

**Community Response to the Pillowtex
Textile Kannapolis Closing:
The “Rapid Response” Team as a Facilitative Device**

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Introduction

On July 30, 2003 Pillowtex Corp., based in Kannapolis, NC, filed Chapter 11 bankruptcy for the second time in three years, announced the cessation of all operations at 16 plants in the US and Canada, and permanently laid off 7,650 workers. Approximately 4,800 of the Pillowtex workers were in North Carolina. This was the single largest mass layoff in North Carolina history and presented enormous challenges to the workers, government at all levels and all the affected communities. For the Kannapolis, NC community and Cabarrus and Rowan Counties, where approximately 4340 of the Pillowtex workers reside, this was an economic disaster that, in many respects, was analogous to a very large natural disaster. The reasons for the failure of Pillowtex are very important, but are not the focus of this paper. This paper focuses on the community and governmental response to the Pillowtex closure and the dislocation of the Pillowtex work force. Much of the following discussion is focused on Cabarrus and Rowan Counties since they suffered a disproportionate impact, but other communities were also substantially affected, notably Rockingham County where 430 workers were laid off.

A Brief History of Pillowtex (and Cannon Mills) In the Community

James W Cannon established Cannon Mills in 1887 in rural North Carolina. Beginning in 1906, Kannapolis, NC (the “city of looms”), in Rowan and Cabarrus Counties, grew up around Cannon Mills. Cannon Mills grew to become the world’s largest producer of household textile products such as sheets, towels and bedspreads. Under the management of his son Charles Cannon, Cannon Mills’ success enabled the employees to enjoy amenities of a town. Mill employees inhabited craftsman style, low-rent homes with low utility costs, free maintenance and garbage collection while paying no taxes. Cannon Mills provided services including a YMCA, the hospital, police and other community services. The water treatment and sewer facilities and fire protection were also provided by the mill. A close partnership existed between government, business and community organizations. In 1982, California financier David Murdoch bought Cannon Mills and in 1985 he merged it with Fieldcrest Mills to create Fieldcrest Cannon. In November, 1997, Dallas-based Pillowtex acquired Fieldcrest Cannon. At the time, Pillowtex possessed a successful history of acquiring smaller textile players.

At this point in time, Pillowtex was in a leading market position in five major textile categories (Bed Pillows, Down Comforters, Mattress Pads, Blankets, Throws). The company had a positive reputation for good cost control and was viewed as the most efficient manufacturer in the industry. It was also expanding its product line by adding electric blankets when Sunbeam, the only other domestic producer, exited the business.

Earnings from licensed products (Martha Stewart and Ralph Lauren), helped drive company results.

Anticipating the Pillowtex Closing in the Community

Textiles have been a pillar of the North Carolina economy for more than a century. However, in recent years the textile industry as a whole had faced declining employment, changes in automation and technology, new supply chain issues and vigorous price competition. Management mistakes, including excessive debt leverage, mismanaged systems and poor inventory control, made the finances of many firms problematic. Trade policy, which liberalized commerce in textiles, facilitated vigorous price competition from global producers with lower costs of production. All of this combined to characterize an industry in trouble.

The late 1990s and the first years of the new millennium saw a whole series of North Carolina textile companies file for bankruptcy protection. These ranged from very large firms like Burlington Industries and Cone Mills to smaller firms. Pillowtex filed for Chapter 11 bankruptcy protection the first time in mid November 2000 after defaulting on \$650 million in loans. After operating under court supervision for 18 months, Pillowtex emerged from bankruptcy in late May 2002 with optimistic statements about the future and no further plans for layoffs.

Unfortunately, the optimism soon faded and by March 20, 2003 the company confirmed it had retained investment bankers to advise them on “strategic options.” This was widely interpreted as a “For Sale” sign on the company, which threatened the possibility of large scale layoffs and a “worst case” possibility of liquidation of the company. Rumors, speculation, and foreboding news coverage followed over the next several months in Cabarrus and Rowan Counties.

Governmental Notice of Pillowtex Problems

In late April 2003, Pillowtex executives set up a meeting with the North Carolina Department of Commerce, Division of Employment and Training, Dislocated Workers Rapid Response Unit and key state officials to discuss the possibility of large scale layoffs. Technically, Pillowtex did not file a required WARN (Worker Adjustment Retraining Notification) notice of pending layoffs, but it was clear that mass layoffs were likely. This triggered the Rapid Response Unit to start the planning and coordination of state agencies to address what could be mass layoffs numbering in the thousands. In early May, Pillowtex executives also met with Federal officials, including US Representative Robin Hayes and the US Department of Labor, to discuss applicable federal programs that could benefit dislocated workers. This is discussed in further detail below. Besides the obvious news coverage of Pillowtex difficulties, local government officials were briefed on the situation and the elements of state agencies response.

Community Awareness and Planning

As the negative news about Pillowtex prospects continued during April and May 2003, local governmental agencies, in particular the Cabarrus County Department of Social Services (DSS) and non governmental community organizations, began to consider the implications of mass layoffs. United Way of Central Carolinas, Cooperative Christian Ministries (CCM), Centralina Workforce Development Board and DSS formed a core planning group to consider the human services needs that a mass layoff would cause. It was clear that layoffs in the thousands would swamp existing agency facilities and resources. Plans were developed to create a Community Service Center (CSC) in a large location near the Pillowtex facilities. A church was deemed a desirable location for a human services site that could provide a presence for many different social services agencies in one location. Kimball Memorial Lutheran Church volunteered to be the site and was ideally situated very close to Pillowtex.

Initial contact was made with the Cannon Foundation, based on previous relationships, and a core grant of \$ 500 thousand was made to fund the Community Service Center. Cabarrus County provided major funding above normal levels through DSS. Additional funding from donor corporations was funneled through the Foundation for the Carolinas including contributions directly solicited by Governor Easley. NorthEast Medical Center also contributed funds and services in support of CSC. In total, approximately \$1 million was raised and used by CSC. Additional funding has been requested from the Cannon Foundation and appears likely to be granted.

