# LAYOFF AVERSION PLAYBOOK©

2018

Updated with Current WIOA Regulations

## Steel Valley Authority

*Foreword from Governor Tom Wolf*

# About the Authors

**Robert Value, CTP**: Bob is a Certified Turnaround Professional who has helped struggling small and mid-size companies for 29 years. Before that, he worked at a premier middle-market investment-banking boutique for five years. He is the Steel Valley Authority Deputy Director, and manages its nationally acclaimed manufacturing layoff-aversion program, the Strategic Early Warning Network, or SEWN. Under his leadership, SEWN has grown into a five-office, statewide program that saves Pennsylvania manufacturing jobs.

**Deb Lutz**: Since December 2016, Deb has served as the SEWN Erie Regional Director. She has a background in economic development, workforce improvement and in local government. Ms. Lutz has an MBA from Clarion University, was a county commissioner in Venango County, worked in banking in the private sector and has served as a board member and volunteer for numerous local agencies. A Venango County resident, Deb works out of the Erie Steel Valley office, in the Erie Multi-Modal Center.

**Carrie Mihalko**: As Chief of Staff for the Steel Valley Authority in the Pittsburgh office, Carrie provides content marketing, communications and general administrative support. Mrs. Mihalko earned a Masters of Public Relations from Full Sail University and has more than 20 years of experience in higher education and non-profits. She contributes a unique viewpoint on audience outreach, board development, fundraising and event planning.

The **Steel Valley Authority, or SVA,** founded in 1986, initially supported the Pittsburgh region's manufacturers with preserving jobs. In 1993, the Pennsylvania Department of Labor & Industry, or L&I, embraced SEWN. Thereafter, the program expanded to five regional offices across the state, and has helped more than 1,000 companies and saved more than 25,000 manufacturing jobs.

# Table of Contents


## FOREWORD Governor Tom Wolf
*Page 4*

## CH 1 Introduction
*Page 5*

- Introduction
- Outlook on the Future of Manufacturing
- Looking Ahead to the Layoff Aversion Guide

## CH 2 Policy Review
*Page 8*

- Section 2.1 New Opportunities for Integration
- Section 2.2 Legislative Framework
- Section 2.WIOA and Sector Partnerships

## CH 3 Layoff-Aversion Toolkit
*Page 15*

- Section 3.1 Early Warning: The Key to Layoff Aversion
- Section 3.2 Preventing Layoffs
- Section 3.3 Job-Retention and Layoff-Aversion Strategies
- Section 3.4 Managing Layoffs

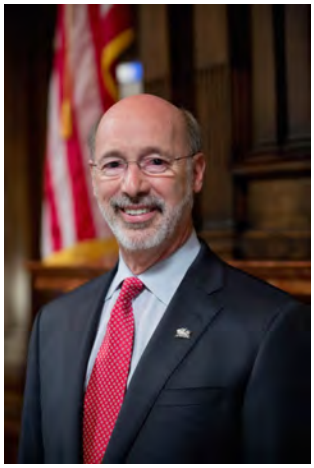
## CH 4 Rapid Response
*Page 45*

- Section 4.1 What is Rapid Response?
- Section 4.2 Rapid-Response Resources
- Section 4.3 Rapid Response and Layoff Aversion: An Integrated Approach

## CH 5 Layoff-Aversion Model and Resources
*Page 54*

- National Model: SVA's SEWN
- Appendix

# FOREWORD



As Governor of Pennsylvania and a former business owner, I understand how important legacy companies are to providing good, family-sustaining jobs and strengthening our economy. Therefore, my administration supports programs and partnerships working to expand Pennsylvania's job base in manufacturing and other economic sectors. Many communities were built around legacy companies, and they depend on those firms, supply chains and resultant economic growth.

In 1843, on the banks of the Susquehanna River, my family opened a store selling dry goods and lumber founding what would become the Wolf Organization. An innovator in the building products industry for 175 years, the Wolf Organization is a strong member of the York County community. After a stint away from my family's business, I returned to the company in 2009 to rebuild it during the recession. So I personally and fully appreciate the importance of maintaining the competitiveness of our Commonwealth's businesses, especially our "makers."

On July 22, 2014, President Obama signed the Workforce Innovation and Opportunity Act. or WIOA, into law, providing a framework for governors and states to make changes to their workforce systems. WIOA enables the Commonwealth to align workforce priorities across multiple partners, training providers, employers and others to ensure we are creating a skilled workforce for today and the future. Pennsylvania has worked hard to grow our "jobs that pay," and we're accomplishing our goals by coordinating efforts among partners: workforce and economic development, and education.

WIOA requires states to establish layoff aversion systems to ensure that, where possible, there is a rapid response effort to turn around at-risk firms. With sponsorship by the Pennsylvania Department of Labor and Industry and on-the-ground leadership from the Steel Valley Authority, or SVA, and its Strategic Early Warning Network our state has established the national model for integrated, effective, cost-efficient layoff aversion.

While it is important that we encourage new business start-ups, we must not forget the business owners, managers and workers. Among my top priorities is to invest in Pennsylvania's bright economic future by fielding a well--educated and skilled workforce, cutting red tape and supporting businesses' efforts to grow and thrive in Pennsylvania.

I am happy to present this newly updated *Layoff Aversion Playbook,* authored by the professional staff of the Steel Valley Authority, which provides a smart approach to turning around our legacy businesses and averting the layoffs of our skilled workforce. This *Playbook* demonstrates how to renew the enterprises and empower the workers to make our economy work.

Tom Wolf, Governor

# Chapter 1

## Introduction

# INTRODUCTION

In 2002, the U.S. Department of Labor, or U.S. DOL, commissioned the SVA to author the U.S. DOL "Layoff-Aversion Guide," upholding the department's dislocated-worker principle of "prevention of layoffs whenever possible." Dating back to 1988, when Congress passed the 60-day WARN Act, the department encouraged layoff aversion as part of rapid-response approaches to help firms, workers and communities survive economic downturns and disruptions.

In 2015 and 2016, the SVA helped win new language as part of WIOA requiring states and local workforce development boards establish layoff-aversion programs. While there's been a learning curve, the new job-saving mandate's mission remains the same: prevent layoffs.

After working for a quarter century to uphold the gold standard of layoff aversion, with five offices across the commonwealth, the SVA staff is proud to provide this critical update to the original U.S. DOL guide. Chartered in 1985 by the City of Pittsburgh and local mill towns in response to severe deindustrialization, the SVA is a special-purpose regional jobs authority. A mix of regional business, labor, community stakeholders and former clients serve on its advisory boards.

Acclaimed as a pioneer in layoff aversion by the prestigious Century Foundation and other distinguished thought leaders, the SVA has intervened throughout innumerable economic crises to give business owners and stakeholders a fighting chance to survive. During this period, the SVA's SEWN has helped avert or defer the loss of tens of thousands of good jobs, at an average cost of under $1000 per job saved, and hundreds upon hundreds of loyal employers. This work, month in and month out, has yielded substantial public benefits, preserving billions of dollars in local wages and taxes, and preventing the loss of unemployment benefits and other welfare transfers.

We share our success with L&I, an SVA partner since 1993. A critical component of the state's rapid-response program, SEWN relies on a unique public-private information system, quality programs, public awareness, professional staff and consultants to achieve its objectives. Together, and with the help of many other business-labor-community partners, SEWN was built with the understanding that, as a society, we need to adopt an integrated, innovative approach to workforce and economic development. It should be part of a belief system that, instead of competing with other states to steal jobs, states and cities should help local businesses through all phases of the business life cycle.

Many shutdowns and mass layoffs can be averted with sufficient early warning, coupled with a well-organized and expedient business turnaround or buyout effort. States and local workforce development boards, or LWDBs or local boards , should establish layoff-aversion programs in good times as well as in hard times, because small business owners, managers and workers need a dependable, sustained initiative and capacity, not intermittent exercises.

A sustained layoff-aversion initiative should include early identification of firms at risk of layoffs, a quick response to assess at-risk firms' needs and options, the delivery of investment

# INTRODUCTION

and financial restructuring, economic development and adjustment, employment services and training services addressing risk factors. Early warning is crucial, not only to provide a short window to prevent dislocations, but to help workers who need critical transition services.

This manual provides a how-to for establishing core turnaround services (e.g. financial restructuring interventions and shared-work systems) integral to a real layoff-aversion system. It also identifies several helpful, complementary workforce services (e.g. incumbent-worker training and sectoral strategies) useful as part of an overall business-engagement approach by states and communities. Let us be clear, though, that complementary services will not prevent the destruction of enterprises nor long forestall layoffs.

There are new, exciting developments in the layoff-aversion field: helping businesses re-shore jobs in the U.S., getting smarter about engaging with broader value chains, providing guidance to firms interested in alternative ownership, smart systems and sustainability strategies. With the emergence of a global, more integrated economic system, American firms and workers are beginning to more fully embrace the human capital movement, which promotes diversity and elevates the workers' and stakeholders' participation, contributing to financial outperformance.

Today, more attention is being paid to working people and the difficulties they have faced through the years. If we want to remain competitive as a society, we must strengthen our productive economy's engine and human capital: those who make and build things, those who get up every morning and go to work. We hope this manual will inspire you to join with us in our praise and support of the people who built America.

Thomas Croft
Executive Director
Steel Valley Authority

# Chapter 2

## Policy Review

This chapter offers answers to many of the key questions policy makers and practitioners ask about layoff-aversion and business-retention strategies. It provides the framework of laws, policies, and standards governing the development of these strategies as applied under WIOA.

# SECTION 2.1
# NEW OPPORTUNITIES FOR INTEGRATION

WIOA was signed into law on July 22, 2014 (Public Law 113-128), enacting a new vision for how America prepares a modern workforce system that aligns education and training with businesses' needs and expands opportunity for workers and employers. The law replaces the Workforce Investment Act of 1998, or WIA, and amends the Adult Educational and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973. WIOA is the public workforce system's first legislative reform in 15 years. The Act officially took effect July 1, 2015, the first full program year after enactment.

As was the case under WIA, WIOA strongly encourages states to proactively anticipate and respond to layoffs. A number of best practices under the proposed rapid-response provision of federal job training programs have been shown to help states and communities attain economic stabilization.

States must also enable, if necessary, labor-management committees that can participate in retention-oriented aspects of rapid response. States can help local workforce development boards, or LWDBs , and elected officials develop coordinated responses, including access to state economic development assistance.

## FROM WIA TO WIOA - WHAT'S CHANGED?

The first and most obvious change from WIA to WIOA is related to layoff aversion. WIOA §682.320 states:

**"Rapid Response must include: (a) Layoff aversion activities as described in §682.320, as applicable."**

WIOA now specifically identifies layoff-aversion activities as a required Rapid-Response activity. This change was made because, as demonstrated under WIA, layoff aversion activities are critical to successful rapid response. To meet the needs of affected workers and businesses, rapid response must be:

- Proactive
- Data-driven
- Engaged with businesses
- Focused on preventing layoffs or minimizing their negative effects

Under WIA, most layoff-aversion activities were allowable. Under WIOA, they are required, ensuring that layoff aversion is a central focus of all rapid-response activity.

While §682.330 does provide examples of allowable layoff aversion activities, the regulation does not prohibit Rapid Response teams from engaging in other activities that may be allowable.

§682.330(a) requires that states and local areas have the capability to conduct layoff aversion; however, it is left to the discretion of Rapid Response program operators to determine which strategies and activities are applicable in a given situation, based upon specific needs, policies, and procedures within the state and operating areas.

# SECTION 2.2
# LEGISLATIVE FRAMEWORK

## OPPORTUNITIES THROUGH WIOA

- With WIOA's enactment, the workforce system has greater flexibility to engage employers in developing the workforce for an economic region from preparing entry-level workers, to retraining transitioning workers, to upskilling incumbent workers.

- WIOA modernizes and streamlines the workforce system, promoting stronger coordination of services and programs, wider business involvement in delivering training, and enhanced support for jobseekers with disabilities and unemployed youth not in school.

## HIGHLIGHTS OF WIOA REFORM

- Requires states to implement layoff aversion as part of their workforce development program
- Promotes sector partnerships
- Promotes accountability and transparency
- Fosters regional collaboration
- Improves the American Job Center, or AJC, System
- Improves services to employers and promotes work-based training
- Provides access to high-quality training
- Enhances workforce services for the unemployed and other job seekers
- Improves services to individuals with disabilities
- Makes key investments in serving disconnected youth and other vulnerable populations
- Enhances the Jobs Corps Program
- Streamlines and strengthens workforce development boards' strategic role

# LEGISLATIVE ENABLING LAWS

WIOA regulations at Title 20 of the Code of Federal Regulations describe legislative guidelines to implement rapid-response activities and outline the allowable activities with respect to layoff aversion. Rapid-response activities are briefly discussed below.

This section concludes with discussion on §682.330, rapid-response required activities and §682.340, other activities that can be undertaken as part of rapid response. The detailed rapid-response program overview will be discussed in Chapter 4 of this guide.

## What are rapid response activities?

Generally, rapid-response activities "encompass the activities necessary to plan and deliver services to enable dislocated workers to transition to new employment as quickly as possible, following either a permanent closure or mass layoff, or a natural or other disaster resulting in a mass job dislocation or the filing of a Trade Adjustment Assistance (TAA) petition."

## Who is responsible for providing them?

***The state.***

- Rapid response is a required activity carried out in local areas by the State, or an entity designated by the State, in conjunction with the LWDB and chief elected officials.
- The state must establish methods by which to provide additional assistance to local areas.
- The state must establish and maintain a rapid-response unit to carry out statewide rapid-response activities.

