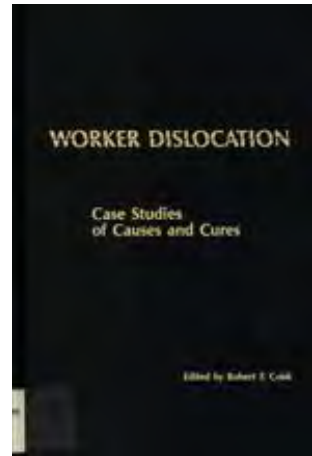


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# The Hillsborough, North Carolina Dislocated Worker Project

Wayne Turnage  
*Westat*



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# 6

## **The Hillsborough, North Carolina Dislocated Worker Project**

### ***Introduction***

The Dislocated Worker Program observed in this case study is located in the town of Hillsborough, in Orange County, North Carolina. The project was funded to provide Title III services for approximately 400 workers affected by the closure of the Cone-Mills textile plant. Program services offered by this project included job search instruction; direct job placement; and, to a lesser extent, on-the-job and classroom training. The project began operation in December 1983 and ended in March 1985.

### ***The Local Labor Market***

The Hillsborough Title III project is located in the Orange County labor market area. Labor market data for this county are reported on both a monthly and an annual basis. Annualized data for 1984, monthly employment figures for 1984, and annualized employment and wage data for 1983 are used to provide a description of the Orange County labor market. Table 6-1 provides the estimated number of persons employed in Orange County by industry for 1983.

In 1983, the Orange County labor market provided employment for 33,000 people. An important characteristic of this labor market is its diversity. Although the largest employer, the government, employs approximately 58 percent of the workforce, no other single industry provides a significant proportion of total employment. More important,

the declining manufacturing sector employs slightly less than 10 percent of the Orange County workforce. The largest manufacturing industry in the county is textiles, but textiles employs less than 3 percent of the total workforce of Orange County.

**Table 6-1**  
**Labor Market Data for Orange County During 1983**

Industry	Number of employees
Nonmanufacturing	
Government	19,350
Trade	5,750
Service	3,900
Construction	940
Manufacturing	
Textile	940
Printing	440
Lumber and wool	210
Other manufacturing*	1,470
	33,000**

SOURCE: Employment Security, Durham, North Carolina.

\*This category includes the food, apparel, furniture, chemistry, rubber, stone glass cleaning, nonelectrical machinery, electrical machinery, and transportation industries.

\*\*This figure does not include persons who work two jobs or commute in and out of the community, and agriculture workers.

A favorable result of this diversity has been that employment declines in one particular industry have not appreciably affected overall employment levels. Evidence is found in the Orange County unemployment rates. Monthly unemployment rates for the area during 1984 fluctuated from a low of 2.7 percent to a high of 5 percent. The average annual unemployment rate for 1984 was only 3.7 percent. The director of the Durham Employment Security office stated that the unemployment levels for Orange County have historically been the lowest in the state.

Table 6-2 shows the relative growth in employment by industry from December 1983 to December 1984.

**Table 6-2**  
**Relative Growth in Employment by Industry**  
**in Orange County, North Carolina**

Type of industry	Employment growth (percent)
Nonmanufacturing	5
Construction	16
Trade	6
Service	5
Government	2
Manufacturing	6
Electrical machines	20
Textile	-29
Apparel	-14

SOURCE: Employment Security, Durham, North Carolina

Overall, employment in the county during 1984 grew by 5 percent in nonmanufacturing and 6 percent in manufacturing. However, behind this apparent stability are serious employment problems in the textile and apparel industries. While employment grew in manufacturing, the textile and apparel industries experienced declines of 29 and 14 percent, respectively.

### *The Origin of the Hillsborough Title III Project*

The textile mill in Hillsborough began production of woven fabric in 1846. The plant was purchased by the Cone-Mills Corporation of Greensboro, North Carolina, in the early 1950s. During a span of 30 years, Cone-Mills became the largest firm in Hillsborough (a town of roughly 3,000 residents) and the second largest firm in Orange County. Offering relatively high wages and stable employment in a small town, Cone-Mills was a significant element in the tax base of the town and in the Hillsborough business district.

