OPTIMAL STRATEGIES FOR TEXTILE INDUSTRY UPGRAADING AND COMMUNITY TRANSITION IN NORTH CAROLINA REGIONS

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Executive Summary

The textile and apparel industry (textile industry) in the United States continues to be an important source of employment and production despite significant declines over the last two decades. Furthermore, the industry is restructuring to offer important benefits to regions that have maintained a specialization in textile production. The analysis of three regions in North Carolina reveals optimal economic development strategies that serve to upgrade the textile industry and transfer benefits to communities. Benefits primarily include direct benefits such as jobs and investments, as well as indirect benefits that serve to assist the community to transition into a ‘new’, high-tech economy through the generation and transfer of skills, knowledge, leadership, partnerships and programs. Given these findings, a typology of optimal textile upgrading strategies by ‘distressed’ and ‘more prosperous’ regions is developed, and recommendations set forth to improve textile industry upgrading supports and the transfer of benefits to communities in regions.

The United States has suffered dramatic declines in textile industry employment over the last two decades, largely due to the competitive nature of the global market and increased technology. Much of the decline was initiated in the mid 1990’s, simultaneous to the passage of the North American Free Trade Agreement (NAFTA). While textile and apparel exports to both Canada and Mexico increased, steep competition caused the closing of firms and increased textile production outsourcing. For example, North Carolina has lost half its textile and apparel industry jobs since NAFTA went into effect in 1994, though only part of this can be attributed to the agreement. However, other international agreements, such as DR-CAFTA (between the US, the Dominican Republic, and Central America) may help protect the domestic textile production industry from the recent phase out of import quotas. Most textile quotas regulated under the Multi-Fiber Agreement were ended in January of 2005, and the amount of textile imports have greatly increased, particularly imports from China.

Global competition has also led textile firms to increase technologies and productivity, and many firms focused on niche markets and supply-chain management are expanding. For example, the United States is increasingly procuring from international suppliers, but a significant amount of final production and distribution continues to take place within the country. An area in which the national textile industry is seeing significant growth is within the Industrial or Technical
Textiles Industry. Nonwoven textiles, which are fabrics bonded together mechanically, thermally or chemically, are growing at a significant rate. The United States leads the world in nonwoven technology and production.

Innovations and expansions in the textile industry are reflected in North Carolina, the state with the largest percent of textile employment in the nation. Despite its strong foothold in the domestic textile industry, North Carolina did not escape forces that led to broad declines in national textile employment. While the number of jobs has declined significantly, and the number of firms moderately, total textile employment and investments in North Carolina continue to be considerable, and extremely important to the state economy. Furthermore, textile firms in North Carolina regions continue to emerge, expand, or move to North Carolina communities to take advantage of technology, infrastructure, workforce, and speed to market.

The three North Carolina case-study regions in this report are Burke County, Guilford County, and Rockingham County. All three regions have a legacy in the textile industry, and are considered to have suffered massive lay-offs due to the decline of the industry in the county. However, the textile industry in each county continues to be a pillar in the economy, especially for Burke County and Rockingham County, which are considered ‘Distressed’ counties per county economic and demographic comparisons. Guilford County is considered a ‘More Prosperous’ county. All three counties show aspects of textile industry restructuring and expansion in some areas. Textile jobs are offering higher wages, the industry is relatively young, there are many single-location and headquarter firms, foreign firms are arriving, and some existing firms are expanding their production or seeking to upgrade equipment, technology and workforce. Successful textile firms implement high-tech processes for niche market products, or control the textile supply-chain through a headquarters firm.

Each county has implemented economic development strategies to support industry and communities according to their specific attributes and needs. The county case studies in this report provide an account of these strategies, how they are implemented, and by whom. Key strategies were identified through background research and interviews with key informants, including economic development, workforce development, local government, regional agency, and local textile firm representatives. Also, each county case study features the analysis of two firms that are representative of restructuring and expanding textile firms. Together, the region and firm case studies serve as the basis to determine the most successful textile industry
upgrading strategies for each county. Over the three case study counties, the optimal textile industry upgrading strategies include:

1. Developing Local Partnerships to Approach Economic Development as a Cohesive Team
2. Building and Strengthening Relationships with Industry
3. Marketing, Image Enhancement, and Information Preparation
4. Workforce Development
5. Capitalize on Available Resources & Funds
6. Infrastructure Preparedness & Development

When economic development strategies are implemented to support the restructuring textile industry significant benefits to communities emerge. Benefits help communities to transition from traditional manufacturing economies into economies that are able to create and take advantage of new opportunities. The most significant community benefits accrued to the case study counties include; 1) Increase in the number of jobs and/or the development of high-wage, professional jobs, 2) Transfer of New Technologies directly to workers and the larger economy, 3) Creation of Partnership and Program Synergies, 4) Infusion of Community Support and Leadership, and 5) Generation of New Skills. These benefits demonstrate the need to value the textile industry in areas that have recently seen an overall decline in employment, and to support strategies that induce growth in this vital industry.

Textile industry trends, economic development strategies, and community benefits are important to recognize and review together because of the potential of replicating textile industry and community upgrading in other areas, and ultimately assist communities and economies to grow. Key recommendations geared towards economic development organizations and county and state governments to enhance the upgrading and transitioning process are;

- Include Advanced Textile Manufacturing as Target Industry for Regions and States
- Formal Community Education Effort about the changing industry and opportunities
- Inform Counties of Available Resources, including firm upgrading and workforce development opportunities
- Development of an Industry-Community Cooperation Strategy
- Flexibility in County Use of Incentives to allow for the support of key, crosscutting industry development for newer or smaller companies.
1 Introduction

“We are changing our perspective on the decline of the textile industry, changing our approach to workforce training and economic development, and taking opportunities to turn the perceived decline into a positive”

Lisa Perry, President
Rockingham County Economic Development Partnership

Lisa Perry’s observation of the changing textile industry in Rockingham County, North Carolina is contrary to messages usually delivered about textiles; that the thin thread by which the industry is hanging will soon snap. Despite North Carolina’s century and a half legacy in the textile industry, the state, as the rest of the nation, has suffered dramatic textile and apparel firm closing and lays-offs over the last two decades largely due to the competitive nature of the global market and increased technology. While these forces have required textile firms in North Carolina to increasingly outsource, cut production, and replace labor for capital, a significant portion of textile firms remain. Moreover, some aspects of the textile industry are expanding and new firms are emerging. North Carolina economic developers, such as Ms. Perry, are finding that the state’s textile expertise and infrastructure, geography, advanced technology, and distribution channels have served as a base off of which the traditional industry has modernized and upgraded, and not necessarily disappeared.

This reformation of the textile industry in North Carolina is salvaging jobs and also providing communities with some resources, encouragement, and direction for economic development. Certain economic development strategies that serve to upgrade the industry are providing important benefits to communities. These benefits include jobs, in terms of raw numbers as well as types of professional jobs, the transfer of new technologies and skills to communities, the development of partnerships and program synergies, and the infusion of community support and leadership. In the long-term these benefits will likely facilitate communities to transition from traditional manufacturing economies into economies that are intensely using innovative, new technologies. In short, supports to the restructuring textile sector today helps communities prepare for and transition into the advanced economies of tomorrow.

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The purpose of this report is to point out the importance of the textile industry in North Carolina and regions in the state, to analyze optimal regional textile industry upgrading strategies, and to consider how the restructuring textile industry serves as an intermediary to help communities in transition. The rest of this report is structured into three main parts. Part I includes Section 2 through 4. Section 2, will review the nature of the transitioning textile industry, with a focus on significant international developments and effects on National and State employment and production patterns. Section 3 will introduce the three case study regions and analyze the textile industry within each. This will follow with a brief review of the key economic development resources to help North Carolina companies and economies remain competitive. Part II includes Sections 5, 6, and 7, and will offer an in-depth look into what three North Carolina counties are doing to support their communities in a globally competitive world. Each case study will describe economic development partners and key strategies, include two firm case studies, and end with a review of individual county limitations in upgrading the textile industry. Part III will conclude the report with an analysis. Section 8 will offer a typology of optimal economic development strategies and highlight how different regions best implement those strategies. Section 9 will discuss how the strategies implemented in distinct regions provide expansive community benefits, and a list of what those benefits include. Finally, in Section 10, economic development strategies and policy implications for the successful replication of strategies will be contemplated.

**Part I: Textile Industry Overview**

Part I of this report will introduce the restructuring global textile industry, including industry trends and the importance of the textile industry for the United States and the State and regions of North Carolina. Section 3 will present the three case-study regions in North Carolina through an overview of each county’s regional economy and textile industry. The final section in Part I, Section 4, will provide a brief description of the key economic development supports offered to these regions by the state of North Carolina. This information will be the basis for in-depth case-study investigations and analysis in Parts II and III.
2 The National Textile Industry

Over the last few decades, several economic forces have changed the structure of the international economy. Factors such as globalization and trade liberalization, among others, have created new production and transportation opportunities. This has intensified competition in the domestic market and caused the reallocation of resources among industry sectors, particularly in manufacturing. This section will highlight some of the key changes that have taken place in the domestic textile and apparel industries, and hone in on the particulars of the industry in North Carolina. I will briefly introduce and describe the industry, review the recent global evolution and national trends, and introduce the importance of the industry in North Carolina. The analysis will focus on global developments that have impacted the level and types of employment and firms in the nation and the state.

2.1 Industry Background

Industry Description

The textile industry and apparel industry are distinct manufacturing sectors, comprised of three sub-sectors within the North American Industry Classification System (NAICS). The textile industry is composed of two sub-sectors; textile mills (NAICS 313) and textile product mills (NAICS 314). Textile mills transform natural and synthetic fibers, such as cotton, wool, or polyester into a product such as yarn, thread or fabric. This is the basis for most textile production. Yarn can also be made from thin strips of plastic, paper, or metal. Further production into usable textile items, such as sheets, towels, and other textiles for individual or industrial consumption may be performed in the same establishment and classified in this subsector, or may be performed at a separate establishment and be classified elsewhere in manufacturing.\(^2\) Industries in the textile product mills subsector include establishments that make textile products (except apparel). With a few exceptions, processes used in these industries are generally cut and sew (i.e., purchasing fabric and cutting and sewing to make non-apparel textile products, such as sheets and towels).\(^3\) The Apparel Manufacturing subsector primarily transforms fabrics produced by textile manufactures into clothing and accessories (cut and sew).

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They may also knit fabric and then cut and sew the fabric into a garment. Because of the complementary nature of textile mills, textile product mills, and apparel manufacturers, this report groups these three sub-sectors under the name “Textile Industry”, unless otherwise noted. Reference to ‘textiles’ also indicates reference to both textiles and apparel, unless otherwise noted.

Textile Industry Background and International Influences

The United State’s strength in textiles endured throughout most of the 20th century, with levels dropping in the last few decades due to increased international trade. Textile manufacturing was originally concentrated in the northeast in the United States, but shifted to the Southeast in the early 1900’s to take advantage of cheaper labor and raw materials. The textile and apparel industry in this region continued to make up the bulk of the national industry throughout the 1900’s. Since the 1950’s however, the textile industry throughout the United States has suffered dramatic employment losses, following the trend of most manufacturing sectors. However, production in the industry has increased, largely due to innovations in technology which allow firms to incorporate labor-saving technologies. Domestic firms have also increased technologies and productivity to compete with foreign goods. Despite increased productivity, the increased importation of foreign goods in the US since 1995 has led to a decreased domestic share of production in the textile market. 1995 marks the year after the enactment of the North American Free Trade Agreement (NAFTA).

NAFTA was created between United States, Canada, and Mexico with the aim to gradually eliminate restrictions on goods traded between the three countries. The affect of NAFTA on the textile industry has often been viewed as a double-edge sword. While textile and apparel exports to both Canada and Mexico have increased, foreign inroads caused steep competition. For example, North Carolina has lost half its textile and apparel industry jobs since NAFTA went into effect in 1994, though only part of this can be attributed to the agreement. The sharp depreciation of the Mexican peso that same year increased incentives for US firms to outsource to Mexico, which again decreased domestic production.

5 (Moudry et al, 2004).
Previous to NAFTA, several international agreements played a part in shaping the textile industry in the latter half of the 20th century. In 1962 the Long Term Arrangement Regarding International Trade in Cotton Textiles (LTA) was developed between the United States and other developed countries. This agreement enabled importing counties to impose quotas on a country by country basis for cotton textiles. In 1974, the Multi-Fiber Agreement (MFA) between the United States and several European Countries was enacted to impose import restrictions on textile and apparel other than cotton. These two treaties helped protect the domestic textile market. However, in 1994 the Uruguay Round’s Agreement on Textiles and Clothing (ATC) was enacted which required countries, such as the United States, to phase out import restrictions on textiles and apparel under MFA over the next ten years, or by 2005.\(^7\)

The passage of the bilateral agreement between the US and Central American Countries in 2004, called the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), has further affected the domestic textile industry in terms of import competition and outsourcing.\(^8\) The complete ramifications of DR-CAFTA are yet to be seen, and will likely be significant for the domestic textile trade, as Central America is the largest supplier of apparel to the United States, accounting for almost 20 percent of the apparel sold. Also, about three-quarters of the apparel imported from Central America incorporates U.S. yarn and fabric. The region consumes 40 percent of all U.S. yarn exports and 25 percent of all U.S. fabric exports, accounting for tens of thousands of jobs in the U.S. textile industry.\(^9\) However, unlike NAFTA, which is largely blamed for increased foreign competition and domestic textile firm closures, it is hoped that DR-CAFTA may help protect the industry from the recent phase out of the MFA quotas. This is because DR-CAFTA will provide duty-free access for U.S. exports of textiles and apparel to Central America, making apparel sourced there from U.S. components even more competitive in the U.S. market.\(^10\)

\(^7\) Moudry et.al. Fall, 2004
\(^8\) Office of the US Trade Representative. Available at, www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html
\(^10\) http://trade.businessroundtable.org/trade_2005/cafta_dr/textiles.html
As previously discussed, the phase out of the Multi-Fiber Agreement was completed in January 1st of this year (2005), meaning the 148 World Trade Organization (WT0) countries can no longer impose quotas on textile and apparel imports. When the quotas were first enacted (in 1974), many countries saw them as a barrier to the lucrative markets of the United States and Europe. But as they have evolved they have limited countries with significant manufacturing capacities, such as China, and have protected industry in industrialized countries. Before 2005 it was feared that the abolishment of quotas would shift textile production to whichever country could secure the best price, with China being the most likely country to usurp virtually all production. China is not only manufactures quickly and cheaply, but the nation is also increasingly able to offer quality products. As of April 1, 2005, China has indeed increased imports, and many fears are being realized. The Global Trade Atlas reported that the volume of Chinese textile exports into the US Market increased by 147 percent since January 1. The total number of garments has reached 424 million garments since that date.

The Viable Domestic Textile Industry

The outcome of many of these international forces on the US textile industry has meant the loss of a great number of textile workers and number of firms since the mid-1990’s. Along with international competition, advances in technology and decreasing demand also play a part. However, the number of actual jobs remaining in the nation is still quite high, sectors are declining at different rates, and some textile and apparel sectors are increasingly competitive. Some agreements, such as CAFTA, may offer opportunities to certain sectors of the textile industry. Overall, the industry in the United States has not faded out completely. According to a 2004 US International Trade Commission report, the United States is increasingly procuring from international suppliers, but a significant amount of final production and distribution

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continues to take place within the country. US firms are forced to be more competitive, and search to diversify their market and their products.

In their paper, “The Reports of My Demise are Greatly Exaggerated: Textiles in North Carolina”, Rachel Willis and Rachel Connelly highlight the areas of the national textile industry that remain strong, and are in fact growing. When the 3-digit textile and apparel industry NAICS codes are disaggregated, the authors found distinct trends in employment patterns based on sectors and time-periods. For example, Textile Mills (NAICS 313) employment declines were small in the beginning of the 1990’s, and more dramatic later in the decade and beginning of the 21st century. Within Textile product mills (NAICS 314), employment began declining at a more rapid pace in the 2000-2003 time-period. Finally, declines in apparel were most dramatic and earliest in cut and sew manufacturing. However, the decline in the hosiery sector has been much smaller compared with other textile sectors. Between 1990-2003 the employment in “other hosiery and socks mills” declined at half the rate of knitted apparel as a whole.

Willis and Connelly’s assessment concludes that not only does the textile industry continue to be a major producer and employer in the United States, but that it will continue to be so for a considerable time. Therefore, it is important to recognize the areas that are growing instead of announcing the domestic textile industry as unsalvageable. “Indeed, an inappropriate declaration of death can cause vital life supports to be withdrawn thereby guaranteeing the demise of the industry”.

Areas in which the national textile industry is seeing significant growth is within the Industrial or Technical Textiles Industry (IT/TT). A report prepared by William Smith of the Industrial Textiles Associates demonstrates that North American textile industry is leading IT/TT textiles. The report, titled, “The Technical Textiles Industry in North America”, draws on a

study by David Rigby Associates, demonstrating that North America accounts for about 28 percent of all IT/TT world consumption. Smith notes that, “While the NA [North America] world market share may decline—overall production will increase. What the change in market share may really mean to us is that other countries are developing uses for IT/TT as well. But this growth also creates opportunity, especially for exporting of high-end specialty products”.18

Non-woven fabrics fall within Industrial or Technical Textile Industry, and are broadly defined as engineered fabrics bonded together mechanically, thermally or chemically. They are not made by weaving or knitting but can mimic the appearance, texture and strength of a woven fabric. In combination with other materials they provide a spectrum of products for apparel, home furnishings, health care, engineering, industrial and consumer goods. Some familiar products made from nonwovens include disposable diapers, medical gowns and masks, household and personal wipes, wall coverings, automotive upholstery, insulation, and envelopes.19 Research conducted at the North Carolina College of Textiles indicates that nonwovens are growing at a significant rate in the United States, and the nation leads the world in nonwoven technology and production. The US industry is composed of over 550 firms, over 160,000 employees, and annual sales over $40 billion. Further, there is opportunity for growth, and the North America will continue to dominate the market in the future, together with other developed regions.20

These promising studies indicate that particular aspects of the textile industry continue to be viable. This is significant for states such as North Carolina, a traditionally strong textile producer. The following section will focus on the North Carolina textile industry and highlight areas of upgrading and growth.