## §Section 682.330 What rapid response activities are required?

Rapid-response activities must include:
(a) **Layoff aversion activities** as described in§ 682.320, as applicable. *(See Chapter 3 for a complete discussion on layoff aversion activities.)*
(b) Immediate and on-site contact with the employer, representatives of the affected workers, and the local community, including an assessment of and plans to address the:

(1) Layoff plans and schedule of the employer;
(2) Background and probable assistance needs of the affected workers
(3) Reemployment prospects for workers; and
(4) Available resources to meet the short and long-term assistance needs of the affected workers.

(c) The provision of information and access to unemployment compensation benefits and programs, such as Short-Time Compensation, comprehensive one-stop delivery system services, and employment and training activities, including information on the TAA program (19 U.S.C. 2271 et seq.), Pell Grants, the GI Bill, and other resources;
(d) The delivery of other necessary services and resources including workshops and classes, use of worker transition centers, and job fairs, to support reemployment efforts for affected workers;
(e) Partnership with the Local WDB(s) and chief elected official(s) to ensure a coordinated response to the dislocation event and, as needed, obtain access to State or local economic development assistance. Such coordinated response may include the development of an application for a national dislocated worker grant.
(f) The provision of emergency assistance adapted to the particular layoff or disaster;

(g) As appropriate, developing systems and processes for:

# LEGISLATIVE ENABLING LAWS

(1) Identifying and gathering information for early warning of potential layoffs or opportunities for layoff aversion;
(2) Analyzing, and acting upon, data and information on dislocations and other economic activity in the State, region, or local area; and
(3) Tracking outcome and performance data and information related to the activities of the rapid response program.

(h) Developing and maintaining partnerships with other appropriate Federal, State and local agencies and officials, employer associations, technical councils, other industry business councils, labor organizations, and other public and private organizations, as applicable, in order to:

(1) Conduct strategic planning activities to develop strategies for addressing dislocation events and ensuring timely access to a broad range of necessary assistance; and

(2) Develop mechanisms for gathering and exchanging information and data relating to potential dislocations, available resources, and the customization of layoff aversion or rapid response activities, to ensure the ability to provide rapid response services as early as possible;

(i) Delivery of services to worker groups for which a petition for **Trade Adjustment Assistance** has been filed;
(j) The provision of additional assistance, as described in §682.350, to local areas that experience disasters, mass layoffs, or other dislocation events when such events exceed the capacity of the local area to respond with existing resources as provided under WIOA sec. 134(a)(2)(A)(i)(II);

(k)Provision of guidance and financial assistance as appropriate, in establishing a labor management committee if voluntarily agreed to by the employee's bargaining representative and management. The committee may devise and oversee an implementation strategy that responds to the reemployment needs of the workers. The assistance to this committee may include:

(1) The provision of training and technical assistance to members of the committee; and
(2) Funding the operating costs of a committee to enable it to provide advice and assistance in carrying out rapid response activities and in the design and delivery of WIOA authorized services to affected workers.

**§ Section 682.340 May other activities be undertaken as part of rapid response?**

(a) Yes, in order to conduct layoff aversion activities, or to prepare for and respond to dislocation events, in addition to the activities required under §682.330, a State or designated entity may devise rapid-response strategies or conduct activities that are intended to minimize the negative impacts of dislocation on workers, businesses, and communities and ensure rapid reemployment for workers affected by layoffs.
(b) When circumstances allow, rapid response may provide guidance and/or financial assistance to establish community transition teams to assist the impacted community in organizing support for dislocated workers and in meeting the basic needs of their families, including heat, shelter, food, clothing and other necessities and services that are beyond the resources and ability of the one-stop delivery system to provide.

# SECTION 2.3

# WIOA AND SECTOR PARTNERSHIPS

Promoting sector partnerships (industry-driven partnerships aligning education, training, economic development and other organizations' efforts) is a new, key WIOA component. In fact, two of the law's six stated purposes address the need to align and improve workforce development, education and economic development.

More importantly, WIOA mandates the use of and support of sector partnerships at the state, regional and local levels. The following primer outlines those requirements.

## DEFINITION OF SECTOR PARTNERSHIPS

WIOA defines an industry or sector partnership as: a workforce collaborative, convened by or in partnership with a state board or local board that organizes key stakeholders in an industry cluster into a working group focused on the industry cluster's shared goals and human resources needs.

The partnership must include representatives of multiple employers in the industry cluster, at least one labor representative and at least one representative of a postsecondary institution or provider of education and training that supports the industry cluster. The law identifies several other organizations that may participate, including: state and local economic development agencies, a state workforce agency or other entity providing employment services and business or trade associations.

## STATE REQUIREMENTS

The state workforce development board, or state board, is required to help the governor develop and expand strategies for meeting employers', workers' and job seekers' needs, particularly through industry or sector partnerships related to in-demand industry sectors and occupations.

Funding reserved by governors must be used to help local areas provide information about, and support for, the effective development, convening and implementation of industry and sector partnerships. Funds must also be used to share information about best practices regarding working with employers.

Funding may be used to implement strategies designed to meet employers' needs statewide, which may include sectoral and industry-cluster strategies and implementation of industry and sector partnerships. Funds may also be used to improve coordination of workforce investment activities with economic development activities.

## LOCAL REQUIREMENTS

The regional planning process conducted by local boards and chief elected officials in each planning region must result in the development and implementation of sector initiatives.

# SECTION 2.2

# WIOA AND SECTOR PARTNERSHIPS

The local board must lead efforts to engage employers to develop and implement proven or promising strategies for meeting workers' and employers' skill needs, such as establishing industry or sector partnerships.

The local plan must include a description of the strategies and services that will be used in the local area to engage employers and better coordinate workforce development programs and economic development, which may include industry and sector strategies.

Local funds must be used to develop, convene or implement industry or sector partnerships.

## PERFORMANCE ACCOUNTABILITY

Among the new, primary performance indicators is at least one effectiveness measure in serving employers, determined by the Secretaries of Labor and Education prior to PY 2016.

The Workforce Innovation and Opportunity Act

**Final Rules**

WIOA Works for America

Our nation's workforce development system provides critical support and services to workers who want to develop the necessary skills for a good job and to employers who need skilled workers to compete. The enactment of the Workforce Innovation and Opportunity Act (WIOA) by bipartisan majorities in Congress revitalized and transformed the public workforce system so that it reflects the realities of the 21st century economy and meets the needs of job-seekers, workers, and employers. The WIOA Final Rules include reforms that will affect more than a dozen programs receiving $10 billion in annual training and education funding and programs that serve approximately 20 million Americans each year.

The Departments of Education and Labor, in close collaboration with the Departments of Health and Human Services, Agriculture, and Housing and Urban Development, have provided leadership in the implementation of WIOA. The WIOA Final Rules, made publicly available on June 30, 2016, enable the workforce development system to more efficiently and effectively provide career pathways to Americans of all walks of life and a talented pool of workers for businesses of all sizes, which are vital to shared prosperity and a growing U.S. economy.

**WIOA WORKS FOR WORKERS AND JOB SEEKERS**

Prior to the enactment of WIOA, individuals who needed job training or education often had difficulty navigating across agency lines to assemble an effective training and employment plan. The WIOA Final Rules improve coordination between and among agencies so that workers and job seekers have more seamless access to a system of high-quality career services, education, and training through the one-stop service delivery system, known as the American Job Centers, and partners. The WIOA Final Rules also ensure the measurement and public reporting of the performance of education and training providers so that those seeking services can have access to provider performance information that will help them make informed choices about which training or education programs to pursue. Customers will also have information to better inform their choices when selecting training programs.

**WIOA WORKS FOR EMPLOYERS**

Under the WIOA Final Rules, businesses will inform and guide the workforce system, ensuring that services are well aligned with their workforce needs. Workforce boards implement industry or sector partnerships and use high-quality worker training, including proven strategies such as apprenticeship, to ensure businesses have a pipeline of skilled workers.

Additionally, under WIOA, the Administration will implement the performance measure geared specifically on how well the workforce development system is serving businesses. Given the need to determine which performance measure will be most meaningful for assessing strong service to employers, the Joint Final Rule proposes a set of State pilots to test three different measures; including employee retention with the same employer, market penetration, and repeat business.

**WIOA WORKS FOR COMMUNITIES**

Meeting workforce needs is critical to economic growth through partnerships at the State, regional, and local levels. WIOA promotes alignment of workforce development programs with regional economic development strategies to meet the needs of a wide range of employers and to enhance community development. WIOA also places a greater

*June 2016*

Page | 1

# Chapter 3

## Layoff Aversion Toolkit

As the policy-review section noted, WIOA identifies layoff aversion and job retention as important workforce development components. Even so, retention itself has a relatively short economic development history. Practitioners may face difficulties financing retention projects, given that economic developers typically prefer financing new development projects.

However, there are numerous federal, state and local programs and subsidies applicable to layoff aversion. Because retention programs involve a wide range of professionals for successful service delivery, the agencies represented by these professionals can have access to these resources. This chapter reviews some of the tools, resources and successful development strategies used by retention experts. First, it is important to identify the key terms when coordinating layoff-aversion efforts.

### KEY TERMS IN LAYOFF AVERSION COORDINATION

The WIOA change requiring layoff-aversion activities to be part of states' rapid-response activities brings a new set of terminology to service providers. Layoff aversion consists of strategies and activities to prevent or minimize the duration of unemployment resulting from layoffs. The strategies referred to in §682.320 and 682.330 discuss many terms listed on the following pages.

# KEY TERMS IN LAYOFF AVERSION COORDINATION

**Broad Coordination in the Public, Private, Labor, Community and Education Sectors**

Business-retention activities are most successful when implemented through broad partnerships at the appropriate operational level. Federal agencies are improving the coordination of technical and financial assistance for communities and regions, firms and workers affected by sudden and severe economic distress. At the state level, departments of economic and community development, employment and training and other key agencies should host cabinet-level coordination for retention efforts. At the regional level, workforce partners should include key political offices, educational institutions such as technical schools, community and vocational colleges, utilities and banks, and regional labor and business groups.

**Monitoring Economic Trends and Possible Aversion Events**

The rapid-response program encourages industrial and economic monitoring to alert transition services and layoff aversion alike as to the potential for plant closures or mass layoffs. There are several information sources available for industrial monitoring, from national sources such as U.S. Industrial Outlook, to state, university and non-profit labor-market research programs, as well as private research sources, such as Dun & Bradstreet and IbisWorld.

**Early Notification and Access through the Worker Adjustment and Retraining Notification Act (WARN)**

Federal law requires some employers to give advance notice of a plant closing or mass layoff to local chief elected officials, the state rapid-response unit, and workers and their representatives sixty (60) days before the official layoff date.

**Early Warning Systems**

Early warning systems have become a common feature of many different business retention programs. Early warning mechanisms identify firms at risk of leaving or closing prior to actual decisions by companies to shut down or move. Research and training systems can be established to monitor the early warning signs that a firm or industry may be in trouble.

**Capacity Building and Support in the Local Community for Rapid Response/Retention**

To plan and implement new layoff-aversion programs, it is vital for states and communities to develop institutional capacity and support organizations, partnerships and consortia who monitor, respond to and avert layoffs. Layoff-aversion programs require varying levels of expertise or access to retention experts, staff and operations support, and various other points of capacity.

**Economic Development Linkages**

Formal and institutional linkages are discussed more fully in later sections of this chapter. These linkages help integrate the workforce investment system into the economic development infrastructure.

# KEY TERMS IN LAYOFF AVERSION COORDINATION

**Labor/Management Coordination in Rapid Response/Retention**

Employers and workers may choose to establish a labor-management committee, or LMC, to facilitate rapid-response efforts at specific dislocation sites. LMCs provide information about services, programs, and the labor market. They promote early delivery of services and encourage responsiveness to dislocation sites' specific needs. Additionally, they help with overall program coordination by increasing company, employee and labor involvement during the transition period.

**Feasibility Assessments and Specialized Technical Assistance for Retention**

An assessment should be initially conducted to determine whether it is possible to continue the business operation and under what conditions it might be successful. It can provide objective evidence that there is no likelihood of the business reopening (or not closing). The feasibility study will assess if a company's operations may be sustained through a buyout or other means to avoid or minimize layoffs. Assessing basic elements of the business will include studying methodology, organizational analysis, market analysis, operations/manufacturing analysis, financial analysis, legal analysis and conclusions.

**Alternative/Employee Ownership Support**

An employee stock ownership plan provides the company's workforce with business operation interests. These companies are established under an Employee Stock Ownership Plan, or ESOP, where a broad cross-section of employees invest in the organization upfront. For smaller firms, a Co-Op model may be a more cost-effective and viable option. These are owned and self-managed by the workers with less stringent fiduciary obligations than an ESOP.

**Incumbent Worker Training**

In addition to the availability of WIOA-RR funds for incumbent worker waivers, investing public and private resources to support training of incumbent-worker training may prevent layoffs. The training can help stabilize a company by contributing to increased productivity and overall competitiveness. Even when this type of strategy fails to prevent a layoff, it can still help workers gain new skills. These new skills can help them become reemployed quicker in jobs offering a higher income. The Employment Training Panel (ETP) in California, funded by a special tax on in-state employers, reimburses the cost of employer-driven training for incumbent workers. Reimbursement is paid after the employer demonstrates that the training was completed and the employee was retained, at the minimum, for a 90-day period after training completion.

