

Gaining a Foothold

*An Action Agenda
to Aid North Carolina's
Dislocated Workers*



During the past five years, more than 200,000 North Carolinians have seen their jobs vanish as manufacturers and other employers have downsized or closed their doors forever. This report takes a look at these dislocated workers and the system that serves them, and presents 10 steps to help workers survive their job losses, retool their skills and return to the marketplace.

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From the North Carolina Dislocated Worker Advisory Committee

Dear Friends:

As you know, we have experienced a difficult time in North Carolina in recent years, with thousands of layoffs and business closures.

Some of the layoffs we saw in the early 2000s stemmed from the national recession. Others were part of a broader transformation of the economy. Overall economic indicators are now improving, but many North Carolinians remain without work or are just now learning that they will soon lose their jobs.

The North Carolina economy, like the national economy, is experiencing structural change in which many jobs that were once our economy's foundation are being lost to global trade or are being made obsolete by new technology. Jobs are being created in new sectors, but they are different from those of the past, often requiring a significantly higher level of education.

On top of this skills mismatch, the removal of quotas on textile and apparel products on January 1 has created new threats to jobs in these industries, which continue to employ over a hundred thousand workers and sustain hundreds of communities in North Carolina.

Recognizing the continued threat to North Carolina workers and communities, we came together in the fall of 2004 and pledged to work as a group to develop solutions to the challenges of economic dislocation and the struggles laid-off workers face every day in North Carolina. This report presents findings and recommendations based on more than six months of research and consideration.

More work remains to be done to solve the problems facing laid-off workers, but this is an important step. We pledge to carry out the program actions in this report and actively pursue policy recommendations.

We look to the N.C. Commission on Workforce Development to continue this important work through the development of a long-term action agenda.

Sincerely,

<i>Billy Ray Hall</i>	<i>Harlan Lancaster</i>
<i>Kathy Bryant</i>	<i>Roger Shackelford</i>
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Summary Short-Term Action Agenda

Action by Congress ...

1. Ensure that North Carolina workers affected by trade have access to federal services.

The U.S. Department of Labor's Trade Adjustment Assistance program was created to provide training, income support, reemployment and other services to workers who lose their jobs because of global trade. Although the program was broadened in 2002, some workers who lose their jobs due to trade are not eligible for services, others receive services only after a lengthy eligibility process, and the overall level of training and services may be threatened by the current funding cap. We therefore recommend that the N.C. Congressional delegation press for changes this session to ensure that North Carolina dislocated workers affected by trade have access to federal Trade Adjustment Assistance services.

Action by the North Carolina General Assembly ...

2. Reform unemployment insurance policies.

When unemployment insurance funds built up during the prosperous 1990s, the State of North Carolina introduced a policy offering employers a 50 percent reduction of their unemployment insurance tax rate when the Unemployment Insurance Trust Fund reached \$800 million. Unfortunately, an unprecedented draw on unemployment insurance following the recession of 2001 drained North Carolina's Unemployment Insurance Trust Fund and its reserve. As a result, the state was forced to borrow money from the federal government to pay unemployment insurance to individuals in need. We therefore recommend that the General Assembly revise current policies to ensure that the trust fund is fully funded and can respond to future demands.

3. Provide stable funding for job training and services, and home protection programs.

For more than a decade, North Carolina funded key services for workforce development through the Worker Training Trust Fund – revenue from interest generated by the unemployment insurance reserve. When the reserve was drained to pay for unemployment benefits, training and employment service programs were reduced or eliminated when needed most. We therefore recommend that the General Assembly act during the 2005 session to provide alternative, recurring, flexible funding for critical programs.

Between 1998 and 2003, the number of home mortgage foreclosures nearly tripled in North Carolina, due in large part to business closures and layoffs. In response to this trend, the N.C. Housing Finance Agency launched the Home Protection Pilot Program in January 2005 to assist workers with counseling and loans of up to \$20,000 so they do not lose their homes to foreclosure. Contingent upon strong initial outcomes, we recommend the General Assembly expand the Home Protection Pilot Program to additional sites.

4. Enable community colleges to respond to emergency demands.

The dramatic increase in business closings and layoffs in the early 2000s resulted in increased enrollment in community colleges. Enrollments at colleges in highly impacted areas have soared. To enable community colleges to handle large increases in demand for training without jeopardizing existing programs and students, we recommend that the General Assembly establish a non-reverting reserve fund to be used as emergency needs arise.

PLEASE NOTE: The full recommendations may be found on page 16.

Action by the State Agencies and Nonprofit Organizations ...

5. Ensure that dislocated workers have full access to information about available services.

North Carolina has a range of programs to assist dislocated workers, but workers often have trouble learning about the programs, navigating their way through them, and identifying services best suited to their needs. We therefore recommend that state agencies take immediate steps to develop a joint dislocated worker outreach and information campaign. The campaign should create greater awareness of JobLink Career Centers, provide easy-to-understand materials for workers and resource guides for community support organizations, and include strategies for connecting workers with information and services.

6. Provide equal access to services for all dislocated workers.

Dislocated workers who receive information through the state's rapid response system or through the federal Trade Adjustment Assistance program generally have access to the best information and services available. Yet, not all dislocated workers in North Carolina are part of those systems. We therefore recommend that the N.C. Commission on Workforce Development, in partnership with workforce agencies, develop a strategy that ensures all dislocated workers have equal access to information and services. The strategy should be developed by October 2005 and phased in as rapidly as feasible.

7. Establish a career readiness certificate program for North Carolina workers.

Many dislocated workers have at most a high school diploma, making it extremely difficult to compete for today's jobs. Yet these workers have valuable skills gained through years of work and life experience. The Community College System is developing a career readiness certificate program to assess basic skill levels and provide workers with "credit" for their skills and work readiness. We endorse this program and recommend integrating certification with other workforce and economic development strategies.

8. Establish an "economic disaster" plan for communities hard hit by layoffs.

When Pillowtex laid off thousands of workers in 2003, the layoffs elicited what could best be described as an "economic disaster response," with public and private assistance flowing into the impacted area. While layoffs in other communities have been equally devastating, their smaller size has not attracted the same attention and assistance. We therefore recommend that the N.C. Department of Commerce join with other state agencies and non-profit organizations to create an economic disaster model to provide the immediate and urgent response needed by all communities hard hit by layoffs and business closures.

9. Develop strategies to prevent economic disasters and worker dislocation in the future.

While efforts to cope with shutdowns are critical, North Carolina must begin to move more aggressively to save and modernize the state's shrinking manufacturing base through hands-on support, such as business retention services, modernization assistance and customized training. We recommend that the N.C. Department of Commerce, in partnership with other state agencies, lead the development of strategies to prevent business closure and job loss.

10. Create a long-term action agenda to address needs of dislocated workers.

The recommendations contained in this document are the result of work sessions convened by the Rural Center out of deep concern about the impact of layoffs on rural workers and communities. To further develop the ideas and recommendations in this report, we recommend that the N.C. Commission on Workforce Development serve as the lead organization in developing a comprehensive, long-term action agenda to address the needs of dislocated workers in North Carolina now and in the future.



Through a dislocated worker's eyes

Whether you meet them at the factory door or in their homes a year and a half after they were laid off, displaced workers tell heartbreaking stories.

A 43-year-old maintenance mechanic says his unemployment benefits are running out. When he was working, he earned \$21 an hour. Now he can't find anything.

Without health insurance, another laid-off worker has gone five weeks at a time without medication for diabetes. She's using her retirement savings to pay the mortgage and her son's college tuition. Her blood pressure is getting dangerously high.

Health insurance? Another says the COBRA policy she was offered costs \$350 a month for one person. How could she cover that on unemployment benefits?

A young mother, not long out of surgery, and her two children live in a single-wide mobile home with no water or heat. She can barely raise her eyes to look at her caseworker. The tears flow unbidden. How can her family survive?

The weekly unemployment check for a former furniture worker comes to \$180 a week, well below North Carolina's average payment of \$242.

They're trying hard to find something better, but the going is tough.

"You start from square one. Everywhere you go, a door shuts in your face."

"I'm either underexperienced or overexperienced."

"There's nothing (here) – no opportunities."

One displaced worker says she was out of work for more than a year before she heard, by chance, from a woman at church, that dislocated workers had training options. She was even more surprised to learn that child care and transportation services were available.

At age 60, a laid-off textile worker struggled, trying to earn her GED before finally giving up. Now she works in a nursing home earning \$150, half of what she made in the plant. She's been evicted from her rental home and lives in a motel with her daughter and two grandchildren.

Two laid-off workers – half a state apart – earned certificates from computer training programs. Now they can't find jobs making use of their new skills.

A husband, wife and several extended family members lost jobs when a tobacco processing company closed after 117 years in the town. The wife completed her GED and found a job. More than a year later, her husband is still looking for work.

When every penny counts, one person asks, do you cut off the telephone service? And if you do, how can you find another job?

They don't ask for handouts. They don't even ask for miracles. All they want is a foothold, a place to start climbing their way back to normalcy, to be able to earn a living and provide for themselves and their families.

A door closes

The door never slams louder than when a factory closes for good. It shuts on 14, 20, 38 years of work experience; on friendships and financial security; on self-esteem and confidence in the future.

The people walking out the gates – can they even call themselves workers anymore? – always played by the rules. They tried to do right, worked hard, gave their loyalty to the company, never thought of looking elsewhere for work.

Now what?

A disheartening number of North Carolinians have had to ask themselves that question over the past five years. In that period of time, more than 200,000 jobs vanished.¹ Through no fault of their own, the people who'd held them fell victim to layoffs and plant closings.

Too often, a good answer to "now what?" has been lacking. In the last few years, more Tar Heels have been exhausting their unemployment benefits without finding new jobs than at any time in the last 20 years.² Those who found work, by and large, are bringing home less money and fewer benefits than before. The state poverty rate is up. So is the percentage of residents without health insurance.

As the year 2005 opens, signs abound that the North Carolina economy is finally picking up. The state gained 76,400 new jobs in 2004. This helped bring the annual unemployment rate down to 5.5 percent; two years earlier, it was 6.7 percent. Rural unemployment in that time dipped from 7.6 percent in 2002 to 6.0 percent.³

This silver lining, however, accompanies a very dark cloud. New Year's Day marked the end of the protective quotas on textiles and apparel, longtime leading industries for this state. Industry experts predict the coming job losses will dwarf those of 2003 – the year that giants Pillowtex, Harriet and Henderson, VF Jeanswear and Coats American closed one plant after another.

Opening a new door

The North Carolina Rural Economic Development Center recognizes that an especially heavy burden of "economic dislocation" falls on rural workers.

For more than 50 years, manufacturing plants have served as the economic lifeline of North Carolina's small towns and rural communities. A large portion of rural plants – in traditional industries such as textiles, apparel, furniture and tobacco processing – are the very ones hit hardest by recent upheavals and longer-term patterns related to technological change and trade. Workers laid off from these traditional industries face a double challenge: a shortage of other sources of employment in the local community and their own modest education levels.

Layoffs and Unemployment

Year	Mass Layoffs	Announced Layoffs	Unemployment
2000	27,823	32,069	154,401
2001	44,013	63,071	234,282
2002	31,625	39,423	279,566
2003	33,484	46,669	273,164

Source: N.C. Employment Security Commission, 2000-2004; U.S. Bureau of Labor Statistics, 2000-2004

Number of Workers Exhausting Unemployment Benefits

Year	Exhausted benefits	Year	Exhausted benefits
1990	32,693	2000	42,564
1991	68,364	2001	74,072
1992	58,903	2002	135,370
1993	40,152	2003	141,892
1994	36,863	2004	115,456

Source: N.C. Employment Security Commission, 1990-2004

Increases in Poverty, Uninsured Population

North Carolina	2000	2003
Poverty rate	12.3%	14.6%
Percent without health insurance (under age 65)	15.7%	19.4%

Source: U.S. Census Bureau, 2000 and 2004; Cecil G. Sheps Center for Health Services Research, UNC-Chapel Hill, 2005

A myriad of federal, state and local programs address unemployment and workforce development. Some specifically target dislocated workers. But there are many gaps in available services, and navigating among the programs can be confusing and discouraging.

For this reason, the Rural Center in 2004 launched the Rural Dislocated Worker Initiative. The initiative seeks to address challenges and promote a coherent system of policies and programs that offer short- and long-term solutions for workers, their families and their communities.

¹ Source: Announced layoffs, Employment Security Commission. See Appendix A for full explanation of data on "dislocated workers."

² In 2003, 141,892 North Carolinians ran out of their unemployment benefits without finding work, compared with 68,364 in 1991, at the height of the recession of the early 1990s.

³ N.C. Employment Security Commission.

The Rural Dislocated Worker Initiative

The initiative has taken a three-pronged approach.

Research. The initiative is grounded in a thorough understanding of dislocated workers, the challenges they face and the potential for helping them.

In September 2004, the center produced the first statistics on rural dislocated workers in North Carolina. "Facing the Facts: Dislocated Workers" presents a profile of rural dislocated workers and documents the results of job loss. Many of those numbers are included in this report.

A commissioned study, "Dislocated Workers in Rural North Carolina: Program and Policy Research Report," provides a detailed examination of current programs serving North Carolina's dislocated workers. As part of the report's preparation, consultant Michael Aheron interviewed 57 dislocated workers and service providers from rural counties in different areas of the state for a ground-level assessment of how the programs operate and how they might be improved.

A second commissioned paper, "Promising Practices to Assist Dislocated Workers" by William Schweke of CFED's North Carolina office, provides examples of best practices from around the nation. It also suggests principles upon which to improve North Carolina's service system.

Demonstration projects. The Rural Center is sponsoring two projects that demonstrate different approaches to helping dislocated workers find new employment. Each project is being tested at multiple sites around the state.

