



2013

Community Vol. 3 Issue 1 *Scope*

Reemploying Displaced Workers: Lessons from North Carolina

Community Scope

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A special thanks goes to Gillian Field for editing assistance.

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Cover Photo: North Carolina Research Campus in Kannapolis, N.C.

Reemploying Displaced Workers: Lessons from North Carolina

AUTHOR

Shannon McKay

Displaced workers are individuals who lose or leave their job because their employer closed or relocated, their position was eliminated or they had insufficient work.¹ From January 2009 to December 2011, 12.9 million workers were displaced in the United States.² Large scale workforce displacements can have a devastating effect on communities, from blocks of vacant, boarded-up storefronts, to population and tax revenue losses, to soaring unemployment rates and foreclosure notices.

On July 30, 2003, the largest permanent mass layoff in North Carolina's history occurred, as Pillowtex Corporation, home to textile brands like Cannon and Fieldcrest, filed for bankruptcy and shut down its textile operations. The Pillowtex closure affected 16 textile manufacturing and distribution facilities across 11 states and Canada, along with more than 7,000 salaried and hourly workers.³ Roughly 5,000 of the displaced workers were employed in North Carolina.⁴ Unemployment rates in some affected counties reached 10 percent.

This issue of *Community Scope* examines the reemployment progress of displaced Pillowtex workers in North Carolina, in particular, the 4,820 workers tracked by the state's Employment Security Commission since July 2003. By the end of June 2008, an estimated 58 percent of these displaced Pillowtex workers were able to find reemployment.⁵ The majority of these workers were reemployed outside of the manufacturing industry at lower wages.

Our study focuses on the assistance strategies and reemployment outcomes in Cabarrus, Rowan and Rockingham counties, where the largest concentrations of Pillowtex workers were employed. The response to the Pillowtex closure was an "all hands on deck" approach across multiple government and community levels. Despite the heightened response, Pillowtex reemployment rates lagged behind national averages. The unique circumstances of Pillowtex workers presented challenges to reemployment strategies. In the post-Pillowtex era, many state and local innovations have been developed in an attempt to overcome these inherent challenges.

Introduction

The Pillowtex Closure in North Carolina

More than 90 percent of Pillowtex’s workforce in North Carolina was employed at plants located in Cabarrus, Rowan and Rockingham counties (see Table 1).⁶ The largest plant complex and corporate headquarters was in the city of Kannapolis, which spans both Cabarrus and Rowan counties. Eden was the city most affected by the Pillowtex closure in Rockingham County.

Following the layoffs, there was a pronounced increase in unemployment, with rates increasing by at least 1 percentage point between June and July of 2003 in the three most affected North Carolina counties. The unemployment rates went up by 2.6 percentage points in Cabarrus (6.6 percent to 9.2 percent) and Rowan counties (6.8 percent to 9.4 percent).⁷ In Rockingham County, the unemployment rate increased to 9.9 percent from 8.8 percent.⁸ The summer 2003 unemployment rates were the highest rates that these counties had experienced since the early 1990s in Rockingham County and the early 1980s in Rowan and Cabarrus counties. They were not exceeded until the Great Recession. The plant closures resulted in a payroll loss of \$300 million in the Kannapolis area and impacted other businesses in the community — from hair salons to auto repair shops — where Pillowtex dollars were spent.⁹

A sense of mourning prevailed in Pillowtex communities like Kannapolis, N.C., after the announcement of the plant closing. As one community member quoted in an *Independent Tribune Special Report* said of the July 30 closure, “When word came out, it was like everybody in Kannapolis got a punch in

the stomach. . . . It was like your favorite uncle died.”¹⁰ Workers were faced with looming uncertainty. Another former textile worker said of that day five years later, “You really didn’t know how you were going to survive. . . . It was like ‘Where are we all going to find a job?’”¹¹ This worker had just bought a car counting on her Pillowtex wage to cover the monthly payments. Out of a job, she had no idea how to provide for her next meal, let alone the car payment.

Table 1: Estimated Number of Employees Affected by 2003 Pillowtex Closure by State

State	Employee Estimate (Salaried and Hourly)
North Carolina	5,194
Cabarrus County	4,094
Rowan County	650
Rockingham County	450
Alabama	481
Arkansas	6
California	250
Florida	2
Illinois	187
Mississippi	350
Pennsylvania	319
South Carolina	79
Texas	58
Virginia	950-1,000

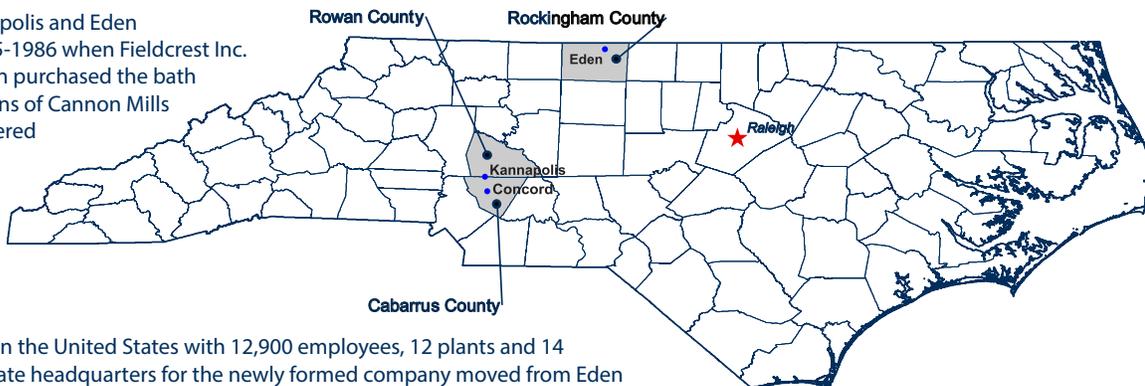
Note: Prior to closure between June 2001 and January 2002, Pillowtex displaced 562 workers from the North Carolina counties of Buncombe, Catawba, Edgecombe and Nash through layoffs or facility closures.

Source: U.S. Department of Labor, Employment & Training Administration; Employment Security Commission of North Carolina, Announced Business Closings and Permanent Layoffs.

Major Pillowtex Employment Sites in North Carolina

The histories of Kannapolis and Eden became linked in 1985-1986 when Fieldcrest Inc. headquartered in Eden purchased the bath and bedding operations of Cannon Mills which was headquartered in Concord.

