

# **The Layoff Aversion *GUI DEBOOK***

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## **Summary**

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# Summary

## DOL Layoff Aversion Guidebook

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The Department of Labor's Dislocated Worker Initiative holds the principle of "prevention of layoffs whenever possible." As a part of that initiative, a new *Layoff Aversion Guidebook*, a national compendium of job retention and layoff aversion strategies for states and communities, was developed, in cooperation with the department's National Rapid Response Workgroup. This summary has been distributed broadly for input. This *Guidebook* provides:

- A practitioner's guide to job retention and job-oriented economic development strategies for states and communities;
- A policy review of the Workforce Investment Act's rapid response program, which provides state support for layoff aversion;
- Examples of connections between economic development and workforce development communities;
- An overview of cutting-edge programs and policies in aversion and retention practices, and an analysis of the best strategies, tactics and models in the field.

As the Guidebook points out, there are numerous successful strategies, networks and tools that have been very successful in averting plant closures and business failures, and retaining jobs. However, there is very little information about these strategies, and there are no networks or learning tools that analyze and articulate the lessons learned from the basic retention/workforce-connected models currently active in the field. This study seeks to fill that gap.

### **Section 1: Introduction**

The DOL has focused on how to use a State's Rapid Response delivery system to provide transition services to dislocated workers back after a mass layoff or plant closing is announced. The Guidebook provides information on methods of Rapid Response services that may keep workers working in their present or new jobs, despite the dislocation event possibly occurring. These alternative layoff aversion services include:

- Layoff monitoring and "early warning networks"
- Pre-feasibility Studies
- Employee stock ownership plans (ESOPs)
- Incumbent worker training-
- Linkages to loan programs and other business assistance programs

The federal government, state and local governments, non-government agencies, and public-private-labor partnerships have saved and created hundreds of thousands of family-supporting jobs. One measure alone—the number of pre-feasibility studies focused on layoff aversion, and funded by states--- appears to show a 25% success rate in firm retention, or partial retention, according to the Ohio Employee Ownership Center. In other words, for every 1000 job losses, it might be possible to save 250 through a retention *strategy* and *effort*, preserving valuable public resources to focus on those job losses that can not be averted.

The National Governor's Association (NGA), the National Alliance of Business, Conference of Mayors, AFL-CIO Working for America Institute, National League of Cities and other large national bodies, have long promoted and endorsed state initiatives which link worker adjustment and economic development/business retention strategies. Many states in the U.S. have adopted innovative statewide or regional retention programs, including Maryland, Massachusetts, Ohio, Alaska, Colorado, Illinois, Indiana, Maine, Massachusetts, Michigan, Minnesota, New Jersey, New York, Oregon, Pennsylvania and New Hampshire.

Since the 1980s, states have designed new initiatives for retention and aversion strategies. Some examples of these initiatives are described below.

- **Integrated Rapid Response and Layoff Aversion Agency: the Massachusetts Commonwealth Corporation (MCC)**

The Industrial Services Program, now called the Commonwealth Corporation, was established in 1994 as a quasi-public agency with a strong focus on dislocated worker services through peer-support centers, and layoff aversion. The mission of the original ISP was to address the major economic problems of mature industries and manufacturing job loss, and respond to the needs of dislocated workers.

- **Coordinated Rapid Response and Layoff Aversion: the Maryland Business Resource Network Program**

Maryland's Division of Business Resources (DBR) was formed a decade ago as a regional business retention/expansion focus of the state's joint Department of Economic and Employment Development. Initially utilizing JTPA-EDWAA funds, the role of this program has been to identify and assist business at-risk of failure as a means of averting closures and retaining jobs. The division, now part of a separate Department of Business and Economic Development, has continued to network with the state's employment division, and through economic directors in the state's six regions, identify critical industries and coordinate information flow with a rapid response team. The division visits approximately 750 companies a year to discuss incumbent worker training, management training, and to collect information on these firms such as their suppliers, competition, etc.<sup>1</sup>.