Project *New Start* has drawn on the local expertise and dedication of grassroots organizations. In three rural communities, faith-based and other community-based nonprofits have provided intensive, one-on-one assistance to dislocated workers as a supplement to the services of traditional workforce development agencies. These organizations have provided customer-tailored services including career planning assistance, education and training, job search and placement assistance, supportive services such as child care and transportation, and financial aid to avoid mortgage foreclosure and utility disconnection.

Since the program started in January 2004, 225 dislocated workers have found new jobs with the help of Project *New Start*, and nearly 500 have received services to help keep them afloat while strengthening their ability to compete in the job market. The pilot program is scheduled to begin operations in two new communities later in 2005.

A second program creates opportunities for self-employment. New Opportunities for Workers (NOW) offers an entrepreneurship development program for dislocated workers with the desire and aptitude for starting and running a business. The program begins with an orientation and self-assessment, continues with training and business counseling, and can conclude with a loan through the N.C. Microenterprise Loan Program.

Available at 22 community colleges serving 43 counties, the NOW program is funded by the North Carolina

Who Are Dislocated Workers?

Dislocated workers are individuals who have lost jobs through no fault of their own, to events such as plant closings and layoffs. In rural North Carolina, those plants were largely in declining industries that long formed this state's traditional industrial base – textiles, apparel, furniture and tobacco products. Those jobs are unlikely to return.

This is the broad definition of dislocated workers adopted as part of the Rural Dislocated Worker Initiative. It is not the only one in use. In fact, nearly every federal and state program serving dislocated workers uses its own definition, often with tightly defined criteria. Interested readers may refer to Appendix E for a more detailed discussion of those criteria.

Commission on Workforce Development and operated through the cooperation of the Rural Center, the Department of Commerce's Division of Employment and Training, the Community College System's Small Business Centers, and N.C. REAL Enterprises. An alliance with the Employment Security Commission and JobLink Career Centers encourages referrals of unemployed individuals interested in opening a business to the NOW program at the local community college Small Business Center.

Public policy development and advocacy. The Rural Center has joined with partners statewide to focus attention on rural dislocated workers and to craft a new, comprehensive response to this critical issue.

The effort began with the Rural Dislocated Worker Summit in September 2004. The summit brought together 150 people to discuss the challenges that dislocated workers face and the implications of long-term unemployment and wage losses in rural North Carolina. Those attending included leaders of state and local workforce development, economic development and nonprofits, and dislocated workers themselves. The Rural Center was joined in sponsoring the event by the N.C. Community College System, N.C. Department of Commerce, N.C. Commission on Workforce Development and N.C. Employment Security Commission.

Following the summit, the center convened an advisory committee and three working groups, which agreed to pursue a unified, comprehensive agenda to improve North Carolina's response to economic dislocation. The advisory committee consisted of 18 leaders of statewide workforce,

economic development and human services programs in North Carolina. The working groups, which included more than 25 top policy and program staff in those fields, were divided into three issue areas: program and policy issues; education and retraining; and comprehensive and community-based services. (For a list of advisory committee and working group members, see Appendices B and C.)

The working groups held a series of meetings between November 2004 and January 2005. With the working groups' preliminary recommendations as a jumping-off point, the Rural Center conducted four focus groups, two with dislocated workers and two with community representatives. The sessions, held in January in Wilson and Rockingham counties, provided a reality check for the recommendations and solicited additional ideas from those most affected. In addition, the Rural Center conducted an e-survey of summit attendees and workforce development leaders and presented ideas at a meeting of state and local workforce development program leaders and staff. The working groups presented their final reports to the advisory committee. The committee then shaped the full agenda, which is being presented in conjunction with this report. (See Appendix D for a summary of the action agenda and its development.)

Gaining a Foothold: An Action Plan to Aid North Carolina's Dislocated Workers

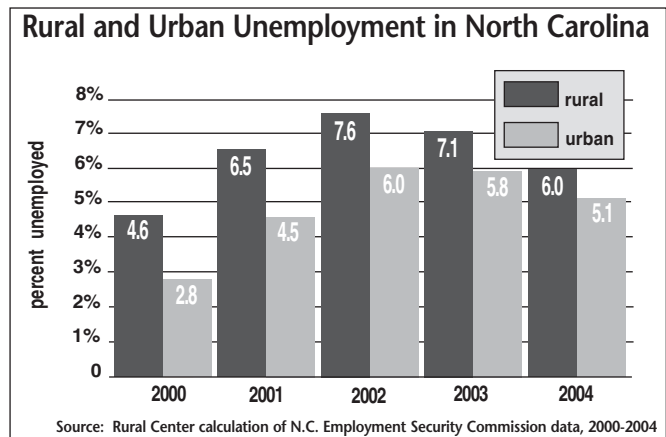
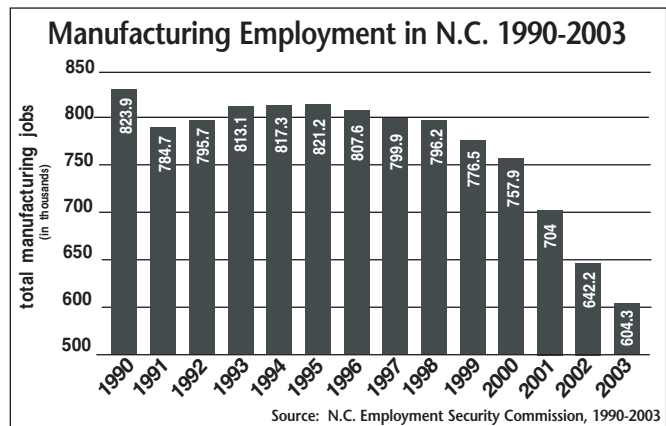
With "Gaining a Foothold," the Rural Center presents a summary of the major conclusions of the Rural Dislocated Workers Initiative. It begins with a statistical view of the state of dislocation and concludes with a short-term action agenda: 10 specific recommendations for strategies that will have immediate, positive results for dislocated workers.

Although the initiative began with a focus on rural dislocated workers, the collaborators quickly realized that systemic changes were needed to improve prospects for rural and urban workers alike. This report likewise takes the more inclusive view while also distinguishing those issues and obstacles of particular importance for rural recovery.

The evolution of an economy

Beginning in the late 19th century, North Carolina built an economy based on manufacturing and eventually became one of the most industrialized states in the nation. By 1970, manufacturing accounted for nearly a third of the state's total employment.

In rural communities, industrialization took a particular form: labor-intensive factories requiring large numbers of low-skill, low-wage workers. These were dominated by what became North Carolina's "big three" traditional industries: textiles, apparel and furniture. Tobacco products represented another major manufacturing industry and became the economic foundation of many rural North Carolina towns.



With few competing sources of employment, a single factory often became the economic engine of a community.

North Carolina's rural workers earned praise for loyalty and hard work, but forces outside their control chipped away at jobs. In the 1970s, companies began to mechanize plants and adopt other technologies that reduced their need for labor. Then, as global markets opened, American factories found themselves unable to compete with lower labor costs and limited regulations in developing countries. Reductions in work hours, downsizing, production shifts to other countries, and business closures became facts of life, and jobs in traditional manufacturing – those at the heart of the rural economy – dwindled further. Nearly half of rural counties experienced a net loss of manufacturing jobs in the 1980s, and these losses continued throughout the 1990s.

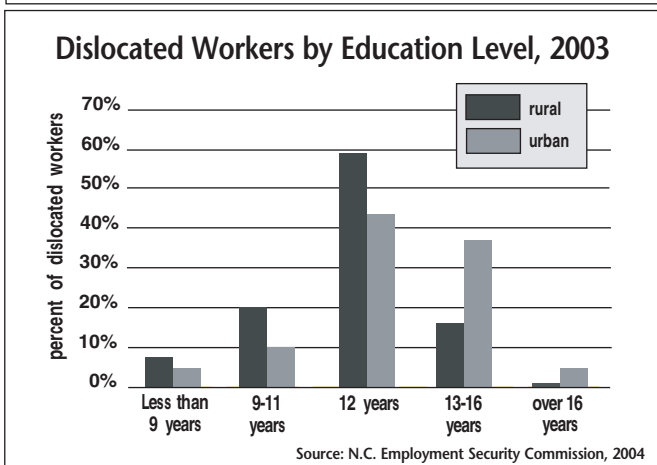
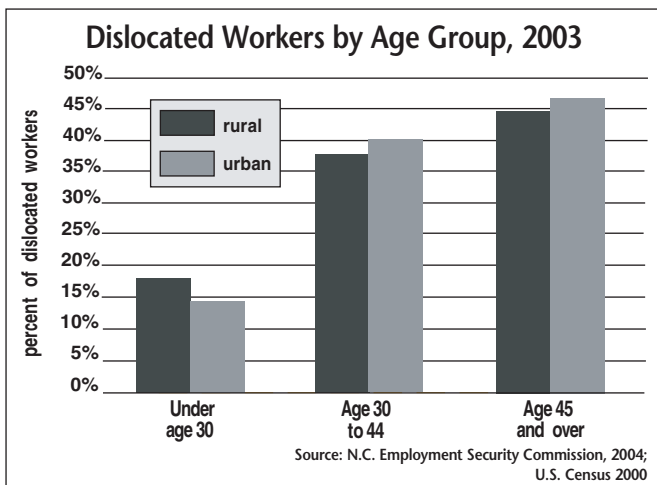
To some extent, the pain in rural areas was masked by overall growth in the state economy. While traditional manufacturing jobs declined, overall manufacturing employment grew until 1995. But it was growing in fields that often required higher-skilled employees, and these companies were gravitating to more urban areas, where they had easy access to university expertise and graduates. The service sector also grew, and it came to employ more workers than the manufacturing industry.

The recession of 2001 intensified the decline of traditional manufacturing and hit rural North Carolina especially hard. Factories already under pressure crumbled. Layoffs and plant closings skyrocketed, sending reverberations throughout their communities. Because these cutbacks exacerbated ongoing, structural changes in the economy, the impacts were not short-lived. In fact, long after the official end of the national recession, North Carolina continued to lose manufacturing jobs.

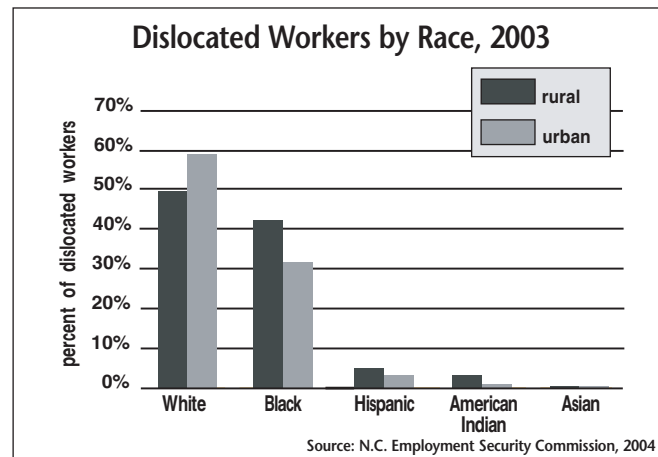
A profile of dislocated workers

Dislocated workers are generally defined as unemployed individuals who lost jobs through no fault of their own – through layoffs and plant closings, for example.⁴ They share many traits, some of which influence their potential for re-employment. Most important, they tend to be older and have less schooling.

Dislocated workers are disproportionately middle-aged or older. Nearly half of rural dislocated workers, for example, are age 45 or above. Retraining becomes a greater challenge for older workers, who have been out of school longer and have fewer working years ahead of them to reap potential benefits. Age also magnifies the problems associated with health insurance and pension plans.

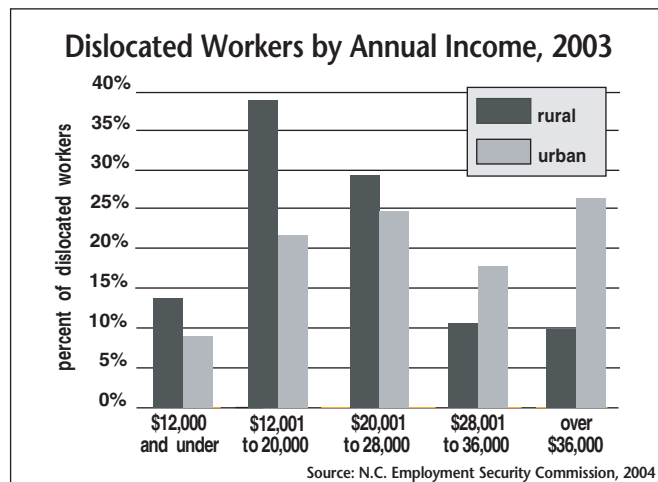


Furthermore, a majority of dislocated workers have at most a high school education. For rural workers this is a special concern: 85 percent of rural workers who lost jobs in 2003 had a high school diploma or less. They lack the basic skills needed for the more demanding jobs in today's growing industries, which require on average at least 14 years of education.



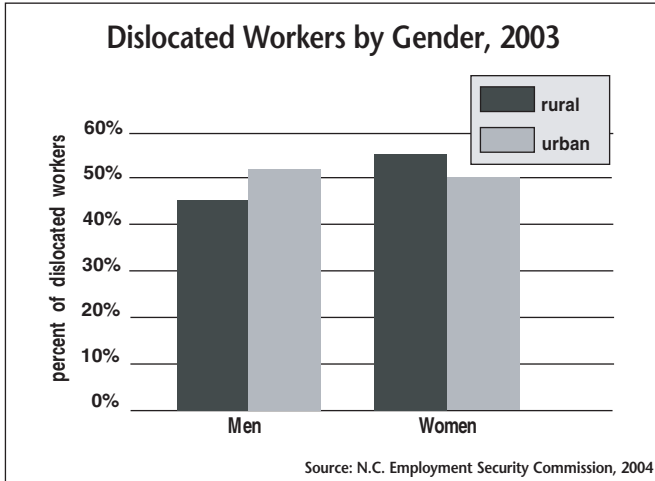
Dislocated workers also are disproportionately African-American. In rural North Carolina, for example, 42 percent of dislocated workers are black, compared with 18 percent of the rural North Carolina labor force.