The Run Up to the Closing Announcement

During the two months prior to the 7/30/03 closing announcement, planning continued at state and local governmental units and community based non profit service agencies. Pillowtex prospects further deteriorated as potential buyers for the company were sought in vain. The Chapter 11 filing by WestPoint Stevens the first week of June further illustrated the industry problems. The union for Pillowtex workers, the Union of Needletrades, Industrial and Textile Employees (UNITE), actively used their resources to explore possible buyers for the company who would continue to operate and thus save jobs. Pillowtex management and their board also actively sought potential buyers. News reports mentioned several possible overseas buyers, but nothing was firm.

In June much of the workforce was put on “short time” with either temporary layoff or substantially reduced hours. The loss of weekly income for workers was immediately felt and produced increasing financial distress and increased traffic to the social service agencies. A meeting was held in Raleigh on June 17th to brief local leaders on the ways the state would assist in the event of mass layoffs. On Thursday, June 19th Pillowtex announced cost cutting moves that included ending retiree medical coverage and delaying worker vacation pay that was contractually due.

By June 30th Pillowtex was in technical default on a \$150 million loan and could have been forced into bankruptcy. Lenders, however, agreed to a ten day extension for payment while the company continued to negotiate with an English firm for a buy out. By the first week of July, it was reported that over 70% of Pillowtex workers were idled. On July 10th Pillowtex reported another 4 day loan extension. Three more short loan extensions were granted as efforts continued to find some type of buy out that could save the company. On July 30, 2003, the bankruptcy filing and cessation of all operations was announced.

Immediate Impacts

Affected Workers

Approximately 4,800 Pillowtex workers in North Carolina were laid off, with 4,340 in Cabarrus and Rowan Counties. Another estimated 430 secondarily affected workers were also laid off as a direct result of the Pillowtex closing. Employee demographics were developed from surveys. Although it may include nonresponse bias, they can be taken as broadly representative. See “Community Task Force Long-Term Needs Assessment” report dated September 3, 2003 funded by The City of Kannapolis

Worker Demographics

- 40-50% had not completed high school
- Average age 46
- Average tenure 17 years, median 13.5 years
- 59% female, 41 % male
- Approximately 500 non English speaking; predominately Hispanic
- Weekly wages ranged from \$220 to \$1140, averaging \$458
- Unemployment benefits range from \$73 to \$408, averaging \$275 weekly
- Difference of UI benefits and prior wages \$178 weekly
- 42% have a relative who also worked at Pillowtex
- 73% interested in Community College offerings
- 30% willingness to consider relocation: 70% unwillingness
- Average indebtedness, excluding mortgages, ranged by age groups from \$1,900 to \$ 9,070
- By the first week of August, 43% reported being behind in rent or mortgage payments with over 10% receiving eviction/foreclosure notices
- 93% indicated they couldn't afford/get health insurance
- 73% were concerned about getting prescriptions: average cost \$209

The United Way reported that the greatest immediate need was financial, in particular housing costs, medical costs, health insurance and cost of prescription drugs.

At a more qualitative and psychological level, the Centralina Workforce Development Board observed that many Pillowtex workers:

- Had a reluctance/inability to confront reality and consider life options.
- Were intimidated by the idea of returning to the classroom and did not take initiative to seek training.
- Were not eager to attend school.
- Had little or no computer skills, rendering them ineffective in a job search

Community Impacts

Cannon Mills was integral to Kannapolis since the city grew up around the mills. Cannon, and its successor Pillowtex, built and operated the water and water treatment facilities for much of the city. Pillowtex also operated the high pressure fire system for the plant and the city. The closure of Pillowtex precipitated issues for the provision of services as well as a loss of tax revenue. The city reached agreement with Pillowtex in December to take over operation of the water treatment plant. However, the former Pillowtex plant 4 was sold for only 12% of its tax value, resulting in the loss of tax revenue. City and County officials have worked to diversify the economy and construct a plan for economic recovery. The Kannapolis web site details their efforts at economic redevelopment.

Community Service Center

Because there had been significant advanced planning by the non profit community service agencies and DSS, the Community Service Center (CSC) was able to open at Kimball Memorial Lutheran Church, across from Pillowtex, on Monday August 4th, just shortly after the July 30th closing announcement. The CSC brought together many human service agencies, both public and private, using a coordinated service approach, in one location very close to the Pillowtex plant. More than a dozen agencies coordinated their activities to provide a wide range of human services. Detail of the agencies and services are included in the appendix along with a flow chart of how services were provided and description of their process. A notable achievement was the use of one assessment application for all services. Eligibility criteria for assistance were set at 200% vs. 150% of the Federal poverty level definition to expand assistance. Assistance was further coordinated between DSS and Cooperative Christian Ministries (CCM) to ensure broader coverage. An issue that presented itself was that unemployment benefits, while low, were high enough for some to preclude food stamp or Medicaid qualification.

The CSC activities included 4300 visits from an estimated 1200 people. CSC received and utilized approximately \$1 million in funding with major grants from the Cannon Foundation, which has continued its support. The center had been spending \$30 thousand a month on prescriptions alone.

Union Activities

The Union of Needletrades, Industrial and Textile Employees (UNITE) represented workers at Pillowtex. UNITE had been through the first Pillowtex bankruptcy, serving on the unsecured creditors committee. As conditions deteriorated at Pillowtex in the spring of 2003, the union used its numerous contacts to look for potential buyers of the company who would continue to operate the plants. UNITE reports “shopping” the company with more than 100 contacts both in the US and overseas. A number of parties expressed interest and a few got to the point of doing due diligence at Pillowtex facilities. UNITE commented that many potential buyers felt the prospects to operate the business profitably were questionable. The uncertainty that surrounded the lifting of textile import quotas in January 2005 made valuing the company very risky. This led to a reluctance to bid at all, or to bid with very low valuations. Firms that might logically have considered buying Pillowtex were too weak themselves and could not get financing.

When Pillowtex filed for bankruptcy July 30th, UNITE was named co- chair of the unsecured creditors committee as well as a claimant. The union represented workers claims for vacation pay that was contractually due but unpaid at the time of the filing, unpaid medical claims and other worker claims. UNITE continued to seek buyers and bidders who would operate the plants. In the case of liquidators, UNITE attempted to secure higher bids in the interest of unsecured creditors. Ultimately GGST purchased most of the Pillowtex assets for approximately \$128 million. The bankruptcy is still in the court, with the union representing worker interests.