**Shared Work Systems**

Over thirty states have established Shared Work Programs, which provide an alternative to firms that are impacted by short-term business disruptions. Also called **Short-Time Compensation,** a shared work program is designed to prevent layoffs and are mostly available under unemployment insurance programs. Shared Work utilizes a state's unemployment compensation system to provide marginal short-term wage replacement funds for workers, and thus allows firms to avoid laying off valued employees. The US DOL has provided additional grants to assist states in this regard.

# INSTITUTIONAL BARRIERS

What are the most important institutional barriers to realizing opportunities to create a proactive, integrated retention mission, whether at the state or LWDB level? Many states and communities have developed layoff-aversion programs connected to workforce development systems. Unfortunately, while more than half the states have developed some form of layoff-aversion or jobs-retention services, they have not necessarily effectively coordinated the separate state and local agencies responsible for economic and workforce development. Some states have chosen to annually fund, but not institutionalize job-retention programs. There are opportunities for the integration of rapid response, layoff aversion and job retention in the WIOA system; however, states must first grapple with the difficult challenges and institutional barriers. Some of these include:

## Division of Labor

During periods of either economic decline or economic growth with extensive jobs restructuring, states and cities have generally taken the lead in business retention and expansion. The federal government has developed a complementary system for employment readjustment services for dislocated workers that is administered by states and local communities. However, business-retention efforts and rapid-response programs often target the same firms or workforces affected by distress or restructuring. This can lead to unnecessary overlaps and lack of coordination in public services. On the other hand, some progress has been made as noted by the National Governors Association, or NGA, "States have increasingly attempted to design and coordinate business retention and worker readjustment services through the development of complementary strategic goals, administrative integration, development of joint marketing and outreach programs, and the collection and sharing of information between agencies and programs."

## Professional Barriers

Employment and training personnel in the rapid-response field have traditionally focused on responding quickly to dislocated workers' immediate reemployment and transition needs. They are trained to help people who have emergency needs and have generally not developed the experience or skills to ask the question whether plant closings or mass layoffs could be avoided or mitigated. On the other hand, rapid-response specialists often come from diverse backgrounds with many having had business experience; business or economics degrees. Some have human resource backgrounds, labor and workforce experience or other occupational histories. While having experience and the skill set to deal with distressed businesses is a must, there is one character trait that is critical for success in either rapid response or layoff aversion: The professional **MUST CARE** about the affected workers' lives, the affected business and the community that might potentially suffer a plant closing or mass layoff.

## Competition

The economic development and workforce development communities have often been required to vie for limited public dollars and resources sometimes creating competition. States that have developed comprehensive, integrated systems or consolidated resources have the potential for more effectively achieving the overall goals of promoting economic growth and reducing economic dislocation whenever possible. Better communication and coordination can only improve each sector and help to create cost-effectiveness and cost-benefit for the public.

# EARLY WARNING NETWORKS

One of the first steps in creating effective job-retention strategies is establishing early warning systems that identify and track firms and industrial sectors which may be in trouble, or might benefit from early economic-development assistance. Understanding early warning indicators, whether identified as immediate danger signs, or as long-term patterns, can buy a community necessary time to develop alternatives to plant closures and job loss. Monitoring activities are an essential component of successful job-retention strategies, and also help provide earlier rapid adjustment response services.

States already collect LMI to support their workforce investment systems. Labor-market information is the science of collecting, analyzing, reporting and publishing economic activities to describe and predict the relationship between labor demand and supply. Governments at the federal, state and local levels also depend on LMI to determine new policies, make monetary decisions and pass legislation reallocating resources. Although LMI systems differ from state to state, data can typically be gleaned from some of the examples listed below.

| LABOR MARKET INFORMATION (LMI) SOURCES | |
|---|---|
| • Labor force and unemployment data<br>• Employment data by industry/occupation and projected employment in these categories<br>• Local economic trends and characteristics including cost of living information | • Population and related demographic data<br>• Occupational data by gender and race<br>• Occupational wage rates and earnings data by industry and geographical area |
| **OTHER SOURCES** | |
| • A common practice of business retention is the federal 60-day warning alert of mass layoffs or plant closures. These are conducted hand-in-hand with business visitation programs and can be used to form the basis of an early warning system.<br>• The Federal Trade Act Office in the Department of Labor and state rapid-response offices should also have Trade Act Petition information.<br>• Layoff data from unemployment filings also shows distinctive patterns of layoffs in a sector or firm, using SIC (standard industry classifications) codes, or other occupational codes. These can be compiled as often as weekly if necessary.<br>• Public loan defaults are development loans that companies have failed to repay. Through inter-agency and intra-agency sharing agreements, this information can be made available from state development departments. These problems are often mirrored by bank defaults and other financing problems.<br>• Moody's Industrial Manual and Standard & Poor's provide basic information on major companies, such as facilities by location and company performance data. | • Dun and Bradstreet, or D&B, reports provide information about firms and industries under stress. The D&B Alert tracks sudden changes in firms.<br>• Utility companies maintain reports of usage drops (e.g. elimination of a shift, cutbacks in overtime, fewer machines operating, etc.).<br>• Representatives of a company's customers and suppliers may learn if a company is in trouble through reduced products, services or payments. This information is generally available in the field.<br>• U.S. Industrial Outlook, published by the Dept of Commerce, analyzes current and forecasted trends for U.S. industries by four-digit SIC code.<br>• Major business magazines, regional business journals and local and regional newspapers report changes in management or markets; strengths and weaknesses of products; legal, labor and compliance issues, etc.<br>• Company annual and quarterly reports provide financial information on specific firms. These can be obtained through the Securities Exchange Commission website. All public companies have to file two documents: the 10-K annual report and the 10-Q quarterly report. These two documents are the official, legal statements on a company's financial health. The law requires them to be accurate, although there can be a "PR spin." |

# EARLY WARNING NETWORKS

Some states, cities and regions have established early warning networks, described in more detail later. One tool already mentioned, the federal WARN Act, requires employers to give local chief elected officials, the state rapid response dislocated-worker unit, as well as workers and their representatives advance notice of a plant closing or mass layoff.

Another common practice of business retention programs is to conduct surveys of either businesses and labor unions to determine potential economic performance problems that may lead to layoffs or closures. These are sometimes conducted hand-in-hand with business-visitation programs.

These early warning mechanisms have become a common among retention programs. The logical networks of early warning indicators include likely stakeholders: local mayors and council members, local unions, civic and religious institutions, chambers of commerce, utility firms, industry groups and other institutions.

Industry decline may be due to several causes. Once an industry declines, financing, long-term investment, operating cash flow and availability of loans, etc. may become a serious problem. Understanding factors that influence decisions to remain or to relocate can help identify services to provide in a region. The early warning checklist on the next page identifies common causation factors and warning signs of firms' declines.

Factors influencing business decisions to remain or relocate include:

| REMAIN OR RELOCATE: FACTORS INFLUENCING THE DECISION | |
|---|---|
| • Diversity of cost and availability of housing<br>• Quality and cost of education and training<br>• Quality and price of government services<br>• Availability and cost of land and buildings<br>• Safety<br>• Proximity to robust sales market<br>• Proximity to supply networks and raw materials | • Overall quality of the community<br>• Proximity to freeway corridors/ transportation network<br>• Availability of appropriately skilled labor at the right price<br>• Capacity and cost of public utilities<br>• Proximity to government facilities, universities, community colleges and other institutions<br>• Availability of public subsidies and tax advantages |

# EARLY WARNING CHECKLIST: CAUSATION FACTORS AND WARNING SIGNS

## FACILITY

- Obsolete physical plant
- Cumbersome operating procedures
- Lack of spare parts
- Old and outdated machinery
- Speed-ups lead to older-worker layoffs
- Repairs are not made
- Inefficient production process
- Equipment not up to quality standards
- Environmental problems
- Facility is in a metropolitan or suburban area that is gentrifying

## ORGANIZATION

- Inability to pay bills on time
- Managers, skilled workers or machinery moved to new plant
- New plant is opened in low-cost location
- Research and development are cut back
- Fewer product lines produced
- Parent corporation has major problems
- Corporate merger acquisition creates excess capacity
- Change in profit, market targets or distribution systems
- Local subsidiary is milked for other investment
- Hours and overtime eliminated
- Managers replaced frequently
- Weak management practices
- Irregular work or production schedules
- Lack of workforce training, upgrading or training cutbacks
- Sales staff/marketing cut
- Aging owners
- Shifts reduced
- Increase in subcontractors, temporary workers
- Lack of management and engineering talent

## MARKET

- Demand or sales declines
- Products, processes of services become obsolete due to technological innovation
- Increased domestic or foreign competition
- Changes in state/national taxation, regulation, monetary policies
- Change in international relations (e.g. markets or supplier/customers)
- Inventory stagnant
- Loss of market share
- Industry sector declines

## COMMUNITY

- Lack of access to raw materials, energy, products and services
- Lack of skill in local workforce
- Lack of quality or availability of land or infrastructure
- Changes to local/state tax or regulatory policies
- Lacking transportation
- Proximity to market changes, transportation costs, etc.
- High insurance rates
- Poor access to trucking, rail, water or air
- Utility rates high or lack of energy availability
- Business climate complaints

# The Intervention Timeline:

Plant closures, though often decided months or even years in advance, are sudden and very difficult to reverse by the time an announcement is made. With small and mid-sized companies, the risk of layoffs or failure is often more gradual with escalating symptoms. It is apparent that the earlier the stage of distress occurs, the higher the rate of success in turning the situation around.

**Ongoing strategic or administrative activities, (regardless of proximity to layoff or potential layoff:**

- Develop, implement, maintain and publicize a state or local layoff-aversion policy
- Create sustaining effective partnerships with a wide range of organizations that contribute to layoff-aversion strategies
- Gather data and intelligence related to economic transition trends in industries, communities or at specific employers, and planning strategies for intervention
- Develop early warning networks and systems using data and intelligence gathered
- Identify heavily concentrated industries, sectors and the geographic area's related training needs
- Engage in proactive measures such as business visitation or layoff forecasting programs to identify indicators of potential economic transition and training needs in growing industry sectors or expanding businesses
- Connect employers and workers to short-term, on-the-job and customized training and apprenticeships before or after layoff and prior to new employment

**More than a year prior to potential layoff:**

- Work with businesses to conduct comprehensive production-cost studies with the goal of continuing cost-effective production in the United States
- Help a company spin off an under-performing business unit to focus on core competencies
- Help companies practice continuous improvement in processes and quality, constantly looking for opportunities for new products, customers, markets and business models

# Layoff-Aversion Activities

**From approximately six months to one year before a layoff or potential layoff:**

- Partner or contract with business-focused organizations to assess a company's risks, propose strategies addressing those risks, implement services and measure effects of services delivered. Conduct analyses of suppliers to assess risks and vulnerabilities if a manufacturing customer closes
- Conduct feasibility or company valuation studies to determine the possibility for employee buyouts or Employee Stock Ownership Plans (ESOPs), or more commonly, the sustainability of the company with new products, retooled production processes or new customers and markets
- Facilitate employer loan programs for employee skill upgrading, when available
- Examine alternative business ownership options through economic development partners
- Use Trade Adjustment Assistance for Firms, or TAAF, to help employers negatively affected by imports to remain competitive
- Leverage short-time compensation programs through rapid response and business-engagement strategies

**From approximately six months prior to, up through and following a layoff:**

- Partner with organizations that have experience and expertise providing core turnaround services for distressed firms
- Use incumbent-worker training for eligible workers based on state or local rules, including TAA
- Encourage use of short-time compensation programs (shared work) in states with such programs incorporated into state unemployment insurance law
- Ensure strong connections with reemployment-focused activities in a state or local area
- Hold on-site job fairs or targeted hiring events with nearby business in need of workers with similar competencies or skill sets
- Conduct talent-transfer events or hold re-employment boot camps
- Connect to labor unions that may be able to help access skilled workers and assess their training needs
- Link with state or local economic development organizations to match business growth opportunities with available pools of skilled workers, including those currently dislocated or soon to be laid off

# SECTION 3.2
# PREVENTING LAYOFFS

## ESTABLISHING A STRATEGY FOR LAYOFF AVERSION

### Why Coordinate?

To effectively implement business retention strategies, the workforce development and economic development systems need to be closely coordinated.

In the National Governors Association's path-breaking review of state and community models for workforce-development integration, the NGA declared:

"There are a variety of mechanisms states have adopted to accomplish the coordination of business retention and worker dislocation response programs. Most of these mechanisms have been developed with the basic understanding that both business retention and rapid response programs often provide services to the same firms or groups of workers, many of the services are complementary, and that a major focus for both systems is jobs. Starting from these observations, it is clear that there are many opportunities for joint development of strategic goals, joint outreach and marketing of services, sharing of information and research results and the establishment of effective referral and follow-up procedures."

The NGA review introduced many of the new partnership ideas adopted by states and communities in the early 1990s. It noted:

"Several states have devoted considerable time, resources and attention to the redesign and development of their business retention and worker readjustment programs. The strategic goals that have motivated these efforts differ in each instance, but often the outcome is similar - an integrated system capable of customizing a broad, easily accessible array of services for each individual client (worker or firm)."

# STARTING POINTS FOR A LAYOFF AVERSION PROGRAM


Washington state's Retention Primer concisely states: "The purpose of a business retention and expansion program is to encourage local businesses and industry to remain in a community and continue to grow." A strong layoff-aversion program is most successful when it considers:

- What are the specific strategies? These would include industries/ sectors /geographical scope and other considerations.
- Is there community buy-in?
- What are the mission and program goals?
- What resources, human and capital, can be committed to the program?