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19 The Nonwovens Information and Business Network. Available at www.nonwovens.com
2.2 The North Carolina Textile Industry

With 116,309 total employees, the North Carolina textile industry accounts for 27 percent of the total textile industry employment in the United States. As such, North Carolina leads the Southeast region as the textile base of the nation. Together, North Carolina, South Carolina and Georgia make up nearly 60 percent of the total US textile employment. South Carolina accounts for 16 percent and Georgia 14 percent of the national textile employment.

The Importance of the State Textile Industry

North Carolina boasts a total of 1,575 textile and apparel firms. The below map illustrates the physical location of the textile and apparel firms in 2005, demonstrating the importance of the industry throughout the state, with a few general regions dominating firm location.

Despite its strong foothold in the domestic textile industry, North Carolina has not escaped forces that led to broad declines in national textile employment. Since 1990 there has been a 30 percent decline in the number of North Carolina plants and a 59 percent decrease in employment.

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Figure 1: North Carolina Textile and Apparel Industry Employment indicates the most dramatic decline occurred after 1997. In fact between 1997 and 2002, 100,000 textile jobs and 70,000 apparel jobs were lost in North Carolina.

Figure 1 also illustrates the decline in the number of textile and apparel firms. Between 1975 and 2000 a total of 1,608 textile firms exited the North Carolina market. However, another 1,378 entered, for a total net loss of just 230. Much of this “churning” was due to existing firms buying plants from low-performing competitors.24

While the number of jobs has declined significantly, and the number of firms moderately, the total numbers of textile jobs in North Carolina continue to be considerable, and extremely important to the state economy. In 2003, employment in the textile industry accounted for 3.7 percent of total private employment in North Carolina. Figure 2: Share of NC Employment by Sector, illustrates that only 5 other 3-digit sub-sectors in North Carolina maintain a larger share of state private employment than the textile industry. Within the aggregated textile industry, textile mills (NAICS 315) represents the largest share of employment, and 2.3 percent of total state employment.25

Emerging Firms and Competitive Areas

The North Carolina textile industry is important because of the number of jobs, as well as the types of jobs, products, and innovations that the industry is contributing to the larger economy. For example, there are areas within the textile industry that represent potential growth. This is demonstrated through the many new textile firms in North Carolina that are emerging, and the many established firms which are restructuring or expanding. These new and expanding firms are typically capital-intensive and extremely high-tech. They increasingly rely on advanced software and textile research to create products aimed at niche-markets. Jobs offered in these firms are typically more professional, higher wage, and bestow a modern skill-set to workers.

North Carolina textile firms established between 1990 and 2003 account for 25 percent of all textile firms in the state and for 14 percent of total employment in the state industry.

Figure 3: Number of NC Textile/Apparel Firms by Date Established & Employment indicates the number of new firms by year from 2000 through 2003, by half-decade beginning in 1920, and larger time-ranges from before that date.26 About 1,429 textile and garment firms are represented, slightly less than the Bureau of Labor Statistics totals for 2003.27 Overall, the data offers an excellent review of the state textile and garment industry over the last century and a half.

Between 1975 and 2000 there was a great increase in the aggregate number of new firms established in North Carolina. Firms established between 1975 and 2000 currently employ about 41,000 people in the state, accounting for 37 percent of state industry employment. This is a very conservative estimate, as many new textile and apparel establishments and plants grow out of established firms, and are therefore not attributed a new founding date. Simultaneous to the increase in new firms by 5-year range is a decrease in the average number of employees per firm.

Figure 4: New Firms and Employment by Date Range and Year, graphs the number of new firms, average employment per firm, and the average number of new firms per year. For firms established between 2000 and 2003, the average number of employees per firm is 56. This decrease points to less labor-input in new as well as established firms. While it appears that the average number of employees per firm began to increase again after 1995, this is most likely due to the fact that we begin to measure data by year (not 5-year date ranges), which makes the data

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26 NC Department of Commerce 2003 Textile and Garment Establishments Survey. And Harris Infosource, North Carolina Manufacturers Directory, 9/04
‘jump’ around more. The sole purpose of is to demonstrate the fact that new firms are being established in North Carolina, and does not offer information on total employment and establishment changes.

New and emerging textile firms also offer a significant amount of community investments in terms of employment generated, and total financial and infrastructure investments. The North Carolina Department of Commerce tracks these investments through their annual Community Investment Report, which displays all publicly announced investments by firm Standard Industrial Classification (SIC) code. SIC codes were converted to NAICS codes in 1997. SIC Code 22 was broken down into to NAICS 313 (textile mills) and NAICS 314 (textile product mills). SIC 23 was broken down into NAICS 315 (Apparel manufacturing) and NAICS 314 (textile product mills).28

Figure 5: North Carolina Textile Industry Community Investments, reviews investment announcements by the textile industry in 2001 and again in 2004. We can see that textile companies in both years announced over $260 million in investments. In 2001 70 firms contributed to the investments and included the creation of 2,092 jobs. In 2004 just 31 firms contributed, but still announced the creation of 1,513 jobs. Nearly 20 percent of those firms were foreign. This information represents the large investments of existing textile firms, and that in the three year span from 2001 to 2004 we are seeing fewer firms, but those firms continue to contribute almost the same level of community investments and employment.

To best understand the characteristics of emerging or restructuring firms it is helpful to review the characteristics of a sample group. Figure 6: A Sample of Restructuring or Emerging Textile Firms in NC, displays ten firms established in the last two decades in North Carolina, and reviews their product, jobs created, and their comparative advantage. Their comparative advantage is what they believe has made them viable, as well as what will allow them to remain competitive. Out of the ten highlighted firms, four are international companies that decided to move to the area to take advantage of technology, infrastructure, and speed to market. Two firms grew out of and were supported by their larger, more established ‘parent’, and later upgraded their product line to serve niche markets. Their competitive advantage has been

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working in high-end markets and developing customer-specific products through in-house R&D. The remaining four were start-ups initiated by textile entrepreneurs to work in high-tech, niche markets. Six of the total ten firms work in nonwovens. AFG Wipes, an Israeli Firm, and the Defeet Company, a Hosiery Firm, will be highlighted in Firm Case Studies in later sections.

More established and larger companies are also extremely significant to the North Carolina textile industry. The state maintains a number of large textile firms, by employment and sales. In fact, out of the 100 largest textile and apparel firms by employment in North Carolina, the ten largest firms make up 44 percent of the total sales and 26 percent of total employment.29 The average founding date of these firms is 1939, but their most recent plant opening in the state opened in 1990, on average. Many of these large companies are headquartered in NC. Of the top 10 firms by employment, seven have corporate headquarters in North Carolina. Headquarters bring special benefits to regions such as quality jobs, spillovers in increased revenues and employment at local banks, law firms, and other business services, and the additional source of giving in the local community30.

This section served to paint a broad picture of the changing textile industry in the United States and the state of North Carolina. Despite readily available information depicting the textile industry in dire shape, we find that the industry not only continues to employ a large number of people, new or expanding textile companies are investing in communities. Section 3 will hone in on three North Carolina regions to better understand what is happening ‘on the floor’.

3 Case Study Regions Overview

Section 2.2 displayed both the importance of the textile industry in the State of North Carolina and dynamic or expanding areas. While the numbers of jobs created certainly don’t replace the number of jobs previously lost, the impact in terms of community morale and transition are

large, and certainly worth celebrating. In this section I will introduce three counties in North Carolina to obtain a closer look at how the textile industry is restructuring.

The three areas I will focus on are Burke County, Guilford County, and Rockingham County. The three focus areas are in different geographic locations in the state, have different population make-ups and economic circumstances. However, they also offer comparisons. For example, Burke County and Rockingham County have similar population sizes and industrial history, and sometimes compete for companies (George; March 24, 2005). Also, Guilford County and Rockingham County are neighbors, located within the same Regional Partnership, and have similar access to transportation infrastructure. In Section 3.1 below I will weave together county demographic and economic information in to serve as a context for discussion of the textile sector embedded within each region, developed in Section 3.2.

3.1 Regional Textile Industry and Case Study Regions Overview

The Economic Development structure in North Carolina is based on a county tier-ranking system and through grouping regions into Economic Development Regions. North Carolina Counties are assessed annually to receive a tier ranking, which determines a variety of state funding opportunities to assist in economic development. Annual calculations are required by the William S. Lee Quality Jobs and Business Expansion Act and are based on a formula established by statute, which takes into consideration annual population growth, unemployment rate, per capita income, and more. According to N.C. Commerce Secretary Jim Fain, "The tier designations help ensure that our less prosperous counties have the tools they need to attract and retain companies". 31 The North Carolina Department of Commerce assembles the required statistics on all of North Carolina's 100 counties, applies the formula, and assigns a tier designation ranking from one to five, with Tier 1 as the most economically distressed and Tier 5 as the least challenged.

North Carolina is structured into seven Economic Development Regions. Each region has a Regional Partnership Office, which is devoted to marketing the region for business expansions and relocations. Furthermore, each county, and in some counties all major cities, have a local economic development office. Cities, counties and regions work in partnership in the creation of economic development objectives, strategies, and activities.\textsuperscript{32}

### 3.1.1 Burke County

Burke County is situated in the Western part of North Carolina, and is bordered by the Blue Ridge Mountains to the west and the South Hills to the South. Burke County is part of the Western Advantage regional partnership, and is about 514 square miles with a population of 89,148.\textsuperscript{33} The county seat is Morganton, population 17,000, and the other most developed city is Valdese, population 5,000.\textsuperscript{34} Despite it’s relatively small size, Burke County ranks in at 40 of 100 counties in terms of population. Between 1990 and 2000 the county saw a 17.1 percent increase in population, which was about 4 percent less than the state percent change in population.

Burke County is considered a Tier II county by the Department of Commerce, meaning the region is considered to be economically distressed. As a Tier II county Burke will be eligible to receive a higher allocation of state funding, which can often be passed to companies for expansion and establishment.

Burke County maintained a higher than state average year to date unemployment rate, and the 2002 unemployment rate reached 8.1, deeming the county to have the 32\textsuperscript{nd} highest unemployment rate in the state that year (out of 100 counties, total).\textsuperscript{35}

Burke County has one of the state’s lowest number of high-school graduates, and also has a low number of individuals with a Bachelor’s degree or higher. The per capita personal income and median household income were slightly better than most counties in North Carolina, but still lower than the state average. In 2000, 10.7 percent of the Burke County population were in

\begin{itemize}
  \item North Carolina Department of Commerce, Economic Development Information System. Available at, http://cmedis.commerce.state.nc.us/
  \item Burke County Government. About Burke County. Available at www.co.burke.nc.us/history.htm
  \item North Carolina State Demographics. http://demog.state.nc.us/
\end{itemize}
poverty, which was better than the state average and ranked the county at 79 out of 100 for poverty levels (100 being the least impoverished).

Burke County is considered to have suffered massive lay-offs between 1990-2005. As of lay-off announcements and formal publications made through April, 2005, the county announced the loss of 4,130 jobs through the closure of 43 establishments. Many of these were in the textile and apparel industry, which accounted for half of all job losses, or 2,072. As of 2004 the county had announced $26 million in new investments and 245 new jobs created.36

3.1.2 Guilford County

Guilford County lies in the heart of North Carolina's Piedmont Triad Region and is the State’s third largest county in terms of population. The major cities of Greensboro and High Point are located within the county, which are the third and ninth largest cities in North Carolina, respectively.37 Guilford’s close proximity to the Research Triangle and Metropolitan Charlotte lend to the county’s diverse, high-tech economy, which is focused on growing competitive industries. In fact, the welcome sign when entering the county exclaims, “Welcome to Guilford County, North Carolina’s Future”.

Guilford County is part of the Piedmont Triad regional partnership, and is a tier 4 county. This signifies that Guilford County is considered to be one of the least economically distressed counties in North Carolina.38 The county population grew 21.2 percent, about the state average between 1990-2000. Guilford County has maintained a relatively low unemployment rate, and ranks 61 out of 100 counties for unemployment levels. In 2002 the unemployment rate was 6.1, below the state average of 7.0. Guilford County also ranks within the top 10 counties for the percentage of the population that have graduated from high school or have a bachelor's degree or higher.

The median household income and per capita income are also higher than the state average, and nearly the highest in the state. Though there is a low level of poverty, the county does not rank as well for low levels of poverty as for other employment and income level indicators.

Since 1990 the county has experienced (or will, as reported by anticipated closings) the loss of nearly 24,000 jobs due to closings and layoffs. The textile and garment industry accounts for only 19 percent of these job losses. Meanwhile, the county reports the creation of 2,413 new jobs and $232 million in investments over all industries as of 2004.  

3.1.3 Rockingham County

Rockingham County is a mid-size county in Northern-Central North Carolina, and is part of the Piedmont Triangle Partnership. Known as, “North Carolina’s North Star”, it lies directly to the North of Guilford County, and is within the same economic development partnership. Therefore, Rockingham county serves as a point of comparison of how different counties function within a similar geographic location. Rockingham county is similar to Burke County in terms of size, demographics and industry mix, allowing comparison and contrasts to be made between Rockingham and Burke Counties as well.

Rockingham county is designated as a Tier 2 county in North Carolina, classifying it as economically distressed. Despite the county’s relatively large total population in 2000 compared to other counties, Rockingham maintained a low level of population growth over the last decade, and ranked 88 out of 100 in population growth. From 1990-2000 the population grew only 6.8 percent, compared to the state population percent change of 21.4 percent for the same years. However, it is interesting to note that the Hispanic population grew by 37 percent between 1990 and 2000, representing one of the highest growth rates in the out of all counties. The county has a high year-to-date unemployment rate at 8.3 percent, ranking it at 13th out of 100 counties for the

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unemployment percent rank. In 2002 the county’s unemployment rate was 9.6 percent, compared to 6.5 for the state.\textsuperscript{41}

The County percent of poverty was 12.8 in 2000, slightly above the state average. Rockingham County ranked in the last quarter of NC counties for the number of high-school graduates, average SAT scores, and the percent of the county population with a Bachelor’s degree or higher.

The County is considered to be a site of ‘massive’ layoffs, largely due to the loss of jobs in the textile and apparel industry. Of the total 6,822 jobs lost due to lay-offs between 1990-2005, 59 percent were due to job losses in the textile and apparel industry\textsuperscript{42}. However, as of 2004 the county had created 861 jobs and 42 million in investment.\textsuperscript{43}

Overall, Burke and Rockingham counties are significantly more distressed than Guilford County. This is demonstrated in their slow population growth, high poverty and unemployment rates, and low education levels compared to state averages. This information will serve as a context to focus on the textile industry among the three counties, presented below.

3.2 Case Study Region Textile Trends Overview

Each of the Case Study regions have suffered a significant amount of textile firm closures and job loss over the last decade, but the textile manufacturing, technology, research and employment continue to be significant in terms of aggregate numbers and contributions to the economy. Analyzing the industry within each individual county reveals that sectors are changing at different speeds and some areas are expanding. The following section will begin with an overview and comparison of the county’s textile industries, then focus in on developing areas.

County Textile Industry Comparisons

\textsuperscript{41} North Carolina Department of Commerce. Economic Development Information system. \textit{County profiles. 4th Quarter, 2004}. Available at, http://cmedis.commerce.state.nc.us/countyprofiles/


Burke, Guilford, and Rockingham Counties together represent a large portion of the North Carolina Textile Industry. Figure 7: County Textile Industry as a Percent of State Industry Total, 2003, illustrates that the three counties account for over 11 percent of North Carolina textile firms and employment. They also contributed 14 percent of the total wages paid to textile workers in the state in 2003. Figure 7 also indicates that Guilford County holds a large percentage of the state textile firms, and that among the three regions, Guilford County paid out the most wages in 2003. This is not surprising given the fact that Guilford County has a much larger population than Rockingham and Burke Counties. However, Guilford County had just slightly more employees than Burke County in 2003, and significantly fewer employees than Rockingham County. This indicates that Guilford County maintains more small textile firms with fewer employees that are paid higher wages than the comparison regions. The last column in Figure 7 confirms this, showing that Guilford County textile firms employ an average of 39 employees per firm, compared with 78 per firm in Burke County and 173 employees per firm in Rockingham County. The state average in 2003 was 74 workers per textile establishment.

The textile industry in Burke and Rockingham Counties constitutes a large percentage of their county’s total private workforce. Figure 8: County Textile Industry as a Percent of Total Private Workforce, illustrates that the Rockingham and Burke Counties textile industries represented a large percent of total private workforce in 1990 and in 2003. Rockingham County textile workers make up 23 percent of the total private workforce, and in Burke County textile workers account for 13 percent. The figures indicate that the industries in both counties lost an average of about 13.5 percent of the share of the workforce between 1990 and 2003. However, total private employment in both counties decreased (12 percent in Burke County and 6 percent in Rockingham County) in the period between 1990 and 2003. Therefore, a portion of the textile industry decline can be attributed to a shift in the county economy in these counties.

On the other hand, the total private workforce in Guilford County increased by nearly 16 percent from 1990 to 2003. However, Figure 8 displays that the county textile industry’s share of the workforce contracted during the same period, representing only 2 percent of the total private workforce in 2003. The final column in Figure 8 indicates the average share of North Carolina textiles workforce compared to total private workforce was 11 percent in 1990 and 4 percent in 2003. Also, the state private workforce increased by about 20 percent during that
period. This indicates that the textile industry in Guilford County, and most of North Carolina, is not sharing in increases in employment taking place throughout the rest of the economy.

In terms of total employment and number of establishments, all three counties, as well as the average for North Carolina counties, saw declines between 1990 and 2003. Source: North Carolina Employment Security Commission

Figure 9: Average Annual Employment by County, illustrates that Rockingham County had the least significant employment decline of the three areas, as employment dropped 43 percent in the 13 year period. Guilford County lost the most employees, both in terms of raw number and percentage. Between 1990 and 2003 Guilford County employment in the textile industry dropped by 67 percent for a total loss of over 8,000 jobs. The fact that the unemployment rate in Guilford County remained low throughout this period (as shown in Section 0), indicates that the economy was likely able to absorb this transition.

