

**Comments for the Joint Select Committee on Economic Growth and Development**  
Jim Cook, Director, Cabarrus County Division of Social Services

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**Chairmen, Mr. Mayor, County Commissioners, all.**

It is a privilege for me to be asked to speak with you of what has happened here in the community of my birth, the community I have been honored to serve for the past 20 years as Social Services Director.

***Introduction***

We appreciate your coming here—the interest you have in this community. It is an interest well directed. We unfortunately personify so many communities across North Carolina which have had heavy reliance on industries that are threatened: tobacco, furniture, textiles.

What has happened here has provided a stark example of the risks, potential damages, and challenges facing many North Carolina Communities. What Happened here as an Economic Disaster with Similarity to a Natural Disaster, and there is Much to Learn

We have suffered a disaster. An economic disaster, rather than a natural disaster, but an unqualified disaster none-the-less. For me, the experience has been like that of the three natural disasters in which I have served over the years.

It has been that of a community which has experienced massive destruction. Here, not with houses destroyed or swept away, but with the destruction of the means of livelihood for some 8,200 people in 3,300 families. There is value in thinking of the things we need to understand and to do in the same terms: prevention, preparedness, relief, and recovery. Systems and expertise we have in handling natural disasters are well developed. Corresponding systems and expertise for handling economic disasters are not as well developed With 50,000 manufacturing jobs, 90% in core industries of textiles, apparel, and furniture, lost since 2001, Pillowtex may have been just the most dramatic event in a disaster that has been happening in slow motion.

**Prevention**

We need to:  
Incent and encourage diversification of local economies.

Encourage GED, job skills training, especially for workers in threatened industries.

Encourage more attentive, responsible, responsive trade policies at the federal level. Free trade must be fair trade that considers the impacts on jobs here.

Have appropriate regulation of business that:

Out-sources jobs: US News reported a Research Triangle \$65,000 computer programmer job can be outsourced to India for \$6,500. If this continues unregulated, more than our traditional industries will be threatened. The high technology industries that are important to our future are threatened.

Behave as Pillowtex did: Choices made by the company in its last year made the situation for displaced workers much worse than it had to be: (Examples: deducting health insurance premiums from pay checks, but not paying medical bills; leaving \$5 million in medical service debts, then asking the bankruptcy court to let the Company pay half, in part from a foundation that provides scholarships to children of Pillowtex employers, withholding promised vacation pay many had counted on to catch up bills, then paying large retention bonuses to a few top executives.) There needs to be more effective external oversight of companies in this situation.

Regulation is a sensitive topic. We want responsible business in a business-friendly environment. My brother-in-law cautions: "Don't kill the goose that lays the golden eggs." What has happened here is a reminder, though, that geese don't produce just eggs.

### Preparedness

Again, the systems and expertise we have in handling natural disasters are well developed. Corresponding systems and expertise for handling economic disasters are not as well developed. Commend state agencies, and state and federal elected officials for the job they have done for securing resources and implementing services.

Dealt with the most complex programs, several brand new, which had to be developed and coordinated, then implemented on a huge scale. For example, they have dealt with unprecedentedly huge enrollment processes. There have been the most intensive, tireless efforts to find and bring resources here.

A couple of hitches in the area of preparedness:

State does not have programs to provide emergency assistance to individuals and families affected by layoffs, programs to prevent crises for families: evictions and foreclosures, utility cutoffs, going without prescribed drugs, losing cars needed for work. We were fortunate in Cabarrus to have a highly interested local foundation which

appropriated \$500,000 for this type of emergency assistance. Many communities do not have such resources, and could not provide the help needed by families. I have proposed creation of a State general assistance program from which boards of commissioners in counties that have experienced economic disasters could request funding. I believe the GA should consider legislation that would create such a program. Such a program would provide a means for distributing funds like the \$350,000 the Governor raised from Wachovia, BC/BS, Bank of America, and Duke Energy. (Incidentally, with the exception of the Duke funding, we have yet to see any of that funding here. A good process for distributing the money has been developed using the Foundation for the Carolinas, but the money has been needed in some communities much sooner.

Secondly, the State did use a Rapid Response Team to deliver State and Federal Assistance in response to the Pillowtex calamity. However, it was weeks into the crisis before the Rapid Response Team was able to come, and serious needs existed in that period. It had to wait on the company to declare it was closing before it could come. Here, though, three-fourths of Pillowtex employees had not worked for six to eight weeks before the closing. Many of the families were in the most desperate straights by the time the RRT was in place here. Steps need to be taken to provide for timely response of the State's Rapid Response Team.

Finally, all counties have disaster plans for natural disasters. It would not be a bad idea for counties to have disaster plans for this type of disaster.

You need to be aware when you have heard state officials talk about National Emergency Grants and Rapid Response Teams, while they are crucial resources and processes, they resources don't cover the type emergencies so many families face, and the "rapid response" isn't as timely as it needs to be.

### Relief

Disasters bring out the best in people and in communities. It's a good thing. We have faced massive needs. Local agencies, with the United Way leading the way with planning and coordination, worked closely together for weeks prior to the Pillowtex closing to develop the best means of responding to the high level of needs they were seeing, and expected to see with the closing.