Layoff-aversion practitioners know that often it is impossible to react to every dislocation. Some dislocations are cyclical or occur in industry sectors that are less crucial to a region's future. A market analysis of a state or region would examine four primary issues as a base for developing a retention strategy. They are:

1) What geographical markets related to a practitioner's mission and priorities are within an effective service area?
2) What are the regionally important industries that offer long-term potential to a region, those that represent growth of new jobs and those that anchor a foundation of firms and supplier-chain relationships that are important to the overall economy?
3) How deep and broad are the supply chains supporting these important industries and the dominant companies in those industries?
4) What is the economic condition of companies within these industry sectors?

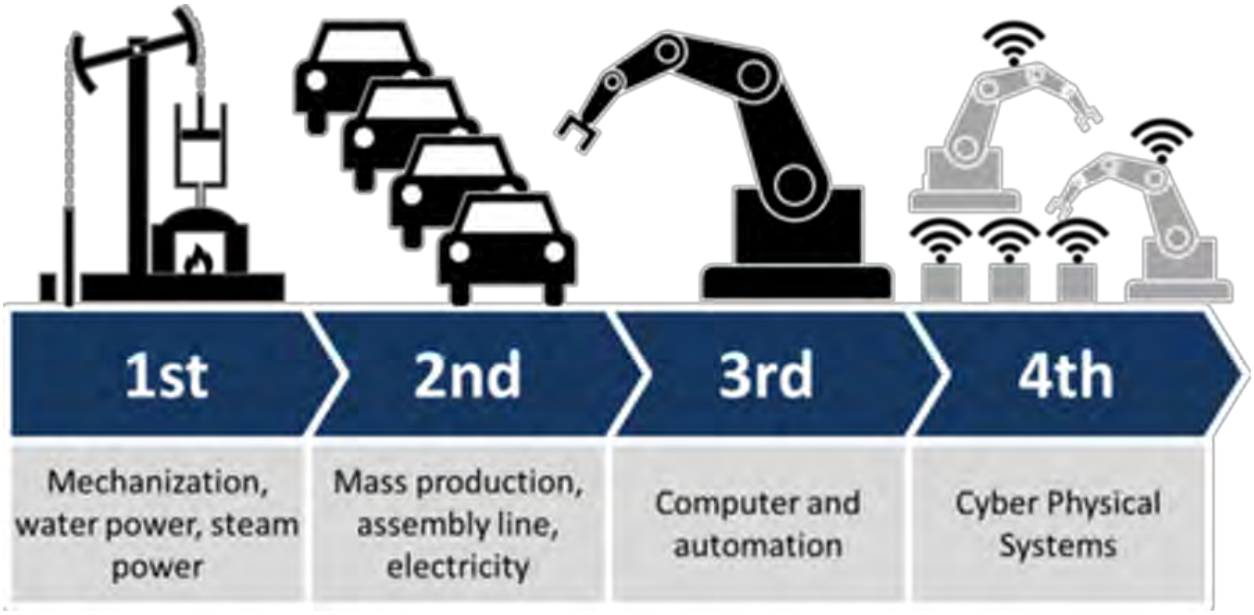
Many programs target the industry sectors with a broad and positive effect on the community. Some industry sectors are less-likely candidates for retention strategies. For instance, business-retention and expansion programs generally don't focus on helping retail and service firms that are in trouble or wanting to expand. This is because the problems these industries face, such as erratic market demand or customer traffic, are volatile and not well-suited to outside intervention. These sectors may not provide the quality jobs that are a retention program's goal, making the program less cost-effective.

# EMERGING TRENDS IN 21ST CENTURY MANUFACTURING

Industry 4.0 is a name for the current trend of automation and data exchange in manufacturing technologies. It includes cyber-physical systems, the Internet of Things , cloud computing and cognitive computing. Industry 4.0 is commonly referred to as the fourth industrial revolution, or the Industrial Internet of Things . One major trend is data-driven manufacturing.

Digital manufacturing, intelligent production and the smart factory are some descriptions being used to categorize these evolving technologies. Data-driven manufacturing represents advancements for manufacturers to more easily make effective decisions related to processes. Computers and thinking technology allow for the gleaning of data from connected machines which in turn provide actionable information.

This allows owners and managers to implement change based on hard data, as opposed to guesswork or theories. It enables people to use the equipment to collect facts and achieve optimal results.




Taken from AllAboutLean.com

# TARGETING MANUFACTURING INDUSTRY SECTORS

A prudent state economic policy is one that balances support for new economies with seasoned ones. It is tempting, although somewhat risky, for states and cities to offer exclusive financial incentive packages to the latest new technology company; for example, trendy support for the dot-com industries has yielded many bankruptcies and failures.

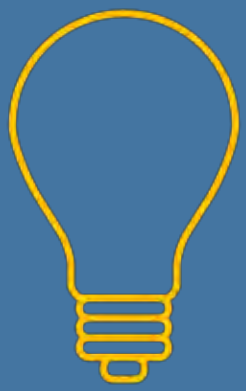
In summary, many successful layoff-aversion programs target the retention and modernization of certain existing industries. Here, then, are suggestions for a targeting strategy and specific reasons for giving preference to economic retention and growth that balance local economic priorities:

- Target industries that generally pay middle-class wages and benefits, and offer job and training ladders for low-income populations. These types of jobs are difficult to replace or replicate.
- Target industries that create greater economic spin-off activity: the multiplier effect. Every $1 of a manufactured product sold to a final user generates an additional $1.19 of intermediate (goods and services) activity. For every hard industry job, from one to five additional jobs are created in the economy.
- Target industries that drive the economy's productivity gains and provide a customer for technological advances.
- Target industries that foster a diversified economy. Witness the differing effects on varying occupations and regions during the problems created by the dot-com meltdown of 2000-2001.
- Target industries providing a foundation for new industry clusters. Hard industry and soft industry sectors, new and old, are more integrated than ever. Hard industries are incorporating high-tech changes, while technology and service jobs serve hard industries.
- Target a balance of industries. Focusing exclusively on one hot industry segment (e.g. a high-growth biotechnology) may ignore the derivation and dependence of that economic group on older agricultural or chemical industries.

# LAYOFF AVERSION STRATEGIES MAKE SENSE

States and communities benefit because layoff aversion:

- Retains the economy's good jobs and is an anti-poverty strategy. Otherwise, many displaced workers can find themselves forced into new lower wage industries and jobs.
- Retains the region's critical industries. It often takes generations for businesses and industries to reach critical mass due to capital, knowledge base, training and infrastructure.
- Can lead to new industry-sector growth strategies and new advanced jobs in the economy.
- Provides a logical path to coordination of state and local workforce adjustment and economic development.
- Leads to new labor-management-community partnerships.



Layoff aversion makes **GOOD ECONOMIC SENSE**! It costs less to save a job than to create or attract a replacement job. In fact, our experience in Pennsylvania has demonstrated it is far cheaper than the cost of the average unemployment rate for the average duration the benefits are collected.

| Program Year | Jobs Retained | SEWN Cost Per Job Saved* | Unemployment Compensation Costs Avoided** |
|---|---|---|---|
| 2012-2013 | 1004 | $1,119.00 | $6,415,202 |
| 2013-2014 | 1111 | $1,018.00 | $6,997,967 |
| 2014-2015 | 1249 | $921.00 | $7,675,854 |
| 2015-2016 | 1577 | $863.00 | $9,886,844 |
| 2016-2017 | 1820 | $798.00 | $11,610,872 |
| **Totals** | **6761** | | **$42,586,739** |

**Per independent Annual Review* ***Per US Department of Labor, Bureau of Labor Statistics*

# QUALITY DESIGN PRINCIPLES

What approaches use program capacities, leverage additional resources, increase multi-sectoral buy-in, and accommodate market efficiency? This section provides some answers to those questions.

**Timeliness**: The more quickly rapid response begins, the more effective it is. Early intervention allows more time to explore job-retention strategies, develop and implement an effective response plan and provide workers with the moral support and resources necessary to find new employment. In the turnaround world, time, options and likelihood of success increase in the earlier stages of distress and decrease exponentially in the latter stages. Key stakeholders, such as employees, customers, lenders and vendors, are much less likely to abandon ship if problems are addressed early and effective communication maintained throughout the process.

**Layoff Aversion**: When possible, layoffs should be averted. In smaller firms, it is not only a matter of preventing layoffs. Small-firm layoffs typically represent a downward spiral leading to a business operating below its critical mass, resulting in business failure and the loss of all associated jobs. With a range of tools and relationships with other programs and organizations, the rapid-response team can be ideally positioned to coordinate aversion strategies. In many cases, rapid-response staff may refer companies to those entities that can help them. The aim of aversion could be to help the company make changes so layoffs are reduced or completely avoided. In other cases, the strategy will be to find a buyer and avoid layoffs that way.

**Leveraging Resources**: Rapid-response teams should identify and coordinate all available resources to provide workers facing layoff with the services they need. These resources can include support from employers, unions, community groups (e.g. volunteer, religious and service organizations) and other partners. Resources can be in-kind (e.g. equipment, staff time, space and so on) or cash. The foundation to help leverage resources for a specific layoff should be laid in advance by identifying all the resources available that respond to dislocated workers' needs. Leveraging and coordinating resources also shows workers a support network beyond rapid response.

**Convenience**: All things being equal, providing meetings and other rapid-response activities on-site at the company is better than off-site. On-site services offer a convenient place for the workers. Also, they are in familiar surroundings and together with their co-workers. When the worksite is not available or desirable, a site close to the workplace or familiar to the workers (e.g. the union hall or a nearby local community site) is also a good alternative. Ongoing services may or may not be provided on-site depending on various factors, including logistics and group size.

**Partnerships**: Partnerships can lead to more resources, information and contacts being available to deal with a dislocation. Some partners involved in most rapid-response events are the state employment service and local economic development agencies. Other groups that can be involved include all the LWDA partners and community-based organizations. The involvement of a specific partner in a particular rapid-response event should be based on the event's needs.

# ALTERNATIVES TO LAYOFF

This chapter described potential economic-development partners and resources for layoff-aversion strategies, as well as methods of identifying at-risk firms. The question now becomes, "What can be done to help a firm to stabilize and either minimize or eliminate layoffs?" The use of layoff-aversion programs, such as SEWN and our core services, is described below:

**Pennsylvania's Layoff-Aversion Program**

While it has responded to many larger plant closure announcements, SEWN is primarily tasked with and focused on providing hands on expertise to troubled small and mid-sized manufacturing firms who typically lack the resources to hire private turnaround firms.

SEWN

**Operations and Cost Reviews**

When firms are in trouble, the first step is to identify ways to increase cash-flow and what is causing the problem. Are there problems with productivity? Workflow? Quality? Does the company use proper metrics and benchmarking in managing its costs? Is the firm using inappropriate pricing and costing strategies? Are the costs fixed or variable? The time factor in increasing cash flow through managing costs is often far shorter than the process of increasing revenue.

**Financial Restructuring**

Many at-risk manufacturing companies experience a fiscal crisis, wherein an immediate balance-sheet restructuring is required to maintain the company's viability. Sometimes, an unbalanced or inappropriate capital structure itself is the problem. More often, financing problems are merely symptomatic of deeper underlying market-based or operational issues. Financial restructuring can involve, but is not limited to, refinancing or renegotiating existing debt, raising additional debt, renegotiating trade payables and other liabilities, raising additional equity capital and other financial engineering tools. It does not resolve problems necessarily on its own, but provides the time to deal with the real underlying issues.

**Ownership Transitions**

Be it planned or crisis-driven, buyouts and succession management are an important piece of any layoff-aversion program. SEWN has done many employee and management buyouts, as well as advising and helping position a company with no succession plan for an eventual sale to a friendly buyer desiring to keep the business and jobs in the community.

# ALTERNATIVES TO LAYOFF

Using workforce programs described on this page are good alternatives to assist firms and minimize or eliminate layoffs.

**Market Diversification**

Often, a company lacks proper diversification and loses a key customer, or a key market slumps or a product becomes obsolete. Building new markets and sales is a process, takes time, requires balance-sheet stability and cash-flow, but it has become an increasingly critical piece of SEWN's core offerings to its layoff-aversion clients.

**Work-Sharing**

Many states provide partial unemployment benefits to workers of companies affected by business downturns. This allows a subsidy for workers to work flexible and part-time hours, preserving overall firm employment until the downturn passes. Work-sharing is allowable under federal unemployment law, permitting states to set aside a portion of the unemployment pool for this purpose.

**Incumbent Worker Training**

Generally, ongoing incumbent-worker training is a valuable investment for a business that can have a positive effect on its bottom line. An evaluation of workers' skill needs, cross-training potential and new training required because of technology or workforce change, can lead to a plan funded by the company and those states and LWDBs that have established incumbent-worker training programs. Most states use economic development agencies to manage these programs. This training is an allowable activity as part of WIOA rapid-response funds. In this time of emphasis on total quality management, etc., small and mid-sized employers unable to provide the resources for these areas may become vulnerable or at risk.

**Good Management & Labor-Management Cooperation**

Sometimes, new leadership is needed so a company can become more productive or entrepreneurial. If there are conflicts on the shop floor, intervention is needed to help labor and management groups talk and listen to each other and properly analyze problems or situations that are of current or strategic importance.

Why a Company Might Need

# Financial Restructuring

SEWN

- To generate on-going cash flow & profitability
- For liquidity to meet current obligations such as taxes or accounts payable
- Assist with rapid growth or a decline in sales

## BUDGET

A company needs to develop a working budget to identify all revenu and expenses for the company.