Incomes earned by dislocated workers before being laid off, however, vary dramatically. Rural workers tended to earn much less money than their urban counterparts. Four out of five rural dislocated workers earned less than \$28,000 prior to layoff, compared with 55 percent for urban dislocated workers. Seen another way, the largest proportion of laid-off rural workers – 38 percent – earned only \$12,000 to \$20,000. The largest portion of urban dislocated workers – 27 percent – earned more than \$36,000 a year. These different pay scales have implications for how much savings the workers may have had, their selectivity in accepting a new job, and their ability to earn replacement-level wages.



⁴ See Appendix E for specific program and working definitions used for dislocated workers. (Source: G. Michael Aheron, Appendix A, "Dislocated Workers in Rural North Carolina: Program and Policy Research Report.")

While most urban dislocated workers are male, women make up the majority of rural dislocated workers. This, too, has implications for their re-employment. Because women often play the lead role in caring for family, child care or elder care issues may be special considerations for female dislocated workers, and it may be hard for some to commute or move to another community for a job if there are strong family networks in the home community.



Workers Struggle to Recover

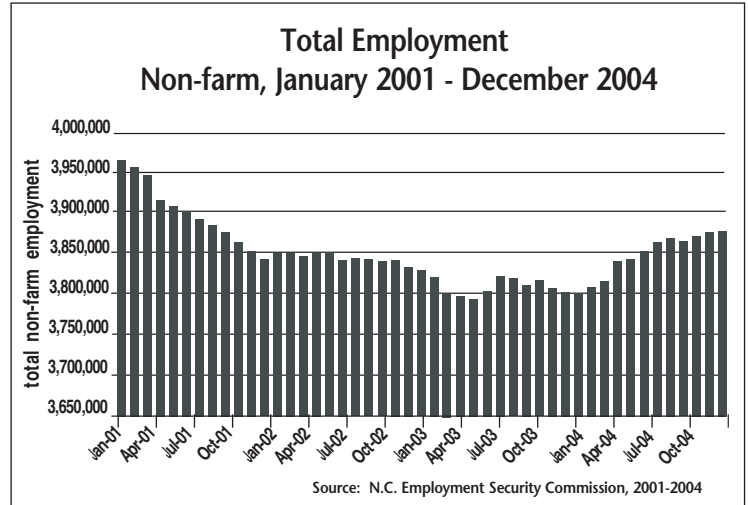
While the national recession of 2001 was short, lasting only from March to November, the recovery remained "jobless" for more than two years.

Early indicators for 2004 suggest improvement, but the full picture has yet to emerge. Meanwhile, it is clear that dislocated workers' ability to find new jobs at anything close to their old wages has proved to be an elusive quest for far too many.

The re-employment picture for urban and rural workers actually worsened after the official end of the recession. Of rural workers laid off in 2001, 59 percent found work within a year. Slightly less than half (49 percent) of rural dislocated workers laid off in 2002 were able to find work within a year.

And family budgets continued to suffer even when they went back to work. Those new jobs paid, on average, slightly less than three-quarters of their previous wage. Some workers were worse off than others. One-third brought home less than half their previous earnings. Urban and rural dislocated workers experienced only slight differences in these areas, with urban figures being slightly lower in most cases.

Age made a striking difference in re-employment and replacement wages. Only 42 percent of North Carolina workers 55 and older laid off in 2002 found a new job within a year, and they earned only 61 percent of pre-layoff wages.



Year of layoff	1 year later	2 years later
2000	67.9	68.8
2001	59.4	61.9
2002	53.6	

Year of layoff	1 year later	2 years later
2000	73.9	73.0
2001	59.9	62.0
2002	55.2	

Year of layoff	1 year later	2 years later
2000	63.5	65.7
2001	58.8	61.9
2002	49.0	

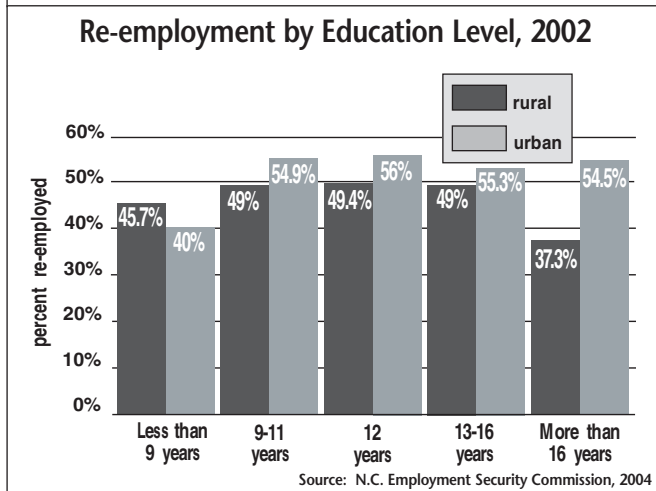
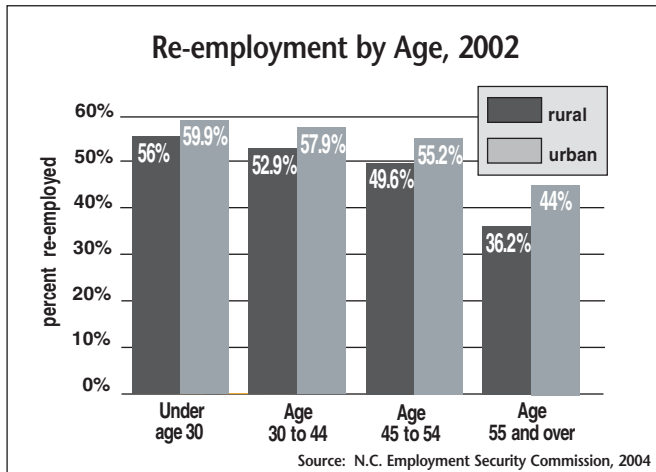
Source: N.C. Employment Security Commission, 2004

Year of layoff	1 year later	2 years later
2000	80.1	82.9
2001	78.2	80.5
2002	72.8	

Year of layoff	1 year later	2 years later
2000	79.4	85.1
2001	72.6	76.0
2002	70.5	

Year of layoff	1 year later	2 years later
2000	83.5	84.8
2001	83.1	84.3
2002	73.0	

Source: N.C. Employment Security Commission, 2004



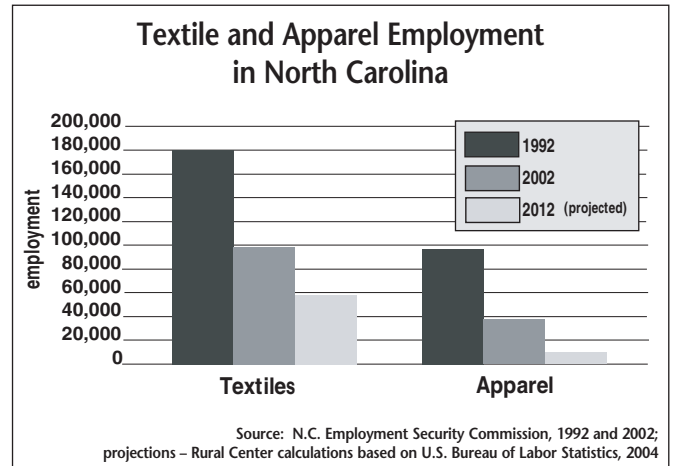
No rejoicing yet

With a stronger economy in 2004, many North Carolinians could for the first time see glimmers of hope. The annual unemployment rate fell to 5.5 percent. As usual, urban counties fared better than rural areas, but both the unemployment rate and the actual number of unemployed workers dropped in both regions while the number of employed persons increased.

The picture may be murkier than appears at first glance, however, especially for rural areas. Among the considerations:

- Despite recent job growth, North Carolina is still down more than 91,000 jobs since January 2001, with a growing population to support. The population has grown by nearly a half million people in five years. Deep pockets of despair dot the state. In 14 counties, unemployment in 2004 remained at 7.5 percent or greater. In Scotland County, with the state's highest unemployment, nearly 11 percent of workers lacked a job.
- Most disturbing are long-term economic projections. On January 1, 2005, all remaining quotas on textiles

and apparel were removed and tariffs were reduced to levels closer to those found on other manufactured goods. This eliminates the remaining protections for the domestic textile and apparel industries. Additional layoffs and plant closings are likely to follow. A conservative prediction for North Carolina's share of job losses is 35,000 over seven years.



Aiding dislocated workers: *defining the ideal*

In generations past, work meant stability. It wasn't uncommon for people to retire from the same company they went to work for straight out of school. Economists say those days are gone. Fast-changing markets and global competition will lead to more and more turmoil as products and companies rise and fall with rapidity. As a result, most people will change jobs five, six, even seven times during their working years. While this does not mean inevitable economic losses, it does suggest frequent instances of dislocation.

North Carolina must prepare to make dislocation as brief and painless as possible, for individual workers and for their communities. This requires the state to rethink its approach to serving dislocated workers. Research and discussions, undertaken as part of the Rural Dislocated Worker Initiative, lead to a new vision for dislocated worker services. In this new vision:

- **State, federal, local and nonprofit partners offer a seamless delivery system for programs serving dislocated workers.** Services include, at a minimum: skills assessment, career planning and job search assistance; education and training, including entrepreneurship training; free or reduced-cost health care or health insurance; financial counseling; mental health counseling and other human services; reasonable income support (such as unemployment insurance) along with necessary assistance with meeting the costs of housing, child care, and transportation; and emergency financial aid to meet basic needs.
- **Students and workers prepare themselves to manage job transitions throughout the course of their lives.** They recognize that jobs are created, changed and dissolved in an on-going cycle. They acquire a sound

foundation of education and skills, then continuously update old skills and learn new ones to meet emerging needs. Their dedication to lifelong learning gives them the flexibility and resilience to survive and prosper in a rapidly changing economy. Individual commitment to lifelong learning is reinforced by the value placed on education in the community and the workplace.

- **Employers promote their workers' well-being.** By rewarding education and training, employers strengthen their company and position workers to adapt in the face of change. Companies try to avoid layoffs. When layoffs cannot be avoided, they cooperate with public and private services seeking to help workers minimize the disruption to their lives.
- **Workforce development leaders help dislocated workers balance the goals of finding new jobs as quickly as possible and increasing their education and skill levels to prepare them for better opportunities.** The consistent aim will be, at a minimum, to help dislocated workers maintain their previous income as they move into new jobs.
- **Constant innovation is a hallmark of services for dislocated workers.** Education, training and other service providers remain flexible, helping them respond rapidly to developing needs. They develop new strategies to eliminate logistical, financial and cultural barriers that could prevent dislocated workers from gaining access to their services.
- **Economic developers promote a continuum of self-employment and job-creation opportunities.** This continuum provides both high-skill jobs and "stepping stone" opportunities for lower-skill workers. This will ensure that local job markets can absorb dislocated workers when individual companies or industries falter. The balance will be aided by programs that help strengthen and expand existing companies and that build new ventures by encouraging entrepreneurship.
- **Community leaders prepare for economic dislocation.** They convene workforce development, economic development, health and human services providers, and community organizations to clarify roles and improve coordination in the event of a major layoff.

Challenges for the system

The current system for helping dislocated workers includes a complex array of services and programs, each with its own set of rules and regulations. The largest share of funding comes from the federal government, with those monies flowing through state agencies to localities. Additional money and major operational oversight come from the state. Nonprofits and local governments also are players.

Throughout the course of the Dislocated Workers Initiative, service providers, policy leaders, outside experts and dislocated workers themselves have examined these programs and voiced opinions about their effectiveness and shortcomings. One overriding conclusion is that in the last few years service providers have done yeoman's work in trying to meet overwhelming needs with often dwindling resources. There have been good-faith efforts to improve service delivery and to cooperate across jurisdictions. One example is the housing of several types of programs under the umbrella of JobLink Career Centers, which have 112 locations across the state.

That said, it is also clear that major challenges remain to building a comprehensive, effective dislocated worker system. These fall into several major categories. Many of the challenges are intertwined.

The lack of available jobs presents the No. 1 problem for dislocated workers, especially in rural areas.

Workers in rural areas face a particularly daunting challenge. Often, only one or two factories employed a major portion of a community's workforce. Other jobs are scarce, particularly jobs that offer the same pay levels and benefits for low-skill workers, and those can be threatened as the effects of layoffs and plant-closings ripple through a community. Low educational levels not only make it harder for rural workers to find jobs, but also for their communities to attract new employers. Home-grown businesses could provide a piece of the solution. Although some workforce development programs cover the cost of entrepreneurship training, it is discouraged by many dislocated worker programs. Entrepreneurship may not fit a program's definition of employment, or performance standards may encourage alternatives with a shorter payoff.

The patchwork quilt of current programs and services creates a class system among displaced workers.

Creating jobs or helping dislocated workers create their own is necessary, but not sufficient. Dislocated workers often need help with career planning, training and conducting an effective job search. They also need income and other support services to help tide them over. Many of these services exist, but there is a great disparity in the nature of services available to groups of workers and in how easy it is for them to learn about and obtain services. How much help workers receive is affected by whether they were part of a major layoff or plant closing, whether the layoff is considered trade related, and whether they worked for a large or small employer, among other factors.