Apart from UNITE’s role in the bankruptcy proceeding, the union provided relief for workers in the form of school supplies, food, and cash assistance. Donations were sought for the benefit of workers through other UNITE locations and the AFL-CIO. These activities were carried out through the UNITE office near Pillowtex into the fall months, until the union office closed.

Rapid Response Services

The state Rapid Response Team had been planning for the possibility of a Pillowtex shut down for three months and hence was ready to act quickly. Pillowtex was unprecedented in terms of size and scale, but the approach to Rapid Response had been used often before. State agencies are charged with executing Federal programs as well as state level programs. Hence, the Rapid Response Team was prepared to implement Federal TAA program benefits and apply for National Emergency Grant funds

Basic orientation sessions, including an employee survey form used by the Division of Employment and Training (DET), were held at Pillowtex Plant 4 August 7-13, and were attended by at least 3379 workers. By August 14, a one stop Resource Service Center (RSC) – effectively a JobLink satellite-was established at the Plant 4 location. The Employment Security Commission (ESC), acting for the Centralina Workforce Development Board, Rowan- Cabarrus Community College, and Blue Cross Blue Shield

(BCBS), were immediately represented on site, along with representation from Senators Edwards and Dole and Representative Robin Hayes. In October, nine Federal agencies had representation on site on Tuesdays to address Federal programs benefits and questions, this further contributed to the JobLink Plus one stop integrated delivery of services. The Governor's Office outlined the services to be provided as follows (see appendix for more detail):

North Carolina Rapid Response Plan for Pillowtex

- 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
- Access to additional weeks of Unemployment Insurance for workers who are in training or pursuing remedial education. (Average unemployment payments for Pillowtex workers will be \$260 per week; many Pillowtex workers had already been laid off)

In addition, there are two new programs that the federal government is in this process of implementing, that will offer workers who lose their jobs in "trade affected" industries:

- Healthcare premium payment assistance. Workers who are in training or have a training waiver may be eligible for a tax credit of 65 percent of their healthcare premium or a 65 percent advanced payment of their premium.
- Wage supplementation for workers 50 years of age and older who are reemployed within 26 weeks

National Emergency Grant (NEG)

The North Carolina request for a NEG was advocated by the congressional delegation and was granted August 15, 2003 at a Kannapolis press conference attended by Governor Easley and Elaine Chao, US Secretary of Labor. The award consisted of two grants totaling \$20.6 million. \$13 million was allocated for employment transition related services including \$2.5 million for the North Carolina Community College System to build capacity to handle the influx of laid off workers. \$7.6 million was allocated as a bridge grant to pay 65% of worker premiums for health care insurance under a qualified plan. Both elements of the grant helped address needs while TAA certification and benefits were pending.

Rowan-Cabarrus Community College (RCCC)

As the Community College in the two most heavily affected counties, RCCC shouldered a disproportionate share of the impact of laid off workers seeking training, although private contractors could also participate (e.g. truck driving school). Approximately 3350 workers who completed assessment surveys were in their service area and a number of outreach activities were carried out to invite them to avail themselves of training and job transition services. It was recognized that the Pillowtex workers represented a unique, older and less educated/prepared group compared to their usual student body. 70% of workers indicated an unwillingness to relocate for employment (higher for older workers), stressing the need for local opportunities. Efforts are underway to try to track all TAA eligible workers, both those that have enrolled and those that haven't to date. A particular challenge is to assess the effectiveness of training efforts in aiding the transition to well paying new employment.

Results to date suggest that RCCC has enrolled about 1600 former Pillowtex workers. Some of this seems to have been driven by the belief that training enrollment was required to receive any benefits under TAA. Of these, 604 have enrolled in curriculum courses and between 500 and 600 are enrolled in basic skills courses such as English as a Second Language (ESL) and GED preparation. Between 400 and 500 are in short-term courses. To date, 62 have received a GED and 65 have completed nurse's aide training. As a direct result of the influx of Pillowtex workers, some additional non credit courses were added to reflect worker interests and perceived labor market opportunities. These included:

- Pharmacy Technician
- Medical coding and billing
- Medical Unit Secretary
- General Construction Trades
- Customer Service Certification

The Health Insurance Issue

Pillowtex was self insured with a group plan for its workers and with Blue Cross Blue Shield (BCBS) as administrator. The bankruptcy filing July 30th terminated the plan with approximately \$5 million in unpaid claims pending. Lack of health insurance coverage was one of the workers most immediate, major concerns. TAA provided for a Health Coverage Tax Credit (HCTC) but the actual mechanism for implementing quick coverage was not in place. BCBS offered short term gap policies, but it appears few took this unsubsidized option. Workers with preexisting conditions had about 60 days to obtain new coverage or face problems with coverage for these conditions.

At the time of the Pillowtex closing, North Carolina did not have a qualified plan supplier which could operate the HCTC system. BCBS was asked to formulate and offer such a plan which they did. Coverage became available in October under the BCBS plan. HCTC

provided for a 65% subsidy of health insurance costs with a tax credit. This was modified so that the 65% subsidy could be applied at the time of payment rather than as an after the fact tax credit. However, the rules under TAA were such that there is a significant delay before payments are actually made and in, the Pillowtex case, may have started only by January 2004.

The potential for delays in payments under HCTC was known going in and hence \$7.6 million of the NEG was allocated to provide the 65% subsidy until TAA HCTC payments started. ESC was able to design this such that checks could be co written to the worker and to BCBS, allowing for more timely payment.

However, major issues remained. The plan developed by BCBS was an individually unwritten plan with seven underwriting tiers from best risks to worst. The cost for coverage created very substantial “sticker shock”, including premiums in the upper tiers that substantially exceeded 100% of total monthly UI or TRA payments. The net result was that even with a 65% subsidy, the cost of coverage was simply unaffordable. BCBS collapsed the top two tiers into what was a five tier pricing structure, but it still proved unaffordable, even with the subsidy, to large numbers of workers. In many cases the CSC provided financial assistance toward insurance premiums, but this was not a sustainable practice. Hence, at this date there has been a substantial increase in those without health insurance coverage in Cabarrus County and across all former Pillowtex workers.