- **State Rapid Response Program That Conduct Pre-feasibility Studies: the Michigan Transition Unit**

The Workforce Transition Unit of the Michigan Workforce Commission is responsible for administration of the Rapid Response program under the federal WIA. Michigan's dislocated worker program provides layoff aversion assistance, including rapid response, support for management or employee buyouts, sale to other parties, and business restructuring. Pre-feasibility studies funded initially by JTPA and now by WIA rapid response funds are used to examine the viability of firms-in-distress, and to determine the possibility of Employee Stock Ownership Plans (ESOPs), and other purchase options.

- **A Sub-State Layoff Aversion Contractor: Pennsylvania's Strategic Early Warning Network**

Initially using JTPA funds, the Pennsylvania Department of Labor and Industry (DLI) helped launch the Steel Valley Authority's Strategic Early Warning Network (SEWN) in 1993. The SEWN Network expanded from ten counties to twenty counties in 1995. The Network included a "Regional Retention Team", including the Governor's office, the state regional dislocated worker units, regional technology and planning agencies, city and county

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<sup>1</sup> U.S. Department of Labor Employment and Training Administration, "Layoff Aversion Expert Panel Meeting Synopsis," Office of Adult Services, June 14, 2000, P.9.

economic development groups, industrial unions and chambers, and utility and academic groups to monitor industries and develop strategies to retain key manufacturing industries and jobs when they appeared to be at risk of closure or major downsizing.

## **Section 2: Legislative Authorization**

The ability to provide layoff aversion assistance and the application of prefeasibility studies is clearly authorized in the Workforce Investment Act (WIA). The WIA has been interpreted as an act that is meant "to ensure that all workers, employers, and communities have the tools and services they need to plan for and manage change and worker dislocation successfully in our dynamic economy."

The "rapid response" language in the Act has been further clarified in the final regulations in section 665.300 as follows:

### Rapid Response activities must include:

- Immediate and on-site contact with the employer, representatives of the affected workers and the local community, which may include an assessment of the:
  - 1) Layoff plans and schedule of the employer;
  - 2) Potential for *averting the layoff (s)* in consultation with State and local economic development agencies, including private sector economic development entities; etc.
- The provision of guidance and/or financial assistance in establishing a labor-management committee voluntarily agreed to by labor and management, or a workforce transition committee comprised of representatives of the employer, the affected workers and the local community. The committee may devise and oversee an implementation strategy that responds to the reemployment needs of the workers.

### May other activities be undertaken as part of Rapid Response? Yes.

(d) Assist in devising and overseeing strategies for:

- (1) *Layoff aversion*, such as prefeasibility studies of avoiding a plant closure through an option for a company or group, including the workers, to purchase the plant or company and continue it in operation;<sup>2</sup>

### May other activities be undertaken as part of rapid response?

In order to provide effective rapid response upon notification of a permanent closure or mass layoff, or a natural or other disaster resulting in a mass job dislocation, the State or designated entity may:

- (1) In conjunction, with other appropriate Federal, State and Local agencies and officials, employer associations, technical councils or other industry business councils, and labor organizations:
  - Develop prospective strategies for addressing dislocation events, that ensure rapid access to the broad range of allowable assistance;
  - Identify strategies for the *aversion of layoffs*;
  - Develop and maintain mechanisms for the regular exchange of information relating to potential dislocations, available adjustment assistance, and the effectiveness of rapid response strategies.
  - In collaboration with the appropriate State agency (ies), collect and analyze information related to economic dislocations, including potential closings and layoffs, and all available resources in the State for dislocated workers in order to

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<sup>2</sup> 20 CFR Part 652, et al. Federal Register page 18719.

provide an adequate basis for effective program management, review and evaluation of rapid response and layoff aversion efforts in the States.

- Participate in capacity building activities, including providing information about innovative and successful strategies for serving dislocated workers, with local areas serving smaller layoffs.

(2) Assist in devising and overseeing strategies for:

- *Layoff aversion*, such as pre-feasibility studies of avoiding a plant closure through an option for a company or group, including the workers, to purchase the plant or company and continue it in operation;
- Incumbent worker training, including employer loan programs for employee skill upgrading; and
- Linkages with economic development activities at the Federal, State and local levels, including Federal Department of Commerce programs and available State and local business retention and recruitment activities.