## 13-WEEK CASH FLOW

Utilizing revenue and expense accounts, this allows the company to plan expectations for the next 13 weeks. This living document will change, but should be followed and updated as situations dictate.

## TAXES

Taxes must be monitored as required by specific agencies. Payroll taxes are often used as cash by a company; however, they are the owner's responsibility and cannot be discharged through bankruptcy (corporate or personal).

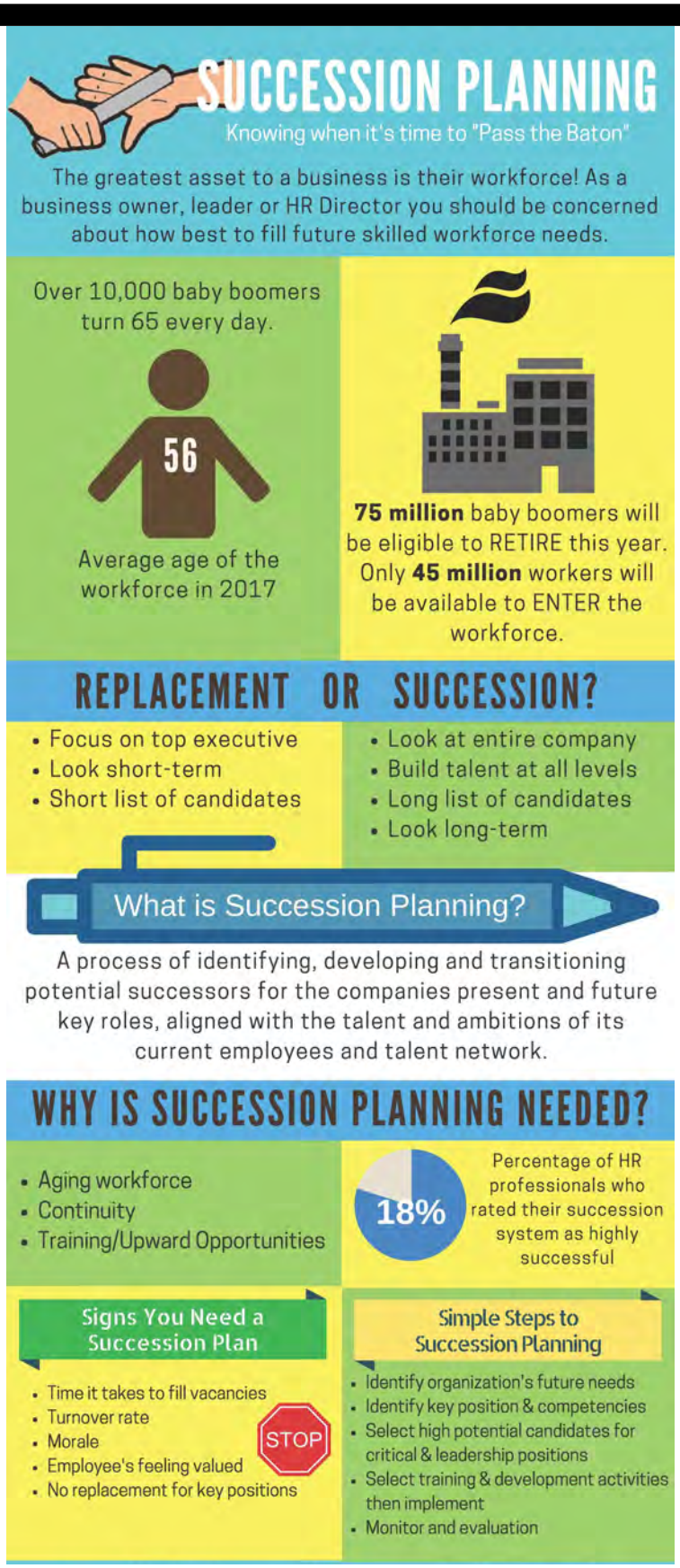
## ACCOUNTS PAYABLE

Offering the most options, a company can take advantage of payment plans, discounts, forgiveness, or multiple ways to pay freeing up needed cash flow.

## RAPID GROWTH/DECLINE

Rapid growth or a decline in revenue can be handled through financing alternatives. Working with current lenders or acquiring new ones can offer repayment options; however, businesses should be careful of inflated rates/fees.

Steel Valley Authority - SEWN Program
www.steelvalley.org/sewn
1-866-SVA-8832


SUCCESSION PLANNING
Knowing when it's time to "Pass the Baton"
The greatest asset to a business is their workforce! As a business owner, leader or HR Director you should be concerned about how best to fill future skilled workforce needs.
Over 10,000 baby boomers turn 65 every day.
56
Average age of the workforce in 2017
75 million baby boomers will be eligible to RETIRE this year. Only 45 million workers will be available to ENTER the workforce.
REPLACEMENT OR SUCCESSION?
• Focus on top executive
• Look short-term
• Short list of candidates
• Look at entire company
• Build talent at all levels
• Long list of candidates
• Look long-term
What is Succession Planning?
A process of identifying, developing and transitioning potential successors for the companies present and future key roles, aligned with the talent and ambitions of its current employees and talent network.
WHY IS SUCCESSION PLANNING NEEDED?
• Aging workforce
• Continuity
• Training/Upward Opportunities
18%
Percentage of HR professionals who rated their succession system as highly successful
Signs You Need a Succession Plan
• Time it takes to fill vacancies
• Turnover rate
• Morale
• Employee's feeling valued
• No replacement for key positions
STOP
Simple Steps to Succession Planning
• Identify organization's future needs
• Identify key position & competencies
• Select high potential candidates for critical & leadership positions
• Select training & development activities then implement
• Monitor and evaluation

# SECTION 3.3 JOB RETENTION/ LAYOFF AVERSION STRATEGIES

Layoff aversion consists of strategies and activities, including those provided in paragraph (b) of §682.320 and §§ 682.330 and 682.340, to **prevent or minimize the duration of unemployment resulting from layoffs.**

Layoff aversion includes strategic and operational activities. The regulations contain several such strategies and activities that rapid-response teams may choose to consider. The paragraph includes ETA's definition for layoff aversion: "prevention and minimization of unemployment."

Layoff-aversion activities, as included in the regulations, include the following from §682.320 (b), which is not an exhaustive list, but is being provided as examples. After each example is a brief discussion.

Each layoff-aversion situation is unique, and there are many other innovative and creative possibilities for layoff aversion that should be explored. Layoff-aversion activities may include:

1 Help employers manage reductions in force, which may include early identification of firms at risk of layoffs, assessment of at-risk firms' needs and options and delivering services to address these needs, as provided by WIOA sec. 134(d)(1)(A)(ix)(II)(cc).

Remember, layoff aversion includes minimizing the duration of unemployment or preventing it altogether; therefore, layoff aversion is more than preventing layoffs. It is also ensuring rapid

2 Ongoing engagement, partnership and relationship-building activities with businesses in the community to create an environment for successful layoff-aversion efforts and to help dislocated workers find reemployment as quickly as possible.

Business engagement, which is a comprehensive, strategic approach to building relationships with businesses by providing valuable solutions to meet their needs, is closely tied to layoff aversion, which itself provides valuable solutions to businesses' needs. This example is included to provide additional support for the notion that rapid response must be a critical component of any business-engagement strategy in a state, region or local workforce area.

# JOB RETENTION/LAYOFF AVERSION STRATEGIES

**3** Fund feasibility studies to determine if a company's operations may be sustained through a buyout or other means to avoid or minimize layoffs.

While rare, there may be opportunities where companies may be saved, or layoffs prevented, through employee buyouts or other financial actions. Before investing significant resources, it makes sense to determine whether a particular company will be viable with new ownership or other changes, and a feasibility study, which may be paid for with rapid-response resources, may be a good option for determining this viability.

**4** Develop, fund, and manage incumbent worker training programs or other worker upskilling approaches as part of a layoff-aversion strategy or activity.

A major change under WIOA is the ability for you to use rapid-response funds to directly pay for incumbent-worker training, where the activity would be part of a layoff-aversion strategy or activity. Under WIA, without a waiver, rapid response could only develop such approaches, but not fund the actual training.

**5** Connect companies to:

- Short-time compensation or other programs designed to prevent layoffs or to reemploy dislocated workers quickly, available under unemployment insurance programs;
- Employer loan programs for employee skill upgrading
- Other federal, state, and local resources as necessary to address other business needs that cannot be funded with resources provided under this title.

Although rapid response doesn't fund many of these resources directly, a valuable service to your clients is connect them to an array of available resources that support and enhance overall layoff-aversion efforts.

**6** Establish linkages with economic-development activities at the federal, state, and local levels, including U.S. Department of Commerce programs and available state and local business-retention and expansion activities.

A big part of operating successful layoff-aversion activities is knowing, and being able to connect companies to, other business-focused programs in the state, region, or community that may enable to the company to succeed and prevent or limit layoffs.

# JOB RETENTION/LAYOFF AVERSION STRATEGIES

**7** Partner or contract with business-focused organizations to assess risks to companies, propose strategies to address those risks, implement services, and measure effects of services delivered.

Many business-focused initiatives, such as the Manufacturing Extension Partnership program, or MEP, TAAF, and others, may provide critical support to businesses across a variety of industries with a variety of needs. Ensuring partnerships or even funding contracts with these organizations can ensure your layoff-aversion approach can deliver valuable solutions after the company is stabilized.

**8** Analyze an affected company's suppliers to assess their risks and vulnerabilities from a potential closing or shift in production of their major customer.

One area where layoff-aversion activities may be especially successful is addressing effects of a primary company closure, layoffs or bankruptcy filing on its customers or suppliers. Understanding the ripple effects of one layoff may give you a good opportunity to develop timely intervention to prevent additional layoffs. This can also be an important undertaking in advance of layoffs at a company if there are others in your area that might be at risk and might have a complex supply chain. Studying the supply chain and understanding potential effects in advance of any downturn can prove valuable.

**9** Proactively engage measures to identify opportunities for potential economic transition and training needs in growing industry sectors or expanding businesses.

Ensuring that you are constantly researching, surveying the economic landscape, and paying attention to the business lifecycle can ensure that you are able to act quickly when opportunities to prevent or minimize unemployment arise.

**10** Connect businesses and workers to short-term, on-the-job, customized training programs and registered apprenticeships before or after layoff to help facilitate rapid reemployment.

Work-based learning can prevent layoffs by ensuring the current workforce has the skills necessary for the business to succeed or minimize the duration of unemployment by providing incentives to companies to hire those who have been laid off from other businesses. These layoff-aversion examples in the regulation are not new ideas. Training & Employment Notice (TEN) 9-12 Layoff Aversion in Rapid Response Systems introduced many of these several years ago. You can find the links to relevant notices and documents in this guide's appendix.

# MANUFACTURING REVIVIAL AND REGIONAL ECONOMIC RECOVERY: STRATEGIES AND DRIVERS

A recent paper Century Foundation paper notes that American manufacturing holds an important position in maintaining the country's economic strength and national security. Efforts to revitalize and restore manufacturing are "key to the recovery of regional, state, and local economies." Such endeavors would benefit a resurgence of the American middle-class while laying the groundwork for minorities and low-income families to improve their position.

The report proposes a public policy agenda and strategy to achieve the following goals:

- Harness the renewal of American manufacturing to the economic recovery of rural, urban and suburban communities who have not seen the economic recoveries of some of the urban cities that have been hurt by globalization, technology change, government policy shifts and other economic shocks.

- Provide a template for state and local actions to build a high-road industrial commons which promoting: globally competitive advanced manufacturing, family-sustaining jobs, social inclusiveness, equity, and social mobility, targeted assistance for distressed communities, public-private-civil sector collaborations and partnerships, and strengthened linkages and coordination across activities within the commons. This then links the manufacturing revival to regional economic revitalization.

## IDENTIFIED REGIONAL DRIVERS

**Spur Innovation and Advanced Manufacturing**

- Support regional innovation and advanced technology R&D institutions.
- Support state and local advanced manufacturing R&D investment sources and incentives.
- Promote regional multi-firm and multi-stakeholder innovation clusters in advanced manufacturing and related sectors.
- Support development of maker and co-working spaces.

**Retain, Restore and Grow Sustainable Industries**

- Promote the establishment and strengthening of state-supported strategic early warning networks and business-retention services.
- Support state-level reshoring help and initiatives.
- Strengthen the competitiveness of small-and-medium-sized manufacturers and U.S. -based supplier chains.
- Enact and strengthen state and local trade and demand creation measures.
- Strengthen multi-stakeholder, comprehensive regional and local economic assessment and strategic planning tools and capabilities.