While all three counties saw a decrease in the number of textile establishments between 1990 and 2003, Rockingham County saw the least, at only a 6 percent decline. Figure 10: Average Number of Units by County, shows that between 1990 and 2000 Rockingham County actually saw a small increase in the number of firms, which then dropped off by 2003, representing a net loss of just 2 firms. The state average in firm decline was 30 percent. Guilford saw a slightly slower decline than the state average, at 24 percent, and Burke County took on the most severe number of firm decline with 48 percent of total firm closings between 1990 and 2003.

The individual counties demonstrate distinct specializations within the textile and apparel industry when a location quotient is applied. A location quotient (LQ) measures competitiveness by comparing an area's share of an industry to a larger geographic area. In this analysis North Carolina is the reference area. A LQ above 1 indicates the area has a significant amount of textile activity, or is specialized and competitive in this area. Figure 11: County Location Quotient, demonstrates that in 2003 Burke and Rockingham County held a specialization in textile mills (NAICS 313), and Burke County maintained a specialization in apparel manufacturing (NAICS 315) as well. As textile employment has been falling on a
county, state and national level, determining specializations on a sub-sector level does not illuminate much information into how the industry is restructuring. Furthermore, county data at the four or five digit NAICS code level is often suppressed to maintain firm confidentiality.

The Viable Textile Industry

Despite the apparent decline in Burke, Guilford and Rockingham Counties textile industries, there are some important considerations to take into account to understand the vitality of the remaining industry. Textile jobs offer higher wages, the industry is relatively young, there are many single-location firms, foreign firms are arriving, and some existing firms are expanding their production or seeking to upgrade equipment and/or workforce.

The average wage paid to textile workers in the three counties increased by an average of 116 percent from 1990 to 2003.

Figure 12: Average Wage Paid to Textile Employees indicates that Guilford County pay’s employees the highest wage. While Burke County paid the lowest wage in both 1990 and 2003, the amount paid increased the greatest in that county at 144 percent. The average worker in Burke County now makes nearly $20,000, compared to just $8,000 in 1990. The Rockingham county textile industry paid slightly more than the average wage across all industries in 2003. In Burke and Guilford County the industry paid slightly less than the average. The Burke and Guilford county textile industry paid slightly less than the average wage for all industries in those counties in 2003.

While overall employment has decreased in the three regions in the last couple of decades, there has also been a significant amount of new employment being generated as well. Over the last

three years Rockingham County has seen an increase of 1,000 of new textile jobs, and 845 jobs were created in Guilford County. In the last year (2003-2004), 390 new jobs were created in Burke County. This information does not counter the fact that there is a net loss, but illustrates there are areas in which the industry is expanding. The following paragraphs will report employment growth and concentration by county.

Through data provided by the North Carolina Department of Commerce, we find that in Burke County, 22 out of 38 textile firms either maintained or increased their employment between 2001 and the third quarter of 2004. Out of those firms, five increased their employment by 50 percent or more. The majority of expanding firms are described as hosiery and sock mills. This represents Burke county’s strength in this sector. In 2003, hosiery mills accounted for over one-third of total Burke County textiles employment.

The majority of Burke County’s textile and apparel firms were founded after the 1970’s, indicating the area is viable for company growth despite the overall declines in the industry beginning the 1980’s. In fact, about a third of the total companies were founded in 1985 or later. According to data reported in the Harris InfoSource Directory, the largest textile firm in the county employs 400 people and the smallest firm employs one person. Out of the total 38 firms reported, 30 are single locations. This means the plant serves as the head office. Out of the remaining 8, four are ‘parent accounts’, which are the parent company of a corporation, and four are branches. It is important to consider than nearly 80 percent of the firms in the area are single location firms. This means that they do not have branches or headquarters in other areas. Using data on average number of workers per firm, Burke County textile firms are relatively small compared to textile firms in other counties. This indicates that as small, single locations they may be more vulnerable to market forces, as they do not have other plants to balance occasional disparities. On the other hand, these single firms may be more embedded in their community, and perhaps feel more allegiance to remaining in their present site, and also support community endeavors and transitions. Much of this firm culture depends on the management,

and often single location firm management is more concerned with the local area (George, R. March 24, 2005). 46

In Guilford County over 45 percent of the textile firms increased employment between 2000 and 2003, and over half of the textile firms increased or maintained employment. 46 There is quite a diversification of firms that increased employment. The most prevalent include broad-woven fabric finishing mills, commercial screen printing, household textile product mills, and apparel cut and sew.

As of the third quarter of 2004 Guilford County contained four corporate offices, or headquarters that employed almost 2,000 people in the county alone. These firms together employ about 50,500 people within and outside of Guilford County or the state. Out of the remaining companies, 11 are considered parent accounts, 14 are branches, and the others are single location firms. Three textiles companies are internationally owned by Japanese, French or Swiss companies. 47

The average Guilford County textile firm was established in 1971, and over half of all the firms were founded in 1980 or later. The median year established was 1982 and the mode was 1990. However, this information may not reflect some of the newest firms in Guilford County. According to the 2004 Yearly Community Investment Report (CIR) from the North Carolina Department of Commerce, the German company Bodet and Horst announced a new establishment in the county, with 20 employees and $40 million investment. In 2003 Guilford County reported no investments by textile and apparel companies, but in 2002 the county reported four textile company expansions totaling nearly $9.9 million of investment. 48

In Rockingham County over half of the textile firms in the county maintained or increased employment between 2000 and 2003. The majority of these were yarn-spinning mills, as well as automotive trimmings, apparel findings, and curtain and draperies production. Between 1990

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and 2003 the six-digit NAICS code for Yarn Spinning saw an employment increase of over 400. Furthermore, the sub-sector for Textile Mill Products (NAICS 314) slightly increased employment between 1990 and 2003. This supports the county’s increased LQ over this time period, as illustrated in Figure 11. Rockingham County’s LQ in Textile Mills (NAICS 313) also increased, though there was a slight employment decline. Due to data suppression it is difficult to analyze other exact changes in employment by NAICS codes. However, the information above points to some strong areas within the textile industry, which continue to contribute a significant number of jobs to the economy.

The next section will review the economic development strategies available to counties, mostly from the state. These will be built upon and referenced in the specific county case studies, section 5-7. These three section, 5 through 7, will offer an in-depth look at the economic development and firm restructuring strategies in each of the three case-study counties, which contribute to the textile industry trends presented above.

4 State Economic Development Resources

North Carolina is continually vying for the maintenance and growth of competitive industries. To that end, the state has developed geographic and financial supports for economic development. This section will review the organization of those structures and available resources and serve as a base for understanding county-specific economic development strategies discussed in later sections.

The following is a list of economic development programs and incentives offered and/or administered by the North Carolina Commerce Finance Center, non-profit organizations, the community college system, and other Federal Programs. The list includes only those funds which pertain to the textile industry, but is nearly a complete list of all programs available.

4.1 North Carolina Grants and Incentives

- Tax Credits

The William S. Lee Quality Jobs and Expansion Act offers companies that are expanding or relocating, and creating jobs to hire North Carolinians, with tax credits. Credits may be used to


\footnote{North Carolina Department of Commerce. Available at, www.nccommerce.com/finance/incentives/}
offset up to half of the state income or franchise tax liability. Lee Act credits include Job Creation, Investment, Working Training, Research and Development, Central Administrative Office Tax Credits. Credits are claimed based on the number of new jobs created or workers trained, percentage of the cost of machinery and equipment placed in service during the year, increase in research activities, and a percentage of the real property investment for a Central Administrative Office. The level of credit is also dependant on the location of where the credits are being claimed, which refers to the county-tier (see section 3.1). To be eligible to receive credits, companies must offer wages that meet or exceed the applicable wage standard of the county, must provide health-insurance for full-time employees and pay 50 percent of the premiums, must certify they are not violating environmental regulations and have not over the last five years, or received OSHA violations over the last three years.51

- **Industrial Revenue Bonds (IRBs)**

The principal purpose of issuing state revenue bonds is assist new and expanding industry while seeing that North Carolinians get good jobs at good wages. Industrial Revenue Bonds are essentially three basic types; 1) Tax Exempt Bond (Small Issue IRB's)- Income derived by the bond holder is not subject to federal income tax, and the maximum is $10 million, 2) Taxable Bond- They are not exempt from federal tax, but are exempt from North Carolina taxes, and can exceed $10 million. 3) Exempt Facility/Solid Waste Disposal Bond - These bonds are subject to volume cap although there is no restriction on amount and the interest on these bonds is federally tax exempt.52 North Carolina also issues Composite Bonds. This program brings together a group of borrowers and issues the Bonds collectively through the North Carolina Capital Facilities Finance Agency. The target group is new and expanding small to medium manufacturers.53

- **Community Development Block Grants**

These funds may be accessed by local municipal or county governments (excluding entitlement cities or designated urban counties) to support a project that involves a specific business creating or retaining jobs. Assisted project activities must benefit persons (60% or more) who were previously (most recent 12 months) in a low or moderate family income status, based on income

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levels published for the State annually by the U. S. Department of Housing and Urban Development (HUD). Eligible economic development projects include assistance to public facilities needed to serve target business, or loans to the private business to fund items such as machinery and equipment, property acquisition or construction. Public facility projects may provide grants of up to 75% of the proposed facility costs, with a 25% cash match to be paid by the local government applicant, except in Tier One areas, where no local match is required. Loan projects are assisted in conjunction with a participating bank, which will provide 50% or more of the funds needed by the project company.54

- The Industrial Development Fund (IDF)

IDF provides incentive industrial financing in the form of grants and loans to local governments in Tier I, II, or III counties, with the purpose of job creation by new or expanding industry. IDF Programs are divided into four categories. 1) **Basic IDF** assistance supports improved infrastructure (in the form of grants) or building renovation and equipment (in the form of loans). The amount funded depends on the number of new, full-time jobs created. The funding level of each project is determined by the Secretary of Commerce but cannot exceed $5,000 per job or $500,000 per project. 2) **Emergency Economic Development Assistance** provides low-interest loans to local units of government that have experienced within the past 12 months either a loss of 500 or more manufacturing jobs in the county--if there is a material impact on the county's economy--or a loss of manufacturing jobs equal to at least 10 percent of the manufacturing force in the county. 3) **Utility Account** funds are available in Tier areas I and II, and can be used for construction or improvements to water, sewer, gas, or electrical utility lines and for equipment for existing or proposed industrial buildings. Funding levels cannot exceed $500,000 per project. 4) **Clean Water Bonds Proceeds** offer grants to local governments to assist with the cost of clean water projects. Projects must have a favorable impact on the clean water objectives of the state, must benefit those industries specified by the Clean Water and Natural Gas Critical Needs Bond Act of 1998 (those eligible for the William S. Lee tax credit program), and must be located in economically distressed counties (Tier I, II, and III) or in counties have a population of less than 50,000.55

- Job Development Investment Grant

54 North Carolina Department of Commerce. *Community Development Block Grant Program*. Available at, www.nccommerce.com/finance/incentives/cdbg/

This discretionary incentive may provide sustained annual grants to new and expanding business measured against a percentage of withholding taxes paid by new employees. Up to 25 grants can be awarded annually, can provide payment to businesses for up to 12 years, and total yearly amounts paid cannot exceed $15 million.\footnote{North Carolina Department of Commerce. \textit{Job Development Investment Grant Program}. Available at, www.nccommerce.com/finance/incentives/jdig/}

- **One North Carolina Fund**
The One North Carolina Fund provides financial assistance to help recruit firms or expand firms who will add jobs in high value-added, knowledge-driven industries. Companies receive money from the Fund for the purposes of installation or purchase of equipment, structural repairs or improvements to building or utility infrastructure to be used for expansion. Companies must agree to meet the weighted hourly average wage test of the Lee Act, and local governments must provide matching financial assistance. Approved projects must provide economic benefits to the state, region, or locality, and are determined by the quality of jobs and industry, the environmental impact, and if the project is competitive with another state or country.\footnote{North Carolina Department of Commerce. \textit{One North Carolina Fund}. Available at, www.nccommerce.com/finance/incentives/onenc/}

### 4.2 Other Programs
- **Trade Adjustment Assistance**
TAA is a federally supported program through the Department of commerce that provides financial assistance to manufacturers affected by import competition. The funds can be used to employ consultants or industry-specific experts for projects that improve a manufacturer’s competitiveness. It is a matching funds program, and does not require repayment. There are twelve regional centers, and the Southeastern center, which pertains to North Carolina, is located in Atlanta, GA.\footnote{US Department of Commerce, Trade Adjustment Assistance for Firms. Available at, www.taacenter.com}

- **Small Business Assistance**
The North Carolina branch of the federal Small Business Administration (SBA) offers; 1) Free counseling, and information on starting a business and growing a business, 2) Financial assistance for new or existing businesses through guaranteed loans made by area bank and non-bank lenders, micro loan intermediaries, and special loan programs available for businesses in international trade. 3) Assistance to businesses owned and controlled by socially and

\footnote{North Carolina Department of Commerce. \textit{Job Development Investment Grant Program}. Available at, www.nccommerce.com/finance/incentives/jdig/}
\footnote{US Department of Commerce, Trade Adjustment Assistance for Firms. Available at, www.taacenter.com}
economically disadvantaged individuals through the Minority Enterprise Development programs and programs for women and military veteran business owners.\(^{59}\)

The above economic development resources represent opportunities for North Carolina counties to develop their industries and communities. The following case-studies will highlight how some counties are drawing on these resources. The case studies do not always name specific grants, incentives, or programs, but generally refer to the type of support.

**PART II: CASE STUDIES**

The following three sections will present the Burke County, Guilford County, and Rockingham County case studies. Each case study will outline the key development partners and strategies to support county economic development. Case-studies will also include two firm case-studies, which serve as specific examples of how textile firms are drawing on economic development strategies and community resources to upgrade or expand. Each county case study will end with a discussion of limitations of the county’s development strategies in upgrading the textile industry.

The Case studies are based on interviews with economic development, community college, and other community, workforce development, or textile company representatives, as well as investigative research. While the case studies are not an account of how regions specifically target the textile industry for upgrading, through coupling the economic development strategies and partners review with specific textile firm case studies, we gain insight into how counties are indeed working to enhance the textile industry. This information will be developed in Part III in discussions of optimal textile upgrading strategies and policy implications.

5 **Burke County**

Burke County is a Tier II county, a site of massive lay-offs, and maintains a declining workforce. The textile industry contributes 13 percent of the total private workforce, and from 2003-2004

309 jobs were added. The following sections will offer information on the economic development entities, strategies, and limitations, as well as textile firms in the county.

5.1 Economic Development Partners and Strategies

The lead economic development organization in Burke County is the Burke Partnership for Economic Development (BPED). City and community leaders indicate that BPED is recognized as the long-time leader for development endeavors in the community, and a motivator for the development of the county (George; March 24, 2005) (Johnson, T; March 18, 2005). According to BPED and other key economic development organizations and individuals, the key strategies employed in Burke County for community transition and the restructuring of the textile industry include:

1. Attention to All firms, regardless of size or stage
2. Strong Personal Relationships with Owners
3. County Promotion to Larger, State-Level Partners
4. Active and Direct Recruitment of Firms
5. Establishing a Strong Team and Partnerships

BPED recognizes several key partners in supporting the above five strategies. These include the Burke County Government and city governments, Western Piedmont Community College, and the Employment Security Commission. State-wide support through the North Carolina Department of Commerce is also important for making industry contacts and learning about opportunities. Each organization and their economic development efforts, with a focus on the textile industry, will be discussed in more detail below.

The Burke Partnership for Economic Development (BPED)

BPED was formed in 1977, and currently has fifteen appointed members who determine the best direction for quality economic growth in the County. Main activities include the maintenance and distribution of information on land and buildings available for development, compiling and disseminating demographic data, coordinating activities with governmental and non-governmental entities, and to and to keep abreast of State and Federal economic development programs. BPED also offers orientation tours to prospective companies to showcase County quality of life and industrial opportunities.

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60 Burke Partnership for Economic Development. Available at, www.burkeedc.org/
The current BPED structure and mission was formalized through a county Economic Summit facilitated by the UNC Institute of Government a few years ago. According to Ron George, the County Manager at the time, this was a crucial point at which the county began to reformulate their economic and industrial growth focus. BPED is responsible for implementing the resulting initiatives, and BPED and the county work together continue developing many initiatives that came out of the summit. For example, communities have collected the funds to establish an 83 acre industrial park, which will enter the design phase this coming August, 2005. (George; March 24, 2005).

Tom Johnson was the director BPED for 17 years, from about 1987-2004. Due to his experience in the County during drastic manufacturing decline and several business cycles, Mr. Johnson provides a significant amount of information on the role of BPED in textile industrial and community transitions and upgrading. In a personal interview on March 18, Mr. Johnson stressed that the most important part of creating an attractive place for industry is for a County to be armed with information and solid partnerships before the arrival of a company. He said,

"It is a misnomer to talk about industrial recruitment. It ought to be called industrial preparedness. The role of a local economic developer is to prepare their community to get all the questions answered before a company gets there, and to market the community to people who make a difference in bringing the company in."

Tom Johnson (March 18, 2005)

Other strategies of the BPED are to work directly with company owners, support small and existing businesses, and market the area to larger entities, like the North Carolina Department of Commerce.

Mr. Johnson entered his position at BPED with a conviction that small business was an important base to the economy. He worked to support the development of businesses, as well as maintain existing businesses. He notes that, “it is better to keep [a business] than replace it” (Johnson, T; March 18, 2005). His support helped establish the Defeet sock manufacturing company in Burke County in 1992, which is the first Burke County Firm Case Study discussed below.
As Burke County is relatively small and unknown by companies outside the area, direct promotion and marketing to companies is not cost-effective. To get around this, the BPED under Johnson’s watch leveraged larger organizations to promote Burke County to companies seeking to re-locate or expand. For example, Mr. Johnson consistently informed the North Carolina Department of Commerce (DOC) of opportunities in Burke County such as available sites, buildings, workforce characteristics, utility capacities and targeted industries. Industry experts at the DOC may be contacted by companies, or work with consultants, and are informed about Burke County and can readily pass on up-to-date information about the company (Johnson, T; March 18, 2005).