The newly formed company was called Fieldcrest Cannon Inc. The takeover created the fifth largest textile company in the United States with 12,900 employees, 12 plants and 14 sales offices.¹² Corporate headquarters for the newly formed company moved from Eden to Kannapolis. Pillowtex Corporation acquired Fieldcrest Cannon Inc. in 1997.¹³



Strategies

Even prior to the July 30 announcement, Pillowtex facilities in North Carolina were not operating at full capacity. During June, workers went on “short time” where they were either temporarily laid off or worked a schedule of reduced hours.¹⁴ Pillowtex had also changed some of its benefits policies to cut costs. Medical coverage was no longer offered to retirees. The payout for paid vacation due to workers was delayed.¹⁵ At least 70 percent of Pillowtex employees were not working as of the first week of July.¹⁶ Roughly three quarters of the workforce had been out of work for at least six weeks prior to the announcement of the shutdown.¹⁷ Even before the shutdown, some workers were seeking assistance from social services agencies to compensate for income loss. Many, however, still had hope that they would be called back to their plant shift.¹⁸

Assistance Strategies for Displaced Pillowtex Workers

The workforce development industry’s response to the Pillowtex closure was comprehensive. Strategies at the state and local levels were geared toward reemployment of the displaced workers. The overall assistance effort was spearheaded by the state’s Rapid Response Team, part of the Division of Education and Training within the North Carolina Department of Commerce. There was also a Governor’s Task Force charged with developing assistance and recovery strategies for mass layoffs.¹⁹

Federal and State Programs

North Carolina provides a standard set of coordinated services under the Rapid Response umbrella to all workers who have lost their job because of trade impacts. Among the services offered are job search and job placement assistance, career counseling and information, payment of tuition and related expenses for training or retraining, opportunity for on-the-job training assistance, and access to additional weeks of unemployment insurance for workers who are in training or pursuing remedial education.²⁰ For the first time, Pillowtex workers were also going to be eligible for two new federal programs authorized under the Trade Adjustment Assistance Reform Act of 2002 — health care premium assistance and wage supplementation for workers 50 years of age and older who return to the workforce.²¹

Pillowtex workers took advantage of the services offered by the state’s workforce development system (see Figure 1). The first priority for a majority of workers, however, was securing some form of income assistance before turning to training and educational opportunities. By March 25, 2004, eight months after the closure, 3,115 Pillowtex workers were receiving weekly income support from the state’s Employment Security Commission.²² Depending on the worker, these payments were a combination of unemployment insurance and trade readjustment assistance. However, in many instances, these payments were lower than a Pillowtex worker’s weekly wage. Unemployment benefits ranged from \$73 to \$408 a week, with an average of \$275 a week, compared to a range of \$220 to \$1,140 for Pillowtex’s weekly wage, with an average of \$458 per week.²³ In regard to training and educational opportunities, 1,505 Pillowtex workers were enrolled in some kind of training program during the same period. Another 2,121 former Pillowtex employees received a waiver through Workforce Investment Act services to cover the cost of training, but had not yet enrolled in a program.

Education and Training

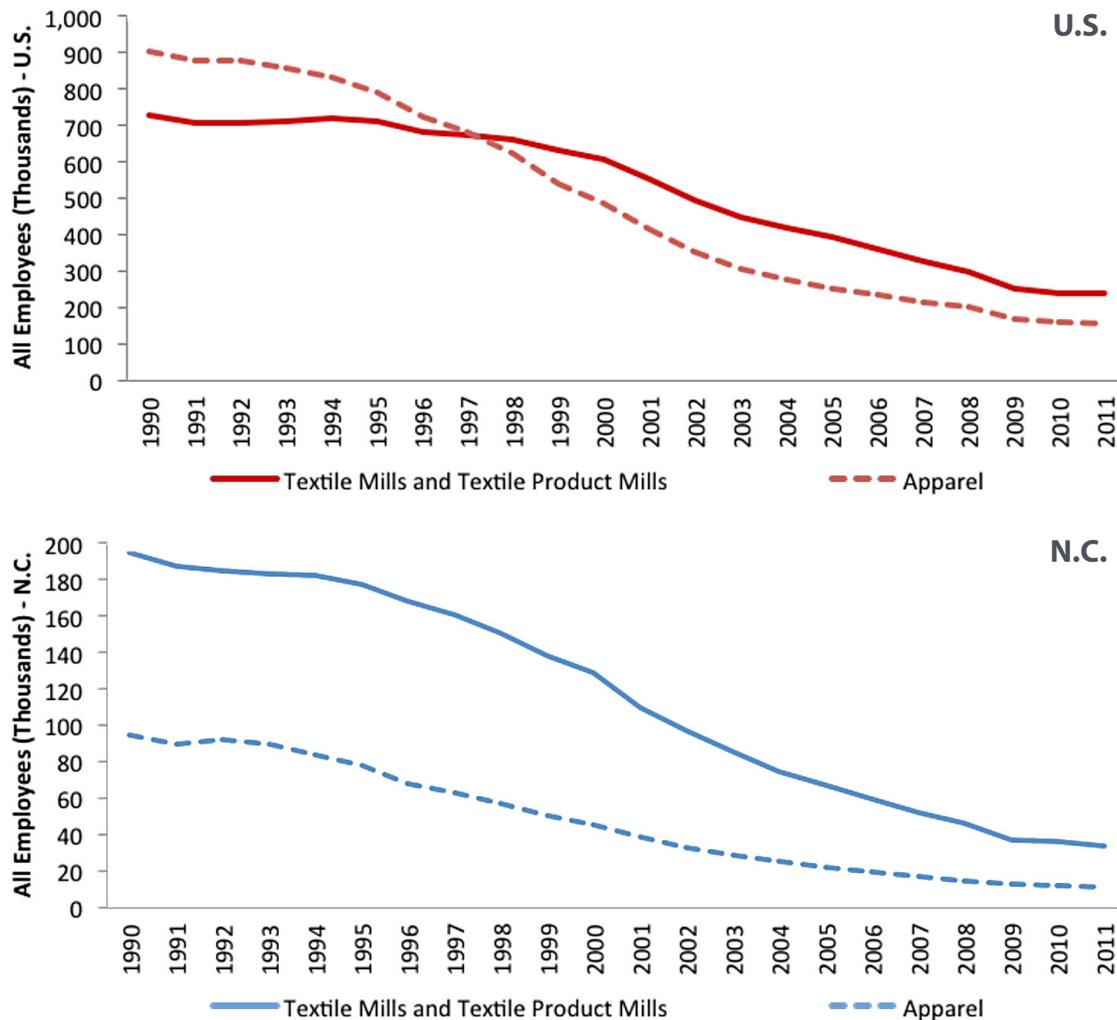
Community colleges played a pivotal role in education and training assistance strategies. Slightly over half of the displaced Pillowtex workers took advantage of the educational offerings available through the North Carolina Community College System. Basic skills courses and curriculum courses had the two largest cumulative enrollments for the four year period after the closure (see Figure 2). The basic skills courses covered the topics necessary to earn a high school diploma or its equivalent while the curriculum courses were geared towards degree-earning programs, such as an associate degree.