The problems of the textile industry in general, and the Cone-Mills company in particular, are longstanding. The textile industry has been

faced with strong international competition that benefits from much lower labor costs and the use of modern technology. This competition has placed pressure on the textile industry to become less labor-intensive and more mechanized.

However, like other textile companies in the South, the Cone-Mills Corporation was particularly hard hit by the recessions of the 1970s and early 1980s. When the economic recovery began following the 1981 recession, the ability of Cone-Mills to invest in more modern equipment was weakened by foreign competition. As a consequence, the Cone-Mills Corporation announced plans to reduce its workforce by 1984.

A statewide survey of 58 major firms found similar problems among other textile companies. Twelve of the 15 firms reporting employment declines in 1984 were textile companies. During the same year, 61 textile plants closed in North and South Carolina as the industry reduced its workforce by 19,500.

A primary part of the Cone-Mills workforce reduction was the Hillsborough plant. When the plant closing was announced in December 1983, Cone-Mills employed 550 people. When the plant closed in spring 1984, a total of 416 employees received "pink slips." Management from the plant indicated that approximately 130 employees left Cone-Mills during the period after the closing date was announced and before the plant actually closed.

The economic effect of the closing was immediately felt in this small town. At the time of the observation for this case study, the small businesses which surrounded the plant were boarded shut. The town's historic district, which depends upon tourism, was still in operation. However, the small businesses in the historic section of Hillsborough offered few, if any, job opportunities for the laid-off Cone-Mills workers.

For several months, buoyed by rumors of a possible buy-out by another textile firm and supported by unemployment benefits, many former employees waited for possible reemployment at the plant. This optimism disappeared and the reality of their situation became obvious, however, when the Cone-Mills Corporation removed all useful equipment from

the Hillsborough plant to its operation in Greensboro. Not long afterward, the plant was boarded shut. To the most optimistic observer, the plant was shut for good.

### *Organization of Title III in North Carolina*

JTPA in North Carolina is organized in the Department of Natural Resources and Community Development. Within this cabinet level agency, responsibility for both Title IIA and Title III is lodged with the Department of Employment and Training. An executive level decision was made in FY83 to establish the Employment Security Commission as the major contractor for the Dislocated Worker Program.

The Department of Employment and Training monitors Employment Security's performance as a service provider under Title III. Several meetings were held between the two agencies during the first months of FY83 to develop a statewide plan for implementing the program. Since that time, the department has assumed what is best described as an oversight role. It provides guidance on policy matters but does not scrutinize every Employment Security funding decision. It depends on the experience of the Employment Security in delivering training services.

In an effort to create a multifaceted approach to the problems of North Carolina's displaced workers, both the Department of Community Colleges and the Department of Commerce received subcontracts from Employment Security to assist in the development of the program. The Department of Community Colleges, an administrative arm for a network of 58 colleges, is primarily responsible for providing institutional training. The Department of Commerce subcontract supports a single staff member and authorizes the Division of Business Assistance to conduct labor market research and coordinate industry involvement.

The state level organization for the Dislocated Worker Program in North Carolina reflects the strong economic development interest on the part of the governor's office. This is further evidenced by North Carolina's New and Expanding Industries Program, which was created

to organize efforts to attract new industry to the state. As part of this program, Title III funds are offered as a potential resource to retrain displaced workers for any new industry if it indicates that none of its former employees will be left unemployed in its prior location.

The state attempted to influence service mix through the Governor's Special Service Plan. That document contains a table of planned enrollment and expenditure projections by program activity (see table 6-3).

As indicated in table 6-3, the state planned for more than half of its total Title III funds to be used to provide on-the-job training. The remaining funds were to have been equally divided between institutional training and employment services.