In summary, the new regulations allow states to clearly engage in dislocation monitoring, response and aversion strategies in such a way as to provide a continuum of services at the state level:

- Explore potential for averting job loss
- Coordinate with state and local economic development entities
- Assist labor-management committees in these areas, as well as transition
- Assist workforce boards and elected leaders to develop coordinated response
- Identify strategies to avert layoffs;
- Develop and maintain information networks on potential dislocations and strategic response options;
- Help build capacity in the state and in communities to assist in dislocations;
- Sponsor pre-feasibility studies for alternative buyout options, including worker buyouts;
- Provide incumbent worker training, including employer loan programs;
- Link to all public and private sector development and retention programs.

The means of addressing these activities cited in the final regulations will be addressed in later sections of this chapter.

### **Section 3: Economic Overview**

#### **3.1 What's Happened in the Economy?**

The nation entered a major recession in 2001. While there had been two other recessions in the two decades, for the past several years the United States had enjoyed economic growth with record job creation and low unemployment. However, even during this period of growth, general job displacement has risen.

What distinguishes economic cycles today is the problem that job displacement has been occurring at record levels, regardless of the whether the economy is in "boom or bust". The U.S. Department of Labor reviewed the increasing displacement rate, and found that if a broader definition of displacement were used, there would be approximately 3.3 million displaced workers in FY 2000, a continuation of high levels since the mid-1990s. At this level, the displacement rate is significantly higher during 1995-1997 than the rate during 1987-1989, even though unemployment rates during these periods were similar. And, although many displaced

workers find new jobs faster than during the recessions, over 60% have unemployment of 10 weeks or longer and need re-employment assistance.

Historically many public policies and programs have been implemented in order to enhance income and living standards since the 19th century. In the 20th century, "economic development" has taken different forms. After many decades of states and cities providing investment incentives to firms and plants to re-locate, layoff aversion and job retention have become mainstream economic development practices. Increasing displacement rates makes these types of policies even more important.

### **3.2 How Businesses Make Decisions**

The first issue to understand is why do companies make decisions to locate or remain in certain areas? This information can be the basis for developing both strategies to attract new jobs and to maintain existing ones. Historically, national consulting firms studying location decisions focused on a fairly well known list:

- Proximity to sales market
- Proximity to supplier networks or raw material
- Availability of appropriately skilled labor at "right" price
- Transportation networks
- Capacity and cost of public utilities
- Quality and cost of education and training
- Availability and cost of land and buildings
- Quality of community
- Quality and price of governmental services
- Availability of public subsidies and tax advantages

Additionally, more and more companies are becoming aware of the importance of skilled workforces and the ability for workers to contribute to a company's success. One local Workforce Investment Board (WIB) member recently pointed out that "one of the most significant features of the changing economy is how the combination of globalization, technological advances, and shifting labor market dynamics have radically altered the foundations for a region's competitive advantage in the United States and in the world economy. More and more, it is human capital that serves as the foundation of competitive advantage. As knowledge and skills become the core drivers of economic competitiveness, how regions implement programs and policies to develop human capital, invest limited resources, and arrange service delivery to continually improve workforce skills will determine whether they are winners or losers in the new economic environment."

Those developing economic development strategies not only need to understand why companies locate and remain in an area, they also must understand what kind of economy the community wants to have and what kind of firms it, therefore, wants to attract. The Corporation for Enterprise Development (CFED), an economic development think tank, has developed a reputable "Development Report Card for the States", issued regularly, which examines how states compete effectively for business location and expansion decisions. Rather than focusing on an incentives or subsidies competition, the CFED initiated 10 key principles for effective economic development:

- Strong economies compete on the basis of high value, not low cost (i.e. skilled labor force, modern infrastructure, and high quality of life)
- Investments in development capacity provide the basis of future economic growth (i.e. human, technological, financial and physical infrastructure)

- Government is an indispensable partner in the process
- Government services must meet the highest quality standards for accountability, effectiveness, and accessibility
- Economic development is for everyone, not just business persons
- Competitiveness and equity are two sides of the same coin
- Quality leadership can turn economies around

### 3.3 Why Business Retention/Layoff Aversion is Important

Plant closings and substantial layoffs occur for a variety of reasons including financial difficulty, mergers and acquisitions, loss of markets, consolidations, foreign competition, product or service obsolescence, shift in parent company focus and other factors. Once a company announces its intentions to close or substantially downsize, the decision is usually final and irreversible. There are occasions, however, where the decision is not inevitable. These are the occasions that provide opportunities for job retention and layoff aversion.