At the Rapid Response satellite center set up in Kannapolis, staff from Rowan-Cabarrus Community College (RCCC) performed multiple duties, including admissions information sessions, counseling and assessment tests. RCCC was particularly affected by the Pillowtex closure. Their service area of Rowan and Cabarrus counties contained more than three-fourths of North Carolina’s displaced Pillowtex workers. In 2005, the North Carolina Community College System was awarded \$6.6 million from the federal government, \$2.3 million of which went to RCCC for capacity-building initiatives.²⁴ RCCC used the funds to increase its course offerings to better serve the interests of Pillowtex workers as well as the job market. These offerings included training

Textile Industry Employment Trends in the United States and North Carolina

Textile manufacturing has historic roots in the U.S. economy. It rose to prominence after the Civil War when large numbers of textile mills and plants were relocated or established in the Southern states, particularly in North Carolina. Peak employment in the U.S. occurred in 1948 when roughly 4.6 percent of total nonfarm employment was in textiles. For apparel, the peak occurred in 1973, with 1.9 percent of total nonfarm employment. Since then, however, the textile industry has been in a period of employment decline for the U.S. and North Carolina. Between June 1990 and June 2011, the textile industry lost approximately 496,000 jobs, 32 percent of them in North Carolina.²⁵ The share of workers that the textile industry employs in North Carolina has declined from 14 percent in 1977 to 1 percent in 2009.²⁶

Employment in the textile and apparel industries, United States and North Carolina, 1990–2011

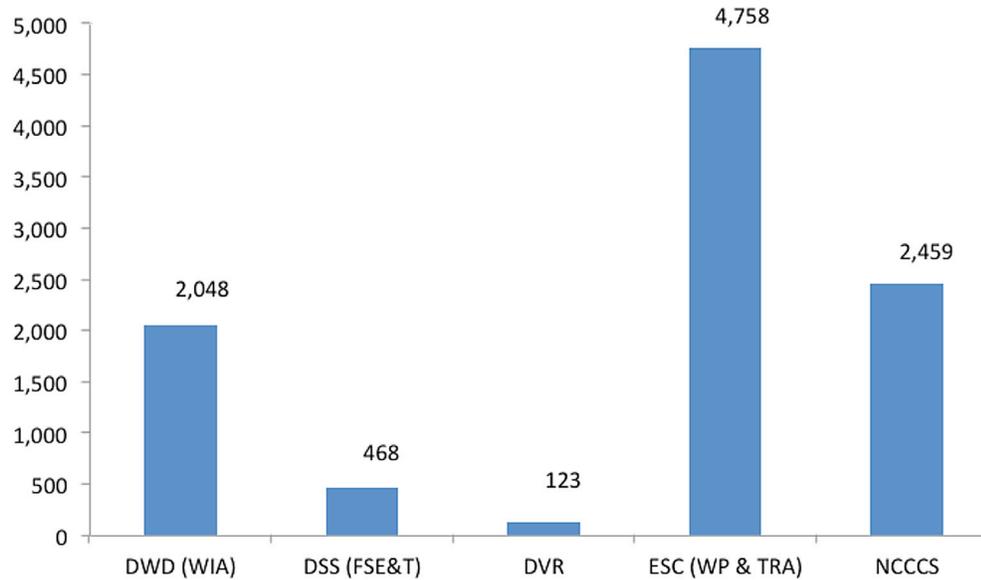


Note: The numbers for 2011 are based on the average of the reported monthly data for 2011.

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, State and Metro Area Employment.

Challenges

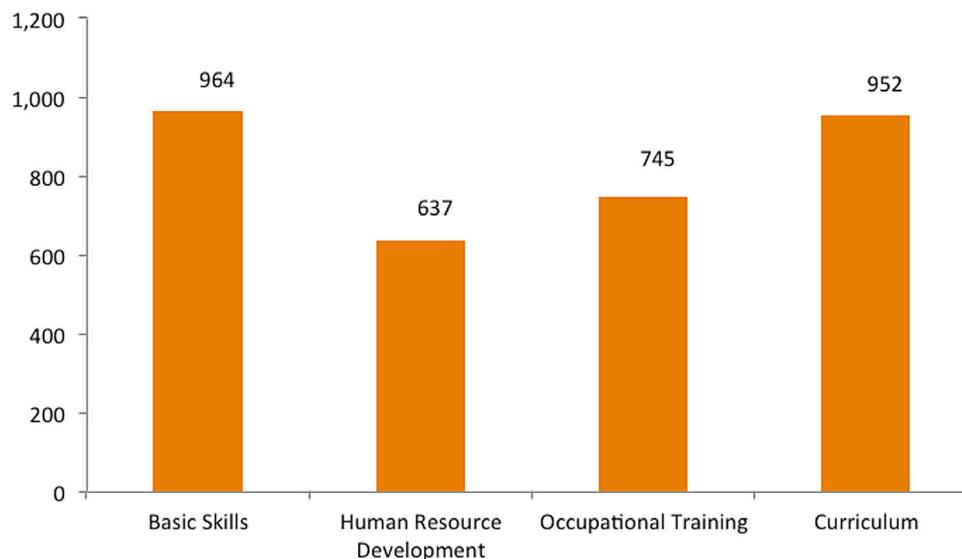
Figure 1: Cumulative Enrollment/Receipt of Workforce Development System Services by Former Pillowtex Workers in North Carolina, July 2003–June 2007



Note: DWD (WIA): Division of Workforce Development (Workforce Investment Act); DSS (FSE&T): Division of Social Services (Food Stamp Employment & Training); DVR: Division of Vocational Rehabilitation; ESC (WP & TRA): Employment Security Commission (Wagner-Peyser Act & Trade Readjustment Assistance); and NCCS: North Carolina Community College System.

Source: Employment Security Commission of North Carolina.

Figure 2: Cumulative Participation in North Carolina Community College System Offerings by Former Pillowtex Workers in North Carolina, July 2003–June 2007



Note: Basic skills includes adult high school and general educational development, or GED, programs. Occupational training includes short-term occupational skills training.

Source: Employment Security Commission of North Carolina.

programs in air conditioning and heating technologies, construction and management technologies, and medical coding and billing as well as pharmacy technician and medical unit secretary training.²⁷

In Rockingham County, Pillowtex workers completed basic skills training or retraining at Rockingham Community College as well as job training programs at the county's JobLink Center.²⁸ Short-term skills training was offered by the county's Job Resource and Training Center, which ranged from basic computer and clerical skills to more specialized training such as pharmacy technician or certified nurse courses.²⁹ Other workers pursued degree programs at the community college.³⁰

Immediate Needs

Besides needing assistance with employment services, displaced workers had more immediate needs such as keeping up rent or mortgage payments, medical prescription refills and mental health counseling. In Kannapolis, these needs were addressed by the Community Service Center, which was operated by nine public and private human services agencies.³¹ It assisted an estimated one-third of the Pillowtex employees, with an average assistance amount of \$1,200 per crisis.³² This amount was estimated to be enough to keep a family from immediately going on welfare. Center participants committed to the innovative approach of looking for solutions beyond their standard practices.³³ For example, they all agreed to use the same assessment form and increase the eligibility assistance level from 150 percent of the federal poverty definition to 200 percent.³⁴