**Table 6-3**  
**Title III Enrollment and Expenditure Projections**  
**(Total FY83, TY84, PY84, and Discretionary Funds Equal \$7,068,000)**

Program activity	Number of enrollees	Funding levels*	Total funding*
Services**	5,850	1,476	20.9
Institutional training	1,700	1,595	22.6
OJT	2,936	3,998	56.6

SOURCE: North Carolina's Governor's Special Service Plan.

\*Dollars in thousands

\*\*This is a catch all service category that includes a job search workshop, employability counseling, and placement services.

The emphasis on OJT is consistent with the economic development interest of the governor's office. OJT involves the private sector and increases job placements. In addition, state plans to enroll more than half of the Title III participants in job search and employability counseling points to a planned emphasis on matching participants with available job opportunities, rather than funding long-term training programs. In fact, rapid job placement through job search and OJT contracts is particularly important in light of a requirement that Employment Security

produce a statewide entered employment rate of 72 percent during the transition year and program year 1984.

The Title III contract was awarded to Employment Security on a non-competitive basis in response to the agency's proposal to provide Title III services through its local offices. The Title III coordinator in the Department of Employment and Training cites the following reasons for the selection of Employment Security to operate the program:

- Employment Security has the capacity to effectively and efficiently identify UI eligibles and recipients;
- Employment Security has an excellent track record for conducting intake without audit exceptions; and,
- Employment Security has consistent program procedures across the various local offices.

The importance of the first point should not be understated. North Carolina, like other states has an interest in rapid targeting and placement of those who are receiving benefits from the state UI program supported by a payroll tax on employers. The organization of the program in a job placement agency and the emphasis on job search articulated in the Governor's Special Services Plan indicates the state's program on a statewide basis is that it gives the state maximum flexibility to target resources in any geographical area or on any industry they desire. Equally important is the existing statewide network of Employment Security offices. With training facilities and local staff in place, Employment Security can respond to dislocated worker problems as they surface.

At the beginning of calendar year 1984, each local Employment Security office was authorized to provide Title III services in its area. In addition, the state has targeted plants with "an emerging dislocated worker problem" (plants giving notice of termination). If such a plant happens to be located in an area that does not have a local Employment Security office, the state will set up a local office, as was the case in Hillsborough. Services are primarily directed to workers from the



targeted plant. However, state policy requires that services be provided to any person in the area who meets the eligibility criteria with the noted exception of homemakers, farmers, and the self-employed.

The subcontract that Employment Security has with the Department of Community Colleges allows that agency to accomplish two tasks. First, it permits the local offices to enroll dislocated workers in the community college system without having to negotiate a contract for each classroom training enrollee. Second, it helps Employment Security generate the match for the program through the use of state funds provided by the colleges.

Subcontracting with the Division of Business Assistance links it to Employment Security and the Department of Employment and Training to form a task force in charge of identifying local dislocated worker problems. Staff from these three agencies were instrumental in mobilizing a prompt response to the Cone-Mills shutdown. The Division of Business Assistance worked with the personnel staff at the plant to develop a profile of the workers who were laid off. The Orange County Economic Development Agency also assisted local Employment Security staff with initial contact and intake procedures.

There was little private sector involvement in the program and no indication of private sector involvement in the preprogram planning. State officials met with personnel from the Cone-Mills plant before it closed to establish a schedule of events, but the Cone-Mills officials did not involve themselves in program planning. On the implementation level, the only private sector firm involved in service delivery was a professional credit counseling agency. This organization worked directly with Title III referrals to help manage their debts and household budgets.

Due to the lack of union activity in Orange County, there was a total absence of union involvement in the program. The last attempt at unionization was made by the Amalgamated Clothing and Textile Workers Union (ACTWU) in May 1978.

### ***The Eligible Population***

Although North Carolina's targeting policy prohibits the exclusion of persons from the program who meet the federal eligibility criteria, the Employment Security office in Hillsborough was opened with the express intent of serving workers displaced by the closing of the Cone-Mills textile plant. According to local staff, "participation was not limited to workers from the Cone-Mills plant, but we have been very careful about serving outsiders because of the large number of Cone-Mills workers that need assistance."