The industries that the BPED targets is quite broad. Advanced manufacturing textile companies may be targeted inasmuch that they are considered competitive, and/or fit within the niche of other targeted industries. Mr. Johnson confirms that Burke County will not target traditional manufacturing companies, including traditional furniture and textile companies. This is because these labor-intensive, commodity product companies do not offer sustainable job-options, and are therefore risky investments for the community. As noted in sections 2 and 3, most of this type of production has already left the nation.

One of Burke County’s most important industry recruitment strategies is to seek out and work directly with company owners who are looking to expand. For example, the recruitment of the Viscotec Company, an automotive fabric manufacturer, was successful because of relationships built early with the owners. Mr. Johnson notes that this advanced textile manufacturing company fit precisely into the automotive industry cluster that BPED helped to develop. Viscotec also fed off of the county’s traditional base in textiles. Mr. Johnson discovered the company was looking to expand into the US south, and he got in contact with the company directly (Johnson, T; March 18, 2005). The Viscotec Company is the second Firm Case Study highlighted below.

The BPED works with partners to prepare for business recruitment and to capitalize on business development opportunities. The most consistent partners are discussed below, with a brief description of their role in working with the BPED and how they individually support economic development in Burke County.
Burke County and City Governments
Local governments are often key in assisting the BPED to put together packages to positively influence businesses to expand in or set up in Burke County. Ron George, the former County Manager and current Morganton City Assistant Manager, has worked with BPED to develop relationships with companies, analyze company needs and requests, and offer supports. The BPED often asks city or county officials to meet with a possible business client. According to Mr. George, it is important for the local government to demonstrate cohesive support of economic development strategies and of industry, as well as promote the qualities of Burke County. He noted some of include a good standard of living, a hard-working labor force, recreation activities, and a low-union area (George.; March 24, 2005). Currently, the county coordinates the State Small Business Administration (SBA) 504 program, Community Development Block Grants, and Industrial Revenue Bonds. The Community Development Block Grant program is available throughout the county except in the corporate limits of Morganton. Due to its size, Morganton is no longer eligible to participate but has an economic development fund which is very similar to the state operated program.61

Local Utilities and Infrastructure
The BPED also worked with local energy, water, or transportation entities and programs to offer companies special deals according to their needs and the jobs and investments they plan to create. The county is able to assist companies with road construction to industrial locations through the Industrial Access Roads Program, which is operated through the State. Support is based on the cost of the road and the number of jobs created by the company.60 The county also works with the Duke Energy Company to offer lower rates for companies that use a high level of energy. Finally, the county has in the past offered companies special grants, drawn from local or state sources, which have been used for the construction or enhancement of water or gas lines (George; March 24, 2005).

Western Piedmont Community College

Western Piedmont Community College has worked with numerous new and expanding industries in skills training through the Focused Industrial Training (FIT) and New and Expanding Industry Training (NEIT) programs. These two programs are funded through state grants, and common in most North Carolina community colleges. Each College develops their own program and curriculum based on local industry and community needs (Benton; April 1, 2005).

The FIT program is directed towards workers who need to renew their skills and technical knowledge. Classes are typically small and focus on skills critical to a particular manufacturing company. FIT courses are low cost, with a cap at $68 per student per course. The NEIT programs are created with new companies to train workers to exact job requirements. New or expanding companies that create a minimum of 12 new jobs in the state are eligible to take advantage of NEIT for almost no cost to the employer (Benton; April 1, 2005).

Dr. James Benton is the Director of the Business Training Department at Western Piedmont Community College. He and his community college colleagues initiate communication with industrial management to learn about workforce training needs, and design custom training programs. He is also called upon by BPED to meet with possible clients. Based on what he learns at such meetings he works with expert trainers and follows up with a program design proposal. The budget of a training program is dependent on how much anticipated employment will be created by the firm (Benton; April 1, 2005).

Increasingly advanced textile manufacturing in Burke County has created a demand for training in specific, high-tech processes and machinery. To meet such demand, the Community College hires local textile experts and nearby textile technology resource centers for specific training programs. For example, Western Piedmont Community College works very closely with the North Carolina Center for Applied Textile Technology (The Textile Center) located in nearby Gaston County. Dr. Benton often calls on instructors from the Textile Center to assist in textile firm workforce training in Burke County. Local companies turn to the community college to help upgrade their workforce, and invest in the college to do so. Currently, a local weaving company in Burke County is seeking workers to run a new loom. The company offered to provide the community college with a loom, an extremely costly piece of machinery, so that the
college can develop a curriculum and acquire an instructor to train fifty or more workers for their plant (Benton; April 1, 2005).

Employment Security Commission

The Morganton office of the North Carolina Employment Security (ESC) works with companies to match employees with available positions on a non-fee basis. Patsy Johnson, of the Morganton ESC worked with BPED to supply information about labor availability and the profile of specific demographics needed by companies who are thinking about coming to the area (Johnson, P; March 23, 2005). North Carolina is the only state in the nation to provide employers with a 100 day probationary period for new employees hired through the Employment Security Commission. This helps keep unemployment insurance costs low.62

5.2 Burke County Firm Case Study I: The Defeet Company

In 1992 Shane Cooper began experimenting with making socks on an old knitting machine purchased from his father’s textile company. By knitting the socks with the soft cotton on the inside, an innovative new process, the socks soon began to sell themselves, and Defeet was born. Cooper recognized and appreciated the support Burke County offered to small businesses, and decided to build his company in that county. In 1994 the Defeet Company was incorporated (Cooper; February 15, 2005). Today Defeet is one of the leading high-performance sock manufacturers in the world. The plant currently employs 50 people. Mr. Cooper anticipates that number will soon grow to 80 as they win back market-share lost due to a devastating fire in 2003.

Defeet high-tech socks are aimed at a niche market, allowing the company to avoid the steep competition from mass-market imports. Mr. Cooper explains that, “We are a marketing company that makes and tests its own products” (Cooper; February 15, 2005). Cooper’s socks use a yarn-product called cool-max on the inside of socks, and tough nylon on the outside. The Defeet company added cycling logos and special features on the socks, which revolutionized the cycling-sock industry and broke the ‘white-sock’ unspoken rule, making Defeet the premier bicycle racing sock. The company has since solidly expanded into the

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ski, golf, and outdoor markets, and is entering newer markets such as yoga and pilates (Cooper; February 15, 2005). Defeet also produces high-performance apparel, and created DeFeet Classified Components, which offer a ‘completely integrated clothing system’ to athletes. Product highlights include anti-microbial products to reduce odor and bacteria and a custom shop through which in-house artists assist in a custom product, including style, fabric, logo and colors. Defeet maintains over 12 trademark and registered trademark products. These include Air•E•Ator®, which is a mesh weave that travels all the way around the sock to aid airflow and moisture transfer. En•Duro•Skin™ construction that reinforces the external heel and toe "puncture" areas. Achill•E•Shield™ reinforces high-stress areas, and the Sole2™ system that lets durability and wicking co-exist.  

Mr. Cooper emphasizes that local economic development and financing support have played a large part in his company’s success. The location of the company in Hildebran, Burke County, is strategic for a couple of reasons. First, Defeet is imbedded in the area’s hosiery cluster and buys all of its supplies within a one hundred mile radius. They also draw on local labor with experience in the textiles. Furthermore, when neighboring counties were involved in the ‘buffalo hunt’ to recruit large firms in the early 90’s, Burke County offered significant supports to small firms in terms of technical assistance and financing (Cooper; February 15, 2005). To open his business Cooper took out a small-business loan from the Bank of Granite. The bank has traditionally served small communities in western North Carolina and is experienced in working with small businesses. Cooper considers the bank a partner in his firm. The bank understood and believed in the company, and was willing to take a risk. Defeet has continued to work closely with the Bank of Granite for the past 13 years, and they have been a key partner to help build the company (Cooper; February 15, 2005).

In 2000, Defeet began to seek funding to expand operations through construction of a new building and updating equipment. Together, Defeet, the Bank of Granite, and the Burke County Economic Development Partnership formed a team to support the company obtaining a Community Development Block Grant from the North Carolina Department of Commerce. When the new plant was nearly finished, a devastating fire demolished the new facility and all

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63 The Defeet Company. Available at, www.defeet.com
new equipment. Cooper asserts that Defeet would not have survived if it weren’t for the support of the local bank, BPED, and other hosiery firms in the area that offered assistance. Before the fire Defeet had up to 80 percent of the international athletic socks market share. Mr. Cooper believes the Defeet Company is on the way to winning that high percentage back (Cooper; February 15, 2005).

Mr. Cooper recognizes a foreseeable challenge to Defeet’s high-flying future is the decrease in input supply as surrounding thread and yarn mills lose buyers who are going abroad. While Defeet is unaffected for the moment, and most of their own product-competition is domestic, the loss of nearby suppliers with whom they have a relationship could threaten the entire North Carolina textile industry. One of Mr. Cooper’s responses is to deepen his industry niche through creating lines of environmentally responsible products. His customers are interested, and he hopes his suppliers may be able to follow through to help maintain their own market share and expand into this niche market (Cooper; February 15, 2005).

The Defeet Company’s innovation and investments have provided benefits for the Hildebran community and for Burke County. Direct jobs are high-tech and professional positions. Also, Defeet employs state of the art inventory and tracking systems. This type of technology in Burke County is extremely important and could lend spill-over gains to nearby textile or manufacturing companies. They also have high-tech systems to communicate with customers and buyers, such as on-line custom order and tracking systems.64

5.3 Burke County Firm Case Study II: Viscotec

The Viscotec, or Visual Communication Technology System, is an advanced textile manufacturer that combines textile and computer-aided technologies to produce fabrics.65 They supply to companies who make seats and panels for Japanese automobiles, and are a subsidiary of Japanese Seiren Company. Viscotec selected Morganton as its first US location in 2001, and the company is currently expanding their operations.66 At the time of the announced expansion, in May of 2004, Viscotec occupied a 260,000 square-foot facility in Morganton, employed about

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64 The Defeet Company. Available at, www.defeet.com
165 people, and had invested $50 million. Through their current expansion Viscotec expects to hire another 140 people and invest $20 million. New investment includes the use of high-tech equipment and the building of new real-estate.

Viscotec chose Burke County because of the close location to buyers, support from the city and county, and the availability of appropriate infrastructure and workforce (Johnson, T; March 18, 2005). Viscotec supplies fabric to Japanese auto plants in Ohio, Mississippi and Kentucky. Interstate 40, which runs right through Burke County, makes the transport of fabrics to these sites efficient. The county also had an appropriate building available (a former coca-cola bottling plant) with high-capacity hookups. Furthermore, the company was specifically seeking a traditional textile area where trained employees were available.

Tom Johnson, the Burke County Economic Developer at the time of Viscotec’s arrival, first identified the company as a possible match for the county, and was key in putting together partnerships to eventually entice the company to move to Morganton. When Johnson got word that a company was looking at sites in South Carolina in 2000, he called on his contacts to determine which company and eventually got in touch with the management. He invited them to visit Burke County, and while an appropriate building was available, was not what finally persuaded them to move to the county (Nicely; March 30, 2005).

Mr. Johnson confirmed that developing trust with the company very early and being responsive to their needs were perhaps most crucial in achieving success. He frequently met with executives, and traveled to other cities to spend time with them. Beyond discussing business, his presence demonstrated a willingness to work with them and allowed the development of interpersonal relationships. Mr. Johnson notes that trust and relationships are particularly important when working within the Japanese business culture. He also found that important company decisions were not made by a few people, but through consensus. This required a significant amount of patience, as several individuals would request the same information at distinct times. Mr. Johnson would reply to e-mails or phone calls whenever they arrived from Viscotec, including at odd hours and on weekends, in order to display dependability and

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dedication. Through developing a rapport with the company, and because of patience and efficiency, Viscotec soon chose Burke County as its final location. Negotiations with the company lasted just six months, a relatively short time when compared with other negotiations (Johnson, T; March 18, 2005).

Mr. Johnson put together a team of people to work on an incentive package to offer Viscotec. These people included Ron George, the County Manager, Patty Johnson of the Employment Security Commission, and Jim Benton from Western Piedmont Community College. Mr. George, who helped to put together an incentive package for Viscotec, reflects that the company was ‘less complex’ than other companies in terms of the demand for incentives (George; March 24, 2005). He believes that Viscotec was primarily interested in the facility, the community, and the workforce, and that though they expected a reasonable and fair incentive package, this was not a critical factor. Mr. George notes that this may be due to the fact that the company was representing itself, as opposed to working with a consultant, who may have been more interested in achieving a higher level of incentives (George; March 24, 2005).

The final incentive package in 2001 included a 7 year grant that was tied to the amount of tax paid on their investments. Each year the company received a grant worth 45% of the total amount of taxes paid for the investments. The city and county also granted the company $50,000 up-front for improvement to the facility, such as putting a gas line in or expanding a water line. The company was offered a new round of incentives for the 2004/2005 expansion. This incentive offered an 8 year grant for new investments, at a 50% rate.

Jim Benton, the director of the Focused Industrial and Continuing Education Programs at Western Piedmont Community College, also met with Viscotec executives during their decision phase. He discussed the training needs of the company and designed a customized program through the New and Expanding Industry program. Because of Viscotec’s need for specific training on their high-tech dying machines, the community college organized for Viscotec to use internal experts. Mr. Benton also obtained community college funding to send three new Viscotec Employees to Japan to receive advanced training, who in turn returned to the Morganton Plant to in turn train other employees. The community college also provides more
standard machine operation instruction to Viscotec, such as crane programs, as well as OSHA training (Benton; April 1, 2005).

Allen Nicely is the Human Resources Manager for Viscotec in Morganton. He believes that the Burke County workforce is skilled in textiles because of their previous textile or furniture manufacturing experience. However, some of the employees required additional training, and the company has continually partnered with the community college to meet these needs. Mr. Nicely emphasized that the support the company has received from the Community College has helped to ensure that both management and floor employees at the plant receive the necessary training. He considers Mr. Benton of the Community College to be among Viscotec’s important partners. Mr. Nicely also works with Patty Johnson at the Employment Security Commission for staffing. Overall, Mr. Nicely believes the workforce has been adequate, but the training provided has been key to ensuring a higher quality labor and products than if no training was provided. Mr. Nicely believes that government officials work well with companies, and that Burke County is attractive to other firms because of location, weather, the abundance and experience of the workforce, government and community support (Nicely; March 30, 2005).

The presence of Viscotec in Burke County has stimulated further industrial growth. At the official welcome to Viscotec, Morganton’s Mayor Cohen said, “We celebrate the opening of Viscotec as a renewal of one of our economic foundations....(Viscotec) is sending a message to other businesses and industries. A signal that Morganton is indeed a perfect place to locate--a great place to live and to raise a family.” According to Ron George, Viscotec has attracted new companies to the area. This is in part due to relationships built among industries. When a new prospective company visits Burke County, they are introduced to other companies in the area who can provide insight into the benefits and resources of that area. Thus, Viscotec has helped strengthen the Burke County textile industry through helping to market the area to potential suppliers and buyers (George: March 24, 2005).

The Viscotec Company moved to Burke County to take advantage of infrastructure, economic development, and workforce benefits. In turn, Viscotec gives back to the community.

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In 2004 Viscotec was among the top 25 supporters to the Burke County United Way, and highlighted in the 2004 United Way Annual Report as an ‘Outstanding Campaign Award Winner’ for their Employee Giving Campaign. Also, Viscotec is a major supporter of community events, cultural activities, and schools. They provide a large contribution to the annual Historic Morganton Festival, as well as local theaters (George; March 24, 2005).

5.4 Burke County Textile Industry Upgrading Limitations

Burke County has developed a cohesive structure for working off of existing textile industry and local economic development resources and programs to build effective strategies for helping the area transition after severe losses of employment. The Burke Partnership for Economic Development coordinates the path for upgrading, and has successfully worked with partners to support small business development and attract new firms. Within the textile industry, these companies merge technology and textile savvy to both utilize local workforce, technological, and training opportunities, and give back through the investments, community support, information, skills and direct employment they introduce and further induce throughout the region.

As displayed by the Defeet and Viscotec Firm Case Studies, niche market companies within the textile industry are doing well. However, this depends on a series of factors, including the ability to maintain and perhaps upgrade suppliers and buyers. The importance of this is demonstrated by the Defeet company, which requires local suppliers to not only remain in business, but meet standards Defeet will require if they launch an environmental line. Burke County needs to concentrate on pulling in more resources to work with existing companies on moving into new markets and incorporating new technology. For example, the county should help companies draw on Trade Adjustment Assistance funding for technical assistance for implementing new technologies.

Burke County also needs to work with both companies and citizens to envision and realize economic upgrading and diversification. Efforts should be made to both literally and figuratively move away from traditional textile manufacturing and into advanced textile

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manufacturing. The above analysis reviews how many organizations are working together to aid in this transition. Though the visioning process has been supported by communities, it has been a challenge to come up with an ideal solutions and obtain resources to support change.

To support this end, Burke County should recognize the importance of advanced textiles in the economy by establishing it as a target industry. The Viscotec case-study indicates how a textile company can fit neatly within an existing industry niche (in this case the auto and metal industries). However, not targeting advanced textiles may send a message to the community, to politicians and companies that the county is not interested in working with high-tech textile firms, which could mean missing out on valuable opportunities.

6 Guilford County

Guilford County is a Tier IV county, indicating it is not economically distressed. It is the third largest county in the State of North Carolina, but it has also suffered massive lay-offs in the past few years. The textile industry is not growing, but maintains an importance in the county because of the many number of large firms and headquarters, which offer high-wages and high-tech or professional employment.

6.1 Economic Development Partners and Strategies

As one of the most populated and affluent counties in North Carolina, Guilford County serves as a contrast from the other two counties in this study. The county maintains several textile headquarters, and also one of the largest expanding textile firms in the nation, the International Textile Group. According county and city economic development organizations, workforce training and textile firm representatives, the county has been successful in maintaining these firms because of the following key upgrading strategies:

1. A General Focus on Industry Targets
2. Direct Relationships with Plant Managers
3. Playing off of Larger Community and Economic Development Activities and Advancements
Guilford County maintains a number of organizations that work to support the economy and the community. These include the Greensboro Economic Development Partnership, the High Point Economic Development Partnership, Guilford Technical Community College, and also regional and national commercial and economic development representatives located in the county. The following paragraphs will review these entities.