From August 4, 2003, through October 31, 2004, the Community Service Center provided emergency cash assistance to at least 1,500 families with total financial assistance amounting to an estimated \$1.1 million. Funds were used to cover rent or mortgage payments (34 percent), prescriptions (22 percent), utilities (18 percent), health insurance (13 percent), auto payments (8 percent) and other expenses (5 percent).³⁵ Despite their best efforts, the center was not able to assist every Pillowtex worker in need. Many workers lost their homes to foreclosure as foreclosure filings in Cabarrus County increased from 572 in 2002 (pre-closure) to 842 in 2003 (post-closure).³⁶

Economic Diversification

The long-term strategy for reemploying textile workers involved economic diversification. In Concord, which was home to two Pillowtex plants, the diversification strategy had begun long before the Pillowtex shutdown. Efforts were made to become a major employer in the tourism, hospitality and retail industries. Successful examples of the city's strategies include the Concord Mills shopping complex, Concord Regional Airport and the Charlotte Motor Speedway. While diversification has led to an economic rebound in Concord, the employment opportunities pay lower salaries and offer fewer benefits, such as medical insurance, compared to what was offered at the textile plants. For example, the average weekly wage in 2011 for Cabarrus County's manufacturing industry was \$880 compared to \$490 for its leisure and hospitality industry.³⁷ In Kannapolis, the North Carolina Research Campus (NCRC) development was built on the site of the former Pillowtex mill. Compared to Concord, the majority of jobs at NCRC require highly skilled workers in technical fields like biotechnology. While NCRC brings people into Kannapolis for employment, it is not a major employer of former Pillowtex workers and Kannapolis residents. Eden has been able to retain a smaller-scale textile employment base. Yet, the city has also tried to capitalize on its natural resources, in particular, its water supply, to attract a diversified group of manufacturing firms as well as to develop a proposed mega-business park with neighboring Virginia counties.

Reemployment Challenges for Displaced Pillowtex Workers

Although we cannot establish a causal link between employment outcomes and specific reemployment strategies, we know that Pillowtex workers took advantage of the services offered by the state's Rapid Response Team and others. Yet, reemployment rates for the Pillowtex workers lagged behind those at the national level. At the time of the Pillowtex closure, national reemployment rates for long-tenured displaced workers were 65 percent for the 2001–03 time period and 70 percent for the 2003–05 time period.³⁸ However, by the end of 2005, less than 60 percent of Pillowtex workers were reemployed.

Studies of displaced workers have shown that the reemployment process may be difficult and discouraging.³⁹ Displaced workers face challenges linked to their demographics, skills level, salary expectations,

Challenges

household obligations, mobility and coping ability.⁴⁰ Reemployment is made more difficult because these features are often interrelated. For example, an older displaced worker who has family ties to a community may be less willing to relocate for employment opportunities compared to a younger worker who has fewer community connections.

Demographics

Pillowtex workers fit the profile of the typical displaced worker.⁴¹ The majority of North Carolina workers were middle-aged and white, with low educational attainment (see Table 2). The largest share of workers was in the 45–54 age group, with an overall average age of 46.⁴² Less than 17 percent had more than a secondary education; 45.7 percent lacked a high school degree or GED, general educational development certifying high school–level academic skills.⁴³ There were slightly more females among the displaced workers. In addition, roughly 500 of the Pillowtex workers did not speak English — which created a language barrier to reemployment.⁴⁴

The age of the average Pillowtex worker was one of the major challenges to reemployment. Studies have shown that compared to younger workers, older workers are more likely to experience longer durations of unemployment and suffer greater income losses upon reemployment.⁴⁵ Research has cited age discrimination, skills mismatch, resistance to flexibility and age-specific wage premiums as determinants of why older workers experience difficulties in finding new employment.⁴⁶ Two Pillowtex workers in their 20s credited their age, high school diplomas and their willingness to accept lower wages as factors contributing to their reemployment success.⁴⁷ They were reemployed within a year after the shutdown.

Skills Level

Textile mill jobs were predominately low skill and did not require a high school degree. Former textile workers have described how someone could be attending high school in the morning, decide to drop out that day and have a job at the textile plant by the next day or even that afternoon. It was not necessary to be able to read or write for some of the positions. Someone could do the same job for over 30 years and make a comfortable living without having to upgrade their skills through retraining. A displaced Pillowtex worker who quit school in the eighth grade and was assessed at a third grade reading

level told *USA Today* “I worked 30 years without [a high school diploma]. . . . Now, you have to have a GED to work at McDonald’s.”⁴⁸

Salary Expectations

The average hourly wage at Pillowtex was considerably higher relative to the pay offered by other employers. In the last year of the company’s operations, the average employee earned \$11.60 per hour.⁴⁹ The prevailing federal minimum wage in 2003 was \$5.15 per hour.⁵⁰ As a result, the chances of a low-skilled Pillowtex worker finding new employment at the same wage level were unlikely in the short term. For example, one displaced Pillowtex worker was able to find new employment at another textile firm for \$8.71 per hour, which was lower than the \$11 per hour that Pillowtex paid him.⁵¹ Moreover, he had to have worked for a year to qualify for health insurance.⁵²

Household Obligations

Pillowtex households faced the additional burden of spousal and generational employment loss. Displacement in many cases affected more than one member of a household. In a September 2003 survey of Pillowtex workers, 42 percent of respondents reported that they had at least one relative who also worked for the corporation.⁵³ A third of the relatives working at Pillowtex were spouses. In some cases, plant closures resulted in households losing the income of both breadwinners. The reemployment process for these households was more challenging because of decisions over how each displaced worker should take advantage of the available assistance strategies. We heard from one former Pillowtex worker that she would never have made it through retraining without the support of her husband, but she knew of other women whose husbands were not supportive of their efforts to learn new skills.⁵⁴

Mobility

The reluctance of workers to leave their communities for employment opportunities elsewhere created geographic immobility which hampered reemployment. Given the proximity of Kannapolis to Charlotte, Kannapolis officials expected that, after the plant’s closure, the city’s residents would commute to Charlotte to work in the service jobs created by Charlotte’s financial sector.⁵⁵ Yet many Pillowtex workers felt similar to this mechanic at the plant who had ties to Kannapolis going back three generations: “I’m staying right here, hon, one way or another. . . . I ain’t getting on the interstate

and driving to Charlotte.”⁵⁶ The reluctance to leave the community for new employment opportunities was also present in Eden, according to workforce development officials who served Rockingham County. In 2007 Congressional testimony, an Employment Security Commission official testified that “there are issues with having people to uproot themselves and go to where the jobs are. . . . It’s a complete overhaul of their perspective on what their relationship to work is.”⁵⁷

Coping with Change

The Pillowtex closure brought unexpected upheaval into the lives of its workers. Many of them were not fully prepared to handle the severity of the changes, which in turn affected efforts to assist them on the path toward reemployment. The first challenge was a reluctance to accept that the plants were not going to reopen and that workers would not be able to get their old jobs back. This challenge is referred to as psychological immobility. By not acknowledging the truth of the current situation, they were unable to move forward and consider other

Table 2: Profile of Former Pillowtex Workers in North Carolina

Demographic Characteristic		Percentage (n=4,820)
Race	Female	53.5
	Male	46.5
Age	Less than 25 Years Old	4.6
	25–34	14.0
	35–44	24.7
	45–54	28.8
	55–64	24.8
	65 Years or Older	3.2
Race	Asian	5.2
	Black	29.9
	White	57.2
	Other	7.7
Ethnicity	Hispanic	7.1
	Non-Hispanic	92.7
	Unknown	0.1
Educational Attainment	Less than High School	29.8
	High School	51.3
	Some Postsecondary	10.9
	College Degree	5.1
	Graduate Degree	0.7
	Unknown	2.2
Veteran Status	Veteran	6.0
	Non-Veteran	93.5
	Unknown	0.6

Note: Percentages may not add up to 100 because of rounding.