The workers laid off from the mill are closely tied to both plant and community. Attracted by the relatively high entry-level wages the company offered, many of them left high school before completion (33 percent of the enrollees are dropouts) to work at Cone-Mills. The convenient location of the textile mill allowed many employees to walk to and from their job. According to one of the local operators, "Some of the workers walked to work for over fifteen years. . . a number of them don't own cars and some don't even have a valid driver's license."

At the time of the closing, the average wage for the entire plant was \$6.75 per hour. This is about equal to the average wage for the textile industry in the Raleigh-Durham SMSA and only \$1.31 less than the average wage for the highest paying manufacturing industry in the state.<sup>1</sup> The average entry wage at Cone-Mills was \$5.15 per hour. The director of the Durham Employment Security office indicated that this entry wage was significantly higher than the entry wages paid by other companies in the area.

Table 6-4 provides information on the average wage by job title for a sample of 218 of the 550 people who worked at the plant. Table 6-4 also indicates the skill distribution at the Cone-Mills plant. Over 70 percent of the positions involve some type of skill. However, these skills are specific to the textile industry and not easily transferred to other jobs in Orange County. Further, because of increased efforts to mechanize production, many of these skills have become obsolete *within* the textile industry due to introduction of new equipment.

**Table 6-4**  
**Average Wage Per Hour by Job Title**  
**for 218 Dislocated Cone-Mills Employees**

Job title	Number of workers	Average wage
Cloth inspectors	29	\$5.60
Doffers	18	6.85
Loom Fixers	12	8.05
Roving-frame operators	12	6.75
Spinners	30	6.20
Spooler tenders	18	6.15
Weavers	33	7.20
Electricians	4	8.80
Lift-truck operators	5	5.55
Maintenance mechanics	6	8.80
Material handlers	40	5.30
Clerical/payroll clerks	11	6.00

SOURCE: Plant Closing Report, North Carolina Department of Commerce, Business Assistance Division.

### ***Program Services***

The Hillsborough Dislocated Worker Project officially opened its doors for group intake on December 27, 1983, three weeks after a letter announcing a March 1984 shutdown had been issued. With the assistance of the Orange County Economic Development Agency, the old courthouse building in downtown Hillsborough was used by Employment Security staff to organize the group intake sessions. Both the local newspaper and the plant ran advertisements which provided instructions for setting up appointments with local staff.

During the first two weeks, the local office held three to four sessions per day. At each session, they talked with approximately 18 Cone-Mills employees. The group intake was used to discuss the Dislocated Worker Program, provide information on how to apply for UI benefits and other services, and encourage workers to stay in the labor force.

After group intake, most of the workers returned to fill out an application form. This form was used in conjunction with a master list from the personnel office of Cone-Mills to determine eligibility. Eligible participants were then enrolled in one of six programs: employment counseling; direct job placement activities; job development; job search skills workshops; GED or community college programs; and on-the-job training.

Participants were not required to enroll in a particular component or a sequence of particular activities. The group intake and enrollment process was used to assess interest in particular components. Following assessment, the local program staff often enrolled participants in a catchall service component which featured job search and employment counseling. Once a participant completed a program, he or she was either terminated or enrolled in another activity. Because of the lack of participant interest in relocating or commuting long distances to work, job placement efforts were focused on businesses in the Durham, Mebane, Chapel Hill, and Burlington areas.

The project has not changed from its original design in any way. Local staff knew that the Hillsborough labor market offered few job opportunities that could match the wage levels paid by Cone-Mills. They were aware of the expanding economy in Orange County and the Raleigh-Durham SMSA; and they also knew that the Cone-Mills employees would not favor traveling outside of Hillsborough to find work. Therefore, their basic strategy was to emphasize the limitations of the Hillsborough labor market while stressing the need to commute to areas where employment opportunities existed. Once this was accomplished, local staff used the range of services discussed earlier to try and match participants with available jobs. Since these factors were considered during the planning stage, major adjustments during the program were not necessary.