It is important for regions to retain industries that are crucial for the overall economic well being of their communities. Many regions target the manufacturing sector, for instance. America depends on its manufacturing sector for increases in wealth, for improvements in living standards, and its competitiveness in world markets.<sup>3</sup>

Economists have estimated that each job that is lost can result in lost revenues or increased public expenditures equaling \$25,000 per year, per job. Multiply that by several hundred or one thousand or more jobs, and the impact can be far reaching. In one analysis of a closure of a moderately sized manufacturing firm in Chicago, researchers found that the impacts and the total cost to the public was more than \$47 million.

The Center for Community Change (CCC) study on industrial retention programs showed that many industrial retention programs also focus on creating positive impacts for low-income people and local communities, noting that these programs are:

- Keeping firms in areas they may otherwise leave,
- Fostering companies' competitiveness and growth,
- Increasing job opportunities for disadvantaged people, and
- Doing so efficiently.<sup>4</sup>

Aversion makes economic sense and is cost-effective and cost-efficient. As mentioned, it is estimated that the average cost per job lost is estimated to be \$25,000. The average costs of creating new jobs, estimated at between \$10,000 to \$50,000. The CCC has pegged the average cost for job saved or created for many of the community-based jobs retention programs in the nation at an average of \$200 to \$4,000.<sup>5</sup> This means that aversion is extremely cost effective.

Average Cost Per Job Lost	Average Cost Per New Job Created	Average Cost Per Job Saved
\$25,000	\$10,000 - \$50,000	\$200 - \$4000

<sup>3</sup> *Manufacturing Advantage*

<sup>4</sup> *Saving and Creating New Jobs: A Study of Industrial Retention and Expansion Programs*, Center for Community Change, 1998 (sponsored by U.S. HUD and the Pew Foundation), Page 3.

<sup>5</sup> *Ibid*, CCC, Page 34,35.

### **3.4 Creating the Partnerships for High Performance Workplaces**

The workplace has changed rapidly over the last three decades. Since the 1970s, global competition has been so strong that companies have had to dramatically adapt to survive. In some cases, that has meant modernizing facilities and processes to become more productive. Frequently, this modernization has also required developing new work systems to manage communication and work flow more efficiently. These changes in the workplace have increased employers' demand for an educated and skilled workforce. It has also placed additional pressure on the workforce development system to more effectively respond to that demand.

States, with federal support, have been actively working to construct a workforce development system capable of producing a dynamic, world-class workforce. The coordination of worker adjustment and business retention strategies can and should be a key component of that development. Worker employment and training and business retention programs are ideally suited to provide integrated support for "workplace change" programs.

Workplace change models include practices from industrial modernization to "high performance" workplace models to the emerging concept of "stakeholder firms". By addressing the training needs and knowledge practices of workers, the workplace change approach does not just provide training on specific skills and techniques of the job or production. Rather, it seeks out strategies to promote greater cooperation between management and labor as firms attempt to upgrade their production methods and capabilities.

Additionally, the U.S. government and numerous states established "manufacturing modernization programs" to provide financing and technical assistance to modernize, upgrade and improve manufacturing facilities and workplaces. The first industrial extension programs, like the industrial bond financing programs, were started in southern states. These programs, modeled after the agricultural extension service, set up regional field offices and staffed by professional engineers, assisted in industrial attraction strategies and helped local firms resolve technical problems and improve their use of technology. The Manufacturing Extension Program (MEP), administered by the Department of Commerce's National Institute of Standards and Technology is a nationwide network of state-based not-for-profit centers in over 400 locations nationwide. Federal funds, state funds, and private sector match fund this program. The purpose of the program is to "provide small and medium-sized manufacturers with the help they need to succeed".