Source: Employment Security Commission of North Carolina, Pillowtex Worker Update, July 27, 2007.

Outcomes

employment opportunities. One service provider told the story of how a man finally accepted that the Kannapolis plant was not going to reopen only after he watched the plant implode in 2005.⁵⁸

The next challenge was making impactful decisions about their employment future based on tight deadlines and little knowledge. This challenge manifested itself when Pillowtex workers began to pursue education and training opportunities shortly after the shutdown. Focus groups comprised of Pillowtex workers and Rowan-Cabarrus Community College faculty and staff generally agreed that the workers were not aware of everything involved in going back to school.⁵⁹ While the Rapid Response programs contributed funds toward enrollment costs, the timing of the Pillowtex closure close to fall semester enrollment deadlines created an additional pressure of having to decide a future career path with very little preparation. In order to receive unemployment benefits, a decision had to be made either to seek employment or to enroll in school. Researchers found that these enrollment decisions were made with very little thought to course of study or preparation for placement tests.⁶⁰ This decision could have ramifications for the academic performance of the workers as well as future job market prospects.

Adjusting to returning to the classroom was another challenge with which displaced workers had to cope. Some of them had not set foot in a classroom for nearly 30 years. In addition, many lacked the ability to type on a keyboard or use a computer and were used to a noisy environment where communication was at a minimum.⁶¹ For students who decided to enroll soon after the plant's closure, their mental focus was split between classroom learning and dealing with the repercussions of an economic shock and its effect on their personal life. One former Pillowtex worker who lost her husband in the months prior to the closure and enrolled in welding classes after the closure described to *USA Today* how she and her three daughters would sit down each night and do their homework together while she tried "to keep a stiff upper lip and grin."⁶²

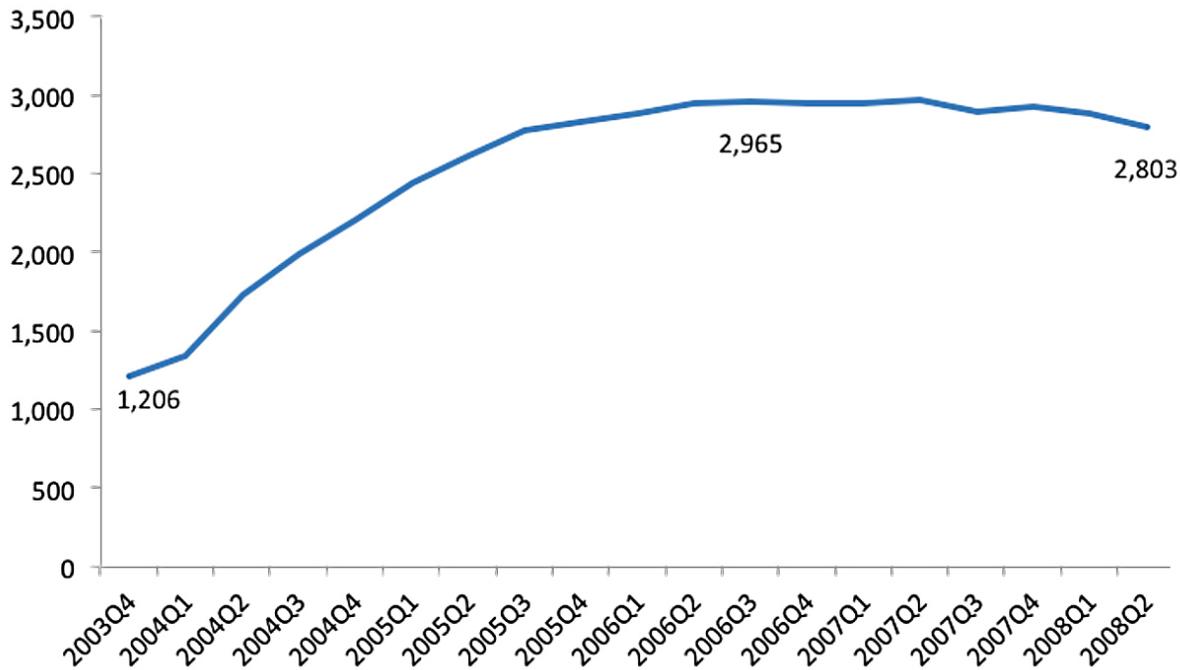
Pillowtex Worker Reemployment Outcomes

Roughly five years after the closure, approximately 58 percent of the 4,820 Pillowtex workers tracked by the Employment Security Commission were reemployed. This was more than double the share employed just five months after the closure in 2003. Figure 3 shows the quarterly numbers of reemployed Pillowtex workers from 2003 through 2008.

There appears to be a connection between upswings in reemployment and the expiration of income maintenance benefits. Basic unemployment insurance runs out one year after the loss of employment. For Pillowtex workers, this would occur sometime between the third and fourth quarters of 2004. This may explain the upward trend in reemployed Pillowtex workers from the fourth quarter of 2003 to the third quarter of 2006. Unemployed workers could gain an additional year of unemployment insurance if they enrolled in a training program. These payments would expire between the third and fourth quarters of 2005. In Figure 3, we see another uptick in the number of reemployed Pillowtex workers after 2005. The last extension of benefits would provide for an additional 26 weeks of unemployment insurance if a worker needed remedial training and would expire around the second quarter of 2006. The end of 2006 through early 2008 shows a pattern of leveling off, with slight declines, which could be the effects of the Great Recession beginning at the end of 2007.

The employment status of the remaining Pillowtex workers is uncertain, since the data shown in Figure 3 only represents workers whose employer made a contribution to the state's employment insurance wage files. This does not include the jobs that are in a "non-covered" industry or field or those who are self-employed.⁶³ As of March 25, 2004, there were 431 Pillowtex workers who were estimated to be "not seeking work/retired."⁶⁴ An updated analysis from June 30, 2006, had 397 Pillowtex workers classified as "retired."⁶⁵ Thus at least 8 percent of the former Pillowtex workforce could be labeled as out of the labor force.