Workers who lose their jobs in a major layoff or plant closing, for example, may receive advance notice and orientation to available services. If the job loss qualifies under the federal Trade Adjustment Assistance Act – in many ways the most generous dislocated worker program – they also may be eligible for up to 2 1/2 years of income support; vouchers to cover education and job-training costs; tax credits to reduce the cost of health insurance; and "wage insurance" to partially supplement

the earnings of older workers if they take new jobs that pay less than their previous wages.

Other dislocated workers receive only a portion of those benefits. Standard unemployment insurance, for example, is currently limited to 26 weeks of benefits. And without advance notice and orientation, many are left to learn of available services on their own. Whether they locate adequate information about the right programs can be a matter of luck.

Stumbling blocks clutter the path to upgrading education and skills.

Upgrading skills consistently ranks as the most important action that dislocated workers can take to improve their employability and income potential. Yet obstacles to education and training are numerous.

Resources for training vary. Some years, money for training through the federal Workforce Investment Act has run out before the end of the year. In addition, local staffs for the program interpret regulations and manage funding differently. These decisions affect which workers receive vouchers to cover the cost of education and training.

Dislocated workers and service providers alike cite a need for shorter-term, more flexible training programs. Many dislocated workers will not receive income assistance or education vouchers long enough to complete a full training program. Workers with less than a high school diploma face a particularly long haul if they need basic education or GED courses before they can enroll in more advanced programs.

In addition, degree and certificate programs at community colleges generally are designed around the college's academic year. A person laid off in October may not be able to begin a program until the next fall. Some unemployment income benefits do not cover the period when workers are not enrolled in courses.

Finally, many dislocated workers are intimidated by the prospect of training. They've been out of school a long time and may have not have been successful students in their younger years. These individuals could benefit from creative combinations of training and basic skills education or on-the-job training programs, but such opportunities are in short supply.

Significant gaps, often the result of rigid policies, exist in a complex array of programs.

A few examples illustrate this point.

Example: Trade adjustment assistance applies only for workers whose job loss falls into narrow categories. If their employer closed down because of trade competition, they can qualify. If their employer remained in business but moved their jobs to a country with which the United States has a preferential trade agreement, such as Mexico, they still can qualify. But if their jobs moved to a nation without a preferential trade agreement, such as China, they don't.

Example: Public assistance programs often have strict

eligibility criteria. Some dislocated workers report that their unemployment insurance put them \$4 or \$10 over the eligibility cutoff for Food Stamps or Medicaid. No options exist for reduced benefits for people on the cusp.

Example: Training programs, too, can be restrictive. Even trade adjustment assistance limits income support to 24 months. If they weren't able to enroll in a community college program immediately, workers may wind up with no income a few months shy of an associate's degree. Some workers said they were refused training vouchers for high-demand professions such as nursing assistants because their selected programs exceeded the time limit, even though they were willing to fund the extra months themselves.

Gaps in the information pipeline limit or delay much-needed assistance.

Small businesses, those with fewer than 100 employees, are not covered by a requirement to notify the state of impending layoffs. This can delay how quickly their employees receive information on dislocated worker services. With adequate notice, some training could begin before layoffs occur. The employers themselves may not even be aware of the assistance that could be made available to their workers. Further complicating matters, employers covered by the notification requirement have the option not to allow service providers access to employees at the workplace to hold an orientation or offer services.

The funding mechanism cut key state programs when they were needed most.

The state funded a number of services through the Worker Training Trust Fund. These included Employment Security Commission services that helped fill gaps in federal workforce assistance programs, entrepreneurship training in community colleges, and some on-the-job training programs. The Worker Training Trust Fund consisted of interest earned on unemployment insurance reserves. During the high-employment period of the late '90s, this amounted to \$12 million to \$14 million a year. When unemployment skyrocketed in 2001 and 2002, those reserves vanished along with the rest of state's unemployment insurance coffers. The Worker Training Trust Fund – and the programs it supported – largely disappeared. In large part because of the loss of trust fund monies, the Employment Security Commission was forced to eliminate 120 positions at local offices, which serve as the first source of help for most dislocated workers.

The state unemployment insurance program is inadequately funded.

In the 1990s, when unemployment rates were low, the state built a seemingly large surplus of cash in its account for unemployment insurance. The General Assembly responded by reducing the tax employers paid into the system. At the time, it seemed a sound decision aimed at encouraging business growth. Then job losses picked up in

2000 and intensified during and after the 2001 recession. The main unemployment insurance account and its reserve funds were depleted. The state was forced to borrow from the federal government to meet its basic obligations to unemployed workers. What the state had perceived as its worst-case scenario – based on short-term, cyclical periods of high unemployment in between longer periods of growth – proved inadequate. In addition, changes in the business climate now make plant consolidations and layoffs common even in a good economy, placing an ongoing burden on unemployment insurance.

Funding of community colleges leaves them unable to respond promptly to demand.

Two compounding problems impact community colleges. One is the formula for state appropriations, which funds workforce training at a lower per-student rate than academic programs. The second is that state appropriations for one year are based on the previous year's enrollment. This strains the resources of community colleges trying to respond to immediate demand. Mayland Community College, for example, experienced a 40 percent increase in enrollment in one year when laid-off workers sought new training. Colleges also are left with inadequate funding for high-demand programs. Many have waiting lists for training in fields such as health care services.

Workers need clarity, repetition, access.

Displaced workers are in shock when they first meet with service providers. They cannot be expected to grasp right off the intricacies of programs so complex the service providers themselves have trouble navigating the system. Workers need clear, accurate information presented at a level appropriate for them with built-in redundancies: the same information presented in more than one way and more than once.

Confusion gets compounded when workers cannot access programs and services that are supposed to be available. Different areas of the state vary in how well coordinated programs are, where services are offered, and the hours of availability and staffing. Although the current system allows local decision making to tailor programs for local needs, limited resources can stymie the best-intentioned efforts. Rural communities in particular find programs short-staffed and have fewer resources to fill gaps in state and federal services.

Even with assistance, displaced workers and their families remain vulnerable.

Unemployment insurance does not replace a paycheck and is not intended to. Low-wage workers more than likely have not been able to build savings to help carry them through. When unemployment stretches for long periods, those who had earned high incomes find their resources

inadequate to the challenge. Several programs provide emergency assistance, for example, to pay unexpected medical bills or to prevent electricity or heating from being cut off. Most limit recipients to one-time assistance.

Dislocated workers and service providers cite home loss and eviction as major threats to the security of individuals and families. Between 1998 and 2003, as layoffs increased in North Carolina, the number of foreclosures on home mortgages nearly tripled. The N.C. Housing Finance Agency responded with the Home Protection Pilot Program in 2005, which targets temporary assistance of up to \$20,000 to those who've lost jobs economic conditions. Currently this program is available in eight counties.

In addition, the number of North Carolinians without health insurance, already high by national standards, has increased as a result of layoffs. Nearly 20 percent of the state's population lacked any health insurance coverage in 2003.⁵ Tax credits and COBRA programs (allowing employees to purchase coverage under their former employers' policy) are available to some, but policies often remain too expensive for jobless workers to afford. Furthermore, the availability of free- and reduced-cost services also is spotty at best. As a result, some workers and their families are going without needed medical care, and many more remain vulnerable to financial ruin in the event of a major illness or accident.

Further challenges arise out of an inadequate social infrastructure. Affordable, quality child care is not available statewide. Some federal dislocated worker programs provide vouchers for child care; others do not. State child care subsidies give preference to parents who are employed. Parents who cannot find or afford adequate care for their children are limited in their ability to obtain training or look for a job.

Transportation presents a similar problem. As in the case of child care, it is covered by some assistance programs and not others. Transportation presents a particular challenge in rural areas because of the distances involved and the lack of regular public transit systems. Some rural programs provide transportation to supportive services, but not to work.

Finally, most worker assistance programs pay inadequate attention to the threat that unemployment presents to overall family stability. Financial difficulties and the stress of joblessness create strains that show up in higher rates of divorce and domestic violence.

⁵ Cecil G. Sheps Center for Health Services Research.

Moving forward

Resolving all of the challenges related to the dislocated worker assistance system will require time and persistence, but nothing will be gained by delay. The Advisory Committee of the Rural Dislocated Worker Initiative has recommended 10 steps, described in the following pages, for immediate action. These steps will help eliminate disparities in the availability of and access to services, ease the pain of dislocation on families and communities, and return people to gainful employment.

As these recommendations are carried out, it is also incumbent upon Congress, the North Carolina General Assembly and the people they represent to consider more broadly the appropriate public response to economic dislocation.

Worker dislocation has become the new reality of global trade. We live in an economic environment in which jobs of all kinds – not just those in textiles and furniture – will be created, eliminated and shifted across borders with increasing speed. Will North Carolina's workers be prepared to exist, even thrive, in this environment? Yes, if and only if, we are willing to place workforce development at the top of our state and national policy agendas and muster the creative, programmatic and financial resources to prepare for the immense – and growing – challenges that lie ahead.

Dislocated Worker Action Agenda

Recommendation 1:

Ensure that North Carolina workers affected by trade have access to federal services.

Overall issue:

The U.S. Department of Labor's Trade Adjustment Assistance program was created to provide training, income support, reemployment, and supportive services to workers who have lost jobs due to global trade. It was broadened significantly in 2002 to expand the number of workers who can receive Trade Adjustment Assistance services due to primary or secondary impacts of trade. However, even under the revised Trade Adjustment Assistance policies, some workers who clearly lose their jobs due to trade are not eligible for services, others receive services only after a lengthy eligibility process, and the overall level of training and supportive services may be threatened by funding levels and a funding cap that do not recognize the growing need and increasing uptake of program services.⁶

Responsibility: Advocacy by all members of the Dislocated Worker Advisory Committee

Time frame: 2005 Congressional session

Sub-recommendation 1-1: Expand Trade Adjustment Assistance (TAA) eligibility to include dislocated workers affected by a shift in production in which the workers' jobs are moved to nations that have no preferential trade agreement with the United States (e.g., China).

Issue: Because the Trade Act was created to address negative impacts of trade agreements in terms of job losses, it only provides eligibility for the Trade Adjustment Assistance Program to workers who lose their jobs due to import competition (defined broadly) or to workers involved in a "shift in production," whose jobs physically move to nations with which the United States has a preferential trade agreement.

For example, if a company moves its operations from North Carolina to China, the workers who lose their jobs in North Carolina are not eligible for Trade Adjustment Assistance because the United States does not have a preferential trade agreement with China. If that same company moved to Mexico, or if it closed altogether due to import competition from China, the workers would be eligible for Trade Adjustment Assistance. Given that workers are affected by trade in all these cases, and given that the need for training and reemployment assistance is the same for the individual worker, the Dislocated Worker Advisory Committee seeks a change to federal policy.

This change is especially important now, given the recent elimination of remaining quotas on textile and apparel products, and given how dominant China and other nations that have no preferential trade agreement are in the global textile and apparel markets. This change will also be important to help workers affected by globalization in other declining industries such as the North Carolina furniture industry that tend to lose jobs to nations like China that do not have a preferential trade agreement with the United States.

Sub-recommendation 1-2: Recognizing how intensely textile and apparel industries have been affected by global trade, provide automatic eligibility for Trade Adjustment Assistance services for textile and apparel workers.

Issue: The petition process for TAA takes time that dislocated workers need to make their job transition plans and/or enroll in training. Because so many of the layoffs and closures in the textile and apparel industries are driven by globalization, it is not worth the administrative cost and the time lost for dislocated workers to go through the formal process for this group of

⁶ Note that three of the four sub-recommendations listed here are specifically cited by Trade Adjustment Assistance Coalition executive director Howard Rosen in a study he wrote with Lori G. Kletzer, "Reforming U.S. Labor-Market Adjustment Programs to Better Assist Workers." (Pre-published version, as of 1/19/2005.)

workers. Also, making eligibility automatic for dislocated textile and apparel workers would free up federal and local staff resources to focus on eligibility of other dislocated workers, reducing the petition process time for them.

Currently, it can take up to 40 days for dislocated workers to apply for Trade Adjustment Assistance, have their applications reviewed by staff in the U.S. Department of Labor, and then be certified as “trade-impacted” by the Trade Adjustment Assistance program. In the meantime, dislocated workers do not have access to Trade Adjustment Assistance services and may miss windows of opportunity to enroll in the best course of training for them. While the 40-day time limit for processing petitions is an improvement over the 60-day time limit that preceded it, and a vast improvement over the average processing time of 107 days in fiscal year 2002, it still puts workers “in limbo” during a key period following a layoff.

In addition to delays due to federal processing of petitions, there are sometimes delays at the local level, especially with large layoffs in rural areas. According to a September 2004 GAO study,⁷ “[p]rocessing a large number of affected workers quickly may be especially challenging for program administrators in rural areas, which do not have many staff to perform case management.”

There is a precedent for automatic industry eligibility for Trade Adjustment Assistance services in the automatic eligibility provided to the footwear industry by the Ford administration in 1975.⁸ This blanket eligibility should be put in place for at least two years as the nation and North Carolina in particular deal with the impacts of the elimination of quotas on textile and apparel products.

Sub-recommendation 1-3: Seek changes in the Trade Adjustment Assistance program to give states the same flexibility to use a portion of program funding for administrative purposes that is afforded under the Workforce Investment Act.

Issue: While the Workforce Investment Act allows administration funds plus a percentage of program funds to be used for staff resources for assessment, case management, placement, and follow-up, states are only allowed to use funds specifically designated for administration for staffing related to these operations for the TAA program. As a result, there are only four individuals at the state level and 16 staff full-time equivalents funded at local Employment Security Commission offices to administer the Trade Adjustment Assistance program across the state. Staffing is not adequate to actively recruit, work with, and help dislocated workers eligible for TAA transition to new jobs. Other Employment Security Commission funding must be used to augment the Trade Adjustment Assistance program funds for administration to ensure that dislocated workers across the state have a way to submit applications locally.