The Greensboro Economic Development Partnership
The Greensboro Economic Development Partnership (The Partnership) is the lead economic development group for the city of Greensboro. As the largest Economic Development organization located in the largest community in the county, it is also considered the lead organization for Guilford County. The Partnership employs eight individuals who together work to recruit, maintain and offer overall support to industries in Guilford County. The Business Retention and Expansion Program focuses on seven industry clusters that the Partnership has identified as existing industries with viable growth potential. Not all existing businesses fit precisely within one of those cluster groups, and the Partnership certainly views each industry or business on a case-by-case basis. This is the case with the traditional textile industry, and manufacturing in general, which is not included as a focus industry cluster. Similar to Burke County, Guilford County finds that not many traditional (labor-intensive, commodity production) textile firms are moving into, but exiting the domestic economy. Thus, these firms are not likely to appear, and even if they did, they represent risky investments because of the high likelihood they will soon leave the area.

New and expanding textile firms in Guilford County are those that employ highly automated systems of production. Therefore, they often closely related to one of the targeted industry clusters. For example, BuzzOff is an apparel company located in Greensboro that does not look at all like a traditional manufacturing operation, and could be categorized within the Chemicals target industry. Buzz Off is described in more details in Guildford County Firm Case Study I below.

Economic Developers in the region are quick to point out the fantastic infrastructure to enhance distribution, and accessibility to the entire eastern seaboard through the myriad of highways in

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the county. Guilford County is half-way between Raleigh and Charlotte, North Carolina. It is also the half-way point between New York City and Miami. Several major highways run right through Greensboro going east, west, north and south, and Bill Shore, the Regional Manager for the Piedmont Triad Office for the North Carolina Department of Commerce, ensures that the area is just two days’ truck drive to 70 percent of North America (Shore; March 24, 2005).

However, a blessed location and excellent transportation infrastructure may not be enough to entice industries to remain, or move to Greensboro. This is where the Greensboro Economic Development Partnership comes into play.

The Partnership believes they have created a strong base to support industries and have a few key strategies that are particularly important.

These include:

- Project Management
- Advocacy
- Partnership and Relationship Building
- Customized Industry Support

Helen Cauthen is the Vice President of Retention & Expansion Services, and explained that Project Management means tying in various resources and partners to support industries. Part of project management includes identifying the concerns of distinct parties involved in economic development (including industry, community, and government) and seeking the means to address those concerns. Also, The Partnership often speaks directly to one party to educate them on particular issues. For example, Ms. Cauthen may meet with city or county managers to explain the significant investments a company makes and the larger multiplier effects throughout the region. This may be crucial in obtaining the necessary community support to stabilize or establish a business in Greensboro (Cauthen; March 30, 2005). Overall, the Partnership takes the role of advocating for the best interests of the larger community, with economic development as the guide.

The strategy which Ms. Cauthen believes is unique to her organization, and which is extremely important in successfully working to maintain businesses, is forging relationships with plant managers. In the advanced manufacturing realm, plant managers are often the link to owners and other key decision makers. Through working directly with plant managers the Partnership is
often able to make contact directly with those individuals to learn about specific company needs and concerns. Also, they are able to demonstrate the importance of the company to the economy and the community. Ms. Cauthen has found that this two-fold communication, of learning about needs and demonstrating that the company is valued, has influenced companies to remain in or move to Greensboro (Cauthen; March 30, 2005).

The Partnership is part of a wider community and economic development effort. Andy Burke, the president of The Partnership, stresses the importance of integrating into the development puzzle, made up of other institutions, programs and industries. For example, enhanced transportation infrastructure draws the distribution and logistics industry (FedEx and UPS both have regional hubs in Greensboro), which in turn serves important industries, including textiles. The development of area colleges and universities help generate qualified workers, technology and research. Down-town revitalization efforts create a more attractive and vibrant area to live and work. The Partnership works to develop and promote these different pieces of the development puzzle, and specifically assist the transforming textile industry to upgrade (Burke; March 16, 2005).

The key strategies of the Partnership (project management, advocacy, partnership and relationship building, and customized industry support) played out in the development of the International Textiles Group (ITG) just last year. ITG was formed from Burlington Mills and Cone Mills, both bankrupt Greensboro companies. Wilbur Ross merged the companies to work under the headquarters of ITG. Though both companies are located in the same geographic area, the headquarters were not certain to remain in North Carolina. At that point, the Greensboro Economic Development Partnership got involved. According to Partnership President Andrew Burke, the key role the partnership played was to work with ITG to encourage them to keep their headquarters in Greensboro. Mr. Burke explained that headquarters lend large benefits to the community beyond jobs, including prestige and credibility. The Partnership employed their advocacy skills to successfully convince Mr. Ross that the support of the community, the history of the companies in the area, and the resources available were unmatchable anywhere else (Burke; March 16, 2005).

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The High Point Economic Development Corporation (High Point EDC)

High-Point is the second largest city in Guilford County. Though it is commonly known as the furniture capital of the United States, it has also maintained a very strong textile sector as well, with a specialization in hosiery manufacturing. Today, the textile sector is reviving, in part due to the High Point EDC. According to Steve Smotherman, the Vice President of High Point EDC, the hosiery companies that remain in the county are high-end and highly automated. The city also maintains fabric and upholstery textile manufacturers, which are an important element of the large High Point furniture industry (Smotherman; March 30, 2005).

Mr. Smotherman noted the following important strategies for working to upgrade the textile industry:

- Partnership with local Industry, Media, Industry and Regional Organizations
- Workforce Development
- Compiling Resources and Facilitating Projects

High Point EDC focuses on bringing in competitive firms for the new economy, and creating partnerships to promote the area are important to attracting companies. Through creating ties with the media, firms both know about the services High Point EDC offers, and the organization also has access to means of distributing information.

While the Burke County Partnership for Economic Development sought to work directly with company owners, High Point EDC believes working with brokers, who work on behalf of companies seeking to re-locate or expand, is important to attracting companies. High Point’s location within one of the most affluent counties in the State, and its prestige as a large manufacturing area ensure High Point receives more notice from Brokers than smaller areas in North Carolina. Thus, developing relationships at this level is significant for this area. However, that is not to say that High Point EDC does not work or seek out companies when they have the opportunity to do so (Smotherman; March 30, 2005).

Similar to Burke County, the High Point EDC often works with the North Carolina Department of Commerce (DOC) to promote the area. This is increasingly done through submitting
information about available sites directly to the NC Site Search.\textsuperscript{72} The organization also works with the Piedmont Triad Partnership, which is discussed below.

Before going to work for the High Point EDC, Mr. Smotherman worked in the High Point City government’s Planning Office. Through his experience in working with government officials as well as with the business community, Mr. Smotherman now maintains credibility with many groups, and can leverage this to bring groups together to develop optimal projects. For example, when the City may take action that could negatively impact a company or an industry, Mr. Smotherman works with both groups to learn about the needs for such actions, the likely effects, and possible solutions (Smotherman; March 30, 2005).

\textbf{Guilford Technical Community College (GTCC)}

Just as Western Piedmont Community College, Guilford Technical Community College offers Focused Industrial Training (FIT) and New and Expanding Industry Training (NEIT) programs, both largely funded by the state. GTCC also provides affordable training for existing businesses outside of manufacturing through the Occupational Extension and On-Site Training Programs. These programs can be provided on-site at the business or at the GTCC campus.

Jerry Kinney is an instructor and coordinator of the Industry and Services Division at GTCC. He has extensive experience in the manufacturing field, and can relate with both company management and workers, which is crucial in the development and delivery of appropriate workforce development services. Besides meeting directly with businesses, GTCC works with the Department of Commerce and the State Industrial Extension Office. Also, GTCC has a staff-person whose focus is to make contact with companies to learn about specific needs. As Guilford County is quite large, this is an efficient way to ensure the appropriate GTCC person is constantly updated about industry in the area and opportunities to upgrade their workforce. Due to the relatively high number of skilled workers in the area who are seeking work or who may be underemployed, firms usually have workers who can perform tasks, which may at times dissuade them from embarking on training programs to enhance the overall performance and skills of workers (Kinney; March 30, 2005).

\textsuperscript{72} North Carolina Site Search. Available at, www.ncsitesearch.com
Piedmont Triad Partnership

The Piedmont Triad Partnership works to promote business expansion and relocation throughout the 12 counties in the Partnership region. The organization markets the Triad domestically and internationally, and teams with the local economic development offices as well as with the North Carolina Department of Commerce. The Piedmont Triad Partnership provides economic, demographic, site, building and labor information to companies and company consultants, as well as to economic development offices (Brown; March 16, 2005).

US International Trade Service

The US Department of Commerce sponsors the International Trade Administration. The Triad region office is located in Greensboro, and the director, John Schmonsees, is also a Textile and Apparel International Trade Specialist. His role is to help firms export goods through providing education, information and consulting assistance. Mr. Schmonsees works with about 200 companies in the Piedmont Triad Region (13 counties, including Guilford County), and about 10 of those are textile companies. He provides one-on-one counseling, organizes trade education, works with trade partners for business promotion, and also organizes international consulting trips for companies interested in exporting (Schmonsees, March 30, 2005).

Mr. Schmonsees works with established businesses with viable and competitive products, as well as with both large and small companies. Many of those are located within Guilford County, including UNIFI, a firm that is taking advantage of global opportunities.

6.2 Guilford County Firm Case Study I: the BuzzOff Company

The BuzzOff company presents a beautiful merger of the technology available in Guilford County and the existing textile industry expertise and resources in the area. BuzzOff uses a special process to bond bug-repellant chemicals to clothing fibers to create washable, bug resistant apparel. The owner, Richard Lane, earned a degree in textiles from the North Carolina State University College of Textiles, and worked in textiles research and development for nearly 30 years before founding BuzzOff in 1996. In 2003 BuzzOff apparel became the first

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73 The Piedmont Triad Partnership. Available at, www.piedmonttriadnc.com/
74 The Buzz Off Company. Available at, www.buzzoff.com/welcome/site/facts
insect-repellent clothing to be registered by the U.S. Environmental Protection Agency. In 2004 the company quadrupled output, and they are now in the process of developing more insect repellant products, such as bed-netting to combat malaria.75

Mr. Lane founded the company in Greensboro to take advantage of his family’s empty laundry building to develop a plant. The plant in Greensboro bonds the chemical products to apparel, and regularly employ forty-five staff, and sometimes increase employment to over seventy people when seasonal orders increase (Howell; April 1, 2005).

Buzz Off partners with companies throughout the nation to procure and produce bug repellant garments, including several North Carolina hosiery mills. Buzz Off apparel initially targeted the outdoor clothing market; specifically, fishermen, campers and backpackers, through Ex Officio, but the focus has become broader. Continued growth is expected for Buzz Off Insect Shield, LLC, due to interest from more clothing brands, and continued expansion into specialized markets such as the golf industry. A large buyer of BuzzOff apparel is the US Military, as some branches contract with Buzz Off to have uniforms treated (Howell; April 1, 2005).

Buzz Off has not received public financial incentives, but have been in contact with both economic developers and the Chamber of Commerce. Many Buzz Off employees have attended the Guilford Technical Community College to gain valuable tools that have contributed to the company.76

Buzz Off is one example of a high-tech textile firm in Guilford County that is indirectly related to one of the seven targeted industry clusters. It is a niche company that contributes real benefits to the community. The company is both consumers of and developers of technology and products that can be expanded and developed, and induce possible spin-off companies. Also, the company enhances larger business benefits by contracting with local companies for printing, packaging, and even sock production.

76 From an e-mail sent by Gail Howell, forwarded from the Vice President of Marketing, who was not named.
6.3 Guilford County Firm Case Study II: Unifi

Unifi is one of the world’s largest producers and processors of textured polyester and nylon yarn. The international company has maintained its headquarters in Greensboro since 1971. Unifi sells to producers of apparel, home furnishings, automotive fabrics, upholstery and legwear. Unifi has maintained their headquarters in Guilford and remained competitive in the world textile and apparel markets through taking advantage of global opportunities.

Unifi has remained competitive despite the fact that they spin yarn, which is a process that may easily be shipped overseas. Unifi has cut costs by selectively outsourcing some of its own manufacturing overseas, while producing a superior product where high costs are warranted: quality. Former CEO Allen Mebane committed Unifi to using the most advanced equipment possible. Often this involved selling old equipment to less-sophisticated spinners overseas. Unifi focused on producing the best finishing processes available, and this required constant attention to updating machinery and to following the avant-garde of industry research.

Unifi also has developed relations with firms on the other side of the supply chain, i.e., weavers and, ultimately, designers. The longevity and diversity of these relationships is a direct manifestation of the quality and reliability of its products. 38% of Unifi’s worldwide sales goes towards finished goods in apparel, with 21% home furnishing, 18% hosiery, 16% automotive, and 4% industrial. When it comes to product development, Unifi is not sequestered by its immediate neighbors on the supply chain. For example, Unifi has made an antimicrobial and super-absorbent textile for better bandages, and its advanced dyeing and finishing procedures has prepared a new textile for outdoor sporting goods. The market knowledge to invest in these advances requires attention to consumer demand at the retail level—hospitals and sportsmen—and not just at the weaving step (Johnson, J; April 1, 2005).

Also in order to cut costs, particularly in manufacturing, Unifi has negotiated favorable labor-cost agreements with its operations around the world. It owns manufacturing facilities in

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Ireland, England, Thailand, Brazil and Colombia, as well as offices or agents all over the Western Hemisphere, Western Europe, and South and East Asia. Its Ireland/England facilities constitute a veritable cluster in synthetic yarn manufacture in Western Europe, while its plants in the developing world are the result of selective outsourcing.

Unifi has thrived from Mr. Mebane’s business decisions to cut costs, bond with key firms in its supply chain, and focus on quality. Over time, these advantages have solidified the company in Guilford County. The company has been able to capitalize on their success to upgrade the workers in their North Carolina Plants. For example, they work with Guilford Technical Community College for basic skills assistance. However, much of their advanced training is done in-house. Unifi also partners with the North Carolina State School of Textiles for more advanced development and for Research and Design (Johnson, J; April 1, 2005).

6.4 Guilford County Textile Industry Upgrading Limitations

Guilford County is in a prime location both geographically as well as economically. The County sits amidst a plethora of transportation networks that stretch into far reaches of the nation, as well as the world. Guilford county is also within reach of the Research Triangle, a premier technology center of the United States and the location of several textile technology and education centers, including the North Carolina State University College of Textiles. Industries, as well as Local Economic Development and Workforce Development organizations are able to capitalize on these advantages, but there may still be more to do to enable the textile industry to reach optimum potential.

First, the county economic development organizations must incorporate advanced manufacturing as an attractive and desirable industry. Within advanced manufacturing, textiles should be especially highlighted because of the county’s plethora of textile firms for inputs or procurement, nearby research entities, and the large pool of experienced labor. Targeting of advanced textiles should also include an effort to educate policy-makers as well as citizens on the benefits of this industry, which will in turn generate positive momentum for the attraction of firms.
Second, Guilford should create an integrated County economic development entity to coordinate projects and strategies, perhaps with a focus on generating industry and community benefits. Currently, the two largest cities in the county (High Point and Greensboro) oversee their individual areas, but may lack communication or cooperation. This can have devastating effects on developing large-scale efforts. Third, the county should seek to develop specific supports for small businesses or start-up firms. These firms often fall under the threshold of number of jobs or investments to receive public incentives. Given the fact that many small textile firms are highly automated, and may not initially employ more than a few employees. For example, the recently opened Firm Bodet and Horst, a German mattress knitting factory, recently opened a plant in High Point, creating 10 jobs. Because of parent company resources the company could finance the entrance, and the City did the best they could to facilitate entry (Smotherman; March 30, 2005). However, other small companies may not have that opportunity, and the county could be missing out on key business developments.

Finally, textile workers in Guilford County may require basic education. Though many textile firms encourage workers to update their skills for operating new machines and technology, there is still room for companies to help workers develop their more basic skills. It is possible that through helping workers to upgrade their skills level the company as a whole may become more productive, and/or better able to take advantage of future opportunities.

7 Rockingham County

Rockingham County is a Tier II county, meaning it is economically distressed. It neighbors Guilford County to the south, and is about the same size and economic make-up as Burke County, meaning it offers interesting points of comparison and contrast to the other case-study regions. Rockingham county was a site of major lay-offs, more than half which were due to decline in the textile industry. The industry continues to make up 23 percent of the total private workforce in the county.

7.1 Economic Development Partners and Strategies

Rockingham County has diligently worked to transition the economy over the last couple of years. The county is working within a context of relatively high unemployment and low skill
level. However, their location provides them access to both major transportation infrastructure as well as technology and industrial growth that may spill over from neighboring Guilford County, and the nearby Regional Triangle, one of the national Mecca’s for technology and industry. Rockingham County continues to work hard to capitalize on their strengths and build their capacity to attract and maintain advanced textile industry in the area. Some of their main strategies have included:

1. Public/Private Partnerships  
2. Innovative Company Packages  
3. Capitalizing on Background in Textiles (promote workforce, buildings, amenities)  
4. Strong Company Relationships and Networks  
5. Take Advantage of Local and Regional Workforce Development Resources

These strategies are carried out under the lead of the Rockingham County Economic Development Partnership, who works together with several other key individuals and organizations.