Figure 3: Number of Employed Former Pillowtex Workers in North Carolina, Third Quarter of 2004 to Second Quarter of 2008.



Source: Employment Security Commission of North Carolina.

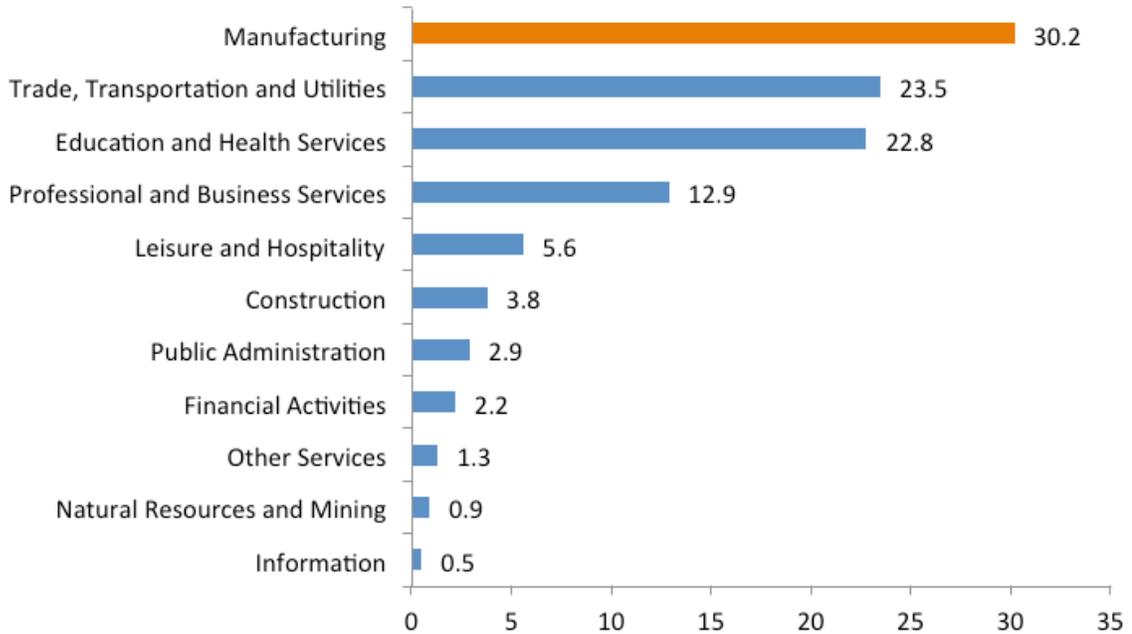
Five years after the shutdown, the majority of former Pillowtex workers were no longer employed in manufacturing. Figure 4 shows that the share of workers employed in manufacturing in the second quarter of 2008 was 30 percent, followed by “Trade, Transportation and Utilities” at 23.5 percent and “Education and Health Services” at 22.8 percent. While a majority of Pillowtex workers were able to find employment, in many instances their new wages were lower than what they had earned at Pillowtex (see Figure 5). Workers who remained in the manufacturing industry still earned the third highest median wage in 2008. However, wages were substantially lower for workers in the “Trade, Transportation and Utilities” and the “Education and Health Services” industry categories, which accounted for 40 percent of the reemployed Pillowtex workers. State officials were encouraged by the number of workers finding employment in the “Professional and Business Services” industry because this may have indicated the positive

effects of retraining workers.⁶⁶ However, closer analysis showed that these positions were mainly with temporary help agencies and did not reflect permanent full-time positions. This may explain why the median wages of former Pillowtex workers were low at \$3,736.

Not all workers were able to find employment in their desired field after retraining. For example, a woman who earned \$19.88 per hour as an assistant at the Kannapolis plant was unable to find employment with an associate degree in early childhood development that she earned at Rowan-Cabarrus Community College after the plant closure. Unable to find a job in her new field and facing issues with her husband’s health, she was forced to take the first job that came along. Five years after the closure, she was making \$9.50 per hour and working 80–90 hours a week, seven days a week.⁶⁷

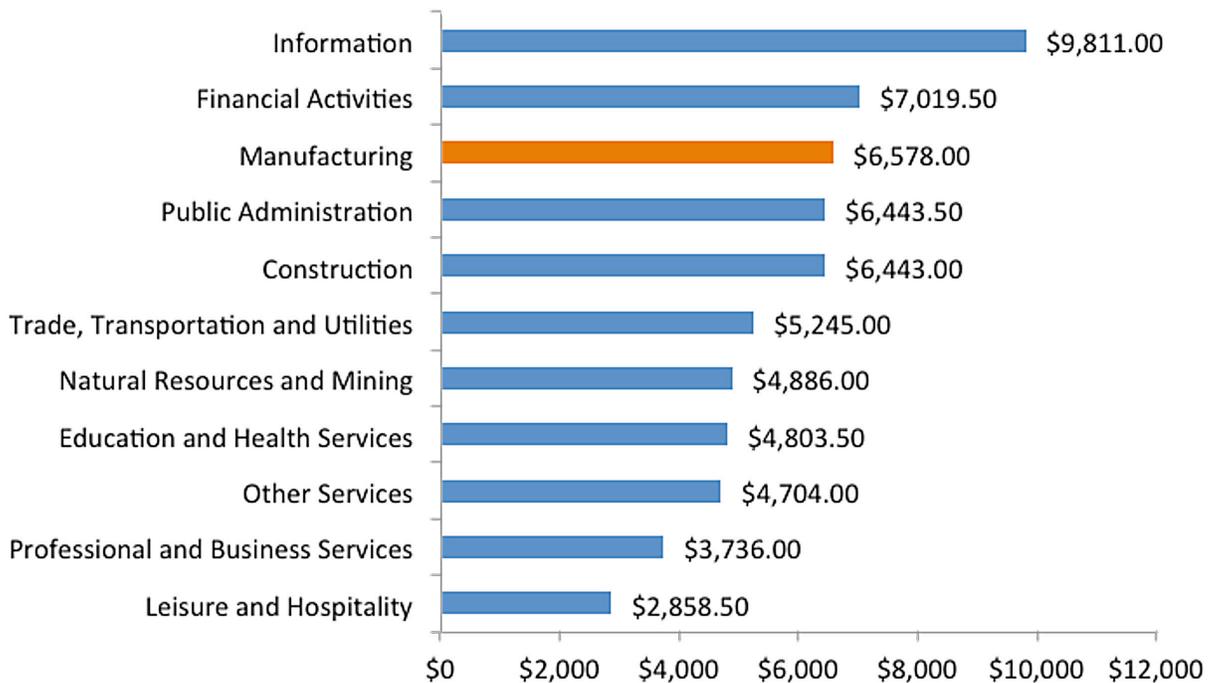
Outcomes

Figure 4: Share of Employment of Former Pillowtex Workers in North Carolina by Industry, Second Quarter of 2008



Source: Employment Security Commission of North Carolina.

Figure 5: Median Quarterly Wage of Former Pillowtex Workers in North Carolina by Industry, Second Quarter of 2008



Source: Employment Security Commission of North Carolina.