Without any increase in the state’s TAA allocation, changing the TAA regulations to allow for greater flexibility with regard to use of program funding would increase the reach and effectiveness of the TAA program.

Sub-recommendation 1-4: Raise the funding cap on Trade Adjustment Assistance training and increase funding to meet increasing demand.

Issue: Nationwide demand for Trade Adjustment Assistance services has increased sharply in recent years, leaving states to compete with each other for funding for training that is not sufficient to meet all states’ needs and is provided on a first-come, first-served basis. In the early 2000s, manufacturing layoffs increased and the eligibility criteria for services under TAA were broadened.

As summarized in a section heading in a GAO report, “Demand for TAA Services Increased during a Period of Manufacturing Job Loss, and States Have Struggled with Available TAA Funds.”⁹ The GAO study delineates the many ways states deal with demand for TAA training that exceeds resources. Examples include placing limits on training costs; placing participants on

⁷ p. 29, GAO, Trade Adjustment Assistance: Reforms have accelerated training enrollment, but implementation challenges remain (GAO-04-1012). September 2004.

⁸ p. 10-25 Kletzer, Lori and Howard Rosen, “Reforming U.S. Labor-Market Adjustment Programs to Better Assist Workers.” (Pre-published version, as of 1/19/2005.)

⁹ p. 29, GAO, Trade Adjustment Assistance: Reforms have accelerated training enrollment, but implementation challenges remain (GAO-04-1012). September 2004.

temporary waiting lists; having case managers consider more carefully whether training is the most appropriate strategy for each worker; paying for shorter-term training; and using other federal resources to supplement TAA funds for training and other services. North Carolina uses the last two of these approaches. One-half of North Carolina's TAA participants who were enrolled in training in 2004 were "dual-enrolled" in training paid for by the Workforce Investment Act or National Emergency Grant as well as the Trade Adjustment Assistance program.¹⁰ According to a North Carolina Employment Security Commission official, North Carolina avoids a "rationing" approach, based on a philosophy that workers should not be stymied in their efforts to get training.

While the innovative and effective use of dual-enrollment in North Carolina has enabled thousands of additional dislocated workers each year to participate in Trade Adjustment Assistance training, the ideal solution would be to have adequate training funding for TAA.

As asserted in position statements of The Business Roundtable's Task Force on Education and the Workforce,¹¹ "Investment in Workforce Training and Skills Upgrading Is an Urgent Priority for U.S. Competitiveness," and government funding for workforce development programs is especially important for programs serving dislocated workers. The Economic Growth and American Jobs Coalition, which is composed of groups such as the Business Roundtable, U.S. Chamber of Commerce, and other pro-business organizations, has a list of three broad position statements that includes the statement, "Educating and Retraining of Displaced and Future Workforce Is Vital" and goes on to say that "Because better jobs... require advanced skills and education, investment in training displaced workers is a key strategy for overall success in the future."¹²

Sub-recommendation 1-5: Raise the Health Coverage Tax Credit from 65 percent to 80 percent of dislocated workers' health care premiums, and make changes to simplify the application process for dislocated workers and increase their ability to participate.

Issue: In focus groups held by the Rural Center, dislocated workers have reported health insurance as one of their primary concerns. The creation of the Health Coverage Tax Credit to pay for 65 percent of the costs of health care premiums for dislocated workers participating in the Trade Adjustment Assistance program was a major step forward in recognizing the comprehensive needs of dislocated workers and helping to meet this large need.

However, even with the federal government paying 65 percent, health care premiums tend to be unaffordable for dislocated workers. As of December 2003, the average 35 percent share of health care premiums that laid-off workers paid to receive health coverage using the Health Coverage Tax Credit (HCTC) provision came to \$1,714 per year for single coverage. This is more than three times the amount that the average worker with employer-sponsored insurance paid before being laid off.¹³ Most of the dislocated workers who participated in focus groups either went without health insurance (even if they qualified for HCTCs) or struggled to pay their share.

A bipartisan bill (S2157) was introduced in the U.S. Senate in March 2004 that would have (among other actions) expanded the share of health coverage paid by the federal government under HCTC from 65 to 75 percent. This bill was supported by Senators Dole and Edwards and had support from a majority of senators, but narrowly missed the 60 votes required for passage in the Senate under the budget act.

In addition to cost, the complexity of the application process deters some dislocated workers from participating in the HCTC program. For example, the laid-off worker currently needs to apply to three places – the state workforce agency, the Internal Revenue Service (IRS), and the health plan. Each may need a different sheet of paper. The kits that IRS sends to dislocated

¹⁰ Employment Security Commission, email summary of program data, 2/7/2005.

¹¹ Business Roundtable, "Workforce Training and Development for U.S. Competitiveness," released 8/1/1993; accessed 4/3/2005 on the Business Roundtable website at <http://www.businessroundtable.org/taskForces/taskforce/document.aspx?qs=69A5BF159F849514481138A74EB1851159169FEB5633F>.

¹² <http://www.businessroundtable.org/pdf/20040503002CoalitionMessagingDocument.pdf>, accessed 4/3/2005 on the Business Roundtable website.

¹³ P. 14, Stan Dorn and Todd Kutyla in "Health Coverage Tax Credits under the Trade Act of 2002: A Preliminary Analysis of Program Operation," Economic and Social Research Institute, April 2004.

workers to explain the HCTC program are often difficult to comprehend for workers with low-level literacy skills. IRS confidentiality requirements keep helpers from tackling all these issues for the applicants.

Better designed materials for non-English speaking applicants and those with low-level literacy skills are needed. Videos might be one answer. Changes to the confidentiality regulations are also needed.

Recommendation 2:

Reform unemployment insurance policies.

Issue: When unemployment insurance funds built up during the prosperous 1990s, the State of North Carolina introduced a policy to offer employers a 50 percent reduction of their unemployment insurance tax rate when the Unemployment Insurance Trust Fund reached or exceeded \$800 million. The Trust Fund reached this level, reducing revenue and the overall pool of funds to pay unemployment insurance. Unfortunately, the trigger for this tax rate was too low. An unprecedented draw on unemployment insurance during the early 2000s drained the Unemployment Insurance Trust Fund and the entire \$200 million reserve fund that was designed to protect the trust fund and the money it contained for unemployment insurance payments. After using all of its own dollars, North Carolina had to borrow money from the federal government simply to be able to continue paying unemployment insurance to individuals in need. In addition to trying to build funds back up, North Carolina is paying interest to the federal government for the funds that it borrowed.

Now that we have seen how a recession, combined with a growing state population and structural changes in the state economy, has increased the level of need for unemployment insurance beyond what was previously considered sufficient, it is time to set a more appropriate trigger for employer tax reductions.

We recommend a trigger representing a larger pool of funds that is indexed upon population and other factors that can change over time. This would provide the larger cushion we need during a time of structural economic change and avoid the situation we are in now, in which the State of North Carolina is responsible not only for unemployment benefits, but also interest on funding we borrowed from the federal government.

Responsibility: North Carolina General Assembly.

Time frame: 2005 legislative session

Recommendation 3:

Provide stable funding for job training and services, and home protection programs.

Sub-recommendation 3-1: Provide alternative, stable, flexible source(s) of funding for key programs historically funded through the Worker Training Trust Fund.

Issue: For more than a decade, the State of North Carolina funded core services and programs supporting innovation in workforce development using the “Worker Training Trust Fund” – revenue from the interest generated from the Unemployment Insurance Trust Fund reserve. At \$12-14 million a year, the Worker Training Trust Fund monies were not large relative to federal funding for workforce development, but provided flexibility and supported program uses such as entrepreneurship training that federal funding has not. Through funding of local Employment Service offices and programs of other JobLink partners, the Worker Training Trust Fund has been an important piece of funding for the JobLink Career Center system since it began in North Carolina.

When unemployment insurance funds built up during the prosperous 1990s, the State of North Carolina offered tax relief to businesses, reducing the revenue for the Unemployment Insurance Trust Fund. Unfortunately, an unprecedented draw on unemployment insurance

during the early 2000s drained the reserve fund as well as the Unemployment Insurance Trust Fund it was designed to protect, and there was no interest available to pay for the programs that had been “automatically” funded for years at levels authorized by the General Assembly.

With the loss of resources from the Worker Training Trust Fund, agencies have had to reduce programs, services, and staff. Some programs, such as Workforce Initiatives in the Community College System and the Division of Employment and Training Grants Program, have already disappeared due to the loss of funding. Replacement funding has been available for only a couple of the agencies, and then not at the prior levels. To be able to fund at least some prior services, recurring funding should be established to support key services originally paid for by the Worker Training Trust Fund.

For direct services to dislocated workers and those reemployed who would benefit from mentor-led training, certain program funding is particularly important:

- Employment Services offered by local Employment Security Commission offices (\$6,000,000)
- Apprenticeship program – combination of classroom and work-based training (\$787,000)
- Entrepreneurship training offered through community colleges by N.C. REAL Enterprises (at least \$400,000)

The loss of Worker Training Trust Fund dollars has already sharply reduced funding for some of these programs’ core business functions, and although some of the programs have successfully attracted new funding, much of the new funding was temporary. Failure to reinstate funding in 2005 will have a disastrous effect on key programs.

- A combination of factors, including the loss of Worker Training Trust Fund dollars, contributed to the loss of 120 local Employment Security Commission positions statewide in 2003. Local Employment Security Commission offices offer reemployment services, maintain lists of job postings from employers, and help connect jobseekers with the employers that need their talents – critical services for dislocated workers. Because local Employment Security Commission offices host more than half of the state’s JobLink Career Centers, the loss of funding has also reduced critical resources for the one-stop JobLink Career Center system.
- If funding for the Apprenticeship Program is not reinstated, half of the state’s apprenticeship consultant positions will be in jeopardy. This means not only fewer apprenticeship opportunities, but also fewer on-the-job training opportunities because consultants develop contracts with employers to certify both apprenticeship and on-the-job training activities. Because on-the-job training and apprenticeship opportunities combine job experiences with training, and because apprenticeship opportunities have automatic wage increases built into the contracts with employers as the student-workers gain skills, these opportunities are ideally suited for adult learners who want to gain relevant job skills that directly impact their income potential.
- If N.C. REAL Enterprises cannot replace the ongoing funding that the Worker Training Trust Fund used to provide for entrepreneurship training at community colleges, the nonprofit organization will have to severely curtail services. This would directly impact dislocated workers due to the role of N.C. REAL Enterprises as a key partner in the NOW (New Opportunities for Workers) Program, which offers entrepreneurship training specifically for dislocated workers. This would also negatively impact entrepreneurship training in North Carolina more generally, given that NC REAL sponsors much of the entrepreneurship education and training available in community colleges across the state. These opportunities include a four-credit entrepreneurship course (BUS 280) and shorter-term entrepreneurship training courses, often offered through continuing education.

Even if funding is reinstated for the 2005-06 fiscal year, and even if the programs are successful in demonstrating their need again in the 2006-07 fiscal year, the programs are harmed by the current lack of recurring funding. The cost to fund these programs based on their current

needs is \$7,187,000. Programs listed above have cited the difficulty in attracting, retaining, and replacing staff toward the end of the fiscal year ever since their funding became reliant on annual rather than recurring appropriations.

Responsibility: Advocacy by all members of advisory committee. Lead role by the Rural Center, N.C. Commission on Workforce Development, and organizations with a direct stake: N.C. Employment Security Commission, N.C. Department of Labor, and N.C. REAL Enterprises.

Time frame: 2005 legislative session

Subrecommendation 3-2: Support expansion of the North Carolina Home Protection Pilot Program as a targeted strategy to prevent mortgage foreclosure for dislocated workers and their families.

Issue: Between 1998 and 2003, the number of home mortgage foreclosures nearly tripled in North Carolina. The increase in layoffs and business closures during that time period contributed to the growing number of foreclosures. Community-based organizations and others who work closely with dislocated workers identify mortgage foreclosure prevention as one of the most important pieces of a comprehensive package to help dislocated workers, along with financial counseling as soon as possible after a layoff to be most effective in preventing foreclosure.

Mortgage foreclosure prevention is critical for dislocated workers on multiple levels. If dislocated workers are unable to keep up with mortgage payments or negotiate a payment plan that allows them to maintain their housing, the loss of income that occurs when a worker is laid off snowballs into loss of wealth. And loss of a home can be devastating psychologically as well as financially. For some, loss of a home can mean “doubling up” with another family or even complete loss of adequate shelter.

The North Carolina Home Protection Pilot Program specifically targets dislocated workers, working through local nonprofit housing counseling agencies to assist workers who have lost employment due to changing economic conditions in the state by providing up to 18 months and \$20,000 of loan assistance for the payment of home mortgage applications. Upon reemployment or at the end of loan assistance, participants are expected to repay the loan in monthly payments in amounts set so as not to harm the applicants’ financial stability. In addition to the loan assistance, the pilot program provides counseling on housing options and assistance in negotiating with mortgage lenders to avoid foreclosure.

The program is patterned after a broader program in Pennsylvania known as the Homeowners Emergency Mortgage Assistance Program (HEMAP). North Carolina’s pilot program began in January 2005. The cost of expansion will be determined based on the expenditures of the 2005 pilot program and the plan for phase-in of additional program locations. The General Assembly appropriated \$1.75 million in 2004 to establish the program and make services available in eight initial counties.

Responsibility: Advocacy by all members of advisory committee, with information and program evaluation updates by North Carolina Housing Finance Agency and the North Carolina Housing Coalition.

Time frame: 2005 or 2006 legislative session. Evaluate initial results toward end of legislative session and support funding request based on successful outcomes.

Recommendation 4:

Enable community colleges to respond to emergency demands.

