted. Turnarounds and worker buyouts are reasonable to consider, but are subject to many variables and will require an exceptional management team during the transition.

Improving the Odds

The odds of mounting a successful business retention, expansion and modernization strategy are best when efforts are proactive and aggressive. Examples include an early warning network comprised of a uniform business visitation endeavor and a survey instrument, which together can troubleshoot problems before they get too big to solve and provide a rich data base for analyzing industry trends. Outreach workshops on succession issues that target older business owners could help avoid the likelihood of messy and unsuccessful ownership buyouts. Lastly, to help keep small and mid-sized firms in a community profitable and able to complete in a global marketplace, adopt measures to help them crack foreign markets, embrace value-added products and support high performance workplace organizations.

Conclusions and Lessons Learned

Ultimately, the future success of the organizations documented in this report lies in their ability to serve as models for other communities and states dealing with worker dislocation issues. Thus, the most critical elements in crafting effective workforce development strategies are:

- **Prevention.** Anticipate and avert economic disasters when possible, because it is typically much easier to save a job than it is to create a new one in its place.
- **Agility.** Given that our free market economy is marked by a dynamic of creative destruction, it is important to be able to respond quickly — both in terms of industries and workers — to cyclical and structural changes that are inevitable in the U.S. Getting there is, fundamentally, a matter of investing adequately in education, from elementary schools to community colleges.
- **Life-long learning.** In fact, most workforce development officials agree that building a more customer-friendly, world class system for lifelong learning should be the number one economic development priority for the long-term. Everything else, from nurturing a larger pipeline of entrepreneurs to creating a culture of continuous improvement in every in-state workplace, depends on it.
- **Short-term action.** As important as a far-sighted policy view is, the state's citizens live in the here-and-now. State and local leaders must move decisively over the next two to five years to stave off further damage from worker dislocation. High-quality incumbent worker training and short-term strategies to cope with dislocation and avert layoffs will be the best means of defense.
- **Health insurance protection.** Actions to ease the burden of worker dislocation should include making it possible for workers to keep their health insurance benefits during the transition to training programs and new employment.

State legislators and program administrators should also consider the following policy and programmatic options:

- Leverage financial and technical resources from all levels of government, the private sector, nonprofits and unions;
- Promote clearer information and technical assistance to communities, businesses and workers on how to respond to closings and layoffs;
- Target federal program funds (WIA, TAA and others) to provide financial assistance;
- Monitor closings and layoffs and develop a system to track data and to provide confidential early warning to relevant parties;
- Modify or create new programs (unemployment insurance, health insurance, mortgage/rental assistance, transportation for commuting workers) to use existing resources better or to deploy new ones;
- Prevent closings through worker buyouts, business retention programs, layoff aversion, modernization efforts, or alternative investors; and
- Help to create new businesses and jobs through entrepreneurial training.

Looking Ahead

North Carolina's economic forecast will not improve much in the short-term, according to state analysts who predict more wrenching changes ahead. As such, the state as a whole and affected communities will have no choice but to face worker dislocation issues head on. As the economy starts to pick up and tax coffers are replenished, now is the time for bold steps and decisive leadership on these issues. North Carolina can and must do more to alleviate the short-term effects of rapid economic change and begin working toward building a foundation for long-term growth and prosperity.

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