## **Section 4: Key Job Retention Strategies in the Aversion Toolkit**

### **4.1 What do development agencies do to promote job retention/expansion?**

The economic development field is large and diverse, and, like employment and training, operates at multiple levels -- local, regional and state government, the non-profit and private sector, multi-state, and federal. Development programs have included everything from broad investment strategies to stimulate the economy to micro-loan programs at the local level to help minority women establish businesses.

Typically, development agencies provide lower-interest loans or grants to assist in the infrastructure for businesses. This includes financing for roads and industrial parks, business incubators or single buildings, as well as equipment and machinery. These agencies also may provide financial supports for businesses to locate, start-up, relocate, expand or modernize. Some economic development organizations like manufacturing extension programs provide technical

assistance to the management of businesses including business planning, new product development, new assembly or production processes, and assistance with workforce organization.

#### **4.2 Early warning networks and other economic trend monitoring activities**

States already collect Labor Market Information. Labor market information (LMI) is the science of collecting, analyzing, reporting and publishing economic activities to describe and predict the relationship between labor demand and supply. Governments at the federal, state and local levels also depend on LMI to determine new policies, make monetary decisions, and pass legislation reallocating resources.

These data can be useful in analyzing the trends of industries in a region, whether that industry is growing, stable or declining in sales, employment, etc. Beyond LMI data, there are a number of ways that states and local governments can predict what is happening in certain industries or with certain firms:

- Layoff data from unemployment filings, showing inordinate patterns of layoffs in a sector or firm
- WARN notices, a listing of mass layoffs or plant closures
- Public loan defaults, often mirrored by bank and other financing problems
- *Dun and Bradstreet (D&B)* reports stressed firms and industries, and the *D&B Alert* tracks sudden changes in firms
- *Moody's Industrial Manual* and *Standard & Poors* for basic information on major companies, such as facilities by location, and company performance data.
- Utility company reports of usage drops
- Customer and supplier knowledge
- *U.S. Industrial Outlook*, published by DOC analyze current and forecast trends for U.S. industries by four-digit SIC code.
- Major business magazines, regional business journals, or local and regional newspapers captures changes in management or markets; strengths and weaknesses of products; legal, labor, and compliance issues etc.

A common practice of business retention programs is to conduct surveys to either businesses or labor unions to determine potential problems that might be addressed sooner rather than later. These are sometimes conducted hand-in-hand with business visitation programs.

Since federal law already requires that, through the Worker Adjustment and Retraining Notification Act (WARN), employers must give local Chief Elected Officials, the State Rapid Response Dislocated Worker Unit, as well as workers, and their representative, advance notice of a plant closing or mass layoff<sup>6</sup>, a informal “network” of informational channels already exists. Some states, cities and regions have established “early warning networks” using these WARN lists as the base of information supplemented through other sources.

Early warning mechanisms have become a common feature of many different business retention programs. The function of early warning mechanisms is to identify firms at risk of leaving or closing prior to actual decisions by companies to shut down or move<sup>7</sup>. The logical network of early warning “informants” includes local mayors and council members, local unions, civic and religious institutions, chambers of commerce, and other institutions.

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<sup>6</sup> DOL's draft Rapid Response Technical Assistance and Resource Guide, Chap. 5, p.2.

<sup>7</sup> Ibid, p.25.

### **4.3 Pre-feasibility studies to explore alternatives or buyout options**

Over the past 25 years, there have been hundreds of examples where various interest groups including employees, management representatives, community groups and labor organizations have organized to rescue the business operation of a company scheduled for closing. Employee buyouts have occurred in the manufacturing, service, agricultural, transportation and financial industries. Through these intervention methods, countless numbers of jobs have been saved that would have otherwise been lost.

Corporate conglomerates frequently close or sell plants or facilities that may be profitable, but not profitable enough. They may sell or close operations that no longer meet their core business application or that are viewed as excess capacity to their overall operations. Perhaps labor management or local economic condition issues have contributed to the decision to locate the facility elsewhere.