The two basic services offered through Hillsborough's classroom training were basic educational courses, and "curriculum programs." The basic educational programs offered remedial or adult basic education services, GED certification courses, and the opportunity to earn a high

school diploma. The length of time for these activities was open-ended, determined largely by the participant's ability. Program staff reported longer periods of training for Cone-Mills employees because of their educational deficiencies.

The curriculum programs are either one or two years in length, and offer the opportunity to earn an Associate Degree in several academic and technical fields: digital electronic repair; word processing; teacher's aide; business administration; criminal justice; and nursing. Enrollment in these programs is limited to those participants who meet the entry requirements of the particular institution. There is a need-based payment system in place for participants in classroom training programs. However, staff point out that most participants have second earners in the family who make them ineligible for need-based payments.

OJT slots have been developed for entry level and skilled positions in seven industries or trades. They are: heating and air conditioning; sheet metal work; pipe fitting; construction; electronics; printing; and toy manufacturing. The average length of training is six months.

The job search workshops are designed to improve the job finding techniques of the participants. According to program staff, the participant is made aware of personal strengths and familiarized with proper interview techniques and job application forms. Once the workshop is completed, the job search process becomes self-directed. The staff continue to make employer contacts and provide job listings, but the bulk of the job finding effort falls to the participant. The length of time spent in this activity also varies considerably. Participants are separated from the activity when the workshop ends but remain enrolled in the catch-all service category until they locate a job, leave the labor force, or request to be enrolled in another program activity.

Employability counseling and job search sessions are an integral part of the Title III program in Hillsborough. Although many of the Cone-Mills employees had impressive work histories (some having been employed over 15 years), they were not very knowledgeable about how to locate work.

Equally important is “wage and distance” counseling. The Cone-Mills employees had to come to grips with the reality of working outside Hillsborough and for lower wages. The average wage at Cone-Mills was the second highest among manufacturing industries in the area. Acceptance of a lower wage job was reported to be a tough reality for many participants. One staff member commented, “Even after counseling, participants had to actually experience wage loss or extended unemployment before they accepted what we were saying.”

The first service developed was the institutional training program. A learning lab sponsored by the Durham Technical School attracted the early interest of participants primarily because of its convenient location. This thrust lasted about three months. As the program moved through the transition year, staff began to develop a number of OJT contracts with various small businesses and one large contract with an electronics assembly plant. As noted, participants who were not initially enrolled in either of these two components were placed in the catchall service category. Enrollees in this component received job search instruction, employability counseling, job development, and job placement services. The breakdown by service is provided in table 6-5.

**Table 6-5**  
**Enrollments in the Hillsborough Title III Program**  
**by Program Activity, February 1985**

Program activity	Total number of enrollees*	Percent of enrollees*
Service	315	87.0
OJT	61	16.4
Institutional skills training	50	13.9
Adult Basic Education/GED	51	14.2

SOURCE: Employment Security Commission in Raleigh, North Carolina.

\*The figures sum to more than the total number of enrollees (360) and 100 percent because some participants were enrolled in more than one service.

A majority (87 percent) of the participants were enrolled in the catch-all service category at some point during their stay in the program. It was common to provide basic service as an initial intervention before assigning a participant to OJT or institutional training. Local staff indicated that the majority of the participants served through mid-February 1985 favored the job placement activities provided in the services component, rather than long-term retraining programs.

### ***Participant Characteristics***

Program staff indicated that over 95 percent of those served in the Hillsborough Title III program were former employees of Cone-Mills. Local staff did not exclude persons who met the federally established criteria, but targeted the program to Cone-Mills workers. This was accomplished by directing intake efforts towards the textile plant workers and by checking each applicant against a personnel list from the plant.

Characteristic data shown in table 6-6 reveal a population that has a slightly higher percentage of blacks (52 percent) than whites, and is mostly female (60 percent). Additionally, 70 percent of the participants were between the ages of 22 and 44; 23 percent were 44 years of age or more; and 33 percent were high school dropouts. The recent labor force attachment of those served is indicated by the high percentage of enrollees who were receiving unemployment insurance benefits upon entering the program (89 percent).