Issue: In the early 2000s, the combination of the recession and ongoing economic restructuring led to high layoffs and a large increase in the demand for community college training. However, because community college funding is based on Full-Time Equivalents (FTEs) calculated based on the past year’s enrollment, funding was inadequate to meet the increases in training demand.

North Carolina community college FTE enrollment increased an average of 23.1 percent in the period 2000-2004, or 7.7 percent a year. This is more than twice the maximum rate of increase that community college presidents have reported can be absorbed under the current funding formula without serious harm to students. Between 2000-01 and 2001-02, there was a 10.0 percent increase in enrollment for the system as a whole.

Certain community colleges have borne the brunt of increases. For example, enrollment at Mayland Community College nearly doubled in five years, attributed in large part to layoffs in Mitchell, Avery, and Yancey counties.

A study commissioned by the North Carolina General Assembly (Joint Legislative Education Oversight Committee and chairs of Senate and House appropriations committees) outlined three major recommendations to address the issue:

- Establishment by the General Assembly of an \$11 million non-reverting reserve fund under the control of the State Board of Community Colleges to ensure that the gap between funded FTE and actual number of students served at any college does not exceed 3.2 percent in any academic year;
- Replenishment of the fund in each budget cycle;
- Development of a distribution formula by N.C. Community College System staff to “distribute the reserve funds in a manner that allows colleges to take quick action to prevent denying service or under serving students due to enrollment growth in the current academic year.”

Responsibility: N.C. Community College System

Time frame: 2005 legislative session

Recommendation 5:

Ensure that dislocated workers have full access to information about available services.

Enhance information for use in current service delivery approaches, and consider more widespread use of proactive models, such as Connectinc., that emphasize ongoing outreach, information tailored to the individual dislocated worker and his/her family, and follow-up services even after dislocated workers obtain employment.

Due to the volume of information that is new to most dislocated workers, focus first on where dislocated workers can go for help, then on specific services.

Issue: Dislocated workers are served through a complicated, confusing set of services. Dislocated workers indicated in the “Dislocated Workers in Rural North Carolina: Program and Policy Research Report” that they had difficulty navigating the myriad of programs and services and were expected to use computers to access job search information without knowing how. Additionally, dislocated workers participating in focus groups for that study and for the development of this action agenda expressed confusion, frustration, and a surprising lack of understanding about available services. A couple of dislocated workers who had been laid off for months learned by chance about the JobLink Career Center in their area. One dislocated worker reported hearing “from a lady at church” about help she could get paying for child care. Another dislocated worker had been laid off twice before and was only learning in her third layoff that she could get help in paying for training.

Responsibility: N.C. Employment Security Commission, N.C. Department of Commerce (Division of Employment and Training and Commission on Workforce Development staff); N.C. Community College System; N.C. Department of Health and Human Services. Lead role: N.C. Department of Commerce.

Time frame: Development of plans for first phase of an information campaign by October 2005

Examples of how to carry out this recommendation follow. Initial improvements would have a minimal cost impact. Product development, such as new pamphlets and videos, would require funding.

- Enhance the JobLink Career Center chartering criteria to promote the development, continual updating, and dissemination of community resource guides, and to implement a public awareness campaign to increase the public's familiarity with JobLink Career Centers. Consider linking to or borrowing ideas from the system that United Way First Call Centers use for 2-1-1 calls, which connects callers to public and private community services and the N.C. CareLine (1-800-662-7030), which is sponsored by the N.C. Department of Health and Human Services and refers North Carolina callers to a wide range of services.

An example of a community resource listing developed specifically for workers who have lost their jobs is the Triangle United Way's "How to Cope with Unemployment and Personal Crisis: Survival Guide" (separate listings available for Wake, Durham, and Orange counties) -http://www.unitedwaytriangle.org/collateral/pdf/211_uwake.pdf. Many JobLink Career Centers have similar resource guides or listings. A state-level resource guide focusing on job search and health insurance needs of laid-off workers has been made available online in the form of the "Dislocated Worker Transitional Toolkit" at <http://www.dwtoolkit.com>.

- Promote dissemination of community resource guides to community agencies and organizations that work with dislocated workers and employers, including chambers of commerce, faith-based organizations, other nonprofit organizations, and libraries. Consider ways to keep information current, including sharing of electronic files. Also consider how to make information directly accessible to dislocated workers. In general, enhance information sharing between agencies, as well as production of information in formats that laid-off workers can access on their own.
- Explore and implement widespread use of highly proactive approaches to share information and walk dislocated workers through possible sources of help. Connectinc. is a particularly sophisticated example of a one-on-one approach that connects dislocated workers to the information and services they need. Through a call-center approach that makes regularly scheduled calls to vulnerable workers such as dislocated workers, Connectinc. establishes a relationship with the individuals and offers encouragement and advice to help keep them motivated and moving forward during the job search and participation in training and other services. The case management system is technology-based, and referrals are based on databases and GIS mapping that ensure that the information provided is accurate, relevant to the location of the specific individual, and up-to-date.

Other organizations, which have proven to be highly effective in reaching dislocated workers who have been "lost" to the traditional workforce development system after exhausting available services, include faith-based organizations and other community-based organizations. These organizations, by being based in the community, can often locate individuals who have been laid-off and are no longer receiving public services, but who still need help. The community-based organizations provide one-on-one assistance and extra emotional support for laid-off workers who, in many cases, have given up hope. Promoting more widespread connections between community-based organizations and the traditional workforce development system will improve the experiences of dislocated workers.

- Train dislocated workers who seem to be respected by their peers to engage in community outreach for job search and training programs and pay them to play this important role. They know best what is important to dislocated workers and how to relate to them, and their word tends to carry more weight than government outreach messages.
- Develop a reading-level appropriate handout for dislocated workers on core workforce/community services, and disseminate handouts to all agencies/community

organizations that work with dislocated workers. Create handouts in Spanish and possibly other languages as well as English.

- Develop orientation videos in English and Spanish to allow dislocated workers the opportunity to hear a common, clear message on where to go for services and what core services exist for dislocated workers throughout North Carolina. Distribute videos to all JobLink Career Centers and to other organizations that serve laid-off workers.

Videos overcome literacy barriers as well as offering an entertaining way of communicating information. In a busy service provider office, videos can be set up to be played by dislocated workers as they come in, freeing up staff time that would otherwise be spent going over basic information and providing a foundation of information before the staff meets with dislocated workers. Anecdotal evidence from the New Opportunities for Workers program, an entrepreneurship development program for dislocated workers involving the Rural Center, community college Small Business Centers, and N.C. REAL Enterprises, suggests that laid-off workers are more responsive to videos than written information.

- Increase knowledge of agency staff and community-based organizations through training on various programs and how they fit together. Develop staff capacity to recognize appropriate intervention points to share information and refer dislocated workers to necessary services.

Programs and public policies involving dislocated workers can be very complicated, to the point that many service providers do not have a solid understanding of their partners' programs. To effectively refer workers and create a truly seamless system of services, it is important for organizations that serve dislocated workers to stay current on their partners' programs. Periodic training could enhance referrals and enable organizations to strengthen partnerships. Training should encompass traditional workforce programs plus the broad system of services that support dislocated workers, including human services, housing, and health care.

Recommendation 6:

Provide equal access to services for all dislocated workers.

Issue: The system of services for dislocated workers is a patchwork quilt of different programs and policies. The level of services and information made available to a dislocated worker varies dramatically based on characteristics unrelated to the dislocated worker's need; for example, the size of the worker's employer, the size of the layoff, the industry in which the worker was employed, and the interest or proactive efforts of the worker's employer in obtaining services for its workers.

Dislocated workers who generally have the best access to services and information are those whose job losses are deemed to be "trade-affected" (often in traditional manufacturing industries), those who are laid off from large employers who are subject to WARN (Worker Adjustment and Retraining Notification) Act requirements to file notice before they lay off workers or close, and those whose employers choose to allow public workforce development officials to hold orientation sessions for the employees who will be laid off, or whose employers go the extra mile to offer on-site re-training or outplacement services.

While it may not be possible in the short-term to replicate the same high level of information and services for all dislocated workers given funding considerations, we as a state should be moving quickly in that direction.

Overall responsibility: All agencies involved in providing direct services to dislocated workers, led by the N.C. Commission on Workforce Development

Time frame: Develop plan by October 2005

Steps to take to reduce variation and provide a standard level of service are:

- Update/finish and disseminate the document on best practices for Rapid Response begun by several local area workforce directors. If not already addressed in the document, highlight best practices in North Carolina for proactively extending Rapid Response-type services to employers that do not file a WARN notice. (Responsibility: North Carolina Workforce Development Board Directors' Council, in partnership with the Division of Employment and Training.)
- Provide more information on the broad range of services for dislocated workers at the Employment Security Commission (at local offices and on the Internet) given that ESC is the starting point for most dislocated workers who are not reached through the Rapid Response process and employee orientations. (Responsibility: Employment Security Commission – Employment Service.)
- Provide employee orientations (as occur thru the Rapid Response process) on a regular basis at JobLink centers and/or through Human Resource Development programs for those not touched by the Rapid Response process. Consider videos at these locations and on the Internet. (Responsibility: JobLink Career Centers and/or Human Resource Development programs.)

Recommendation 7:

Establish a career readiness certificate program for North Carolina workers.

Issue: Recent analyses by the Rural Center show that 85 percent of rural dislocated workers have at most a high school diploma or its equivalent. In an economy that often requires at least two years of post-secondary education, the education level achieved by this vast majority of rural dislocated workers is viewed as obsolete. Yet we know that many dislocated workers who have worked for decades in manufacturing plants, raised families, and managed households and lives outside work and family have valuable skills that could be transferred to new work settings.

The N.C. Community College System is developing a multi-level credential using bronze, silver, and gold certificates to assess workers in the basic skills used in most work settings: reading, math, and locating information.

The Career Readiness Certificate will...

- Benefit dislocated workers by giving them “credit” for their skills and work readiness, which may be especially helpful for those who have skills but lack educational credentials;
- Help dislocated workers as well as training institutions by identifying individuals’ specific areas for improvement and providing multiple levels of credentials to confirm current skills and set goals for higher skill attainment;
- Benefit economic development in localities and regions if certification is promoted on large scale and economic developers can tout the number of workers they have with the various levels of certification.

Responsibility: Creation and implementation: N.C. Community College System. Support for use of Career Readiness Certificate: All members of advisory committee.

Time frame: Design of the Career Readiness Certificate began in earnest in February 2005. A status report should be provided to the advisory committee in fall 2005, along with proposed timelines for implementation and options for how the advisory committee can offer support.

Recommendation 8:

Establish an “economic disaster” plan for communities hard hit by layoffs.

Overall Issue: When Pillowtex laid off thousands of workers in North Carolina in 2003, the lay-off elicited what could best be described as an “economic disaster response.” State and national media flocked to Kannapolis (considered ground zero due to the concentration of Pillowtex

plants and workers there), the Governor rallied state agencies to do whatever they could to help the affected workers, and private as well as public dollars flowed to Cabarrus, Rowan, and Rockingham counties, the areas affected by the layoff. Meanwhile, a layoff of hundreds of workers by VF Jeanswear in Bertie County caused a similar degree of economic turmoil, but this smaller community did not attract the same level of attention and assistance despite similar impacts throughout its communities.

Pillowtex has become a model for “economic disaster response and recovery,” but as the largest layoff in state history, it is not likely that other layoffs will achieve its scale in terms of concentrated negative economic impact or positive response.

The Rapid Response process elicits a “disaster response,” but in communities barraged by multiple small layoffs rather than being affected by large layoffs, the Rapid Response process (which is automatically triggered by a single layoff event with at least 50 individuals laid off within five weeks) may not apply. Furthermore, companies can choose not to participate in a Rapid Response meeting or choose not to invite government officials in to offer an orientation session on public services for their employees.

Subrecommendation 8-1: Establish criteria to identify counties as “layoff-impacted” or “high layoff/unemployment areas.”

Criteria will take into account layoffs over time to help raise the profile of areas that have experienced multiple smaller layoffs. Layoff statistics will be considered relative to the size of the labor force so assistance can be targeted to smaller communities of they lose a large percentage of their existing workforce.

Issue: We need alternate ways to identify economic disasters other than by the total number of workers laid off in a single layoff event. Layoffs over time can be just as damaging, and the scale of what constitutes a “disaster” depends on the size of the community affected and the size of its labor force. In addition to establishing quantitative, “automatic triggers” for action, criteria may include an approach for local leaders to petition state officials for help when a disaster overwhelms their resources and expertise. This kind of “manual trigger” for a disaster response involving local-to-state requests is consistent with the emergency response model used for natural disasters.

Responsibility: N.C. Department of Commerce, Division of Policy, Research, and Strategic Planning and Dislocated Worker Advisory Committee

Time frame: Complete proposed criteria by or before October 2005 for consideration by the Dislocated Worker Advisory Committee, the Economic Development Board, and the N.C. Commission on Workforce Development

Subrecommendation 8-2: Use the special designation to provide quick, flexible, and targeted services to hard-hit counties.

Issue: Establishing a set of protocols around the use of the “high layoff” designation before economic disasters occur will expedite response and recovery efforts. There are precedents for these types of protocols.

Responsibility:

- Governor: Via standing executive order, establish authority to waive certain state procurement policies (to quickly add staff, set up facilities, and purchase equipment/supplies), gain access to certain sources of funding, and cut through red tape to respond quickly to communities in crisis due to layoffs/business closures. Name a director of emergency economic relief and recovery to respond to major layoff events and recommend policies to ensure that there are mechanisms in place to respond effectively to waves of smaller resources and help smaller communities receive state attention and resources when they are hit hard by layoffs.
- N.C. Department of Commerce, Rural Center, foundations, others: Consider giving layoff-impacted counties priority status (separate from Commerce tier rankings) in grant

applications and in applications for discretionary state incentives such as the One North Carolina Fund, infrastructure and other grant funding through the Rural Center, and possibly federal workforce funding. Provide technical assistance/share best practices with local partners who do not have much experience with layoffs.