Early response is critical in these events. An important initial step in Rapid Response is to assess the reason for the announced plant closing or mass layoff. This initial inquiry should be made immediately after the Rapid Response Dislocated Worker Unit (DWU) receives notice or information that a business closing is on the horizon. If management, labor or other stakeholder believes that there might be an opportunity to retain the business operation through a buyout or restructuring, it may be prudent to launch an initial evaluation and pre-feasibility study of the possibility of retaining the business.

### **4.4 Linkages with state and local development agencies, and appropriate Federal agencies**

Economic development programs can be catalogued in five ways:

- Loans, made directly to a business or applied as a guarantee to a bank loan;
- Grants, usually made to accomplish a specific business-related purpose, such as infrastructure, or research/development of new product or process
- Contract awards, made for products or services provided by a company to local, state or federal governments
- Credits or exemptions, generally tax incentives awarded to businesses that create new jobs or contribute to economic growth in a community or region
- Technical assistance, generally targeted for industry-specific groups

The federal government sends hundreds of millions of dollars to the states every year for broad economic development purposes, and maintains a number of important programs for economic development. These programs include the provision of:

- Direct venture investments, loans or guarantees through such agencies as the Small Business Administration (SBA), the SBIC program (small business investment companies) and rural agencies such as the Agricultural Department; and more recently, the Community Development Finance Institutions program of the Treasury Department, which funds local community loan/equity funds.
- Extensive networks of technical assistance providers, including the Manufacturing Extension Partnership (MEP) providing manufacturing modernization services through centers in all fifty states (Commerce Department), and the Small Business Development Centers, providing business planning assistance through academic centers nationwide (SBA).
- Major economic research studies, including economic distress adjustment grants, have been funded by the Economic Development Administration, which also provides financing

programs through its network of state Economic Development Districts (EDDs), and other agencies such as the Energy Department.

- Block grants are provided to states and cities for community development programs for broad purposes through the Housing and Urban Development Department (HUD).
- Job training programs, and, now, incumbent worker training programs are funded by the U.S. Department of Labor, mainly through states and the one-stop centers.
- Regional revitalization programs are provided through multi-state initiatives such as the Appalachian Regional Commission (ARC).
- Initiatives have been started under various military downsizing programs in the Defense Department and under trade-impact programs, such as the Federal Trade Adjustment Assistance Center (TAAC).

Most states and cities have active economic development programs. Many counties, small towns and multi-county regions do also. At the state level, a department of economic development maintains funding programs and staff that work with local economic development programs and, sometimes, directly with firms, to assist in the start-up, expansion, retention or buyout of businesses. State development and employment agencies alike provide funds for customized job training and incumbent worker programs, often in cooperation with local community and technical colleges.

Cities and local areas, as well as community and regionally based organizations, provide more localized and provide specific types of funding and assistance within a particular locality.

There is a wide array of institutions at the state and sub-state level that can be coordinated for this purpose. At the agency level, the following organizations can be involved: the economic and community development, labor, treasury, and revenue departments and state/federal representatives. At the county and city levels, one should reach out to chief executives and councils, and other elected leaders, local agencies and colleges; and in the non-public sector, labor and management and various chambers and associations, banks, utility companies, telecommunications/media companies, accounting and law firms, investment banks, community-based and community development organizations.

#### **4.5 Options to Explore**

In seeking alternatives to downsizing, it is critical to assess what is the underlying cause of the possible layoff or closure decision. There are a number of business issues and layoff alternatives that can be assessed. These include the following:

- **Work-Sharing** Many states provide partial unemployment benefits to workers of companies affected by business downturns. This allows a subsidy for workers to work flexible and part-time hours in order to preserve overall firm employment until the downturn passes. Work-sharing is allowable under federal unemployment law, permitting states to set-aside a portion of the unemployment pool for this purpose.
- **Incumbent Worker Training** Ongoing incumbent worker training is, in general, a valuable investment that can have a positive impact on the business's bottom line. An evaluation of existing workers' skill needs, cross-training potential, and new training required as a result of technology or workforce change, can lead to a plan funded by the company and/or those states/local WIBs that have established incumbent worker training programs. Most states utilize the economic development agencies to manage these programs. This training is now an allowable activity as part of WIA rapid response funds. In this time of emphases on total quality management, etc., small and mid-sized employers unable to provide the resources for these areas may become vulnerable or "at-risk".