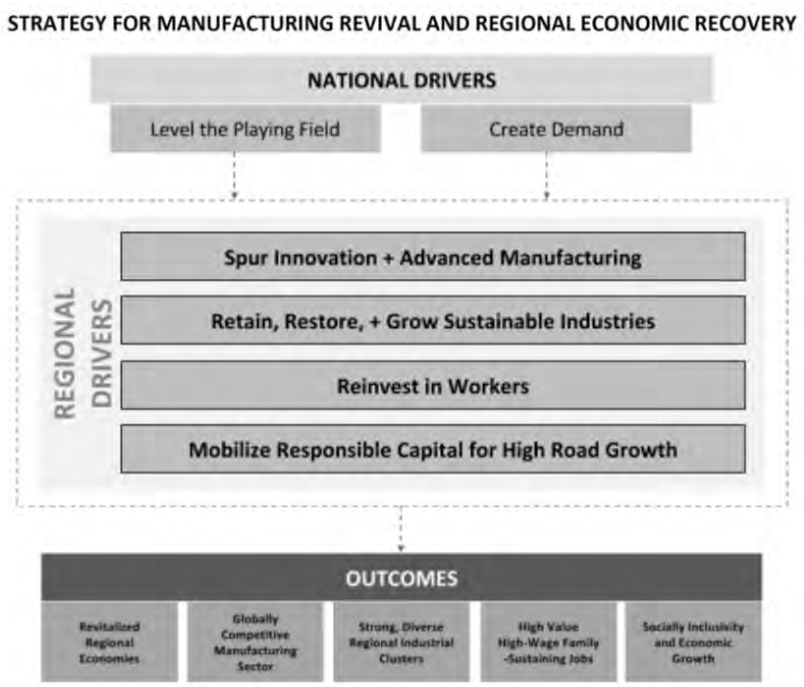
# IDENTIFIED REGIONAL DRIVERS

**Reinvest in Workers**

- States and local communities should support and increase investment for regional multi-employer industry or sector partnerships. (See Section 2.2)
- States should work with industry and educational institutions to support and replicate best-practice apprenticeship training programs.
- States and localities should work with industry and educational institutions to strengthen career and technical education systems.
- Require and strengthen incentives for training and education initiatives to target vulnerable, dislocated and transitioning workers, especially in economically distressed areas.
- Strengthen and improve state and federal measures to support a comprehensive, well-resourced system of social protections for dislocated workers.

**Mobilize Responsible Capital for High Road Growth**

- State governments should expand capital for startups and the working capital needs of firms that grow manufacturing, as well as launching public banks and "Make It in (Your State)" bonds.
- Provide financial incentives for participative, high-road businesses.
- State and city pension funds, and other institutions, should adopt the United Nations Principles of Responsible Investments and enact investment-policy measures that comply with DOL 2015-1 guidance on economically targeted investments.




*Full Report: https://tcf.org/content/report/revitalizing-americas-manufacturing-communities/*

# SUPPLY CHAIN STRATEGIES

Supply chains are an increasingly important part of an overall layoff-aversion strategy. These supply-chain strategies can revolve around an entire industry restructuring, such as the automotive meltdown of 2008 or dramatic cuts in U.S. Department of Defense spending as the Iraq and Afghanistan conflicts wind down. Often, there are huge interdependencies in an industry supply chain. For example, a tool and die shop supplies a plastic injection molder who in turn supplies a harness wiring manufacturer.

When an industry falls into general decline, there are various methods for identifying participants in a geographical area and then providing a planned response and outreach to potentially affected firms.

- **Research** likely NAICS that contribute products and services to that industry; for example, plastic injection molders would be a likely participant in the automotive supply chain.
- **Engage** public-sector organizations, such as MEPs or local economic development organizations, that could provide information on past and present clients with exposure to a specific industry.

The supply-chain strategy also is important when a large, regional plant closes due to any number of reasons (e.g., relocation, financial distress, etc.). Often, many local firms may participate in the supply chain, either directly or indirectly, and have a large revenue dependence on this work.

In the case of a large plant closing, the company will sometimes cooperate and provide a list of regional direct, and indirect vendors, in its supply chain. If it is unwilling to do so, the following are some possible solutions:

- Former employees, labor and management often can help identify larger direct vendors.
- Once a response plan is in place, it is also a strategy to broadcast the availability of help and arrange a vendor fair, presenting types of help, follow-up meetings and arranging referrals. This outreach can should also include a point of contact for vendors who want to remain confidential.
- If bankruptcy results in a closing, the U.S. courts system may be accessed through PACER. In a bankruptcy case, a creditor matrix is filed showing names, locations and amounts owed. The matrix can readily be scanned for local companies that are trade creditors and are owed money.

Strategies that address supply chains, like any other layoff-aversion response, must be planned. How big of a region is affected? What resources can be marshalled? Is there a minimum threshold of effect to qualify for assistance? Do we concentrate on certain sectors, such as manufacturing and logistics, and avoid retail? All are questions that must be addressed in the response planning.

# SECTION 3.4
# MANAGING LAYOFFS

## WHO IS LEADING THE CHARGE?

L&I leads rapid response in Pennsylvania, coordinating statewide activities for layoffs and outplacement services. Under WIOA Regulations at §682.310:

> Rapid response activities must be carried out by the State or an entity designated by the State, in conjunction with the Local Workforce Development Boards, Chief Elected officials, and other stakeholders, as provided by WIOA sec. 133(a)(2) and 134(a)(2)(A).
>
> States must establish and maintain a rapid response unit to carry out statewide rapid response activities and to oversee rapid response activities undertaken by a designated State entity, Local Workforce Development Board, or the chief elected officials for affected local areas, as provided under WIOA sec. 134(a)(2)(A)(i)(I).

## BEST POINTS OF COORDINATION AND LEVERAGE

There is a rich history in the United States for public, private, labor-management, and community partnerships intervening in the market when there are market failures. President Franklin D. Roosevelt's New Deal launched massive urban and rural job programs during the Great Depression. President Lyndon Johnson's Great Society ushered in community-based economic development, with a resulting boom in community-development corporations. Various federal administrations started the:

- ⇒ Economic Development Administration (EDA)
- ⇒ Small Business Administration (SBA)
- ⇒ Small Business Investment Corporations (SBICs)
- ⇒ Small Business Development Corporations (SBDCS)
- ⇒ Labor-Management Conciliation Service (LMCS)
- ⇒ Manufacturing Modernization Extension programs (modeled after the farm extensions)
- ⇒ Empowerment Zones
- ⇒ Community Development Financial Institutions Program (CDFI)

Rapid-response dollars can only provide a relatively small portion of the resources needed to adequately provide an aversion/retention program. This section describes methods of leveraging rapid-response funds with other resources to afford a more comprehensive approach to providing the critical services needed during stressful layoffs and closings.

# BEST POINTS OF COORDINATION AND LEVERAGE

There are many programs, loans and technical assistance available for business-retention practitioners. Most development-financing programs require a business plan or financial projections before making commitments on a potential project. If WIOA feasibility studies or similar technical assessments are prepared comprehensively and appropriately, accessing these funds is possible.

States, counties and cities, for the most part, provide similar programs, sometimes as a pass-through for federal dollars, and often as match or special investment priorities for the specific area. Generally, state and local governments have much larger development budgets, proportionate to the federal government, particularly with respect to long-term industrial bond -financing programs.

# LINKAGES WITH FEDERAL, STATE AND LOCAL DEVELOPMENT AGENCIES AND PROGRAMS

Economic-development services related to layoff-aversion activities can be catalogued in five ways:

- **Loans**, made directly to a business or applied as a guarantee to a bank loan, direct venture investments; loans or guarantees, usually providing a lower rate or more favorable loan terms.
- **Grants**, usually made to accomplish a specific business-related purpose, such as infrastructure, or research and development of a new product or process. Grants can also be made on a matching basis to companies to provide incumbent worker training.
- **Contract awards**, made for products or services provided by a company to local, state or federal governments.
- **Credits or exemptions**, generally tax incentives awarded to businesses that create new jobs or contribute to economic growth in a community or region.
- **Technical assistance**, generally targeted for industry-specific groups, typically when the business is at-risk.

Community Development Block Grants (CDBG) are provided to states and cities for community development programs for broad purposes through the U.S. Department of Housing and Urban Development.

Special initiatives, such as focusing on military downsizing, have been started under various programs in the U.S. Department of Defense.

# LINKAGES WITH FEDERAL, STATE AND LOCAL DEVELOPMENT AGENCIES AND PROGRAMS

Regional revitalization programs are provided through multi-state initiatives such as the Appalachian Regional Commission (ARC). Current programs include:

## POWER 2018 Initiative

Partnerships for Opportunity and Workforce and Economic Revitalization, or POWER, is a congressionally funded initiative that helps communities and regions affected by job losses in coal mining, coal power plant operations, and coal-related supply chain industries due to the changing economics of America's energy production.

The POWER initiative supports efforts to create a more vibrant economic future for coal-impacted communities by cultivating economic diversity, enhancing job training and re-employment opportunities, creating jobs in existing or new industries and attracting new sources of investment.

## Federal Economic Development

The federal government sends hundreds of millions of dollars to states every year for broad economic development purposes, and maintains several important programs for economic development. These programs include:

| | |
|---|---|
| **Direct venture investments, loans or guarantees** | Available through such agencies as the Small Business Administration (SBA), the SBIC program (small business investment companies) and rural agencies including the U.S. Department of Agriculture; and the Community Development Finance Institutions program of the U.S. Department of the Treasury, which funds local community loan/equity funds. |
| **Networks of technical assistance providers** | Includes the Manufacturing Extension Partnership (MEP), providing manufacturing modernization services through centers in all 50 states (U.S. Department of Commerce), and Small Business Development Centers, providing business planning assistance through academic centers nationwide. |
| **Major economic research studies** | Includes economic distress adjustment grants (Public Works Program), have been funded by the Economic Development Administration, which also provides financing programs through its network of State Economic Development Districts (EDDs), as well as the departments of Energy, Interior and Agriculture, and the Environmental Protection Agency (EPA). |
| **Apprenticeship Programs** | An apprenticeship is an arrangement that includes a paid-work component and an educational or instructional component, wherein an individual obtains workplace-relevant knowledge and skills. The U.S Department of Labor's Office of Apprenticeship, works in conjunction with state apprenticeship agencies to administer the program nationally. An apprenticeship program's length can vary depending on the employer, occupational complexity, and the type of program. Registered apprenticeship programs typically range from one to six years. During the program, the apprentice receives structured, on-the-job training and job-related education. For each year of the apprenticeship, the apprentice will normally receive 2,000 hours of on-the-job training and a recommended minimum of 144 hours of related classroom instruction. |

# LINKAGES WITH FEDERAL, STATE AND LOCAL DEVELOPMENT AGENCIES AND PROGRAMS

## Federal Programs

**Trade Adjustment Assistance for Firms**, or TAAF, provides financial assistance to manufacturers affected by import competition. Sponsored by the U.S. Department of Commerce, this cost-sharing federal assistance program pays for half the cost of consultants or industry-specific experts for projects that improve a manufacturer's competitiveness.

**The Trade Adjustment Assistance for Workers**, or TAA, provides adversely affected workers with opportunities to obtain the skills, credentials, resources and the support necessary to gain or augment skills for future jobs. Any member of a worker group certified by the U.S. Department of Labor may be eligible to receive the following benefits and services at a local American Job Center: training, employment and case-management services, job-search allowances, relocation allowances and income support in the form of Trade Readjustment Allowances, or TRA. Reemployment TAA, or RTAA, and Alternative TAA, or ATAA, which provide wage supplements for reemployed older workers whose reemployment resulted in lower wages than those earned in their trade-affected employment, may also be available.

**Economic Adjustment Assistance** provides a wide range of technical, planning and public works and infrastructure assistance in regions experiencing adverse economic changes that may occur suddenly or over time. These adverse economic effects may result from a steep decline in manufacturing employment after a plant closure, changing trade patterns, catastrophic natural disaster, a military base closure or environmental changes and regulations. Information can be found on the Economic Development Administration website.

## State Workforce & Economic Development

States provide grants and loans for economic development activities, designate distressed areas for special funding and tax incentives and use taxing and bonding authorities to raise funds for economic-development initiatives. The states' programs predominantly consist of loans, tax credits, grants and bonds. Within states are regional, district and local planning entities that help address specific geographic areas' needs through planning efforts, and arrange to secure project funding. Most cities have active economic-development programs, as do many counties, small towns and multi-county regions.

At the state level, departments of economic development maintain funding programs and staff that fund and who may work with local economic development programs. They also work directly with firms to help start-up, expansion, retention or buyout of businesses. State economic development and employment and training agencies alike may provide funds for customized job training and incumbent-worker programs. Often, these programs are provided through a partnership in cooperation with local community and technical colleges.

In seeking alternatives to downsizing, it is critical to determine the underlying cause of the possible layoff or closure decision. There are a number of layoff alternatives that can be assessed, including U.S. DOL-funded job-training programs, primarily with funds allocated to the states and local areas by WIOA. Their presence is primarily through the one-stop system.

# LINKAGES WITH FEDERAL, STATE AND LOCAL DEVELOPMENT AGENCIES AND PROGRAMS

Career-center programs can include, but are not limited to:

**On-the-Job Training (OJT)**
This is a hire first option. The employer hires participants as part of their regular workforce, and provides training to the individual while they are on the job.

**Customized Job Training (CJT)**
This is training with a commitment from an employer, or group of employers, to hire those who successfully complete training.

**Incumbent Worker Training (IWT)**
Training for individuals who have been employed at a particular job for at least six month.

**Shared Work Program**
Allows employers the ability to retain their workforce during a temporary slowdown, then quickly ramp up operations without the expense of recruiting, hiring and training new employees. At the same time, the program enables employees to receive a percentage of their unemployment compensation, or UC, if they meet UC eligibility requirements.

In summary, there is a wide array of institutions at the state and sub-state level that can be coordinated to assist in a job-retention and layoff-aversion effort. Rapid response units, and other local and state individuals responsible for layoff-aversion/business-retention services, need to familiarize themselves with available economic development agencies and resources. Relations with these agencies should be established ahead of time to help coordinate layoff-aversion efforts.

# Chapter 4

## Rapid Response Process

# SECTION 4.1
# WHAT IS RAPID RESPONSE?

From the Final Rule [at Section 682.300(a)]:

Rapid response…encompasses the strategies and activities necessary to:

1. Plan for and respond to as quickly as possible following an event described in §682.302 and:
2. Deliver services to enable dislocated workers to transition to new employment as quickly as possible.