Conclusion

There were some positive retraining stories as well. An Employment Security Commission staff member described how she ran into a former client in the grocery store: “I recognized his face from the workshops. He had gone to school in law enforcement and is now a policeman in High Point, I believe. And he loves it and is so happy.”⁶⁸

Employers were generally pleased with hiring former Pillowtex workers. Based on a survey of employers who have hired at least four former Pillowtex employees, employers praised the soft skills of these workers, such as work ethic, punctuality and dedication.⁶⁹ The one downside they reported on was the lack of technical skills, but once individuals were retrained, the employers were very satisfied with their quality.⁷⁰

Conclusion

Large-scale displacement of workers in a community is an economic disaster much like a hurricane or tornado hitting a community is a natural disaster. Reemployment of displaced workers often entails involvement by all levels of government as well as private entities and nonprofits. Depending on job opportunities in the local economy and the composition of the displaced workforce, reemployment efforts may take several months or even years.

In the case of Pillowtex, close to 60 percent of the corporation’s North Carolina workforce were able to find reemployment by mid-2008. The majority found work outside of the manufacturing industry. More than

40 percent were employed in lower paying jobs in the “Trade, Transportation and Utilities” and “Education and Health Services” industries. Five years after closure, Pillowtex workers were on average earning only slightly more per quarter. Prior to the layoff, the average quarterly wage excluding overtime was roughly \$6,032 compared to \$6,374 for the second quarter of 2008.⁷¹

We most likely will never know whether every former worker affected by the Pillowtex closure was able to find new employment. However, our analysis has shown that finding reemployment for displaced workers can be a complicated process with many challenges. To give a displaced worker the best opportunity to find reemployment, assistance providers have to go beyond job training and treat other issues such as mental depression, foreclosure, lack of food, etc. Some workers may need more assistance than others, for example, those without a high school degree or technical skills. From the displaced worker’s perspective, the search for reemployment may require a change in mindset in regard to salary and benefits as well as job location.

Acknowledgements

A special thanks to Lisa Hearl, Nika Lazaryan and Urvi Neelakantan for their contributions to this issue.



Vacant textile manufacturing facility in Eden, N.C.

Afterword

Innovations in Assisting Displaced Workers since the Pillowtex Closure

The number of workers displaced by the Pillowtex closure in North Carolina was of historic proportions for the state. The experience led to innovations in assisting displaced workers at the state and community levels. Some of these innovations required the involvement of Congress, the state legislature, the state government and nonprofit organizations.

New State Policies

In April 2005, the North Carolina Rural Economic Development Center released a report with a series of recommendations for improving the response at all government levels in assisting displaced workers. The overarching goal was to pursue “a unified, comprehensive agenda to improve North Carolina’s response to economic dislocation.”⁷² Table 3 shows the recommendations and the progress that has been made as of May 2010.

These recommendations present a holistic approach to dealing with the concerns of displaced workers rather than just emphasizing, for example, more funding for training programs. While resources have been available from the 2009 American Recovery and Reinvestment Act, this is not a permanent source of funds. Thus forward progress on these recommendations may not be sustainable. Further, reform efforts such as those involving unemployment insurance policies were affected by the increase in the number of unemployed workers seeking assistance during the Great Recession. This large influx increased the financial burden on the existing system.

A 2011 paper funded by the U.S. Department of Labor’s Employment and Training Administration looked at the employment service structure in North Carolina in light of the most recent recession. The Employment Service (ES) was heavily involved in assisting displaced Pillowtex workers. While the paper focused on the organizational structure and service delivery to rural areas, there were two recommendations that have particular relevance in dealing with displaced workers regardless of location.

The first recommendation involves ES becoming a true “labor market intermediary.” ES would assist employers in managing their human resource matters as well as “shape employer preferences and open the door to disadvantaged job seekers who otherwise might not be given a chance.”⁷³ The second recommendation concerns the connection between ES and workforce training programs. The paper finds that ES does not place many individuals into workforce training and that there appears to be a clear preference for job placement over job training when someone visits an ES office.⁷⁴ Given today’s changing labor market, the paper recommends that ES reevaluate its training-related placements and possibly take better advantage of the state’s public workforce investment system, of which it is just one part.

The emphasis on an educated workforce was a key factor in the decision by Siemens, a German engineering company, to build a new manufacturing plant in the Charlotte area. Central Piedmont Community College expanded its curriculum to include a mechatronics program that would train individuals to have the advanced technical skills needed for a position at Siemens. Siemens provided funding toward an energy program in the engineering school at the University of North Carolina at Charlotte. Further, the state covered the career readiness assessment of 4,700 applicants, and those who needed additional help could take classes for free at the community college. Although the plant only hired 825 people, Siemens is working through the local educational system to ensure there is a pipeline of future hires in the Charlotte area. For example, current high school students can apply for a three-year paid apprenticeship at Siemens that includes financial assistance toward a two-year degree at the local community college.⁷⁵

R³ Center

The R³ Center, a partnership between Rowan-Cabarrus Community College and the Rowan County and Cabarrus County JobLink Career Centers, opened in January 2007. The three R’s stand for refocus, retrain and re-employ, encompassing “a refocus on individual skills and interests, retraining and further education and partnering with other workforce development agencies to secure career-oriented re-employment.”⁷⁶ The mission of the center is to provide career development services at no cost to eligible unemployed and underemployed adults in Rowan and Cabarrus counties.⁷⁷ The center is open to

Table 3: Progress Status of Displaced Workers Policy Recommendations in North Carolina, May 2010