Two other health insurance issues affected workers. For practical purposes, workers had no health insurance coverage between the time Pillowtex terminated its plan July 30th and the time that the BCBS plan with NEG payments became available in October. Hence, there were two months of risk exposure even with NEG and HCTC plans, despite their cost subsidy. The second, and still outstanding, issue is the \$5MM of unpaid pending medical claims prior to July 30th. In bankruptcy, Pillowtex pledged assets to cover 50% of the claims and asked providers to just write off the balance. However, there is no assurance that providers will do so leaving the workers with a liability for the unpaid services. This issue is still pending in bankruptcy court.

Current Status

ESC tracking reports dated March 25, 2004 provide the best measure of the current status of the Pillowtex and secondarily affected workers. Because these are tied to financial numbers, they are complete and accurate. However, training numbers may not include those who have chosen to self navigate outside the system. More than half the workers had originally been certified for TAA in 2001 under the legislation then in force and are noted as being on petitions filed prior to August 5, 2003. This precluded them from the improved benefits of the 2002 TAA reform legislation effective and available to those on petitions filed after August 5, 2003.

**Dislocated Workers from Pillowtex Status Update
March 25, 2004**

Workers on Kannapolis Petitions filed prior to August 5, 2003	2618
Workers on Kannapolis Petitions filed after August 5, 2003	1449
Workers on Rockingham Petitions filed after August 5, 2003	430
Total Dislocated Secondarily Affected workers covered by TAA	<u>270</u>
Total Dislocated workers covered by TAA as a result of Pillowtex	4767
Total Dislocated workers Eligible for ATAA	814
Total Dislocated workers participating in ATAA	41
Total currently receiving weekly income support payments (UI & TRA)	3115
Total workers enrolled in a training program	1505
Total workers receiving a waiver and not enrolled in training	2121
Estimated Returned to Work	500
Estimated Not Seeking Work/Retired	<u>431</u>
Total Returned to Work/Not Seeking Work	931

Other Indicators

- Participation in the Health Coverage Tax Credit (HCTC) appears to be only about 20%. Most of the remaining workers are uninsured.
- ESC JobLink generates about 300 job opening listings a month, not nearly enough to address Pillowtex and other employment seekers in the county.
- Before the Pillowtex closing, Cabarrus County had about 4000 unemployed. The Pillowtex closing added another 4000 for a total of 8000, or an unemployment rate above 10% for the county.
- Of those initially enrolled in training, 31 have withdrawn for a variety of reasons.
- Request for relocation assistance total 5 to date

Lessons learned/Opportunities going forward

The Pillowtex closing, unfortunately, has not been unique in North Carolina. The unique characteristic was the size of the closing in terms of the number and concentration of dislocated workers and the timing of this event relative to the implementation of the new provisions of the TAA reform Act. The performance of the many Federal, state, and local governmental units was commendable, particularly in the coordination of their efforts. Senior US officials including Senators Edwards and Dole, Representative Robin Hayes and US Secretary of Labor Elaine Chao clearly made a difference in getting services delivered. North Carolina officials, including Governor Easley and his staff, and the several state agencies of the Rapid Response Team, all worked diligently and with excellent coordination in delivering help for the affected workers. The performance of community based service agencies was remarkable in mobilizing resources, including funding, and providing coordinated delivery of services in a one stop, convenient location.

This paper offers the opportunity to reflect on “lessons learned” or opportunities to do things differently in the future. None of this should be construed as criticism, but as learning that might inform policy and practice going forward. It should be borne in mind that in many respects the Pillowtex closing consequences are still unfolding eight months after the fact. Time may yield improved perspective.

Many individuals have contributed thoughts on how things might be done differently in the future. Jim Cook, Director of Cabarrus County Department Social Services, has published detailed recommendations that are separately being circulated. Many others have contributed thoughts in less formal ways. Following are some of the issues/opportunities that seem to emerge from this experience.

1. The final demise of Pillowtex was drawn out. Since much of the workforce had been without their regular income for up to two months prior to the closing, many workers were already in crisis mode. Hence, the human services side needs were already acute by the time of the formal bankruptcy. Rapid Response is not triggered until a formal act such as a bankruptcy filing occurs.
What are the implications as to when actions should start with a failing business? Should the state consider supplemental resources beyond Unemployment Insurance (UI) in these situations?
2. The HCTC represents a desirable policy goal of ensuring that dislocated workers have health insurance. The reality of the individually underwritten policies with risk-based tiered pricing resulted in a pricing structure that was unaffordable even with a 65% premium subsidy. **What are the implications of unaffordable health insurance for the unemployed? Is there a fundamental flaw with employment based health insurance coverage?**

3. The North Carolina Community College System (NCCC) funding formulas operate with a 12 month lag. **Should an approach to funding and proactive course development be considered?**
4. Over 40% of the dislocated Pillowtex workers had less than a high school diploma or GED. This begs the question of the effectiveness of retraining efforts. **What can be done to increase the skills and productivity of the North Carolina workforce to ensure employment in well paying jobs?**
5. Rowan Cabarrus Community College is initiating a tracking effort to determine what has happened to the displaced Pillowtex workers. **What is the success rate of retraining efforts in transitioning dislocated workers to jobs at wage levels equal to or greater than those they left?**
6. It appears that state and Federal laws regarding privacy/confidentiality of individual client information is so restrictive that they hamper the integrated delivery of services for the benefit of the client. The same laws appear to substantially hamper the aggregation and creation of data for program assessment and evaluation. **Are there better ways to protect individual privacy without hampering program execution and evaluation?**
7. Pillowtex was under bankruptcy protection for 18 months the first time emerging late May 2002. After only 14 months of operation Pillowtex filed for bankruptcy again. **Are there aspects of bankruptcy reorganization laws that should be modified to ensure that a viable business emerges?**
8. The TAA legislation, including HCTC, appears to have provisions that create delays in delivering benefits. These delays are part of what necessitates an NEG bridge grant. **Should the TAA legislation be amended for a faster, smoother execution?**
9. The Pillowtex experience was, in many respects, a model for the integrated deliver of services at the Federal, state, and local levels of government and with public – private agency cooperation. **Are there opportunities to further create an integrated planning and delivery system including all public levels and committed community organizations?**
10. Economists have long predicted that certain labor intensive industries, such as textiles, lacked comparative advantage and could be expected to undergo substantial contraction in a globalizing economy. **What should be the Federal and state role in anticipating and acting rather than reacting?**
11. It is stated that globalization produces winners and losers in the domestic economy. **Is TAA a sufficient public policy response for dislocated workers?**

Appendix A

Applicable Federal Programs

Workforce Investment Act (WIA)

http://www.ncdet.com/pdf/wia_annual_report_2002.pdf

The WIA reformed Federal job training legislation and create a comprehensive approach to workforce training and development. One specific population addressed were dislocated workers meeting specific criteria for dislocation. See the following link for details. <http://www.ncdet.com/employers/adultdweligcrit.asp> Dislocated workers not qualifying for TAA may be eligible for benefits under WIA.