Rapid-response programs are known for:

| | |
|---|---|
| **Being Strategic and Operational** | **Being Prepared** |
| **Being Proactive** | **Being Focused on Layoff Aversion and Rapid Re-employment** |

Rapid response is not recruiting tool for UC, but for preventing its need whenever possible.

# WHAT IS THE PURPOSE OF RAPID RESPONSE?

Rapid response provides outplacement services that promote economic recovery and vitality by developing an ongoing, comprehensive approach to identifying, planning for, responding to layoffs and dislocations and preventing or minimizing their effect on workers, businesses and communities.

- Rapid response is proactive. It is far more than just reacting to layoff events.
    - Prepared
        - Delivered through a well-developed service infrastructure and best if performed prior to layoff
        - Fully integrated layoff-aversion strategies
    - Early Intervention
        - Engaged with the regional economy including:
            Labor
            Economic Development
            Business Community
            Local WDBs & One Stops
            Education
- Rapid response does not begin and does not end. Rapid response is not a series of events; it is an ongoing, strategic, comprehensive effort to manage economic transition
- Strategic planning, data gathering and preparation are critical
- Proactive rapid response, focused on prevention of layoffs and minimizing unemployment, is a core economic value that rapid response can, and should, deliver.

# UNDER WHAT CIRCUMSTANCES MUST RAPID RESPONSE BE DELIVERED?

From the WIOA Final Rule at Section 682.302:

Rapid response must be delivered when one or more of the following circumstances occur:

1. Notice of a permanent closure of a facility, store, enterprise, or plant, regardless of the number of workers affected; * new requirement under WIOA
2. Notice of a mass layoff as defined in §682.305; * Language strengthened under WIOA
3. A mass job dislocation resulting from a natural or other disaster; Not specifically defined in the regulations – states may be inclined to use the general mass layoff definition for the purpose of disaster response
4. The filing of a TAA petition

Of note: These are the circumstances under which rapid response **must** be delivered; however, they are not the only circumstances under which they **may** be delivered. States need to develop policies and procedures that meet the state's goals or customers' needs.

# UNDER WHAT CIRCUMSTANCES MUST RAPID RESPONSE BE DELIVERED?


## Why Rapid Response? Because it:

- Can make all the difference!
- Offers the first step in connecting workers to the workforce-development system
- Provides an established national network of services, resources and partnerships
- Creates an avenue for layoff aversion, keeping workers in their present or new jobs, possibly avoiding a dislocation event and an unemployment claim
- Offers a powerful network that lets workers know they do not have to face the challenges alone
- Provides well-regarded business solutions and ongoing collaborations through economic ups and downs
- Connects workers to benefits
- Provides a critical next step in an individual's career and life
- Reduces the impact on the UI Trust Fund:

  **In Pennsylvania, during the last 5 years, rapid response services and SEWN saved the Commonwealth's UI Trust fund over $42.5M in claims.**

## Rapid Response and Early Intervention Services

When a plant shutdown or a layoff cannot be fully averted, rapid response and early intervention services can help place workers into other jobs before layoff. In some states, like Pennsylvania, rapid response works closely with layoff-aversion programs. Counseling and information services can help identify transferable skills and other occupational opportunities in the same or other industry sectors. O*NET Online, state LMI products and websites, career-information delivery systems, ACINet, OES industry/occupation information as well as job banks and résumé services may be useful. Where appropriate, training might be identified to enhance the current skill set. By having a layoff-aversion program, practitioners can steer a company toward these valuable services for its employees when it might otherwise not fall under WARN requirements and the employees are left to fend for themselves.

pennsylvania
DEPARTMENT OF LABOR & INDUSTRY

# SECTION 4.2

# RAPID RESPONSE RESOURCES

## RAPID RESPONSE FUNDING & USES

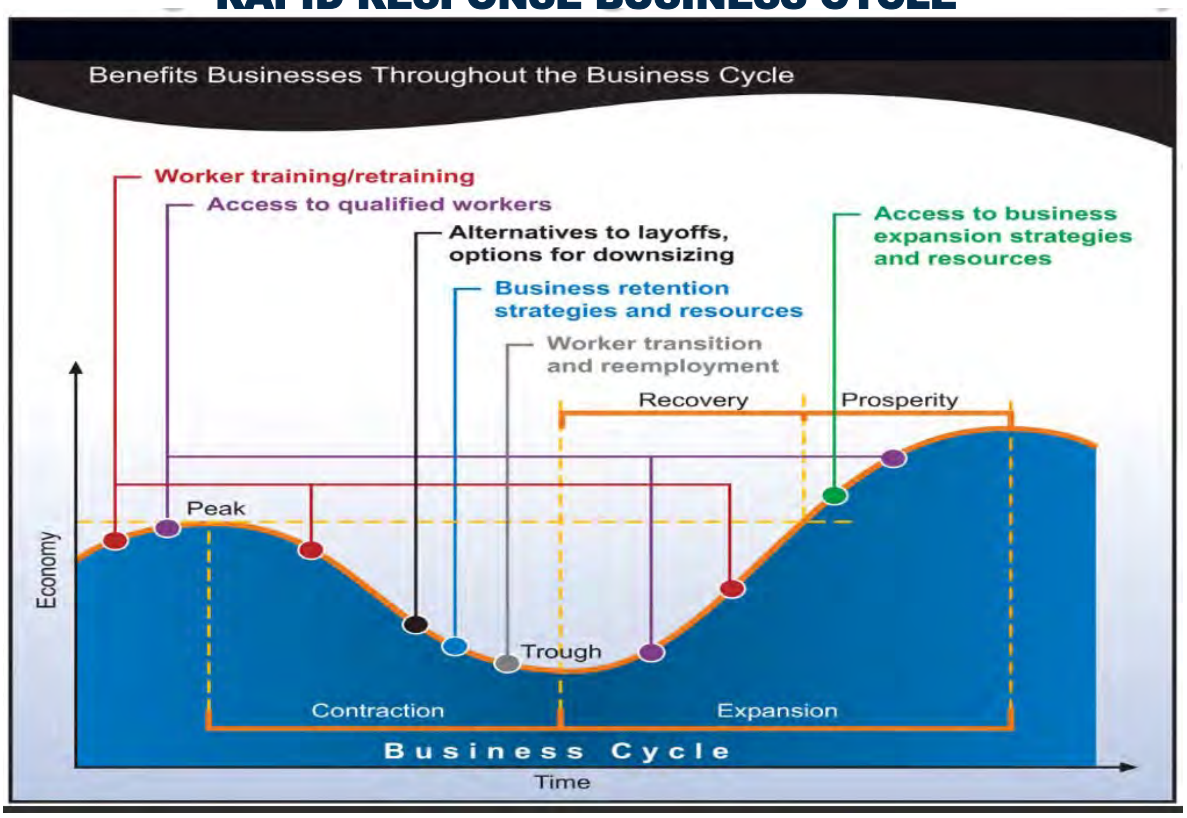
There are two sides to rapid-response business services: layoff aversion and layoff assistance

Rapid response is funded by federal, state, and local entities. It is a federally funded, required element under WIOA.

Rapid-Response Services Funding for LWDAs
- WIOA—Formula Funds for Dislocated Workers
- Rapid-Response Additional Funds (state)
- National Emergency Grant (NEG)

*At any given time, rapid response may be working with over 10,000 Dislocated Workers.*

## RAPID RESPONSE BUSINESS CYCLE




From Massachusetts BizWorks program

No matter where a business is within their business cycle, there are rapid-response resources to address their needs or challenges. The next two pages outline basic rapid-response services.

# RAPID RESPONSE RESOURCES

## LAYOFFS, PLANT CLOSINGS, AND NATURAL DISASTERS

Who should you contact if you hear about a plant layoff, closing or national disaster affecting businesses? Contact your state rapid-response services office.

## UNION INVOLVEMENT

Workers, whether unionized or not, are essential partners in developing and delivering rapid-response and dislocated-worker services. The underlying premise of worker and union involvement is that those directly affected by the workforce reduction are best equipped to handle worker-adjustment assistance.

WIOA requires states and local entities to consult with labor union officials representing workers being laid off. Often, it is helpful for the union to be involved in the rapid-response processes from the first on-site contact through the planning and implementation stages. If there is a union presence, contact would have already been made with the union representative as part of planning any on-site intervention.

As with worker orientation, processes should be customized to accommodate worker and employer needs such as production, shift times, plant security and availability of meeting space.

## DISLOCATED WORKER TRANSITION TEAMS

WIOA requires states to promote the forming of labor-management committees that strategically respond to workers' reemployment needs in the event of a permanent closure, mass layoff, natural or other disaster resulting in a mass job dislocation. In some cases, states may use dislocated worker transition team, or DWTT, rather than the term labor-management committee to ensure that all parties understand that the team has no collective bargaining role.

The DWTT is a group of workers and managers, organized on behalf of the entire affected workforce to advocate for access to services and to reduce the effects of worker dislocation. Ideally, a DWTT includes a cross-section of all affected employees selected by their coworkers. They work as ombudsmen to facilitate outreach and coordinate service delivery.

Teams join with service providers and other stakeholders to develop and implement transition plans for affected workers. The intent is that individuals facing layoffs are informed about available federal, state and local public resources, and any contributions from employers, organized labor and other community organizations to transition more easily into reemployment.

DWTTs have been successful informing and encouraging workers to use agency services. DWTTs have also been instrumental helping create or revise services to meet specific workforce needs. Access to information about these resources helps dislocated workers move to new and self-sustaining jobs.

# RAPID RESPONSE RESOURCES

## TRADE-RELATED LAYOFFS AND PLANT CLOSINGS

TAA and TRA

Trade Act benefits are federal funds used to help individuals who become unemployed because of foreign trade entering into the U.S. markets or production being shifted to foreign countries. Benefits are intended to help individuals return to suitable employment. Some benefits available to qualified individuals are: training, job-search allowances, relocation allowances and TRA.

Petitions for TAA should be filed as soon as possible after worker separations, or a threat of separations begins, but not later than one year after the earliest date workers lost their jobs with the employer. The Trade Act provides that a TAA certification does not apply to any worker separated from the firm more than one year before the date the petition was filed.

Petitions for TAA are filed with the help of the state, union, company officials, three affected workers, or by visiting the U.S. DOL website and filing a petition online. A completed petition enables U.S. DOL to begin an investigation without additional delay.

## NATIONAL DISLOCATED WORKER GRANTS

National Dislocated Worker Grants, or NDWGs, formerly known as NEG's, are discretionary awards issued by the U.S. Secretary of Labor that temporarily expand service capacity at the state and local levels through time-limited funding in response to significant dislocation events. Significant events are those that create a sudden need for help and cannot reasonably be expected to be accommodated in the ongoing operations of the formula-funded Dislocated Worker Title I program, including the discretionary resources reserved at the state level.

Contact your state dislocated worker unit or rapid-response services office for additional information on types of NDWGs.

## WORKER ADJUSTMENT RETRAINING NOTIFICATION (WARN) ACT

The WARN Act is federal legislation that offers protection to workers, their families and communities by requiring employers to provide notice 60 days in advance of a covered-business closing and covered - business mass layoff. Enforcement of the WARN Act falls under U.S. Department of Labor jurisdiction.

Rapid response is triggered by a variety of information sources, such as notices issued under WARN 20 CFR Part 639, April 20, 1989, public announcements or press releases by the employer, employer representatives and other less formal information developed by early warning networks, individual phone calls or other sources.

For more information, or to submit a WARN notice, contact your state rapid-response services.

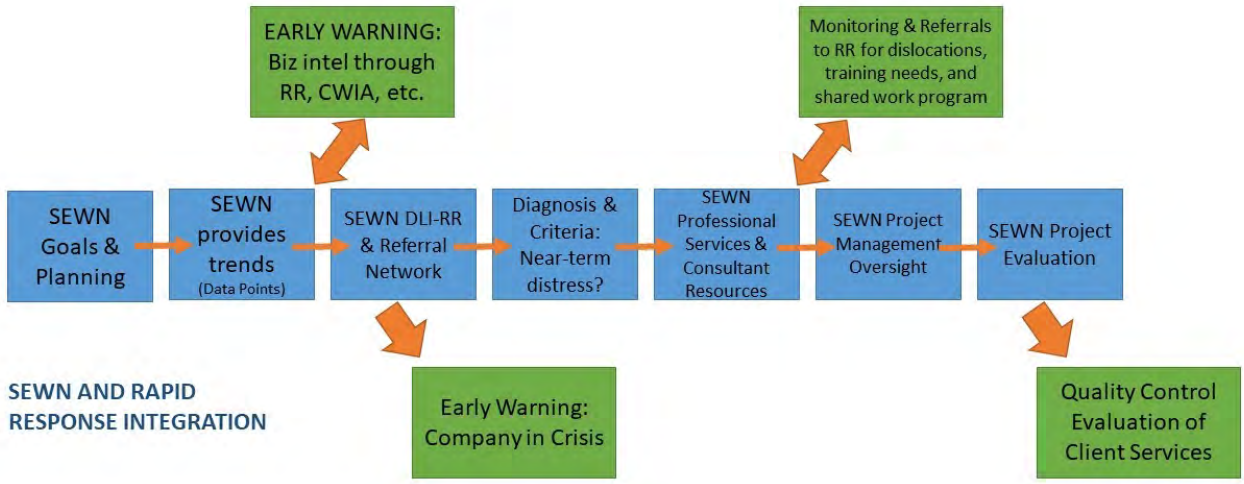
# SECTION 4.3 RAPID RESPONSE & LAYOFF AVERSION: AN INTEGRATED APPROACH

In Pennsylvania, the SVA has implemented a continuous improvement cycle for the SEWN that integrates into the Commonwealth's overall dislocated-workers services approach.