2005 Recommended Actions	Action Progress as of May 2010
<p>Ensure that North Carolina workers affected by trade have access to federal services.</p>	<ul style="list-style-type: none"> • Broadened eligibility for Trade Adjustment Assistance (TAA) programs to include laid-off workers whose jobs were transferred to countries that do not have a free trade agreement with the U.S. • Increased resources for case management and re-employment assistance. • Increased funding for training under TAA from \$220 million to \$575 million. • Raised the Health Coverage Tax Credit from 65 percent to 80 percent of the premium cost for workers covered by TAA.
<p>Reform unemployment insurance policies.</p>	<ul style="list-style-type: none"> • 2005 state law reset the trigger point for when the unemployment insurance tax rate is cut in half. The trigger point became tied to the size of the overall North Carolina payroll. This change worked until the Great Recession depleted the trust fund.
<p>Provide stable funding for job training and services and home protection programs.</p>	<ul style="list-style-type: none"> • Change from funding scheme based on the interest earned on the reserves in the Unemployment Insurance Trust Fund to direct appropriations for local Employment Security Commission offices, Department of Labor's apprenticeship program and NC REAL Enterprises.
<p>Enable community colleges to respond to emergency demands.</p>	<ul style="list-style-type: none"> • The goal was to establish an \$11 million fund, but this effort has fallen short. In 2005, a community college reserve fund was established with \$3.9 million appropriated for two years to assist with sudden enrollment growth. There was a legislative effort in 2010 to create a \$14 million enrollment reserve fund.
<p>Ensure that dislocated workers have full access to information about available services</p>	<ul style="list-style-type: none"> • Dislocated Worker/Unemployed Adults Outreach — toll-free phone number for one-on-one assistance accessing services from the Department of Commerce. • Benefit Bank of North Carolina — provides training and software to counselors in community organizations and government agencies across the state who in turn help laid-off workers explore federal and state tax benefits, worker supports and human services.
<p>Provide equal access to services for all dislocated workers.</p>	<ul style="list-style-type: none"> • Nothing reported.
<p>Establish a career readiness certificate program for North Carolina workers.</p>	<ul style="list-style-type: none"> • Certificate program has been established in reading, applied math and locating information. So far, there are 57 community colleges participating, with more than 51,000 certificates awarded.
<p>Establish an "economic disaster" plan for communities hard hit by layoffs.</p>	<ul style="list-style-type: none"> • The work of the Bridge Re-Employment Institute and the Rural Center's Community Mobilization project have been teaching the lessons of Pillowtex to communities across the state.
<p>Develop strategies to prevent economic disasters and worker dislocation in the future.</p>	<ul style="list-style-type: none"> • 2009 saw the launch of Biz Boost, which provides business counseling to strengthen small and medium-size businesses and prevent further layoffs. It is an effort of the UNC Small Business and Technology Development Center.
<p>Create a long-term action agenda to address needs of dislocated workers.</p>	<ul style="list-style-type: none"> • Considered "incomplete."

Source: North Carolina Rural Economic Development Center Inc, ncruralcenter.org/index.php?option=com_content&view=article&id=405:dislocated-worker-action-agenda&catid=48.

Afterword

any unemployed or underemployed individual who is registered with the North Carolina Employment Security Commission.

In its first five years of existence, the center has provided assistance to more than 9,000 individuals and offered more than 800 workshops.⁷⁸ The majority of these offerings are conducted at the center in Kannapolis, which is on the grounds of the former Pillowtex complex. The center also holds workshops at specific workplaces.

The first step for an individual seeking the services of the center is to go through the “refocus” assessment. The center’s staff tries to determine whether the person is “in ‘desperate need of finding work’ or ‘needs work, but is interested in exploring career options.’”⁷⁹ Once the appropriate path is determined, the next step is focusing on the resume. This is typically done through a workshop, but individual coaching is also available. The third stage is based on what additional assistance the individual needs after the resume has been polished and includes interviewing skills, cover letters, networking skills, etc. The career coaches who lead the workshops are individuals with a variety of employment

backgrounds, both in the private and public sectors. This is an intentional approach taken by the center to focus on workforce development as well as academics.⁸⁰

The center continually updates its workshop offerings. Besides a basic set of courses that are available at any workforce development organization, the center also offers courses that incorporate the latest trends and issues. This proactive approach to dealing with “topics of the day” has led to workshops on the importance of credit reports in the job search as well as social media.⁸¹

Re-Employment Bridge Institute

The Pillowtex experience revealed that not only do workers need to understand how to address displacement effectively, but so do the people responsible for assisting them. Through a grant from the North Carolina Department of Commerce, Rowan-Cabarrus Community College, in partnership with the Centralina Workforce Development Board, established the Re-Employment Bridge Institute.⁸² This initiative started in 2009 with the mission of sharing “best practices in responding to the multiple needs of displaced

Table 4: Selection of 2012 Workshop Topics from the R³ Center

Stand Out from the Competition	Letter Writing for the Job Seeker
Identifying Your Career Options	Looking for Work at 50+
Looking for Work with a Criminal Record	It’s Not Who You Know, It’s Who You Meet

Source: R³ Center.

workers — the unemployed and under-employed.”⁸³ The outcome hoped for was that “local institutions and agencies become catalysts for economic recovery,” using the ideas that they have learned from workshops and online programs.⁸⁴

The institute’s curriculum is largely centered on sharing the lessons learned from the Pillowtex experience as well as other best practices from across the nation. A major theme is the unprecedented level of collaboration across the workforce development agencies and organizations that serve the Kannapolis area in response to the Pillowtex closure. The institute describes that period of time by stating, “Workforce Development agencies and professionals crossed county lines and set aside individual agency priorities to partner on the devastating situation for workers.”⁸⁵ It emphasizes the elements of partnerships, joint vision building and planning, resource mobilization and hard work.⁸⁶

So far, the institute has conducted roughly 18 workshops, with attendance from over 500 individuals.⁸⁷ The workshops are offered free of charge. For the second year in a row, the institute has held a two-day conference, “National Bridging Business and Workforce Development,” which brings together the private business sector and displaced-worker service providers based on identified business needs.⁸⁸

Eden Community Resource Center

Although the size and scale of the Pillowtex closure’s workforce impact was smaller in Rockingham County compared to Cabarrus and Rowan counties, the layoffs spurred the creation of community resource centers across the county. Goodwill Industries of Central North Carolina opened the county’s first community resource center in Reidsville in January 2004. At the request of several county agencies, Goodwill opened the center to provide more job training in the county. Regret was expressed that the center was not open before the Pillowtex layoffs.⁸⁹ In addition to basic job training, the center also offers employment counseling.

A second community resource center opened in Eden on October 31, 2011. The Eden Community Resource Center is a partnership among Goodwill, Rockingham Community College, the City of Eden and CenturyLink,

a provider of voice, internet and television services. The City of Eden donated \$120,000 to Goodwill for the center.⁹⁰

Besides CenturyLink, other industries in the city have shown their support for the center, including some of the remaining textile and apparel firms. For example, Gildan Activewear, which employs roughly 300 workers in Eden, offered financial incentives to its workers to take advantage of the training opportunities offered by the center.⁹¹ Nick Freitag, director of the company’s wholesale distribution, told News 14 Carolina, “If they agreed to go up to the resource center after hours, we would pay their test fee. . . . And if they would actually secure the GED over the next two years, we’ll give them a \$500 bonus.”⁹²

The Eden center offers career counseling, resume assistance and access to computers for job searching and assembling job application materials. Courses taught at the center have ranged from Introduction to Computers: Discover the Computer, to Job Search Boot Camp, to Employability Skills: Strategies: Getting and Keeping the Job You Want.⁹³ In its first eight months of operations, the center has served more than 1,200 people.⁹⁴ The number of workers who have successfully found employment has grown from 22 within the first six weeks to 85 people within the first five months.⁹⁵ Employment, however, has not been a guarantee of an hourly wage rate comparable to the Pillowtex wage rate. The salary for individuals who have found a job through the center ranges from \$7.25 to \$25 per hour.⁹⁶

Resources

For additional information on the organizations mentioned in this section, please visit their websites:

R³ Center
rccc.edu/r3

Re-Employment Bridge Institute
reemploymentbridge.com

Eden Community Resource Center
triadgoodwill.org/independent_living_skills.html

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