WIA provides three levels of services for eligible adult dislocated workers: core, intensive, and training services. The levels of service build on one another offering successively greater assistance. The efforts are designed to assess worker needs and skills, assist in job search and placement, and to build skills through training as appropriate: WIA program activities in NC are delivered by JobLink centers. See: <http://www.ncdet.com/wrkfrcedev/programs/wiaoverview.asp>

The WIA also provides for Rapid Response capabilities in each state to address large and acute worker dislocation situations. In North Carolina, the Dislocated Worker Unit in the Division of Employment and Training of The Department of Commerce is the lead coordinator in establishing the state's multi agency Rapid Response Team. Typically, the team would include representatives of the Employment Security Commission (ESC) and JobLink offices, the area Workforce Development Board, the state Community College System (NCCC), the state Department of Health and Human Services (NCDHHS), the Governor's Office and the Rapid Response unit from the Division of Employment and Training (DET) in the state Department of Commerce (NCDOC). US Department of Labor (USDOL) regional staff may also be represented.

Rapid Response Activities Include

- Establishing contact with the employer within a short period of time (preferably 48 hours or less) after notice/information received, to provide information on and facilitate access to all available public programs and services.
- Core services to dislocated workers including job search and placement assistance, career counseling, labor market information and assessment of skills and needs. Intensive services are available to those dislocated workers unable to find jobs through core services alone. Intensive and training services may include development of individual employment plans, occupational skills training, on-the-job training, skill upgrading, entrepreneurial training and job readiness training. The WIA also authorized the provision of supportive services (e.g. transportation) and temporary income support to enable participants to remain in training.

- Developing a plan to access funds and services for worker assistance (as eligibility permits), including TAA and NAFTA-TAA entitlements (if workers are Trade-certified), Pell grants and WIA funds to initiate /supplement or to provide necessary services for eligible dislocated workers.

<http://www.ncdet.com/employers/rapidresponseinfosheet.asp>

Another key provision of WIA is a discretionary fund, National Emergency Grants (NEG) at the disposal of the US Secretary of Labor to meet special acute employment problems. Plant closings and mass layoffs are both qualifying events for the use of National Emergency Grant (NEG) funds. NEG funds can be used to supplement the intent of TAA in bridging time gaps and addressing special needs identified by state government in a grant application. See: <http://www.ncdet.com/wrkfrcedev/dgrants.asp>

Trade Adjustment Assistance Reform Act of 2002

http://www.doleta.gov/tradeact/2002act_index.cfm

Trade Adjustment Assistance Reform Act of 2002 (TAA) provides benefits to workers who have been certified as being negatively affected by the impact of trade, including imported goods. The intent of TAA is to provide interim relief while facilitating a return to a new job. TAA program elements are administered by designated state agencies for the benefit of affected workers.

TAA benefits include:

- Up to two years of training including occupational skills, basic and remedial skills (including GED and English as a Second Language (ESL) classes), and curriculum programs.
- Job search assistance and job search allowance
- A relocation benefit for those relocating for a new job
- Up to 104 weeks of weekly income Trade Readjustment Assistance (TRA) support during training at the same level as Unemployment Insurance (UI) benefits
- Health Coverage Tax Credit (HCTC) providing a subsidy of 65% of health insurance premiums in a qualified health plans.
- Alternative Trade Adjustment Assistance (ATAA) is a benefit for workers over 50 years old, who otherwise qualify for TAA benefits, and who obtain new employment within 26 weeks, with a wage subsidy to help bridge the salary gap between their old and new employment.

Appendix B

Governor's Office Rapid Response Plan

North Carolina Rapid Response Plan for Pillowtex

North Carolina has developed a highly experienced Rapid Response team that provides coordinated services to workers and communities in the event of a mass layoff or plant closing. Here's what all workers who lose their jobs in "trade affected" industries can expect:

- ⌚ 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
- ⌚ Access to additional weeks of Unemployment Insurance for workers who are in training or pursuing remedial education. (Average unemployment payments for Pillowtex workers will be \$260 per week; many Pillowtex workers have already been laid off)

In addition, there are two new programs that the federal government is in this process of implementing that should offer workers who lose their jobs in "trade affected" industries:

- ⌚ Healthcare premium payment assistance. Workers who are in training or have a training waiver may be eligible for a tax credit of 65 percent of their healthcare premium or a 65 percent advanced payment of their premium.
- ⌚ Wage supplementation for workers 50 years of age and older who are reemployed when companies have significant number of workers 50 and above.

Given the scale of job loss and the impact of these plant closings on Kannapolis, Eden and their surrounding regions, the Governor has formed a state-level team charged with helping displaced workers and affected communities to recover from the Pillowtex closing. The state team, made up of high ranking officials from the Division of Employment and Training, the Employment Security Commission, the North Carolina Community College System office, and the Department of Health and Human Services, will work with all partners including Pillowtex management, union representatives, other state agencies, local community colleges, local government, and other local service providers to achieve the following goals:

- A) Maximize available resources from federal, state and local level and ensure that they are used in the most efficient, effective manner possible. Ensure that displaced Pillowtex workers are certified as "trade affected" so that they are eligible for additional federal assistance under the Trade Adjustment Assistance Act, including:**

- o additional weeks of unemployment insurance coverage for workers in training programs
- o health care assistance (tax credit or partial payment of insurance premiums)
- o expanded assistance for older workers

- ⌚ Immediately apply for a National Emergency Grant of \$16 million from the US Department of Labor to make additional training opportunities and other supportive services available to displaced Pillowtex workers through community colleges and other providers. This application has already been prepared.
- Work with local community colleges to determine the additional resources (facilities, equipment and staff) that will be necessary to provide a first class response to a wave of displaced Pillowtex workers who will be seeking retraining and remedial education opportunities. Direct resources from the National Emergency Grant and the state Department of Commerce to ensure capacity at local community colleges for workers seeking training opportunities.
- Assure that mechanisms are in place so that qualified workers can receive payment of 65 percent of health care premiums for themselves and their families. (The State has applied for a National Emergency Grant of \$19 million to assist workers in the payment of 65 percent of their health insurance premium payments until this new federal program begins.)
- Maximize use of all federal and state resources that can be used to assist worker transition to training, retraining, and reemployment.
- Redirect necessary state funds to ensure capacity at local community colleges for workers seeking training opportunities. Basic education, literacy, human resource development, small business development, and short-term occupation skills training will be available to Pillowtex workers.