- **Operations and Cost Reviews** When firms are in trouble, increasing operations productivity and managing costs can simply involve resolving issues at a single choke point in the production line or may require, in extreme situations, re-engineering the entire manufacturing process.
- **Good Management, Labor-Management Cooperation** Sometimes, new leadership is needed so the company can become more productive or entrepreneurial. If there are conflicts on the shop floor, intervention is needed to help labor and management groups to talk and listen to each other and to properly analyze problems or situations that are of current or strategic importance.
- **Financial Restructuring** Many at-risk manufacturing companies experience a fiscal crisis in which an immediate restructuring of the balance sheet is required to maintain the company's viability. Sometimes an unbalanced or inappropriate capital structure itself is the problem, more often it is merely symptomatic of deeper underlying problems that are market or operational in nature. Financial Restructuring can involve but is not limited to refinancing or renegotiating existing debt, raising additional debt, renegotiating trade payables and other liabilities, raising additional equity capital and other financial engineering tools.
- **Modernization and Upgrades** If the equipment and machinery in a facility has deteriorated in its condition or effectiveness, or if the production system has not kept up with the industry as a whole, a strategic or wholesale modernization or upgrade of the facility may be in order.
- **Conversion to New Products** If a business is under threat of closing because a main product line has declined in markets; the company might be able to identify new products and markets.
- **Succession** In many cases closely held businesses are sold with a resulting loss of jobs when the new owner restructures them. The retirement of a business owner can precipitate a business closing in absence of a succession plan. These examples represent opportunities to save jobs and avoid resulting hardships imposed on individuals and their communities when a plant or business closes.
- **Employee Buyouts** WIA pre-feasibility studies can assess the viability of a company or group to purchase the plant and keep it in operation. When the initiative to purchase the company comes from employees, unions representing employees, or management groups representing the larger workforce, the employee buyout process should be an organized effort, with a well-established buyout committee. The undertaking is usually a complex and time-consuming task, with many real and apparent stumbling blocks along the way.
- **General Buyouts** Another last resort may be to work with a plant's management and employees in generating the initial due diligence material required to determine the feasibility of a general buyout. A buyout committee can be formed to expedite this process, as well. Various options available include a leveraged acquisition or arranging for an outside 3<sup>rd</sup> party acquisition. Often "strategic buyers" are the best alternative.

## **Section 5      Economic Development Strategies: Model Assessments**

There are a number of "best practice" models from around the country showing how states and communities have pioneered new aversion systems. These models are available in the study. The types of models highlighted include:

**Early Warning Monitoring:** Utilizing industry and labor market systems and networks to monitor and predict plant closures in order to implement response and prevention strategies.

**Assessment:** Providing pre-feasibility assessments to determine continued financial and market viability of business or facility.

<b>Response:</b>	Implementing broad retention strategies and services to maintain and strengthen industries.
<b>Sectoral Strategies:</b>	Developing urban and rural models targeting industrial sectors in geographic areas.
<b>Workplace Change:</b>	Supporting the development of high-performance workplaces that help to increase company performance, improve working conditions, and stabilize employment through such methods as incumbent worker training and labor-management cooperation.

Besides over one dozen models profiled in the Guidebook, national initiatives and networks are also featured.

- ◆ A new initiative of the Office of Economic Adjustment in the Commerce Department has been established to coordinate federal, state and local agencies in the event of sudden closures and mass layoffs, having a broad effect on a region or community. This is a model for the types of state and sub-state coordination and linkages that can be built to establish layoff aversion and jobs retention networks.
- ◆ Another national network has been created to address the impacts on manufacturers serving the steel and aluminum industries, and includes five sub-state program partners that are serving a dozen states, called the National Steel and Aluminum Retention Initiative (NSARI).

**Section 6: Compendium:** The Guidebook’s Compendium will provide contact agencies, related web sites, a bibliography, and other informational sources for practitioners.