- N.C. Employment Security Commission: Designation of an economic disaster could trigger assignment of staff/related resources at ESC offices in affected areas to play a dedicated outreach function. The specific purpose of the staff would be to proactively locate dislocated workers who do not get channeled to the local ESC office/JobLink Career Center through a Rapid Response or other process and refer them to all relevant resources.
- N.C. Department of Commerce (Existing Industry staff), Industrial Extension Service, N.C. Department of Labor Apprenticeship Program: Consider providing extra outreach and technical assistance in layoff impacted counties.

Time frame: Establish protocols and begin use of designation by the end of 2005 calendar year

Subrecommendation 8-3: Establish the “system infrastructure” for an early warning system and for effective, collaborative response to economic disasters involving local public leaders and the voluntary/nonprofit sector.

Issue: Multiple organizations and events have raised the idea of creating an “early warning system.” What is an early warning system? CFED has defined it as...

Developing an improved data- and contact-based system for identifying vulnerable firms, industries, and communities and using it to organize more effective efforts to modernize firms, avoid some layoffs and shutdowns, and deliver improved [immediate] services for workforce reductions that cannot be avoided.

The rapid response process that is overseen by the N.C. Department of Commerce’s Dislocated Worker Unit in the Division of Employment and Training is already serving as an early warning system for many dislocated workers across the state. The Dislocated Worker Unit tracks WARN notices that employers file with the state and sends staff out right away to meet with businesses that are laying off or closing to find out how state and local partners can help the workers who will lose their jobs. And as occurred in the Pillowtex closure, agencies and leaders who gain information about possible layoffs or business closures well in advance take the initiative to confidentially plan for the job losses and effective responses.

However, a full network of “responders” and “economic disaster responses” has not been developed. There is no similar early warning system for quick action on the economic development front, and the rapid response process for dislocated workers relies primarily on WARN notices, which (as discussed in recommendation 6) are not required from many to most employers who close or lay off. Also, there is no specific plan for keeping information confidential, which might encourage businesses to share information with workforce and economic development organizations sooner after deciding that layoffs are imminent. Creating a network of organizations and protocols for when and what information to share as part of an “early warning system” could improve the state’s ability to quickly identify and respond to layoffs.

To prepare for layoffs, economic disaster plans that detail the roles and responsibilities of local partners are needed. Workforce Development Boards and their directors, as the designated local leaders for workforce development, could play the critical coordination role for community disaster planning.

Another issue, especially if we aim to create more proactive and broad-based responses to layoffs, is how to channel the energy of voluntary, faith-based, or other nonprofit organizations to help when there are layoffs. In the Pillowtex closure, affected areas were blessed with an outpouring of support, but this raises another set of issues to manage unless protocols have been developed in advance, there are clear roles and ways community organizations can connect with workforce leaders and local officials, and there are clear mechanisms for sharing information about dislocated workers needs’ and the responses by other organizations in the community.

Responsibility:

- N.C. Department of Commerce (Policy, Research, and Strategic Planning and Division of Employment and Training), N.C. Employment Security Commission, CFED, and North Carolina Business Resource Alliance: Establish an early warning system to trigger action when businesses appear to be in trouble. This system should involve the development of networks between economic development leaders, chambers of commerce, local workforce development agencies, nonprofit organizations, faith-based organizations, and others.
- N.C. Department of Commerce (Commission on Workforce Development and Division of Employment and Training) and North Carolina Workforce Development Board Directors' Council: Establish an initiative to foster development of community-level "economic disaster teams" and initial planning, with directors of Workforce Development Boards serving as coordinators for disaster planning. Participation by a broad cross-section of local leaders would be sought, including at a minimum local workforce development, economic development, human service, and grassroots program leaders.
- Rural Center and N.C. Commission on Workforce Development staff: Set up the equivalent of NC VOAD (Volunteer Organizations Active in Disasters) for economic disasters to channel the energy of volunteer and other nonprofit organizations into a manageable group of organizations to connect with the workforce system. Consult with NC VOAD and the Division of Emergency Management to borrow from their model of natural disaster response in the development of a similar group for economic disasters.

Time frame: Establish initial plans for development of these networks and teams by the time the Dislocated Worker Advisory Committee meets again in fall 2005. Create networks and complete initial work to clarify roles by the end of the 2005 calendar year.

Recommendation 9:

Develop strategies to prevent economic disasters and worker dislocation.

Issue: In addition to responding quickly and effectively to economic disasters and the concerns of impacted workers, North Carolina needs to do what it can to prevent business closures and layoffs. This includes an extra emphasis on services to existing businesses in at-risk industries; for example, manufacturing modernization services through the Industrial Extension Service to take advantage of new-economy opportunities in advanced manufacturing, customized training through the community colleges, services to aggressively encourage employers to promote ongoing skill development, and business planning services and technical assistance targeted to traditional, low-skill manufacturing businesses. For smaller businesses that are suppliers to businesses in declining industries, it may include planning to diversify products and services. Chambers of commerce and the Kenan Institute for Private Enterprise at the University of North Carolina-Chapel Hill might consider research and promotion of business strategies that rely on actions other than layoffs for businesses to cope with financial challenges.

A simple, information-focused strategy might include providing more information on workforce development or "layoff prevention services" for employers in declining industries via the N.C. Department of Commerce, regional economic development partnerships, North Carolina Citizens for Business and Industry, and/or chambers of commerce, and other groups. For example, ensure that information distributed to businesses by these groups contains information on the Incumbent Worker Demonstration Program (grants for businesses to fund education or training), ongoing customized training through community colleges, apprenticeships, the Industrial Extension Service, and guidelines on business options such as how businesses can minimize the impact on workers when they must lay off workers.

Education and training of workers in declining industries would have the double-benefit of enhancing the productivity of the business (thereby reducing the chance of layoffs/business closure or at least delaying those) and increasing the ability of workers to cope with job loss.

In terms of long-term prevention, a focus on education and training of the emerging workforce is critical to strengthen the North Carolina economy and make it more competitive in new-economy industries and less vulnerable to global competition. Education reforms such as restructured high schools (including middle college high schools), the “Learn and Earn” initiative to encourage high school completion and further education, and the introduction of the career readiness certificate (see recommendation seven) will support a positive business climate.

Responsibility: N.C. Department of Commerce in lead role (Division of Policy, Research and Strategic Planning), in partnership with the Governor’s Office; the Industrial Extension Service; North Carolina universities; the N.C. Community College System; the N.C. Department of Commerce’s Business ServiCenter, Division of Employment and Training, and Commission on Workforce Development staff; Small Business and Technology Development Center; the Small Business Center Network; Kenan Institute for Private Enterprise; North Carolina Citizens for Business and Industry; the North Carolina Economic Developers Association; and the North Carolina Business Resource Alliance.

The North Carolina Business Resource Alliance, an umbrella collaboration coordinated by the Rural Center that includes the N.C. Department of Commerce and other business service providers in the state, could help convene cross-agency discussions about how business resource providers can work together to retain businesses in declining sectors and what steps could be taken to prevent or reduce the ripple effect through local economies.

The N.C. Department of Commerce would bring policy and strategy issues to the Economic Development Board and N.C. Commission on Workforce Development for their consideration and integration of layoff prevention practices with existing state priorities.

Time frame: Establishment of a plan by October 2005

Recommendation 10:

Create a long-term action agenda to address needs of workers.

Issue: Many ideas for an “action agenda” were generated through the impressive collaboration and problem-solving that occurred following the Pillowtex layoff, and momentum was built for follow up by a Rural Dislocated Worker Summit held by the Rural Center in partnership with the N.C. Commission on Workforce Development and the major workforce agencies in North Carolina in September 2004. Following the summit, the Rural Center formed a Dislocated Worker Advisory Committee and three work groups to explore issues in depth, composed of the state’s top workforce leaders and more than 40 agency leaders and program experts.

The Rural Center has coordinated the development of the short-term action agenda, with an initial focus on the needs of rural dislocated workers. Because many of the issues uncovered in the development of the short-term action agenda are not uniquely rural issues, and because the N.C. Commission on Workforce Development has the designated authority over state workforce policy advisement and coordination of the JobLink one-stop career center system, the long-term action agenda should be developed under the auspices of the Commission.

The N.C. Commission on Workforce Development, which includes as members the major state agency workforce leaders in North Carolina, employers, and other key stakeholders, will follow up on actions laid out in the short-term action agenda and develop additional policy recommendations and action items for a long-term action agenda for dislocated workers. The Commission will continue to apprise the Dislocated Worker Advisory Committee of progress toward a long-term action agenda and seek members’ input. The Rural Center will help with advocacy and research and focus more attention on issues that are unique to rural North Carolina.

As part of the action agenda, the Commission will explore how well the workforce system reaches dislocated workers who need services and how well the system leverages existing resources to meet their needs. The Commission will address major issues that require further exploration or additional work on specific solutions.

Major issues the Dislocated Worker Advisory Committee raised for further exploration and later action include the following:

- Enhancing unemployment benefits (for example, improve workers' access to unemployment coverage for the full duration of their training);
- Going beyond TAA program changes in the short-term action agenda to meet the health insurance and basic health care needs of all dislocated workers;
- Helping dislocated workers qualify for and access human services (which are often elusive until dislocated workers are in the most dire straits);
- Ensuring that dislocated workers have the supportive services they need for training, the job search, and work -- including child care and transportation;
- Creating and making available to all dislocated workers a "layoff survival package," which could include emergency and supportive services listed above, as well as assistance with housing, financial counseling, and other services;
- Improving dislocated workers' understanding of industry/occupational changes and the implications for their career and training goals ("train for what?");
- Making "lifelong learning" a reality through efforts to explain to the public the benefits of education and training, workforce policies that more effectively support education and training, training programs that address the unique needs of dislocated workers, and efforts to encourage more employers to support education and training;
- Offering more flexible training options to dislocated workers, such as "mini-courses" in the community colleges, training in combination with internships or work experience programs, entrepreneurship training, and other forms of training;
- Job creation efforts, including self-employment options, that create a continuum of jobs with different requirements so less educated dislocated workers can get a foothold in the current job market, all dislocated workers can obtain a job that makes greatest use of their talents and pays comparable wages to the jobs they lost, and all dislocated workers can climb the ladder of success as they gain more education, skills, and experience.

Specific ideas raised by the Dislocated Worker Advisory Committee and its working groups for consideration in the Commission-led long-term action agenda include the following:

- Establishment of a Transitional Industries Commission to monitor the decline and growth of industries in North Carolina and implications for economic and workforce development;
- Creation of a Research Consortium on the Economic Future of North Carolina to research cross-agency issues such as the "train for what?" question;
- Organization of a "debriefing" conference with broad attendance by workforce development professionals, community-based leaders, economic development leaders, and others to review responses to layoffs in North Carolina over the last several years, summarize lessons learned, and identify best practices to replicate;
- Implementation of a media campaign with a series of messages for the general public and those who have been laid off to explain the need for education and training, where to go for services, and encourage employers to play a larger role in education, retraining, and (in the event of a layoff) connecting employees with sources of help.

See Appendix F for further description of these and other ideas discussed by the Dislocated Worker Advisory Committee and its working groups.

Responsibility: Lead role: N.C. Commission on Workforce Development. Ongoing advisory role: members of the Dislocated Worker Advisory Committee. Supportive role: Rural Center.

Time frame: Establish process, roles, and timeline for development of long-term action agenda by October 2005

Appendix

Appendix A

Data Sources

Currently, there is no organization that counts and tracks dislocated workers. There are, however, several data sources that can be used as proxies for estimating the number of dislocated workers. Each of these data sources has benefits and problems. They are listed below with a brief discussion of the data and their associated issues.

Mass Layoffs Statistics - A mass layoff event occurs when at least 50 initial claims for Unemployment Insurance have been filed against an establishment in a five-week period, with the separation expected to last more than 30 days. The statistic used to approximate dislocated workers is separations, workers that have been laid off (separated) from an establishment as part of a mass layoff event. Total number of separations is based on information obtained from the employer.

- This report is not all inclusive of layoffs and closings in the designated area; data only represent establishments with employment of 50 or more employees. In North Carolina, 94 percent of all establishments have fewer than 50 employees.
- Not all affected people file claims for Unemployment Insurance resulting in exclusion of some 50+ employment establishments with layoffs.
- This statistic reports one-time events – there is no information on what happens to the employees or the company after the layoff event.

Announced Layoffs – The N.C. Employment Security Commission compiles a statewide list of businesses closings and layoffs. The information is derived from a survey of newspaper accounts of closings and layoffs and from information provided to the N.C. Employment Security Commission by the businesses that are experiencing the layoffs.

- The data are not all inclusive. Many companies do not report layoffs to the N.C. Employment Security Commission. Information about layoffs and plant closures may not appear in the newspaper. Some smaller towns do not have major newspapers in which a report of layoffs might appear.
- The N.C. Employment Security Commission does not analyze or evaluate the accuracy of the statements. The actual number of layoffs may be smaller, larger or the event may not occur at all.
- This statistic reports one-time events – there is no information on what happens to the employees or the company after the layoff or plant closure.

Number of people unemployed – Unemployment statistics are available every month for North Carolina. Data for North Carolina are computed from data collected through the Current Population Survey (CPS). The CPS is a monthly sample survey conducted by the U.S. Bureau of the Census for the U.S. Bureau of Labor Statistics. There are 60,000 households nationwide in the sample. The report includes the number of people in the labor force, employed, unemployed and the unemployment rate.

- The number of people unemployed includes all people who are not working and are looking for work. Therefore it includes people who have just completed a course of study and are entering the labor market, people who have been laid off or fired, and people who have left their job by choice.
- It does not include people who have given up looking for work or who aren't currently looking for work (people in education or training programs).