The Rockingham County Economic Development Partnership (Rockingham Partnership)
The President of the Rockingham Partnership, Lisa Perry, believes that it takes a team effort to reach realize economic development objectives in Rockingham County. For example, when the Pillowtex Textile plant closed in April of 2004, laying off about 400 people, a community wide effort was launched to support workers and seek new opportunities. This effort fell within the context of a larger state effort, which was begun the previous year when Pillowtex announced it would be closing all of their 16 plants in the US and Canada, and permanently laying off 7,650 workers. Approximately 4,800 of the Pillowtex workers were in North Carolina. This was the single largest mass layoff in North Carolina history. In Rockingham County, as in the rest of the state, this presented enormous challenges to the workers and government at all levels.\(^80\)

Rockingham county utilized state and federal assistance that intervened at the time of the Pillowtex closure, and has continued to access and draw on resources available. In fact, Perry believes that this shock obviously shook the county up, and also allowed the county the

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opportunity to reinvent itself. In fact, this was not just an option, but a necessity (Perry; March 24, 2005).

The Rockingham Partnerships attempts to guide communities in both preparing for transitions as well as for opportunities. Part of the Rockingham Partnership’s role to achieve this is assist communities in readjusting their thinking about industry. In order for companies to survive, they must diversify and lean-out production. This may mean down-sizing, and decreasing employment, but it also means increased investments. Economic Development and supports to companies must likewise be readjusted, with more of a focus on investments.

[expand/investigate how communities have readjusted…how partnership helping].

The Rockingham Partnership actively recruits companies, and also receives interest from new companies who are looking to take advantage of the location, available sites, and labor in Rockingham County. Many businesses are identified and contacted through the relationships built with existing companies. In the case of the textile industry, the Rockingham Partnership works with existing businesses to identify downstream suppliers who may be interested in coming to the area. This is the case with Innofa, a Norwegian company that moved to Rockingham County to be close to their buyer, Burlington Mills. Once contact is made with companies, the Rockingham Partnerships work to immediately put together a team to work with the company or consultant, understand company needs, and supply information and notify them of opportunities (Perry; March 24, 2005).

Heather Leavitt, the Vice President of Sales and Marketing for the Rockingham Partnership, stresses the importance of building strong relationships with interested companies, and providing quick and thorough feedback. This is especially true when working with a textile company, which likely has several attractive options and offers from other areas. In the case of the AFG Wipes Textile Company from Israel, the entire package development and negotiation process was extremely rapid. This experience is reviewed in Firm Case Study I.

The Rockingham Partnership works with the following actors to reach their business recruitment, expansion, and area marketing objectives.
Rockingham Community College

Like other North Carolina Community Colleges, The Rockingham Community College receives state funds for the Focused Industrial Training (FIT) program and the New Industry Training Program. The FIT program is eligible to manufacturing companies, and is geared towards customized instruction for incumbent workers and management that needs to update their skills and technical knowledge.81

Rockingham Community College has been extremely important in assisting the community to transition into new fields and to access new opportunities. With the dramatic loss of jobs, many individuals have relied on the special Trade Adjustment Assistance to access long-term curriculum programs, short-courses for certificates, as well as basic-skills classes to receive a GED or other skills. According to Robert Justus of the College Community and Workforce Education Department, the closure of the Pillowtex plant demonstrates how people are using the community college. About one-half (or 200 people) of displaced workers initiated courses in the community college. Out of those, about 40 percent enrolled in long-term programs for an associates degree or one-year certificate. One-third enrolled in short courses, that last about 144 hours, or less than six months. Another one-third entered into basic skills programs for a GED, from which they may enroll into a longer-term program. Many displaced Pillowtex workers who didn’t enter the community college took another, lower-paying job immediately, retired, or perhaps went to a different training program in their home-county (Justus, March 31, 2005).

The Community College plays an important role in encouraging Rockingham citizens to broaden their perspective on their career. Mr. Justus noted that many people spent time hoping or waiting for the textile industry to re-emerge in the same form that it had been. The College works with citizens to encourage them to re-tool and upgrade their skills for more opportunities (Justus; March 31, 2005).

Rockingham Community College has drawn on more extensive state and federal resources to help workers. For example they employ Trade Adjustment Assistance (TAA) funds, and also funds from the Workforce Investment Act. TAA funds are approved for individual workers who request training and distributed to the community college by the Employment Security

81 Rockingham Community College. Available at, www.rcc.cc.nc.us
Commission. The College and ESC work together to help workers to qualify for extended employment benefits, income support, health-care credits, and the cost of tuition (Justus; March 31, 2005).

The College also works with existing businesses to ensure they have a highly-skilled workforce to best leverage resources. Mr. Justus said their role is to help to keep textile companies in Rockingham county for as long as possible.

7.2 Rockingham County Firm Case Study I: AFG Wipes

AFG Wipes is a firm based in Israel that moved to Rockingham county to be closer its large US market, to take advantage of the local characteristics, and because of the support the company received from the County. The company moved to the area in 2003 to manufacture wet-wipes. The president, Amnon Brodie, told the editor of Expansion Management that, “Our company has sought a manufacturing anchor in the U.S. market to drive future growth and North Carolina and Rockingham County have shown strong support in our effort to locate this facility and bring these jobs to the state.”

The company is expecting to invest between $25 million and $30 million in its new manufacturing facility and create about 200 jobs. The Company received a Job Development Investment Grant (JDIG) from North Carolina. The 10-year grant offers the company equal to 60 percent of the personal state withholding taxes derived from the creation of new jobs. The state’s payment depends on if the company creates all of the jobs called for under the agreement and sustains them for 10 years. The agreement could yield maximum benefits to the company of as much as $1.6 million.

During the life of the grant, the North Carolina Department of Commerce estimates the project will generate a cumulative gross state product value of more than $194 million, and produce a cumulative net state fiscal impact of $750,000. AFG wipes was also awarded a Governor One Fund of $500,000.

Besides the JDIG and Governor One grants, Rockingham County was also able to work with key partners to put together a local incentive package to offer AFG Wipes. First, they offered the company land in their newly completed Industrial Park. As the county owns this land, they are able to use it as a negotiation piece with companies. The County also assisted with grading costs. Besides financial assistance, Rockingham County Economic Development was consciously efficient and quick with responding to the company with information and opportunities available in the area (Perry; March 24, 2005).

The Rockingham County Economic Development Partnership also worked as a team with other county entities to enhance the local package. This included a reduced rate plan from Duke Power, as well as a $50,000 grant from Duke Power’s Carolina Investment Fund. The Partnership organized competitive bids from local businesses and investors for contracting and engineering services. Finally, the Western Piedmont Community College played an important role in helping to train the local workforce to enter the new company (Leavitt; March 15, 2005).

Western Piedmont Community College began working with AFG wipes early on to provide information and assistance in moving to the county. The college developed and implemented a pre-employment training program to help them select a pool of qualified workers. The college also helped the company with a Technology Transfer program, in which Rockingham County employees were sent to Israel to gain special skills, which they brought back and shared with other employees.

The college continues to provide trainings, including train the trainer courses for manufacturing, as well as soft-ware system trainings, machinery operation, OSHA, first-aid and CPR courses. Certain number of people sent for technology transfer…assist in travel costs. AFG sent people to Israel to learn about processes, come back and transfer.

AFG Wipes is continually adding employment, and investing in training and plant or capital expansions. Also, as a foreign firm they may attract other Israeli firms to the area. The Rockingham Economic Development Partnership is planning on traveling to Israel as a delegation to meet with other businesses and market the area.
7.3 Rockingham County Firm Case Study II: Frontier Spinning

Frontier Spinning Mills was founded in 1996 by George Perkins, and merged with Mayo Yarns in 2000 to become the second largest cotton spinner in the USA. Frontier Spinning currently operates seven manufacturing sites in North Carolina and nearby states with a weekly production of approximately 10 million pounds. Frontier Spinning processes raw cotton and fiber using the most modern spinning equipment currently available to market and interfaced with state-of-the-art automation and robotics. This technology is applied by highly skilled and trained technicians. The company ships a variety of cotton spun yarn counts and blends to companies all over the world, but all production is concentrated in the United States.

Two of the seven Frontier Spinning plants are located in Rockingham County, and the company headquarters are in the Lee County (NC) plant. The Rockingham county plants have expanded twice in the last three years, the most recent in 2004 (Leavitt; March 15, 2005). The Company’s continued and expanded presence in Rockingham County is in part due to the support the company receives from the county. According to Ed Elrod, the Rockingham County plant manager for Frontier Spinning, the incentives they have received assisted in upgrading and expansion. In the last five years the county plants put in about sixty one new machines, a substantial number given the high cost and yarn produced per machine (Elrod; March 15, 2005).

Other reasons for Frontier Spinning’s success include the alliances they have created, advanced technology implemented, company leadership, and location. Frontier Spinning has joint-ventures with two of the largest t-shirt manufacturers in the world; Gildan Activewear and the Russell Corporation. The two companies also buy a substantial amount of their yarn (Elrod; March 15, 2005). Also, the company incorporates advanced software for product control. For example, Frontier Spinning was one of two initial companies to implement a program called MerchantNet to manage cotton for producing consistently high-

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84 Frontier Spinning Mills. Available at, www.frontierspinning.com/
quality yarns, which is essential for producing consistently high-quality fabric. MerchantNet also allows merchants, co-ops, and mills a higher level of interaction, providing more fluent transactions, thus saving money and time.\textsuperscript{86} Finally, the Frontier Spinning manufacturing facilities are located with easy and convenient access to major ports and highways. In Rockingham County, the plants take advantage of infrastructure to ship to and from national and international destinations.

The chairman and chief executive, George R. Perkins, Jr., has also provided important leadership, and drawn on local textile technology and specialists to drive the company forward. In 2003 Perkins was named the Leader of the Year for the North Carolina State University College of Textiles. In his acceptance speech he noted, “We as an industry must find answers to some of the industry’s biggest problems in order to have continued success…We need strong students now to have proven leaders in this industry in the future.” Perkins is a 1964 NC State College of Textiles graduate.\textsuperscript{87}

7.4 Rockingham County Textile Industry Upgrading Limitations

Rockingham County works within a context of a high number of relatively low-skilled displaced workers. Because of this, local economic and workforce development entities are focused on helping the community to transition through increasing knowledge of and the culture of industry in the county. Also, they have an eye towards the future and opportunities that are arising for certain advanced manufacturing niches. Their efforts and optimism are extremely important, but the county also faces several challenges. Economic Developers must confront these challenges in order to foster the development and upgrading of key industries, such as the textile industry.

Rockingham county should further capitalize on creating a comprehensive development effort. This can be accomplished through coordinating community, industrial, and environmental strategies, and overseeing projects to serve multiple objectives. This will enhance the local

\textsuperscript{86} Cotton Incorporated. EFS\textsuperscript{®} News and Notes Issue 41. \textit{EFS\textsuperscript{®} System Conference - A Huge Success!} July 2004. Available at, www.cottoninc.com/EFSNewsNotes/NewsNotesIssue41/?S=EFS&Sort=0

environment to both attract workers and induce skilled workers to remain. The county is seeing interest from international firms, and should work to create an overall attractive location. For example, down-town development projects and residential zones could be possibilities. Furthermore, coordinated projects often create synergies that spurn into larger development efforts.

Rockingham County could also become more involved in larger organizations. This could include working more with the Piedmont Triad Partnership. This partnership works to promote business expansion and relocation throughout the 12 counties in the Partnership region. Rockingham may at times be overshadowed by neighboring Guilford County. By working closely with the Piedmont Triad Partnership the county will have more of an opportunity to be aware of and involved in firm recruiting opportunities.

Like Burke and Guilford Counties, Rockingham County should formally target advanced or high-tech manufacturing companies. It would be beneficial to create awareness of their growing niche in advanced manufacturing and be creative in defining the textile target industry.

Part III: Analysis

Part III will synthesize the information presented in Parts I and II to outline key regional adjustment strategies to assist in textile industry upgrading and discuss how strategies and ensuing industry upgrading benefit communities. In Part I, Section 2 described the nature of the changing textile industry, and Section 3 reviewed some key resources to help North Carolina companies and economies remain competitive within this context. Section 5 through Section 7 in Part II built upon that information for an in-depth look into what three North Carolina counties are doing to support their community and textile industry in a globally competitive world. The county and county firm case studies highlighted specific examples of how the restructuring textile industry plays a key role as an intermediary to helping communities transition from traditional manufacturing into a more diversified economy.
In Part III, Section 8 established the six optimal strategies and highlights how different regions, classified as ‘distressed’ or ‘prosperous’ best implement those strategies. Section 9 discusses how the strategies implemented in distinct regions provide extensive benefits to communities through assisting communities in transitioning into high-tech economies and increasing competitiveness. Finally, Section 10 offers specific recommendations to meet community and textile industry upgrading objectives.

8 Optimal Textile Industry Upgrading Strategies

While Burke, Guilford and Rockingham Counties compare and contrast in distinct ways, interviews with local economic, workforce, and community developers, researchers, commerce advocates and firm representatives reveal the most important strategies to successfully upgrade the local textile industry and workforce.

Each county structures strategies to fit their particular needs, advantages, resources, and opportunities. Strategies also depend upon county and industry leadership and creativity. Below I will review each of the six optimal regional adjustment strategies, with a focus on how different regions take different approaches. Analysis will be drawn from the County Case Studies and Firm Case studies in Sections 5-7. Based on those case studies, and county demographics and characteristics, the counties are grouped into two representative regions. Burke County and Rockingham County are typified as ‘Distressed and Isolated’ regions, and Guilford County is typified as a ‘More Prosperous’ Region. The purpose of categorizing the counties is to create a typology of successful strategies that other areas may utilize in identifying optimal supports given specific features. Table 1, below, groups the six identified Optimal Regional Upgrading Strategies into region types, highlighting how distinct regions optimally incorporates the strategy.

<table>
<thead>
<tr>
<th>Table 1: Optimal Regional Upgrading Strategies</th>
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<tr>
<td><strong>Region Type</strong></td>
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<tr>
<td>1: Developing Local Partnerships to Approach Economic Development as a • Couple and leverage resources (funds, political pull, leadership) for cohesive strategy development and</td>
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<tr>
<td>Cohesive Team</td>
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| 2: Building and Strengthening Relationships with Industry | • Focus on existing firms  
• Build one on one relationships with company management  
• Work with firms of all sizes, w/ attention to small firms | • Build relationship with firm-county-community intermediary  
• Demonstrate importance of firm in the community |
| 3: Marketing, Image Enhancement, and Information Preparation | • Promote directly to larger organizations that represent the region  
• Work directly with companies to offer information & determine fit | • Larger Marketing Campaign: Promote directly to areas or brokers  
• Invest in on-line information & marketing |
| 4: Workforce Development | • Companies work very closely with Community College and other training centers | • Less interaction between businesses and training centers  
• Stronger network to determine worker needs & carry out programs |
| 5: Capitalize on Available Resources & Funds | • More creative and expansive | • Larger source of funding |
| 6: Infrastructure Preparedness & Development | • Industrial site availability Crucial Pre-development Tool | • Necessary to maintain available industrial sites |

The succeeding discussion will explain, strategy by strategy, how distinct regions incorporate Optimal Regional Upgrading and Adjustment Strategies to best support the restructuring textile industry and transitioning communities.

**Optimal Strategy 1: Developing Local Partnerships to Approach Economic Development as a Cohesive Team**

Partnership development is a particularly salient strategy for both distressed and prosperous regions. Partnerships develop among groups that are tied to economic development, and include community colleges and other training centers, city and county governments, worker support organizations such as the Employment Security Commission, industry groups, regional associations, and more. In general, partners collaborate to couple resources and efforts to reach a common goal.

Distressed regions are often at a disadvantage because of the lack of economic development resources, such as industrial sites and county funds, lack of technology, infrastructure, and highly-skilled workforce. However, these regions can overcome these hurdles by drawing on the unique proficiencies of distinct private and public groups to leverage resources and act as a
cohesive group to develop and implement strategies, and for project collaboration. Collaboration among different partners takes distinct shapes and forms, but in general collaboration among partners in distressed regions, 1) Couple resources to leverage economic development funds, efforts, political pull, or build on strengths; 2) Promote the development of appropriate economic development strategies and the efficient, organized implementation of strategies, and 3) Demonstrate cohesiveness to the private sector and stake-holders in the region, such as the community.

Collaboration is most effective when one entity acts as a leader to bring together distinct partners. For example, the Burke Partnership for Economic Development (BPED) is recognized as the lead agency in the county. The strategies set out by BPED are created and approved by a team of local experts, leaders, and community representatives. This gives credibility to BPED projects throughout the county. In the case of constructing an industrial park in the county, Burke communities rallied behind BPED and came together to offer or obtain funding for the park. This type of cohesive effort coupled resources to implement a key strategy, and the partnerships developed will now stem into grouping efforts to complete project details, and eventually help firms move into the park.

Partnership building is no less significant in More Prosperous regions, but may play a somewhat distinct role. This is due to the fact that these regions likely possess two or more metropolitan areas that on some level compete for industrial development opportunities and resources. Partnerships play a role in overcoming inefficient use of resources through creating a cohesive strategy for regional economic development, so as to benefit more communities. While different lead agencies may create and meet economic objectives in distinct cities, other partners may actually enhance collaboration and county interconnectedness to reach larger economic development opportunities. For example, the cities of High Point and Greensboro in Guilford County each maintain a separate economic development organizations with distinct objectives and priorities. However, Guilford Technical Community College (GTCC) maintains sites in both communities, and is concerned with the development of the larger region. GTCC leaders in the Industrial Training Programs, who work to assist new and expanding businesses, work with both High Point and Greensboro Economic Development organizations. Through this partnership High Point and Greensboro are represented through GTCC, and brought together
to focus on larger opportunities for the county. Thus, in prosperous regions with many
agencies, community agencies with an economic development focus establish cross-county
partnerships for the development of their own focus-area, as well as the larger region.

**Optimal Strategy 2: Building and Strengthening Relationships with Industry**

Like partnership building, creating relationships with industries and directly with companies is a
means to work together to reach a common goal. In this case, the goal is to help existing
industries expand, help new industries develop, and help relocating firms to establish in the
region. To reach this goal, economic development organizations and companies partner to
identify appropriate approaches. The goal, and thus the types of relationships built with
industries, differ for different types of regions.