### ***Program Outcomes***

Local staff employed two primary job development strategies. First, they had a direct job placement strategy. Through this approach, participants were referred directly to available job openings identified through Employment Security's job development network in Raleigh and Durham, and through phone contacts made by the Hillsborough staff. The second approach was in-house job development, in which staff made daily contact with area employers to inquire about their interest in direct referrals from the program's employability development components or for graduates from the classroom training component.

**Table 6-6**  
**Participant Characteristics**

Characteristics	Number	Percent
Total participants	360	
Sex		
Male	145	40
Female	215	60
Race		
White	174	48
Black	185	52
Age		
21	26	7
22-44	252	70
45-54	57	16
55 and over	25	7
Education		
School dropout	118	33
High school graduate	242	67
Benefit reciprocity		
U.I. claimant	319	89
U.I. exhaustee	10	3
AFDC	9	3
SSI	8	2

On the surface, these placement strategies appear to be very effective. Program data through February 1985 reveal that 225 of 230 participants were terminated into unsubsidized employment. This 98 percent placement rate must be considered with caution. Program data for this same period of time indicate that 360 participants were enrolled in the program. This means that 130 enrolled participants are not considered in the calculation of the entered employment rate through February. Staff indicate that some of these participants are still enrolled in either on-the-job training or classroom training activities. Those not enrolled in these programs are in the catchall service activity. Thus,



the actual placement rate could be as low as 63 percent. Final placement figures are not available, because the project staff have been moved to other locations.

Job placements for the 225 participants terminated into unsubsidized employment were in a variety of occupations. Included among those established for participants who were enrolled in the classroom training and services component are: salesperson; cafeteria attendant; cosmetologist; receptionist; dietary aide; garbage collector; clerk typist; audit clerk; janitor; cashier; groundskeeper; security guard; carpenter; dispatcher; electronic repair; and word processor.

The OJT placements were in the construction industry; pipe fitting; heating and air conditioning; sheet metal; electronics assembler; a toy manufacturer; and a printing company.

A surprising finding was that slightly over one-third (34 percent) of all placements were in the textile industry. This suggests two possibilities. The first is that some part of these workers were only frictionally, as opposed to structurally, unemployed. The second (and more likely) possibility is that these workers faced future unemployment as the result of true dislocation in this industry.

The average wage for participants placed was \$5.53 per hour. This represents an 86 percent wage replacement rate relative to their pre-layoff average wage. The average termination wage of \$5.90 for participants returning to the textile industry is noticeably higher, i.e., a wage replacement rate of 92 percent.

### ***Overall Assessment***

There are several important aspects of the Hillsborough Dislocated Worker Program. First, the state gave itself the discretion (via a statewide program organized noncompetitively) and capacity (through its local Employment Security office) to respond rapidly to the problem at Cone-Mills. Staff from the Employment Security office were quick to discern the needs of the target population and plan and implement a strategy

for reemployment several months prior to the actual closure of the plant. This made for smooth implementation of the project.

A second important aspect is the targeting of the program to Cone-Mills employees. Had the staff chosen to serve anyone who met the basic eligibility criteria, it is questionable whether the program outcomes would have been as positive. Broadened targeting would bring into the program individuals who could not be easily placed through job search because of insufficient work history and job skills.

The third important aspect was the emphasis that local staff placed on finding immediate employment for those served rather than enrolling the participants in long-term retraining programs. The growing labor market of the surrounding area and the desire of those targeted for immediate placement justifies this approach.

At the same time, the fact that one-third of the placements were back into the textile industry is probably not a positive outcome in the long run. If the textile industry continues to decline, there will be future dislocation. It is therefore possible that reemployment in the textile industry is the nonunion equivalent to unionized employees "waiting for the plant to reopen." While they may be currently employed and receiving income (the nonunion equivalent of supplemental unemployment payments), it is likely that they face long run dislocation.

#### **NOTE**

1. This wage comparison is made using 1983 wage data for the electronics industry and 1984 data for the Cone-Mills plant.