A one-stop Community Services Center was opened within four days of the closing at Kimball Memorial Lutheran Church, a block from what would be the site of the State Rapid Response Team's service center. 13 local public and private agencies staffed the CCC initially. Resources totaling about \$900,000 was collected from the Cannon Foundation, Cabarrus County, and a number of other donors. A common application was used for assistance provided by most agencies.

A survey commissioned by the City of Kannapolis reflected the level of need:

The average unemployment check has been about \$275 per week, just 60% of what people had earned. 35% of respondents reported other income in the home, so there was a dramatic decrease in incomes. Half the families have children, and on average these families have two children.

Still, unemployment benefits have place most over the income limits for Food Stamps. Unemployment benefits are a lifeline, but they are insufficient to meet many of these families' basic needs, and there is scant other help, other than emergency, one-time financial assistance, then food banks and other charities.

As a measure of the hardship being faced families, by early August, 38% of respondents were two months behind with rent or mortgage payments.

Most employees lost health insurance abruptly with the closing. We estimate there are around 8,200 people in households of Cabarrus County's laid off workers. The COBRA policy arranged by Pillowtex had family coverage premiums at over \$1,000 a month, unaffordable for almost all. Federally-subsidized BC/BS insurance was not available until October. Then there have been concerns with affordability, and a min-bogglingly complex process for enrolling, then getting signed up for NEG funds to help pay premiums initially, then getting signed up for the federal tax credit through which the subsidy is to be paid ongoing.

BC worked hard, federal people worked hard, state people worked hard, and local people have worked hard to get people enrolled. We've worked to get church sponsors for those who can't afford their 35% share of premium costs. There has been a massive struggle to get all this done. Still, last I heard, less than half have been enrolled.

As a result, what we have here is a public health emergency. Before Pillowtex closed, our County had 14,000 uninsured persons. We have made great efforts to provide health care to these, and the systems for doing this were at their limits. Now we have added perhaps 4,000 more uninsured.

We are doing our best to provide care, especially prescribed drugs. We've developed a program with NEMC to provide prescribed drugs at cost to folks below 200% of the poverty level. We will run out of funds for that, though.

Our best hope for providing access to health care to this large new group of uninsured citizens now is to secure federal approval for a federally-subsidized Community Health Center in Cabarrus. An application was submitted Monday for that.

The Blue Cross/Blue Shield insurance plan the State approved for displaced Pillowtex workers was the only available plan for use with the federal TAA subsidy program. This is not a group plan. Displaced workers are underwritten on an individual basis. This overall approach has not been effective. The State should establish a “high risk pool” among health insurance providers, similar to that used with auto insurance providers in assuring coverage to high-risk drivers, to help insure displaced workers are able to secure health insurance.

Through November, through local funds, emergency financial assistance has been provided to prevent evictions, loss of utilities, or to secure drugs in just under 1,100 family crisis situations. We’ve spent about \$350,000.

We expect a very difficult winter, as we hear employment benefits are decreasing, people have been depleting savings, and even 401K plans.

This community effort has complemented the State Rapid Response Team services. Both have been crucial.

### Recovery

First of all, effective relief efforts are essential to recovery. People who can’t get essential medicines can’t get jobs if they are sick, for example. There is increased substance abuse and family violence where people can’t cope with financial stresses. If people are impoverished through loss of their equity in their homes, and their retirement plans, they are demoralized.

Of course, the only cure for all of this is good paying jobs. There are people who will speak after me who know so much more than me about how to create these.

The TAA program resources: job skills training, insurance subsidies, extended benefits are essential to recovery. The numbers, though are discouraging. As many as 40% of these displaced workers had no HS diploma or equivalency.

The average worker was 45 years old. In Cabarrus, we have lost 3,300 jobs, counting the contractors Pillowtex used. We think we create 1,800 jobs here a year. The largest number of new jobs are retail cashier and clerk jobs, paying maybe 70% of what the average Pillowtex employee made.

The ESC offices in Cabarrus and Rowan Counties told me recently that they are now placing about 200 former Pillowtex employees in new jobs each month as part of the approximately 600 total job placements they are making.

RCCC, if I recall correctly, has enrolled about 1,500 former Pillowtex employees in courses. This resource is a God-send, not just for the added marketability it gives these former employees, but for the time being bought for the creation of more jobs.

We have to do all we can obviously to attract new employers. We also need to encourage small business entrepreneurship through seminars, course offerings, mentoring programs, and business incubators.

We have to do some unconventional things. One thing we could do would be to incent job development by having a demonstration project which would allow the ESC to offer prospective employers of displaced workers their unemployment benefit as a part of a wage to be paid the worker. The employer would have to provide a match for this money in the form of additional dollars for the wage to be paid as well as through the provision of benefits. This could be for periods up to 12 months. One attractive aspect here would be use of federal TAA dollars, rather than dollars from the state Unemployment Insurance Trust Fund, which is currently stressed. Here in Cabarrus, we did a welfare reform program that used welfare benefits in the same way to incent the hiring of welfare benefits. Senator Hartsell got us the state enabling legislation to do that. It works. The Commissioner of the ESC has been asked to pursue such a program. We understand that he is.

It will take initiatives like this and more to get our community and others across the state through these troubles.

Again, I thank you for your attention and concern.