Distressed regions are small in terms of number of businesses, and have fewer opportunities to
attract new firms. Thus, their focus is working directly with all existing firms to build one on
one relationships with company management. Forging solid relationships with key company
decision-makers early can overcome some of the issues distressed regions confront in terms of
the lack of funding or other resources that more prosperous regions may be able to offer. Burke
and Rockingham counties both benefited from personal relationships developed with the
owners of firms to build a rapport and to create a stake in the business. Burke County in
particular learned that working with a foreign firm, namely a Japanese Firm, required
demonstration of trustworthiness, and a connection between the company and the community
that can only be achieved through relationships.

Also, distressed or isolated regions are not in a position to initiate large promotional schemes to
other areas or to brokers. This could be a drain on the limited resources available. Instead,
these regions keep their ‘ear to the ground’ to locate opportunities and be proactive in seeking to
work directly with the management.

Finally, the case of Burke County points out the importance of working with firms of all sizes.
About 20 years ago the Burke County Economic Development Partnership put a large stake in
helping small firms to develop and expand. This has led to the creation of firms such as Defeet,
one of the largest producers of athletic specialty socks in the world. Defect considers the county their partner, and believes that much of their success is due to the early relationships they built with the county and the local bank, who believed in the company (Cooper; February 15, 2005).

Economic developers in prosperous regions also build relationships directly with firms. However, relationships tend to differ by the contact person. Guilford County has found that in many cases the best relationships are build with someone that serves as an intermediary between the companies, county economic developers, and the community. For example, forging relationships with plant managers in textile companies has been an important strategy. Plant managers are able to advocate directly to management, and often represent the attributes of working in the community and the benefits offered by the county. In some cases Guilford county economic developers create a strong relationship with company management. This was the situation in working with the International Textiles Group (ITG), a prestigious and lucrative company that promised large investments and employment options. The county persuaded the owner to keep the headquarters in Greensboro, largely due to the personal interaction and relationships built. The president of the Greensboro Economic Development worked directly with the owner of ITG, demonstrating the level of importance the county placed on the company (Burke; March 16, 2005).

**Optimal Strategy 3: Marketing, Image Enhancement, and Information Preparation**

While working with firms and building relationships is important, the first step is often attracting the firm to the region. All regions recognize the value of promoting the attributes and opportunities of their area to the right industries and companies. Some promotional opportunities are available to all regions at the State level. For example, the North Carolina Department of Commerce provides county ‘snap-shots’ as well as available sites and buildings, with specifications, for each county. Each county also has a web-site devoted to economic development, with a description of the area and varying degree of information. Finally, counties are prepared to offer interested companies with specific information. Local partners are called on to provide information about workforce demographics, recreation activities, training packages, or utility costs. This information is by and large provided quickly and graciously.
The main distinction between distressed and prosperous regions in terms of marketing and information preparation is who the marketing program is directed at. As mentioned above, distressed counties have limited resources to work with, and it is inefficient to devote them to promoting the area to business relocation brokers or other means, and compete with much larger areas. Distressed areas instead promote directly to larger organizations that represent the region and are also in contact with firms or brokers that are looking to expand or relocate. Organizations include the state Department of Commerce, the larger Regional Economic Development Partnerships, or textile industry groups. When brokers or businesses directly contact these organizations or these organizations get word of an expanding or relocating business, they can pass on that information on to the county, or make the introductions. At that point, Distressed areas work directly with companies to educate them on county opportunities and features, as well as to determine the fit of the company to meet county and community needs and goals.

Regions that possess stronger economies are able to embark on larger marketing campaigns. Campaigns promote their county to other regions, other countries, and also work with company brokers. Brokers act on behalf of companies to seek out the most beneficial area to relocate or expand. Prosperous regions go a step further in marketing and image enhancement. For example, the Greensboro Economic Development Partnership web-site is much more advanced than Burke or Rockingham counties’ web-sites. It contains a plethora of information and is extremely attractive and easy to navigate. Much information companies initially seek is available and up-to-date.

**Optimal Strategy 4: Workforce Development**

The importance of upgrading the skills for workers cannot be overemphasized. Each region studied in this report worked extensively with the community college or other training entities to create workforce development opportunities. These are provided directly to incumbent workers through developing programs with firms, or are created in community colleges for transitioning workers. Workers in both distressed and prosperous regions benefit from different types and different levels of training. For example, each county presented in this report believes basic
training is crucial, as well as advanced technical training specific to certain companies or tasks within companies.

Community colleges work very closely with industries in Distressed regions, perhaps due to the tight-knit professional and personal relationships. Businesses rely more on the community college to provide workers with the skills they need. In both Rockingham and Burke Counties the community college organized for workers to be sent to Israeli and Japan, respectively, for training. Also, Burke County partners with The North Carolina Center for Applied Textile Technology to help train workers in very specific skills that companies request and need.

More Prosperous regions also rely on community colleges for skills upgrading and basic education of the workforce, but businesses may work less with community colleges and training centers. This is due to the fact that a large pool of experienced and skilled workers exist, and there is little incentive for companies to invest in further training (in terms of the small cost or little time spent to develop programs). Community colleges in Prosperous Regions, however, have a stronger network to both work with businesses, or to determine the needs of workers and create appropriate programs. Thus, in more prosperous regions, workforce development depends less on working directly with businesses to determine workforce needs and developing programs, but workforce development is still accomplished and a crucial aspect of economic development.

**Optimal Strategy 5: Capitalize on Available Resources and Funds**

While both distressed and prosperous areas utilize funding, mostly provided at the state level, prosperous areas are usually able to offer more complete incentive packages. They also illustrate incentive options in a very straight-forward manner. This means that distressed areas may be more creative in developing packages that help companies expand or relocate in their area. For example, Rockingham County works with the local utilities companies as well as local contractors to develop competitive pricing for companies. These special features are helpful to companies, and included in an incentive package. Rockingham county also capitalizes on federal funds available through Trade Adjustment Assistance (TAA). The county uses TAA to re-train workers and also offer workers income supplements to help them transition into new opportunities.
Optimal Strategy 6: Infrastructure Preparedness and Development

The availability of infrastructure is extremely important in economic development, and a base off of which to build strategies. This is true in both Distressed regions, as well as Prosperous regions which may possess other economic attributes that draw businesses to the area. In fact, one main reason the Buzz Off company settled in Greensboro, Guilford County, was because of an available building that fit their needs. Furthermore, Guilford County maintains the Piedmont Corporate Park in High Point, and the Green Valley Office Park in Greensboro. As of April, 2005, the county maintained 118 available sites of varying sizes.

Infrastructure development and preparedness is also important in distressed areas. Rockingham County recently completed an industrial park. AFG Wipes, a highlighted case study, was the first firm to occupy a site. The industrial park was an important bargaining chip for the county, as they could set the price of the site. The county anticipates more companies moving into the park, and have a few who they are currently working with. As mentioned earlier, Burke County is currently developing an industrial park as well. Communities in the area are beginning to recognize some of the long-term benefits of such a structure. Infrastructure preparedness is a crucial pre-development tool for distressed or isolated regions.

9 Textile Industry Upgrading Benefits to Communities

Through combining the various economic development strategies presented above and applying them to the restructuring textile industry, regions are able to generate substantial benefits to their communities. These benefits come in a direct form, such as jobs, investments, and new skills for workers, and also less-quantifiable benefits such as program synergies and technological information sharing. Together, these benefits help communities to transition from traditional manufacturing economies into economies that are able to create and take advantage of new opportunities. In this section I will review benefits that are generated by economic development and textile upgrading strategies and relate how they assist communities to transition.

The case studies in this report are the basis for the community benefits analysis. Distinct counties face a different context within which to implement economic and textile industry development strategies, and thus the benefits accrued to communities may also differ. Just as in
the previous section, regions in this section are referred to as ‘Distressed’ or ‘Prosperous’ when a particular benefit is more pertinent to a type of region. Burke and Rockingham County fit within the Distressed county description, and Guilford County is applied a Prosperous county classification.

Table 2, below, highlights the principal community benefits generated through applying economic development strategies to upgrade the textile industry.

Table 2: Community Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1: Jobs, Number and Type | • Number: large percentage of total workforce in Distressed Regions
• Type: Higher wages, more skills, more professional positions (especially in Prosperous Regions) |
| 2: New Technologies | • Advances communities into the information-age economy
• Consumer of local textile technology
• Generates techniques for modernization
• Transfer Skills and Information (benefits more evident and significant in distressed regions) |
| 3: Partnerships and Program Synergies | • Diverse interests represented (most important in Prosperous Regions)
• Team-work to advance community development efforts
• Information Sharing & the generation of ideas. |
| 4: Community Support and Leadership | • Funding to Community Programs and Events
• Professional Leadership, Development of role-models and culture of Success |
| 5: New Skills | • Upgrading of workers skills
• Development and support of training institutions and advanced curriculum
• Integration of public-private partners to meet the needs of workers |

within the Distressed county description, and Guilford County is applied a Prosperous county classification.

Table 2, below, highlights the principal community benefits generated through applying economic development strategies to upgrade the textile industry.

Table 2: Community Benefits

The following paragraphs will describe each of the community benefits noted in the above table.

Benefit 1: Jobs, Number and Type

Through the combination of economic development strategies, textile firms are assisted to expand, upgrade, develop or move into a region. One of the most important benefits generated
for communities is the number of jobs that are created and the wages and benefits provided to workers. Despite the fact that the counties are continuing to see an overall decline in textile employment, the textile firm case studies presented for Burke and Rockingham County illustrate that some expansion in the number of jobs is occurring in high-tech and niche-market textile firms. Section 4 illustrated that over 1,000 new textile jobs were created in Rockingham County over the last three years (2001-2004) and 390 new jobs were created in Burke just within the last year (2003-2004). This is particularly important in these distressed regions, and indicate that the number of jobs created by textile industry upgrading is a major community benefits.

Furthermore, the wages that these jobs is steadily increasing. Again, section 4 expressed that both counties increased their average textile wage by over 100 percent between 1990 and 2003. Number of jobs has direct benefits to the workers who earn the wage, and also produce larger community benefits as those wages contribute to household income, and households spend that money in the county, inducing more jobs and further spending.

In a prosperous county such as Guilford, the number of jobs created in the textile industry has a smaller impact on the economy than in distressed regions. Between 2001 and 2004, 845 jobs were created in Guilford County, while another 2,000 were shed. While this number of job loss is great, the fact that the textile sector made up only 2 percent of the total private workforce in 2003, and the county has maintained a low unemployment rate indicates that the larger economy in which the industry is embedded may be able to absorb these industry changes (See Section 3.2).

Of great import, however, are the types of jobs that are being created in a prosperous region. For example, Unifi has decreased employment in their Greensboro Headquarters and plant over the last three years. Between 2001 and 2002 workers were laid off, but between 2002 and 2003 the same number of workers were employed by the company. While the initial jobs lost were mainly involved in manufacturing, the new jobs have been in professional positions that pay more, provide more benefits, and increase the number of skilled workers in the region. Therefore, firms such as Unifi, which are restructuring to manage the value-chain and not necessarily increase production in the region, offer the most benefits to the county through the type of job offered, not necessarily the number of jobs offered.
Benefit 2: New Technologies

Counties with a specialization in traditional manufacturing, such as textiles, may require a jump start to upgrade their industries and technologies. The restructuring textile industry presents areas with this opportunity by fusing new, innovative technologies with more traditional skills and processes. Communities contribute their infrastructure and workforce, and in turn receive a valuable introduction into the new, high-tech economy. This is particularly true in distressed regions, where fewer opportunities exist to make contact with emerging tools and ideas. Frontier Spinning Mills in Rockingham County and Defeet in Burke County implement innovative software technology for product design, quality management, and client communication. As workers and nearby procuring or sourcing firms interact with these technologies, skills and information are transferred.

Also, firms that work within a county are innovators of new technologies. They contribute to the larger field of textile research and development by both being a consumer of local textile technology, and also providing techniques for modernization. For example, the Buzz Off company in Guilford County has drawn on decades of textile research in North Carolina, including the North Carolina State College of Textiles. The founder and owner is an innovator and developer of textile technology, and draws on his extensive experience, and the experience of surrounding firms to contribute to the larger knowledge of textile technology in the region. These examples demonstrate how High-tech textile companies share new resources for the enhancement of the industry and the upgrading of the larger economy for community transition. Textile firms in both Distressed and Prosperous regions have this in common, but Distressed regions benefit more widely because of the limited technology directly available.

Benefit 3: Partnerships and Program Synergies

As highlighted in Section 8, economic development strategies to support the restructuring textile industry require strong partnerships and relationships among organizations, governments, and industries. The development of these partnerships lend to program synergies, in which all parties involved receive benefits from taking part. Moreover, synergies create motivation to continue collaboration to develop projects and meet objectives. Communities benefit from these partnerships because,
1) Diverse interests are represented during the process of identifying opportunities, objectives, and strategies. For example, community colleges represent worker interests, while industry groups represent the industry and individual companies represent their own interests. Representation is key in Prosperous regions where some stakeholders maybe overlooked. In High Point, Guilford County, the High Point Economic Development Corporation brings different groups to the table when decisions are made, and helps to represent different interests. This provides different aspects of the community with increased voice and influence in the shape and future of the community.

2) A motivated and skilled team advances community development efforts. This team offers county leadership and advancement. This is a benefit equally important to Distressed and Prosperous regions.

3) Partners share information, leading to greater understanding and the generation of ideas. As more people or groups are brought on-board during projects, the more resources are utilized and also created. Again, this is important for all regions and communities.

**Benefit 4: Community Programs Support and Leadership**

Textile companies provide great benefits to communities by supporting community events and programs through impressive financial assistance and sponsorships, as well as through creating a culture of leadership and success. For example, since it’s opening in Burke County in the summer of 2003, the Viscotec company has been giving back to the community beyond jobs and investments. As mentioned, Viscotec was among the top 25 supporters to the Burke County United Way, and highlighted in the 2004 United Way Annual Report as an ‘Outstanding Campaign Award Winner’ for their Employee Giving Campaign. Also, Viscotec is a major support of community events, cultural activities, and schools. They provide a large contribution to the annual Historic Morganton Festival, as well as local theaters (George; March 24, 2005). The relationship between Burke County and Viscotec is just one example of how textile companies provide unique community benefits beyond jobs and investments.

Textile firms also provide examples of leadership in communities. For example, George Perkins, the founder and CEO of Frontier Spinning Mills in Rockingham County, was selected the 2003 Leader of the Year for the North Carolina State University College of Textiles. His leadership in the area is driving textile advancements, and helping to create young leaders for the
future of the textile industry. Furthermore, the success of his company, and his influence as a positive role model in the area enhances community morale and

**Benefit 5: New Skills**

In both distressed and prosperous regions the upgrading of the textile industry instills new skills directly to workers, the development and support of training institutions and advanced curriculum, and the integration of public-private partners to meet the needs of workers and industry. The skills provided to workers build upon existing know-how of textiles manufacturing, and offers an upgrade into advanced technologies and systems. Also, training institutions, such as community colleges, are required to investigate and develop the curriculum to teach these new skills. The colleges thus develop an expertise in teaching these skills, and are more equipped to expand into other industries. Finally, textile firms, training centers, and technology centers are increasingly working together to develop programs to enhance worker skills. These partnerships serve as a virtual high-tech textiles learning laboratory as each entity passes along their unique proficiencies to one-another, and in turn shares their skills with other firms or organizations.

### 10 Economic Development Strategy and Policy Implications

The above sections highlight economic development and industry upgrading strategies, and the principal community benefits derived from successful implementation. The case studies in this report also point out some regional limitations which hinder textile industry upgrading. These challenges should be addressed to ensure that maximum community benefits can be achieved. Section 10 will offer recommendations on how counties and states can help regions to overcome challenges, as well as suggest policies or strategies that can increase industry upgrading and community transition.

**Recommendation 1: Target Industries within the Existing, Economic Scope and ID Cross-Cutting Industries**

Regions should not seek to re-invent the wheel, so to speak, but take a good look at what type of industries are most important to their area given the current economic base and the regional
context. Companies that work within these industries are ideal targets. In areas that have had a traditional textile sector, upgraded textile companies are an option for building off of the current economic scope. For example, the Viscotec Company drew on the traditional textile base and the developing metal industry in the area that feeds into the nearby automotive industry, for which Viscotec produces fabrics.

Upgraded textile companies involved in advanced manufacturing and/or supply chain management often cross target industries. Particularly in prosperous areas, the mix of industry often feeds off of and into one-another. These crosscutting industries are extremely important as they share resources, induce information spill-overs, and contribute to the generation of new ideas or businesses. The restructuring textile industry is an example of a cross-cutting industry. It draws on both manufacturing know-how and capital, as well as innovative technological processes, soft-ware, chemical formulas, or more. The scope of the Buzz Off Company, for example, extends beyond a textile or apparel manufacturing company. Buzz Off acts like both a chemical company and an apparel company.

Regions should also be innovative about what they consider to be their economic scope. For example, after AFG wipes moved Rockingham County, the county believes they have an opportunity to recruit more Israeli firms to the area and are embarking on developing a recruiting mission. While distressed counties should be very open about what types of businesses they recruit and support, it is in their best interest to seek out firms that will somehow fit into growing sectors, and to be creative in sector fit.

**Recommendation 2: Include Advanced Textile Manufacturing as Target Industry**

The traditional textile manufacturing industry offers regions a base off of which to upgrade. The failure to recognize this could mean lost opportunities in working with existing, expanding or relocating textile firms that are lucrative and also offer community benefits.

Regions and States should re-analyze their perspective on textiles and integrate the advanced textile industry into their list of target industries. Certain guidelines could help counties classify textile firms by type so as to identify if the firm fits within their region. As discussed above, many textile firms cross target-industry boundaries. Thus, a textile firm could nicely fit within a
targeted industry that currently exists in the region, and which is also determined to be growing. This is especially important to help communities transition from traditional textiles to advanced manufacturing and high-tech service industries.

Also, a set of criteria could be developed to determine what types of support a textile firm needs based on its position as a high-tech, niche-market, or supply-chain management company. These companies should incorporate innovative and strategic products and processes that contribute to the larger economy through transfer of technology, providing skills to workers, supplying or procuring from local firms/industries, etc.