B) Cut through red tape and ensure that dislocated workers and their families receive available income supports, job training and placement, and other services as quickly and as easily as possible. To this end, the state will:

- Streamline the process of applying for unemployment benefits. Workers, with assistance from the company, will be able to file claims electronically. This will make the process much easier for workers, and will minimize the waiting period for workers receipt of unemployment benefits.
- Establish “one-stop” service centers in each of the affected facilities to provide information and support to workers and their families affected by the closure. Services will include:
 - o Assistance in filing for unemployment benefits
 - o Job skills assessment
 - o Referral to training and retraining programs
 - o Job placement assistance
 - o Financial planning
 - o Translation assistance for workers with limited English speaking ability
 - o Assistance in applying for the new Health Care Tax Credit assistance, and – when available – Alternative Trade Adjustment Assistance for older Pillowtex workers.

- Survey employees and review labor market information to determine the appropriate training and workshops that would be needed.
 - Streamline state purchasing and procurement processes so that community colleges can enhance their capacity to serve displaced Pillowtex workers as quickly as possible.
 - Establish a web page for the benefit of Pillowtex workers and their families. This webpage (www.centralinaworks.org), along with other communication tools, will provide timely information on resources and services available to the workers.
- C) Encourage and support the work of community-based organizations and community volunteers who are ready to assist Pillowtex workers and their families in various ways.
- Work with the Bank of America Foundation and other local businesses and foundations to create a special emergency fund for local providers who find their organizations overwhelmed in their efforts to meet the basic human needs (mortgage payments, rent, utilities, food, and counseling) of displaced Pillowtex workers, their families and others affected by the closing.
- D) Work with economic development officials in communities hit by the Pillowtex closing to attract new employers to the region and strengthen existing businesses.
- Continue to work intensively to find textile companies to take over existing Pillowtex facilities and preserve textile jobs.
 - Ensure that all appropriate economic development incentives, tax credits, and other resources are maximized for these communities.
 - Provide resources to help communities investigate re-use alternatives for plants that may be closed.
 - Work to spur grassroots entrepreneurial efforts in affected communities.
- E) Continue to raise the Bush Administration’s awareness of the devastating impact of the international trade on North Carolina communities and urge a new path on international trade policy including the following steps:
- Devote sufficient resources to fight illegal smuggling and customs fraud
 - Take action to curb currency manipulation that gives our trading partners unfair advantage
 - Initiate the “special China safeguard” on sensitive textile and apparel categories to control the unfair surge of Chinese imports into the United States market.
 - Combat the widespread dumping of textile goods on U.S. markets and address the failure of trading partners to open their markets to U.S. products

Appendix C

ESC Timeline

The Year of Pillowtex

April 2003 – Pillowtex officials meet with Governor’s Rapid Response team to discuss future of Pillowtex

April 2003 - Rapid Response team has first of many meetings with ESC representatives to discuss Pillowtex issues.

May 20-21, 2003 – ESC, USDOL, and DET representatives meet with Pillowtex officials at Myrtle Beach, SC

May 2003 – Local government agency officials, community leaders and Pillowtex representatives began planning for possible layoffs.

May 29, 2003 – Representatives from Employment Security Commission and workforce Development Commission first meet with Governor’s staff to discuss Pillowtex

June 17, 2003 – Secretary of Commerce Jim Fain convenes meeting in Raleigh which included elected local officials and economic developers from Cabarrus, Rowan, and Rockingham Counties as well as Governors staff, ESC representatives, and Workforce Commission representatives

June 23, 2003 – The ESC submitted a proposal for a \$7.6 million bridge grant that would assist all eligible, trade-affected workers in paying their health care premiums while their paper work is being processed for the Health Care Tax Credit (HCTC).

July 28, 2003 – Partner agencies in Rockingham County meet to plan orientation sessions should Pillowtex close.

July 30, 2003 – Pillowtex Corp. announced it has closed 16 textile manufacturing and distribution facilities and is terminating approximately 6,450 salaried and hourly positions.

July 31, 2003 – ESC Management makes unprecedented decision to file unemployment insurance claims electronically on behalf of Pillowtex workers.

July 31, 2003- Brian Williams, ESC’s IS Technical Support Manager, inspects Plant 4 for technology installation.

August 1, 2003 – HCTC offers advance payment option to enrollees

Aug. 2 and 6, 2003 – For the week ending 7/26/03, the ESC mailed 3,611 unemployment insurance checks to employees.

August 1- 4, 2003 – ESC's IS Construction Site Manager, Jay Haddock, designed set-up for the installation of the technology (computers, phones, fax).

August 4, 2003 - Rapid Response meeting held at Plant 4 with approximately 60 people in attendance

August 5, 2003 – Rapid Response held at Decorative Bedding Plant in Eden.

August 6, 2003 – Staff in Region 3 were identified and an orientation session was held to convey expectations

August 6, 2003 – The ESC assisted in the creation of a web site, www.centralinaworks.com containing information on various benefits and filing procedures for Pillowtex workers.

August 6, 2003 –ATAA Program implementation date

August 7-13, 2003 – Information sessions were held for the former Pillowtex employees at Plant 4. There were four sessions held per day with approximately 300 people per session in attendance. Information was provided by ESC, DSS, RCCC, IRS, United Way, VR, and BCBS.