Shared early alert methods:

- Share information between a single point and senior levels of L&I and SEWN
- SEWN/rapid-response/communications meetings are regularly scheduled
- Review WARN notices on L&I website and TAA filings on the U.S. DOL website to provide outreach to Pennsylvania at-risk firms
- Regional SEWN Directors and regional rapid-response coordinators regularly discuss their cases to ensure seamless service delivery between agencies
- As cited in WIOA §682.300, SEWN has participated in layoff-aversion activities and strategies, including playing key roles in community transition teams established to support impacted communities due to mass layoffs
- Local economic development professional serving on county-lead teams, DCED and Governor's Action Team Regional Representatives
- Proactively coordinate outreach activities to supply chains of affected businesses

## SEWN AND RAPID RESPONSE INTEGRATION FLOW CHART



# 10 QUALITY RAPID RESPONSE PRINCIPLES

| | | |
|---|---|---|
| 1 | Timeliness | The quicker information and services are provided, the sooner workers can start the reemployment process |
| 2 | Convenience | Meet the schedules and location(s) that meets worker and business needs; connecting to one-stops |
| 3 | Customer Choice | Customize services to meet local or event-specific requirements enhances the success of helping people transition back to employment |
| 4 | Consistent & Accurate Information | Information specific to the worksite and community and includes no-job-specific referrals to services and agencies |
| 5 | Leveraging Resources | Create strong community support network that goes beyond rapid-response and one-stop activities |
| 6 | Seamless Service Delivery | Ensure efficiency and productivity in providing services and getting people reemployed |
| 7 | Active Promotion | Market services through materials, media, websites, social networking, meetings, events, etc. |
| 8 | Layoff Aversion | Strategies that help retain or save jobs:<br>• Specialized technical/consulting experience (Turnaround)<br>• Instant labor exchanges/Reemployment<br>• Self-Employment Assistance (SEA)<br>• Feasibility studies<br>• Incumbent-worker training<br>• Workshare<br>• Linkages to loan programs and other business assistance programs<br>• Management or employee buyouts using ESOPs or conventional financing |
| 9 | Measure of Success | Measurable goals provide valuable feedback<br>• Collect measurable data (ex: How many individuals were processed?)<br>• Determine if activities are successful<br>• Identify potential problems<br>• Make changes to ensure continuous improvement |
| 10 | Internal & External Partnerships | • Help communities pull together<br>• Provide access to a wide range of resources<br>• Build collaborative opportunities |

# Chapter 5

## Layoff Aversion Model

This chapter features the national model for layoff aversion, the Steel Valley Authority's Strategic Early Warning Network. The chapter concludes with a listing of States with a layoff-aversion track record.

# SECTION 5.1 NATIONAL MODEL: STEEL VALLEY AUTHORITY'S STRATEGIC EARLY WARNING NETWORK

When firms in distress are identified, quick, cost-effective and meaningful professional services are vital in analyzing the situation and providing immediate responses. Early fixes are often followed by longer-term supports to assist firms and workers transition to stability. The

## SVA'S STRATEGIC EARLY WARNING NETWORK: SEWN

following national model in Pennsylvania is an example of a major, institutional program approach as a part of a state's quasi-governmental agency. SVA provides specialized retention, turnaround and buyout services.

### History

From 1975 to 1995, the Western Pennsylvania region suffered economic devastation as it lost more than 157,000 high-quality manufacturing jobs. The Pittsburgh region suffered the most severe industrial and economic dislocations in the nation in the 1980s, caused by the devastation of the steel and related industries. The City of Pittsburgh and 11 mill towns founded the SVA in 1986 to retain and revitalize the region's economic base. The L&I and Commerce departments, supported by local business chambers, labor groups, and political leaders, contracted with the SVA to create a layoff-aversion program in 10 counties in 1993.

Today, SVA's SEWN has grown into a statewide program with 5 offices. SEWN has worked with over 1,110 manufacturing firms and impacted 25,000 jobs since its inception. The SVA has received national recognition for its early warning systems, job retention efforts and response to closure problems.

### Structure of the Organization

The Commonwealth of Pennsylvania formally charters the SVA as a regional development organization with local governance.

It is structured as an inter-municipal economic-development agency incorporated by the City of Pittsburgh and 11 municipalities. SEWN is staffed by six full-time and three part-time turnaround professionals, two of whom are Certified Turnaround Professionals through the Turnaround Management Association, and a small support staff ; the SVA's Pittsburgh-area office remains the headquarters, and there are four satellite offices throughout the state.

# STRATEGIC EARLY WARNING NETWORK (SEWN) PROGRAM

## Mission and Results

SEWN, through a regional retention team and other partners, monitors industries and provides services to retain and assist at-risk manufacturing businesses. SEWN attempts to provide private-sector solutions and public-sector support for these at-risk companies with a focus on small and middle-market size firms. The SEWN program results over the last five years are reviewed on the next page.

## Funding and Resources

The SEWN Network has had a budget of approximately $1,500,000 annually for the last several years from funds derived from WIOA rapid-response dollars. These funds are augmented with local government and other support.

## Services and Activities

Timely Identification of At-Risk Businesses: SEWN utilizes numerous intelligence gathering tools, including early warning research sources (WARN notices, Dun and Bradstreet reports on company problems, newspaper notices, etc.). The SVA has nurtured a diversified and extensive referral network as a part of SEWN. This informal retention team includes the Governor's Action Team, the state dislocated worker units, regional, county, city and local economic and workforce development organizations, chambers of commerce, trade organizations, utilities and industrial unions. It also includes various private-sector parties such as banks, CPAs, attorneys, and other consultants. This informal network of partners acts as both a conduit for early warning intelligence and as a leverageable resource for coordinated responses to both mass layoffs and distressed firms.

Initial Viability Assessments: Within 48 hours of a request, SEWN staff cooperates with management and the workforce to provide an evaluation/ situational analysis of a company at risk. It also makes referrals to other public or private agencies where indicated and appropriate.

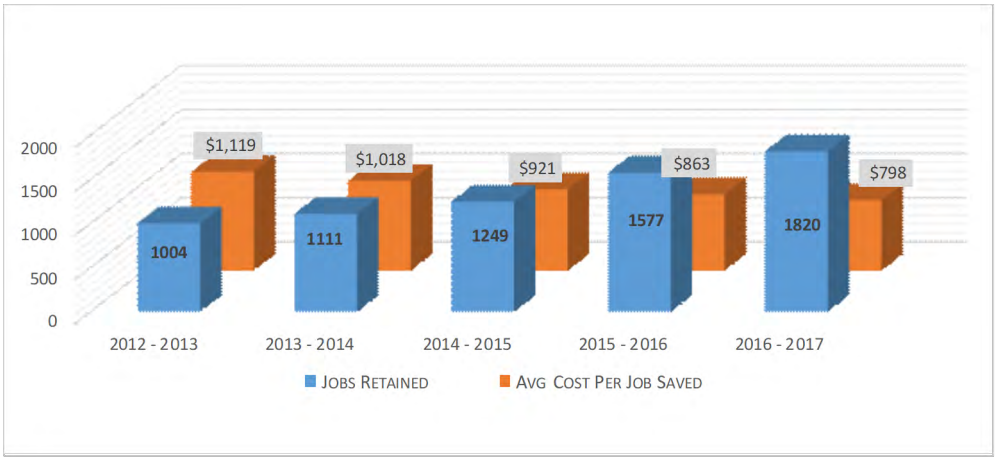
Key Services Delivery: SEWN provides five core services:

- Financial restructuring
- Operational restructuring and cost management
- Market diversification
- Ownership transition (ESOPs, MBO's, etc.)
- High-performance workplace strategies.


SEWN

# IMPACT METRICS

Over the last five years, SEWN has saved jobs at **an average of $920 per job saved**. More than 6,500 manufacturing jobs were saved during this time, **saving the Commonwealth more than $42.5 million** in UC benefits, and over $846 million when jobs/payroll multipliers are included.




| Program Year | Jobs Retained | SEWN Costs to Save Jobs* | Unemployment Compensation Costs Avoided** |
|---|---|---|---|
| **2012-2013** | 1004 | $1,123,476 | $6,415,202 |
| **2013-2014** | 1111 | $1,130,998 | $6,997,967 |
| **2014-2015** | 1249 | $1,150,329 | $7,675,854 |
| **2015-2016** | 1577 | $1,361,625 | $9,886,844 |
| **2016-2017** | 1820 | $1,452,216 | $11,610,872 |
| **Totals** | **6761** | **$6,219,755** | **$42,586,739** |

**Per independent Annual Review* ***Per US Department of Labor, Bureau of Labor Statistics*

For the past several years, L&I's Center for Workforce Information and Analysis has provided SEWN with the greater economic impact of the manufacturing jobs saved each year. In the past five fiscal years, SEWN has **saved a total of 19,719 jobs,** including indirect and induced jobs, contributed hundreds of millions of dollars to Pennsylvania's total economic output, resulting in **nearly $168 million in state and local tax revenue**.

| FY12/13—FY16/17 Positive Economic Impact | |
|---|---|
| | **Economic Impact** |
| Labor Income | $1,294,501,826 |
| Value Added | $2,163,809,333 |
| Output | $5,433,309,813 |

| FY12/13—FY16/17 Positive Jobs Impact | |
|---|---|
| | **Jobs** |
| Direct | 6,761 |
| Indirect | 6,558 |
| Induced | 6,400 |
| Total | 19,719 |

| FY12/13—FY16/17 Positive Tax Impact | |
|---|---|
| | **Tax Impact** |
| State & Local | $167,790,878 |
| Federal | $289,056,117 |

# Appendix

## Online Resources

# STATES WITH LAYOFF AVERSION, RAPID RESPONSE OR SECTOR PARTNERSHIP PROGRAMS

## Recent State Actions

A number of states have recently established layoff aversion programs, and local workforce areas have experimented with local models as well :

### North Carolina DOC

In the last two years, the NC Department of Commerce, which oversees Rapid Response functions, established the "Business Edge" (BE) Program to lead its layoff aversion efforts. The goal is to identify at risk firms and utilize the expertise of the partners to prevent layoffs and or closures. BE strengthened the Department's partnership with its Local WIBs while collaborating with the Small Business & Technology Development Center (SBTDC) and NC State University's Industry Expansion Solutions. Lastly, the BE partners with the Turnaround Management Association (TMA) to provide Certified Turnaround Professionals (CTP's) to lead company turnarounds as needed. https://www.nccommerce.com/about-us/divisions-programs/workforce-solutions-division

### California EDD

California consolidated WIOA Rapid Response guidance into a single comprehensive directive, providing a policy framework for Local WIBs to design and implement sub-state business engagement and layoff aversion strategies as part of an effective Rapid Response system. A few local boards have established aversion initiatives, with Los Angeles having the most success. Managed by the Los Angeles County Economic Development Corporation (LAEDC), the Layoff Alternative Program provides extensive outreach to firms-at-risk to help them retain jobs and succeed. Resources include financing, transition of ownership, real estate issues, staff training, and cost containment. The Program, which has already impacted thousands of jobs, is sponsored by the LA Economic and Workforce Development Department. https://laedc.org/layoff-aversion-program-city/ https://edd.ca.gov/Jobs_and_Training/pubs/wsd16-04.pdf

### New York State DOL

New York State DOL utilizes its 90-day WARN Act, its Business Services and Rapid Response Teams, and its Shared Work Program (SWP) to help protect workers during temporary business downturns. The Department views the SWP as an ideal alternative to layoffs during temporary downturns, and utilized it heavily during the Great Recession. During the recession, the Department established a geo-focused turnaround program in Downstate NY that had an impact on several thousand jobs. https://labor.ny.gov/businessservices/landing.shtm

# ONLINE RESOURCES

## HELPFUL WEBSITES

**WorkforceGPS**
Sponsored by the U.S. DOL's Employment and Training Administration (ETA), WorkforceGPS is an interactive, online communication and learning technical assistance platform designed to communicate with and build the capacity of the public workforce investment system to develop and implement innovative approaches to workforce and economic development in the 21st century economy.

**Manufacturing Extension Partnership (MEP)**
A public-private partnership with centers in all 50 states dedicated to serving small and medium-sized manufacturers.

## TERMS USED TO FIND TO TENS AND TEGLS

U.S. DOL Employment & Training Administration (www.doleta.gov/wioa)

TEN 31-11 The Rapid Response Framework

TEN 3-10 National Rapid Response Initiative

TEGL 03-09 Layoff Aversion

TEN 38-11 Partnering with MEPs

TEN 9-12 Layoff Aversion in Rapid Response System

## FEDERAL RESOURCES REGARDING WIOA

Public Law 113-128

DOL Final Rule

DOL and ED Joint Final Rule

# ACKNOWLEDGEMENTS

The Staff and Board of Directors fort he Steel Valley Authority wish to thank and acknowledge the support and partnership of the Pennsylvania Department of Labor and Industry in the creation of the Layoff Aversion Playbook.

Special thanks to Dan Kuba (L&I) and Beverly Rapp (PA Rapid Response) for their valuable and longtime support of the SEWN program.

Our final thanks goes to the working families of America. Their dedicated work ethic and commitment to keeping our workplaces working are an inspiration to us all.

Produced by the
Steel Valley Authority
www.steelvalley.org