**Recommendation 3: Educate Communities about the Changing Economy**

Counties that have been hit by bouts of unemployment, largely due to a significantly changing economy and industry mix, need to take the time to work with citizens to inform them about changes, the outlook, and opportunities. This will help citizens to understand their place in the economy and help prevent a long period of denial or lamentation, which can be devastating to re-vitalizing an area. Informed workers may be more inclined to seek out new skills and opportunities, such as in the case of Rockingham County.

Rockingham County is very positive about the opportunities that have arisen out of the modifying textile industry. This is in part due to the community education efforts that developed out of the closing of the Pillowtex plant in the county. That brought a significant amount of press, as well as a specific team to assist workers in the transition through informing them on community college opportunities and income supplements. This multiplied into a larger community recognition of the changing industry and economy, and helped to stabilize morale and stimulate workers to move into other opportunities.

Community Colleges should be a main partner in this strategy. Also, federal Trade Adjustment Assistance funds could be drawn upon to create a special program for worker transition and upgrading.
Recommendation 4: Inform Counties of Available Resources

Section 4 reviewed a myriad of resources available to counties in North Carolina, largely from the state. Most regions take advantage of these resources, and also include resources collected from their own areas.

However, some federal programs are virtually unheard of or not leveraged in regions. For example, many counties and economic development organizations have not heard of a vital firm upgrading and worker readjustment program called Trade Adjustment Assistance (TAA). Usage of this program could be significant in helping companies to upgrade at different levels of the supply chain. For example, in Burke County the Defeet Company may suffer if more suppliers are not able to meet new standards they require for a new product. County officials could implement TAA to provide technical assistance to firms, and increase opportunities for many regional firms.

County representatives were not surprised that they have not heard of TAA, or other federal programs, indicating there is lack of communication about federal support programs. The state Department of Commerce should embark on a campaign to distribute this information to counties that are eligible for the funding.

Recommendation 5: New Industry-Community Cooperation Strategy

As regions increase partnerships among local entities and develop relationships with industries, a formal system should be developed to build and maintain these unique cooperation opportunities. Also, there is a need for the formalization of regional groups to address changes in the textile industry, needs of communities, and the gap in resources as they struggle to update to new opportunities. North Carolina possesses several key institutions that are currently working towards that end, but they are somewhat fragmented geographically and in terms of industry focus. For example, both the North Carolina Department of Commerce and the United States Department of Commerce offer export programs, and have a particular office in charge of textiles and apparel. Their services vary and are extremely valuable, but a coordinated effort would be beneficial. Meanwhile, they may not interact with folks representing the needs or trends of the workforce.
The partnerships between The North Carolina Center for Applied Textile Technology and Burke County offer an example of entities working together to share institutional strengths and spread technology. The Textile center, Western Piedmont Community College, and textile firms create a triangle of institutions that share and distribute skills, information, and technologies. The Community College is currently a medium for this information sharing, as Economic Development agencies are in other counties. However, another institution may be a more appropriate administrator, or perhaps a group formed within an existing institution to develop community-industry cooperation strategies.

**Recommendation 6: Flexibility in County Use of Incentives**

Counties rely on state programs to attract and retain companies. They are therefore bound by state restrictions on the minimum number of investments and jobs created, and the age of the firm in order to confer assistance. The purpose of their requirements is to avoid risky ventures and also help ensure that the resources used will have the largest beneficial impact possible. However, these restrictions also denote the lack of assistance to newer companies, or start-ups. This lack of assistance to start-up firms hinders some counties in their strategies to work with firms. This may be particularly true in distressed and/or isolated counties where a small firm has a large impact. Counties should therefore maintain some discretion in determining if incentives should be offered to companies that fall below the job, investment and firm-age threshold.

Allowing companies to provide support to the firms they determine to be the most important may be principally important for upgrading of the textile industry. Many new textile firms are extremely lean and automated. This means that they generate a large amount of investment, and require a significant amount of expensive capital. These companies may be prime candidates for receiving county supports, and counties may be in a better long-term position to provide a smaller, newer company support now, allowing it to grow into the future.

11 **Conclusion**

This paper has established the importance and viability of the textile industry, and the community benefits gained through implementing economic development strategies to assist the textile industry to restructure and upgrade. The North Carolina state and regional textile
industry is moving towards high-tech and niche-market production and product management. These companies continue to offer a great number of jobs and investment, especially in counties considered to be ‘distressed’. A review of county case studies produced a list of most successful economic development strategies to support restructuring textile firms. The most important for all regions include developing local partnerships to approach economic development as a cohesive team, building relationships specifically with industry, county marketing and image enhancement, workforce development, capitalizing on resources, and infrastructure development and preparation.

When economic development strategies are implemented to support the restructuring textile industry significant benefits to communities emerge. The most significant community benefits include; 1) Increase in the number of jobs and/or the development of high-wage, professional jobs, 2) Transfer of New Technologies directly to workers and the larger economy, 3) Creation of Partnership and Program Synergies, 4) Infusion of Community Support and Leadership, and 5) Generation of New Skills to the community. These benefits are important to consider so as to not underestimate the importance of the textile industry in areas that have recently seen an overall decline in employment.

Textile industry trends, economic development strategies, and community benefits are important to recognize and review together because of the potential of replicating textile industry and community upgrading in other areas, and ultimately assist communities to transition into updated economies. Key recommendations geared towards economic development organizations and county and state governments to enhance the upgrading and transitioning process are, 1) Include Advanced Textile Manufacturing as Target Industry for Regions and States, 2) Formal Community Education Effort about the changing industry and opportunities, 3) Inform Counties of Available Resources, including firm upgrading and workforce development opportunities, 4) Development of an Industry-Community Cooperation Strategy, and 5) Flexibility in County Use of Incentives to allow for the support of key, cross-cutting industry development for newer or smaller companies.

The profile of the textile industry in North Carolina and the United States has changed drastically in the last few decades, and will continue to change. In North Carolina, a few regions
have leveraged their resources to capitalize and benefit from those changes. This has provided communities with a bridge to develop new skills and resources to enter into the emerging economy. These examples illustrate the important supports that economic development organizations, counties and states can provide to help industries and communities transition together for the creation of prosperous and sustainable economies and communities.
Appendix

Figure 1: North Carolina Textile and Apparel Industry Employment

![Graph showing employment trends from 1990 to 2003 for North Carolina textile and apparel industry. The graph includes lines for annual average employment and number of firms, with data points for each year. The source is North Carolina Employment Security Commission, Labor Market Information, prepared by Moudry et al. November 2004.]

Figure 2: Share of NC Employment by Sector

![Pie chart showing the share of NC private employment by sector in 2003. The sectors include Food Services and Drinking Places (3.74%), Administrative and Support Services (6.62%), Professional and Technical Services (8.21%), Ambulatory Health Care Services (4.72%), Specialty Trade Contractors (4.39%), and Textiles (4.18%). The source is North Carolina Employment Security Commission.]

Source: North Carolina Employment Security Commission
Figure 3: Number of NC Textile/Apparel Firms by Date Established & Employment

<table>
<thead>
<tr>
<th>Time Range</th>
<th>Number of New Firms</th>
<th>Percent of Total</th>
<th>Average No. of New Firms per year</th>
<th>Total Employment*</th>
<th>Percent of Total Employment*</th>
<th>Average Employment per Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>3</td>
<td>0.21%</td>
<td>3.0</td>
<td>20</td>
<td>0.02%</td>
<td>7</td>
</tr>
<tr>
<td>2002</td>
<td>5</td>
<td>0.35%</td>
<td>5.0</td>
<td>526</td>
<td>0.48%</td>
<td>105</td>
</tr>
<tr>
<td>2001</td>
<td>17</td>
<td>1.18%</td>
<td>17.0</td>
<td>471</td>
<td>0.43%</td>
<td>28</td>
</tr>
<tr>
<td>2000</td>
<td>15</td>
<td>1.04%</td>
<td>15.0</td>
<td>1,283</td>
<td>1.17%</td>
<td>86</td>
</tr>
<tr>
<td>1995-1999</td>
<td>122</td>
<td>8.48%</td>
<td>24.4</td>
<td>6,703</td>
<td>6.10%</td>
<td>55</td>
</tr>
<tr>
<td>1990-1994</td>
<td>199</td>
<td>13.83%</td>
<td>39.8</td>
<td>6,517</td>
<td>5.93%</td>
<td>33</td>
</tr>
<tr>
<td>1985-1989</td>
<td>249</td>
<td>17.30%</td>
<td>49.8</td>
<td>13,774</td>
<td>12.53%</td>
<td>55</td>
</tr>
<tr>
<td>1980-1984</td>
<td>192</td>
<td>13.34%</td>
<td>38.4</td>
<td>6,692</td>
<td>6.09%</td>
<td>35</td>
</tr>
<tr>
<td>1975-1979</td>
<td>136</td>
<td>9.45%</td>
<td>27.2</td>
<td>6,195</td>
<td>5.63%</td>
<td>46</td>
</tr>
<tr>
<td>1970-1974</td>
<td>96</td>
<td>6.67%</td>
<td>19.2</td>
<td>9,334</td>
<td>8.49%</td>
<td>97</td>
</tr>
<tr>
<td>1965-1969</td>
<td>70</td>
<td>4.86%</td>
<td>14.0</td>
<td>9,366</td>
<td>8.52%</td>
<td>134</td>
</tr>
<tr>
<td>1960-1964</td>
<td>59</td>
<td>4.10%</td>
<td>11.8</td>
<td>5,594</td>
<td>5.09%</td>
<td>95</td>
</tr>
<tr>
<td>1955-1959</td>
<td>36</td>
<td>2.50%</td>
<td>7.2</td>
<td>3,489</td>
<td>3.17%</td>
<td>97</td>
</tr>
<tr>
<td>1950-1954</td>
<td>28</td>
<td>1.95%</td>
<td>5.6</td>
<td>6,481</td>
<td>5.89%</td>
<td>231</td>
</tr>
<tr>
<td>1945-1949</td>
<td>53</td>
<td>3.68%</td>
<td>10.6</td>
<td>8,206</td>
<td>7.46%</td>
<td>155</td>
</tr>
<tr>
<td>1940-1944</td>
<td>27</td>
<td>1.88%</td>
<td>5.4</td>
<td>3,527</td>
<td>3.21%</td>
<td>131</td>
</tr>
<tr>
<td>1935-1939</td>
<td>19</td>
<td>1.32%</td>
<td>3.8</td>
<td>2,292</td>
<td>2.08%</td>
<td>121</td>
</tr>
<tr>
<td>1930-1934</td>
<td>17</td>
<td>1.18%</td>
<td>3.4</td>
<td>2,803</td>
<td>2.55%</td>
<td>165</td>
</tr>
<tr>
<td>1925-1929</td>
<td>14</td>
<td>0.97%</td>
<td>2.8</td>
<td>1,228</td>
<td>1.12%</td>
<td>88</td>
</tr>
<tr>
<td>1920-1924</td>
<td>20</td>
<td>1.39%</td>
<td>4.0</td>
<td>4,927</td>
<td>4.48%</td>
<td>246</td>
</tr>
<tr>
<td>1900-1919</td>
<td>33</td>
<td>2.29%</td>
<td>1.7</td>
<td>4,940</td>
<td>4.49%</td>
<td>150</td>
</tr>
<tr>
<td>Pre 1900</td>
<td>29</td>
<td>2.02%</td>
<td>5.5</td>
<td>5,579</td>
<td>5.07%</td>
<td>192</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>1,439</strong></td>
<td></td>
<td></td>
<td><strong>109,947</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: New Firms and Employment by Date Range and Year

![Graph showing new firms and employment by date range and year.]

Source: North Carolina Department of Commerce.

Figure 5: North Carolina Textile Industry Community Investments

<table>
<thead>
<tr>
<th>Year</th>
<th>Total New Jobs</th>
<th>Total New Investments</th>
<th>Total Square Footage</th>
<th>Total Firms</th>
<th>Number of Foreign Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2,092</td>
<td>$285,051,794</td>
<td>1,654,516</td>
<td>70</td>
<td>10</td>
</tr>
<tr>
<td>2004</td>
<td>1,513</td>
<td>$264,955,000</td>
<td>1,650,510</td>
<td>31</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: North Carolina Department of Commerce, Division of Policy, Research, & Strategic Planning
**Figure 6: A Sample of Restructuring or Emerging Textile Firms in NC**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Product and Description</th>
<th>Founded</th>
<th>Employees/Investment</th>
<th>Company Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atex Technologies</td>
<td>Textile components for medical devices</td>
<td>2003 McMurray</td>
<td>30 employees</td>
<td>Proximity to Customers, nonwovens</td>
</tr>
<tr>
<td>Nano-Tex</td>
<td>Molecular bonding to create</td>
<td>1988 Burlington</td>
<td>50 Statewide</td>
<td>New Technology, niche market</td>
</tr>
<tr>
<td>Defect</td>
<td>High-tech socks</td>
<td>1993 by Owner</td>
<td>50 employees</td>
<td>Niche Market</td>
</tr>
<tr>
<td>Patrick Yarns</td>
<td>Industrial cotton-spinning and</td>
<td>1963 by Owner,</td>
<td>10 Employees</td>
<td>Conducts R&amp;D for Customers</td>
</tr>
<tr>
<td>Asheboro Elastics</td>
<td>Knitted Elastics</td>
<td>1998 by Owner</td>
<td>140 employees</td>
<td>Speed to Market, Labor only 8% of costs</td>
</tr>
<tr>
<td>Freudenberg</td>
<td>Nonwoven materials for apparel linings and</td>
<td>1984 by</td>
<td>450 Employees</td>
<td>High-tech materials for specific industries, nonwovens</td>
</tr>
<tr>
<td></td>
<td>carpet backings for car interiors</td>
<td>Freudenberg,</td>
<td>(locally)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Germany Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glen Raven</td>
<td>Home Furnishing and Industrial fabrics</td>
<td>1985 by Owner,</td>
<td>700</td>
<td>High end US and EU markets</td>
</tr>
<tr>
<td>Jacob Holm Industries</td>
<td>Switzerland maker of roll goods for baby</td>
<td>Fall, 2004</td>
<td>Will add 70 jobs and</td>
<td>Speed to Market, high-tech nonwovens</td>
</tr>
<tr>
<td></td>
<td>wipes, cosmetic cloths and household cleaning</td>
<td></td>
<td>invest $70 million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>towels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livedo Corp</td>
<td>Japanese maker of disposable medical products</td>
<td>Winter, 2004</td>
<td>Will Add 75 jobs and</td>
<td>Technology Cluster, high-tech nonwovens</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$35 million</td>
<td></td>
</tr>
<tr>
<td>AFG Wipes</td>
<td>Israeli maker of wet wipes</td>
<td>2003</td>
<td>Will Add 200 jobs</td>
<td>Speed to Market, high-tech nonwovens</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and $30 million</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 7: County Textile Industry as a Percent of State Industry Total, 2003**

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Firms</th>
<th>Average Annual Employment</th>
<th>Total Annual Wages Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Percent</td>
<td>Total</td>
</tr>
<tr>
<td>Burke</td>
<td>42</td>
<td>2.7%</td>
<td>3,275</td>
</tr>
<tr>
<td>Guilford</td>
<td>102</td>
<td>6.5%</td>
<td>4,012</td>
</tr>
<tr>
<td>Rockingham</td>
<td>34</td>
<td>2.2%</td>
<td>5,876</td>
</tr>
<tr>
<td>State</td>
<td>1575</td>
<td>11.3%</td>
<td>116306</td>
</tr>
</tbody>
</table>

Source: North Carolina Employment Security Commission
Figure 8: County Textile Industry as a Percent of Total Private Workforce

![County Textile Industry as a Percent of Total Private Workforce]

Source: North Carolina Employment Security Commission

Figure 9: Average Annual Employment by County

![Average Annual Employment]

Source: North Carolina Employment Security Commission
Figure 10: Average Number of Units by County

<table>
<thead>
<tr>
<th>County</th>
<th>Average NC County</th>
<th>'90-'03 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burke</td>
<td></td>
<td>-48%</td>
</tr>
<tr>
<td>Guilford</td>
<td></td>
<td>-24%</td>
</tr>
<tr>
<td>Rockingham</td>
<td></td>
<td>-6%</td>
</tr>
<tr>
<td>Average NC</td>
<td></td>
<td>-30%</td>
</tr>
</tbody>
</table>

Source: North Carolina Employment Security Commission
Figure 11: County Location Quotient

County Textile and Apparel Location Quotients: North Carolina as a Reference Area

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Burke</td>
<td>2.18</td>
<td>1.99</td>
<td>-0.19</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>3.01</td>
<td>4.05</td>
<td>1.04</td>
</tr>
<tr>
<td>Guilford</td>
<td>0.57</td>
<td>0.73</td>
<td>0.15</td>
<td>0.48</td>
<td>0.40</td>
<td>-0.08</td>
<td>0.60</td>
<td>0.53</td>
<td>-0.07</td>
</tr>
<tr>
<td>Rockingham</td>
<td>4.31</td>
<td>5.46</td>
<td>1.15</td>
<td>3.09</td>
<td>4.19</td>
<td>1.11</td>
<td>2.10</td>
<td>0.27</td>
<td>-1.83</td>
</tr>
</tbody>
</table>

*Suppressed Data

Source: NC Employment Security Commission

Figure 12: Average Wage Paid to Textile Employees

Average Annual Wage Per Employee

Source: North Carolina Employment Security Commission
References


Personal Interviews (Name. Title, Organization, County. Interview Date):

Benton, Jim. Director of Focused Industrial Training, Western Piedmont Community College, Burke County. Interview April 1, 2005


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Cauthen, Helen. Vice President of Retention & Expansion Services, Greensboro Economic Development Partnership, Guilford County. Interview March 30, 2005.

Cooper, Shane. Founder and CEO, Defeet Company, Burke County. Interview February
15, 2005


George, Ron. City Manager, City of Morganton, Burke County. Interview March 24, 2005.

Howell, Gail. Corporate Administrative Assistant, Buzz Off Insect Shield LLC, Guilford County. Interview April 1, 2005.


Johnson, Tom. Former Director, Burke Partnership for Economic Development, Burke County. Interview March 18, 2005.


Leavitt, Heather. Vice President of Sales and Marketing, Rockingham County Economic Development Partnership, Rockingham County. Interview March 15, 2005.


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