August 7 & 8 – Orientation sessions held at Madison Square in Madison for the affected workers in Pillowtex's Eden plant – ESC, Rockingham Community College, WIA, and a host of other agencies were on site to provide information about Employment Services, TRA, UI, WIA, etc.

August 8, 2003 – Web site information was changed to remove the Internet Initial Claims link and to provide weekly claim update page and link to unemployment insurance information on web site.

August 8 & 11, 2003 –Trade petitions filed for Pillowtex workers not covered under the June 2001 petition

August 9, 2003 – ESC mailed 3,932 checks for the week ending 8/2/2003.

August 11, 2003 – Gordon Allen, Reidsville ESC Manager, participates in local radio program describing ESC and other partner agency responses to the Pillowtex closing.

August 11 and 15, 2003 – ESC mailed 4,043 checks for the week ending 8/9/2003.

August 14, 2003 – Opening Day of Pillowtex Service Center – ESC’s IS staff (Stan Nesson’s crew) installed a wireless system for laptops and PC’s in the resource center. Tim Parker’s staff delivered furniture and at the end of the day, it was an operational JobLink Career Center. Local office staff were serving Pillowtex workers throughout day.

August 14, 2003 – expiration of TAA petition for workers in Plant 1, filed June 2001

August 14, 2004 – Job Fair- HOPE held at Lowe’s Motor Speedway

August 15, 2003 – USDOL Secretary Elaine Chao and Governor Easley each announced two National Emergency Grants totaling \$20.6 million to assist trade- affected workers in North Carolina. \$13 million would go for job retraining for Pillowtex workers

August 19, 2003 – ESC mailed 4,039 checks for the week ending 8/16/2003.

August 20 – September 4, 2003 – Former employees of Plant 1 (already had a petition approved) were invited to group sessions for enrollment in TAA/TRA. Approximately 2700 were invited and a little over 2100 attended.

August 21 – Claims numbers were updated, along with information on separated claims status.

August 21, 2003 – Claims were processed for the week ending 8/23/03 totaling 4,013. ESC mailed checks the next day.

August 26, 2003 – Job Fair held at Carolina Mall in Concord

August 28, 2003 – More than 4,000 claimants were sent letters notifying them of separated status and to begin filing weekly claims online or by telephone. Web site updated with information on separated claims status.

September 5, 2003 – TAA and Alternative TAA (for older workers) petitions approved for employees of plants not under June 2001 petition.

September 18-25, 2003 – TAA/TRA sessions were held for the second wave of employees. Approximately 1168 attended out of the approximate 1500 that were invited.

September 24-26, 2003 – TRA orientation sessions are held at Rockingham Community College

October 2, 2003 – GGST LLC purchased Pillowtex at auction for \$128 million.

October 7-28, 2003 – The One Stop Plus effort added federal partners from USDOL, IRS, Veteran’s Administration, FDIC, HHS, Social Security Administration, HUD, U.S. Department of Commerce Economic Development Agency, Small Business Administration, and USDA. They were present every Tuesday in October from 8AM to 1PM.

October 9, 2003 – Blue Cross Blue Shield reduced premium rates for workers participating in HCTC program

October 14, 2003 – An effort to recruit workers for the service/hospitality sector in the Mooresville/Lake Norman area began. Charlotte Transit and the Mooresville Chamber were present at Plant 4 to recruit and provide transportation for the interested workers.

October 27, 2003 – A job fair was held at Plant 4 with 12 employers and approximately 250 job seekers in attendance.

December 18, 2003 – Tim Beam and Tim Parker visit potential sites for new Service Center location

January 26, 2004 – Pillowtex Resource Center opens at new location at 322 Oak Avenue Mall in Kannapolis.

Appendix D Community Service Center

Community Service Center – Policies and Procedures

Statement of Purpose

The community Service Center is committed to providing high quality, integrated health and human services to Cabarrus County residents who are former employees of Pillowtex.

Facilities

The Community Service Center is located in Kimball Memorial Lutheran Church at 101 Vance St. in Kannapolis, NC. The church has gone to extreme measures to offer their facilities to the programs offering services. Staff and guests are asked to be respectful of church property.

Agencies and Services

The following agencies and services can be accessed through the center:

- Cabarrus Community Development Corporation – Budget Counseling, Mortgage Counseling
- Cabarrus Co. Department of Social Services – Food Stamps, Medicaid, Financial Assistance
- Cabarrus Health Alliance – Prescription Review and other health care services
- Cabarrus Regional Urban Ministries – Budget Counseling and Financial Assistance
- Consumer Credit Counseling – United Family Services – Budget Counseling, Mortgage Counseling
- Cooperative Christian Ministries – Financial Assistance
- NorthEast Medical Center – Parish Nursing Program
- Piedmont Behavioral Health – Mental Health Services
- The Salvation Army – Financial Assistance

Appointment and Walk-in Scheduling

Beginning 9-8-03 the hours of the Community Service Center have been changed to 8:00 a.m. to Noon each day. No appointments will be given and clients will be seen on a “first-come” basis between 8:30 a.m. and 10:30 a.m. each day. There will be a staff meeting each day at 8:15 a.m.

Operation of Front Desk

Volunteers scheduled by the American Red Cross staff the reception desk each day. These volunteers are responsible for several tasks each day.

- a. Greet each person that enters the center and placing their name on the main clipboard. Note the time of arrival and whether or not the client has been here before.
- b. If the person is a walk-in who has never been to the CSC before hand them a white card to complete and place their name on the “Applications Needed” clipboard (LAVENDER)
- c. If the client has received prior assistance and completed the Financial Application, please pull their white card and check with the operations manager to determine which

clipboard their name should be placed on: Financial Assistance, Food Stamps/Medicaid, or Health.

- d. Please answer all phone calls. This can be done by pressing * 45 after picking up the handset. If possible take a message, or transfer the call (hit flash and their extn.) There is a phone message book on the table for your convenience.
- e. For individuals who call in seeking assistance, instruct them to come to the Community Service Center any business day between 8:30 and 10:30 a.m.

Client Records

Because we are gathering a great deal of personal and financial information as well as health information all client information is considered highly confidential. All files should be returned to the operations manager each evening to be locked in the file cabinet.

Every client coming into the system should have a "Brief Assessment" white card. This card should never be removed from the premises.