People receiving unemployment benefits – The N.C. Employment Security Commission counts the number of people who receive unemployment benefits. To be eligible for these benefits a person must have become unemployed through no fault of their own. All claimants, except those who are still attached to an employer's payroll, must (a) register for work with the Employment Security Commission; (b) file a claim for each calendar week of benefits they request, and (c) actively seek work during any week for which unemployment benefits are claimed.

- This number reports the number of people currently receiving unemployment benefits. It does not count people whose benefits have run out.
- There are some people who draw unemployment benefits but are not permanently laid off (for example, if a plant lays off its workers for a month).
- This information is generally only available monthly.

Appendix B

Dislocated Worker Advisory Committee

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Many workforce development leaders through surveys and participation at the State and Local meeting in February

Focus group participants, including dislocated workers

Appendix D

Summary of the Action Agenda and Its Development

Rural Dislocated Worker Action Agenda

What is it?

- Policy, program, and funding recommendations
- Agency/organization commitments (of staff time/energy, research, and/or funding)
- A “consensus agenda”– ideas that represent the general consensus of the groups involved
- Short-term (within six to 18 months) and long-term (e.g., three-year horizon) recommendations and action items

What is the time frame for development and follow up?

- Laid groundwork for action agenda: Rural Dislocated Worker Summit, September 2, 2004
- Advisory committee meetings: October 22, December 3, and February 28
- Work group meetings: November 16, December 14-15, January 6-7
- Focus groups with dislocated workers and community representatives (separate conversations with the two groups) – January 5 (Rockingham County), January 11 (Wilson County)
- Discussion of possible action items at State and Local meeting (with local workforce development directors, JobLink partner program staff, and state agency staff) February 23
- Complete initial set of short-term recommendations and agency commitments February 28
- Release action agenda and recommendations – April
- Ongoing work – April through October
- Meeting in fall 2005 – What have we accomplished to date? What next?
- Other follow-up or continuation of efforts - TBD

Why take this on, and why now?

- By working/speaking as a united front of workforce and economic development groups, we will be more successful in enhancing services and realizing policy/funding goals.
- Although the recession is over and unemployment rates are lower, layoffs continue.
- Layoffs have also led to underemployment, dislocated workers dropping out of the labor force, and increased poverty.
- Layoffs are projected to increase dramatically following the 1/1/2005 elimination of quotas on textile and apparel products from other countries.
- There is bipartisan support in North Carolina for action to help dislocated workers.

Why is the Rural Center involved?

- Layoffs in traditional industries (textiles, apparel, furniture, tobacco, etc.) have hit rural North Carolina especially hard, where manufacturing is still the dominant employer and where many rural communities have few other job opportunities.
- Education levels in rural North Carolina are much lower than in urban areas, so the transition to new jobs in an economy requiring more education/training is especially tough.

- The Rural Center convenes groups to discuss issues of importance to a broad set of partners, and its roles in workforce, economic, and community development help in connecting to the various organizations that play an important role in preventing layoffs and helping dislocated workers.
- The Rural Center has researched layoffs and dislocated worker issues, coordinated the Rural Dislocated Worker Summit in September 2004 and, through Project *New Start*, is demonstrating a model of comprehensive community-based response to helping dislocated workers transition from dislocation to new jobs.

Dislocated Worker Advisory Committee

Who: Top state, local, and nonprofit leaders in workforce development, economic development, human services, and related areas

Advisory Committee purpose:

- Shape the Dislocated Worker Action Agenda
- Advocate as a group for a set of recommendations that represent a “consensus agenda”

Specific roles:

- Help craft and lay out for three working groups the (1) scope of the Rural Dislocated Worker Action Agenda in terms of issue areas, time frame, etc.; (2) issue areas to explore; and (3) adding own ideas for recommendations
- Review ideas from work groups and make final decisions on Action Agenda
- Work together to advocate for action agenda recommendations
- Develop and implement strategies that do not require outside action, possibly expanding on ideas from the Advisory Committee and Work Groups after completion of recommendations

Work Groups

Who: Top program and policy experts and program leaders in workforce development, economic development, human services, and related areas

Primary purpose: Develop proposed recommendations and action items for the Rural Dislocated Worker Advisory Committee to consider for the Dislocated Worker Action Agenda.

Also: Help implement recommendations and provide ongoing feedback about the actions and how to make them more successful.

Specific purposes of the three work groups:

- Policy and Program Issues Work Group – develop policy and program recommendations addressing “macro issues” that cut across areas like education/retraining, comprehensive/local services, and economic development.
- Education and Retraining Work Group – identify and provide detailed recommendations on enhancing or offering new approaches to educating and retraining the workforce prior to and following a dislocation event.
- Comprehensive and Community-Based Services Work Group – identify and provide detailed recommendations on what set of support services are needed and how the community response can help workers.

Appendix E

Program Definitions of “Dislocated Workers”

Excerpt from G. Michael Aheron, “Dislocated Workers in Rural North Carolina: Program and Policy Research Report - Working Paper,” September 2004

Dislocated Worker Definitions

Workforce Investment Act of 1998, as amended

Section 101 Definitions:

(9) Dislocated worker. –

The term “dislocated worker” means an individual who—

(A) (i) has been terminated or laid off, or who has received a notice of termination or layoff, from employment; (ii) (I) is eligible for or has exhausted entitlement to unemployment compensation; or (II) has been employed for a duration sufficient to demonstrate, to the appropriate entity at a one-stop center referred to in section 134(c), attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under a State unemployment compensation law; and (iii) is unlikely to return to a previous industry or occupation;

(B) (i) has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise; (ii) is employed at a facility at which the employer has made a general announcement that such facility will close within 180 days; or (iii) for purposes of eligibility to receive services other than training services described in section 134(d)(4), intensive services described in section 134(d)(3), or supportive services, is employed at a facility at which the employer has made a general announcement that such facility will close;

(C) was self-employed (including employment as a farmer, a rancher, or a fisherman) but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters; or

(D) is a displaced homemaker.

(10) Displaced homemaker. —

The term “displaced homemaker” means an individual who has been providing unpaid services to family members in the home and who—

(A) has been dependent on the income of another family member but is no longer supported by that income; and

(B) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

See <http://wdr.doleta.gov/readroom/legislation/pdf/105-220.pdf>.

29 USC Chapter 23 - Worker Adjustment And Retraining Notification 01/22/02

(a) Definitions: As used in this chapter -5) the term "affected employees" means employees who may reasonably be expected to experience an employment loss as a consequence of a proposed plant closing or mass layoff by their employer;

See http://www.ows.doleta.gov/dmstree/ten/ten2k2/ten_04-02a2.pdf.

Health Care Tax Credit (Trade Adjustment Assistance Reform Act of 2002) Individuals – Eligibility

The Health Care Tax Credit assists two categories of dislocated workers.

- Trade Readjustment Assistance Recipients: The first group is people who receive a Trade Readjustment Allowance under the Trade Adjustment Assistance program. This group included people who are eligible for Trade Readjustment Assistance but have not used up their unemployment insurance benefits.
- Alternative Trade Adjustment Assistance Benefit Recipients: The second group is workers who are at least 50 years of age who receive a certain percentage of the wage differential between the wages of their previous, adversely affected employment and their new full-time employment. See <http://www.irs.gov/individuals/article/0,,id=109945,00.html>.

Unwritten Dislocated Worker Definitions Used by Agencies/Organizations

- A dislocated worker is anyone who has been laid off or terminated without cause.
- A dislocated worker is one whose job has been terminated and the prospects of re-employment in his/her former field of work are unlikely locally.
- An applicant that has been employed in past and has lost job due to no fault of their own, such as plant closing.

Appendix F

Ideas for Future Exploration

The items in this section represent ideas for policy research, advocacy, and direct action by agencies/organizations that require more work to scope out or may require more time to achieve. These ideas were based on the input of the Dislocated Worker Advisory Committee, work groups, focus groups with dislocated workers and community representatives, and other input.

1. Embark on major policy research initiative with partners to find viable solutions to health insurance/health care needs of dislocated workers. (Rural Center; Division of Medical Assistance; Employment Security Commission/TAA staff; Sheps Center; Safety Net Task Force; Task Force on the Uninsured.)

Possible options to explore:

- Advocate to General Assembly for Medicaid coverage for dislocated workers and funds for NC Health Choice to keep the program open.
- Expand Medicaid services through use of a sliding scale payment system.
- Support the work of the NC Institute of Medicine Safety Net Task Force to shore up the medical safety net.
- Advocate for expansion of Health Coverage Tax Credit to cover all dislocated workers (not just those laid off as a result of trade) and their families and consider ways to help dislocated workers cover their share of the insurance premium.
- Consider bolder action to move toward a health insurance system that is not linked to employment.

2. Conduct more research and analysis of child care and transportation challenges and solutions for dislocated workers. Responsibility: Rural Center in collaboration with the N.C. Division of Child Development, N.C. Partnership for Children, and N.C. Department of Transportation.

3. Create and find dedicated funding for a “layoff survival package” – a coordinated set of community and government human service programs to help dislocated workers meet their basic needs, prevent economic ruin, and preserve their families and a minimum standard of living while working toward longer-term opportunities.

(Lead responsibility could rest with the N.C. Department of Health and Human Services or Governor’s Office. Others to involve: Rural Center, N.C. Department of Commerce, Employment Security Commission, N.C. Cooperative Extension Service, financial counseling organizations, power companies, housing organizations, and networks of faith-based and community-based organizations.)

- Start by packaging and promoting existing services, targeting those who are first laid off (to develop a financial disaster plan and prevent bankruptcy) and then those who exhaust unemployment insurance without a job.
- Secure a dedicated funding stream to help meet dislocated workers’ basic needs – propose that future use of the interest from the unemployment fund’s Reserve Fund (previously used for the Worker Training Trust Fund) be used for these services. (Note that this recommendation indirectly addresses the idea raised by some in the working groups about the need for extended unemployment benefits.)
- With future funding, target resources to high-layoff areas.
- Make the package of services available outside the department of social services system to reduce the fear factor or unwillingness to get help at place where people get “welfare.”

4. Sponsor a media campaign to change the culture and dramatically increase information for rural North Carolinians to encourage lifelong learning and capitalize on regional opportunities.

- Targeting the general population and students on need for education/training (“the world is changing... it’s no longer good enough to just work hard”...) (Rural Center and Community College System)
- Targeting dislocated manufacturing workers – success story/encouragement to get more education/training and where to go for other types of help (N.C. Commission on Workforce Development, in collaboration with workforce partners)
- Targeting dislocated workers from declining industries and others looking for strong opportunities – highlight on occupations/industries strong throughout NC, plus where to go to get more information on regional view and training required (N.C. Department of Commerce and Employment Security Commission)
- For employers – how education and training improve the bottom line, and how (from the point of view of successful North Carolina employer) to foster formal and informal learning opportunities. (North Carolina Citizens for Business and Industry)
- Also consider a spot to promote the Career Readiness Certificate. (N.C. Community College System)

5. Hold a statewide “debrief” session (conference) on the community/comprehensive services responses in Pillowtex and other layoffs in recent years... what have we learned, and what set of services is needed for a “layoff survival package?” (N.C. Commission on Workforce Development/Workforce Development Training Center.) Define the package of comprehensive services that are considered necessary for dislocated workers to address their transitional employment needs—identifying needs and services for inclusion in the Community Resource Guide and Community Crisis Response Model/Plan. What does every community need, and what set of services may need to be enhanced with state help in the event of an “economic disaster?”

6. Encourage business buy-in to provide literacy and basic skills training on the job as well as entrepreneurship training. Accomplish through...

- Employer recognition (e.g., Commission staff and committee responsible for deciding who receives Governor’s Workforce Excellence Awards)
- Promotion of literacy and basic skills training through business associations, chambers of commerce, North Carolina Citizens for Business and Industry, etc. (N.C. Community College System and N.C. Literacy Association, in consultation with the Rural Center or N.C. Department of Commerce)
- Public awareness efforts

7. Develop mini-courses at local community colleges to respond to skill shortages and worker reemployment. (N.C. Community College System)

Promote use of mini-courses to shorten the transition period between jobs for dislocated workers and which allow dislocated workers the opportunity to complete training within 26-weeks, while they receive their unemployment insurance benefits. Begin mini-course funding in “layoff-impacted” counties.

8. Promote work-related and user-friendly (especially short-term, flexible) training, such as...

- More development of short-term apprenticeships, on-the-job training, work experience programs, etc.
- Literacy/basic skills training combined with job training

- Off-campus community college programs, in community-based organizations and in other locations throughout rural North Carolina.
- Alternate schedules, training times, etc. of community college training

9. Enhance case management assistance for dislocated workers, focusing on specific service points as bridges between employment, layoff, and employment, plus alternative approaches to assist dislocated workers in understanding and accessing information and services. Lead role: N.C. Department of Commerce (Division of Employment and Training and/or Commission on Workforce Development staff).

- Offer training on case management through the Workforce Development Training Center. (Planning for this has already been initiated.)
- Rely on Human Resources Development courses for job search training, JobLink Career Centers for general coordination/dissemination of information, and local ESC offices for critical initial referrals as first stop for most dislocated workers
- Use alternative follow-up approaches to ensure dislocated workers are accessing necessary services (models include Connectinc. and certain community-based approaches), connected with the work of the traditional workforce system

10. Explore greater enforcement of the WARN Act and promotion of voluntary guidelines for businesses to adopt more employee-friendly practices when they have to lay off workers or close.

11. Continue and expand initiatives to promote community-based involvement to help dislocated workers and self-employment for dislocated workers. (Responsibility: Rural Center, with outside funding.)

- *Project New Start*
- NOW Program

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