Additionally, each client file should have an "Activity Log" attached to it that contains detailed information about what agencies have been involved with this client and exactly what happened, including the dollar amounts of any funds distributed.

Finally please attach all other pertinent paperwork including the "Medical Review" and signed "Release of Information" form.

There is a shredding machine located next to the copier. Please shred any unnecessary copies of documents or any other documents containing personal information.

The CSC Operations Manager maintains blank original copies of all necessary documents.

Completion of Financial Application

Page One:

- a. Accurately record all contact information
- b. List everyone in the household for whom this is a primary residence. For example this would not include children who are only in the home on weekends.
- c. Also list anyone in the household who is employed and their employer and length of employment.

Page Two:

- a. Record any services the person is already receiving from DSS and who their case worker is.
- b. List any other assistance they have received in the past three months
- c. Circle if they own or rent their home and add the amount of rent and who the landlord is
- d. Record all income for the month as well as the anticipated income. If they are receiving UIB then multiply the weekly amount by four. Rent subsidy and Food Stamp amount are not included in the calculation for benefits
- e. Total all income

- f. Record all Assets

Page Three:

- a. Carefully complete all household expenses. The column labeled "Current Month" should reflect the amounts typically paid by the client.
- b. Use the "Now Owing" column to reflect all past due amounts. Use the comments area to make note of any unusual expenses or situations
- c. Total the clients typical expenses
- d. Compare income to expenses
- e. If the client appears to be in a situation that cannot be sustained and you cannot easily recommend strategies that bring them into a positive cash flow, please refer them to Consumer Credit Counseling.

Integration of Services

The integrated service delivery system is designed to assist all clients in accessing multiple services at a single site. In order to maximize staff efficiency and reduce waiting time for clients, it is necessary for all staff to adhere to the same protocol for moving clients between services. Please refer to the flow chart of activities, but remember that this flow chart is more conceptual than actual. It is more important to get the clients the help they need than to follow the exact protocol!

In general the following processes should be adhered to:

Any client coming into the system seeking any kind of financial assistance (rent, mortgage, utility, auto, prescriptions) should have their name placed on the Financial Assistance Clipboard (GREEN). From that point forward it is the responsibility of the staff member(s) who work with each client to see that they are appropriately routed to the correct table(s). The process typically follows this pattern:

1. The Financial Application is completed. This can be done by Salvation Army Staff, Urban Ministry Staff or Food Stamps and Medicaid Staff (only when they do not have a client waiting)
2. If the individual is seeking assistance for prescriptions, the staff at the Health table must first review this request before the Financial Application can be processed. Please see to it that their name is placed on the Health Table clipboard (PINK)
3. The Financial Application (for all types of requests) will then need to be processed by a DSS Crisis/Financial Assistance staff member if the person is found to be under 200% of poverty, or by CCM if the person is over 200% of poverty. Please ensure that the client's name is on the appropriate clipboard.
4. If a client is also found to be under the income guidelines for Food Stamps, please place their name on the Food Stamps/ Medicaid clipboard (BLUE)

5. If a client is under 200% of poverty and has children under age 18, please give them a Health Choice Application to return in the mail.
6. If a client is seriously behind in their finances, please encourage them to make an appointment with Consumer Credit Counseling or visit with a credit counselor at the center when they are available.
7. If a client exits the system before they have received all necessary services (e.g. they run out of time or don't have all the necessary paperwork), please ask them to come back the next morning as early as possible.
8. If a client must return additional paperwork to you, please provide them with a clearly labeled envelope and instructions about how to return the information. If you will not be at the center the next day, either notify your replacement, or tell the client to have the materials forwarded to you at your office.

NOTE: If a client has already completed the financial application (during a past or current visit) and does not need additional assistance with rent, or auto payments, it is possible that their name can be placed on the clipboard for either Food Stamps/.Medicaid or the Health Table. Front Desk Volunteers, please show these records to the Operations Manager or Site Coordinator in order to determine the appropriate list.

Attachments:

- Prescription Assistance Procedures
- Cash Flow Analysis Procedures

Comments of CSC United Way on Site Manager

Chronology of Events

7/1/03	Pillowtex receives first loan extension
Mid-July	UW began organizing meetings with local social service providers to determine the best course of action. Service Center was considered best possible resource
7/23/03	Service Center location request made to church
7/30/03	Pillowtex announced bankruptcy, plant closing; all employees terminated Community Service Center opening announced
8/4/03 – 8/5/03	Public Meetings at the Service center were conducted outlining the basic service available. All former Pillowtex employees were invited to attend. About 1,200 people attended with nearly 600 workers completing screening interviews and approximately 400 scheduling appointments to return to sign up for services. Initial survey was completed.
8/6/03	Began providing individual services at the Service Center. Average of 60 people a day for the first week.
10-1-03	Reduced hours to half-days due to reduced demand

Things that worked well

- ♦ Integrated Service delivery system was far beyond anything experienced before
- ♦ Public information meetings allow people to self-eliminate themselves from some programs. They also really seemed to enjoy the reunion with their fellow employees.
- ♦ Leadership team began focus-group meetings with Union leadership to understand their perspective
- ♦ Having food served at the public meeting really helped keep a pleasant attitude despite large crowds and long waits.
- ♦ Having the ESC, the Service Center and the Food Pantry all within one block of each other was helpful.
- ♦ Did a good job of pulling in other resources as the needs evolved throughout the process, e.g. insurance advocates, legal resources for bankruptcy claims.
- ♦ Being in a church was the best possible choice. People were clearly “on their best behavior”

Things that didn't work well

- ♦ Didn't anticipate the amount of walk-in clients
- ♦ Directory published by UWCC was far too "wordy," Needed brief bullet-point document.
- ♦ Never really had the time to do more than take care of the masses. There were plenty of people that fell through the cracks and no one to really advocate for them.
- ♦ Were never able to implement budget-counseling model, despite several attempts.
- ♦ Don't feel like we did a good job taking advantage of the "Random Offers of Assistance," that came in early.

Things I would do differently

- ♦ Didn't anticipate multiple needs of each individual. Very few individuals had only one need, should have scheduled multiple appointments for everyone.
- ♦ Would have done more work on the data collection instrument and database system up front.
- ♦ Learning curve was steep! Never really had any time to seek out the experiences of others

