

SAVING PENNSYLVANIA JOBS: SEWN!

The Strategic Early Warning Network

**PA Senate's
Economy, Business, and Jobs
Luncheon
May 2011**

**This presentation by the
Steel Valley Authority**



SEWN

What Is SEWN?

- ❑ **SEWN is a cost-effective program** to identify and assist manufacturing companies that are experiencing problems, hopefully before they reach crisis stage. This service is **FREE OF CHARGE**.
- ❑ **SEWN was designed** and is managed, in collaboration with PA DLI, by the SVA, a state-chartered regional authority that has gained national acclaim for its innovative work in industrial retention and capital strategies.



SEWN: PA's Layoff Aversion Initiative

PA SEWN

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graph TD; A([PA SEWN]) --- B([Has impacted 700+ firms]); A --- C([Has saved or created over 16,000+ jobs]);
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Sponsored by Pennsylvania's
Department of Labor and Industry (DLI),
as a Critical Component of DLI's Rapid Response Program.

Has impacted
700+ firms

Has saved or
created over
16,000+ jobs

The SEWN Program

□ SEWN's Focus:

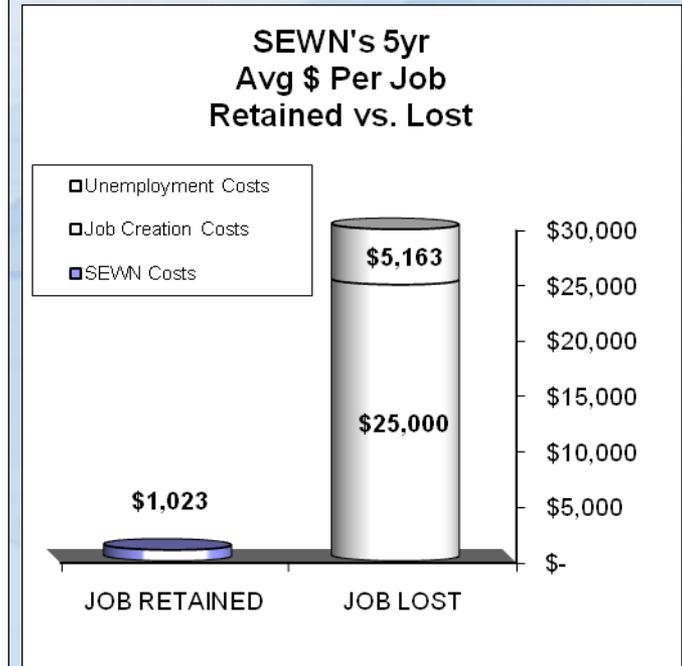
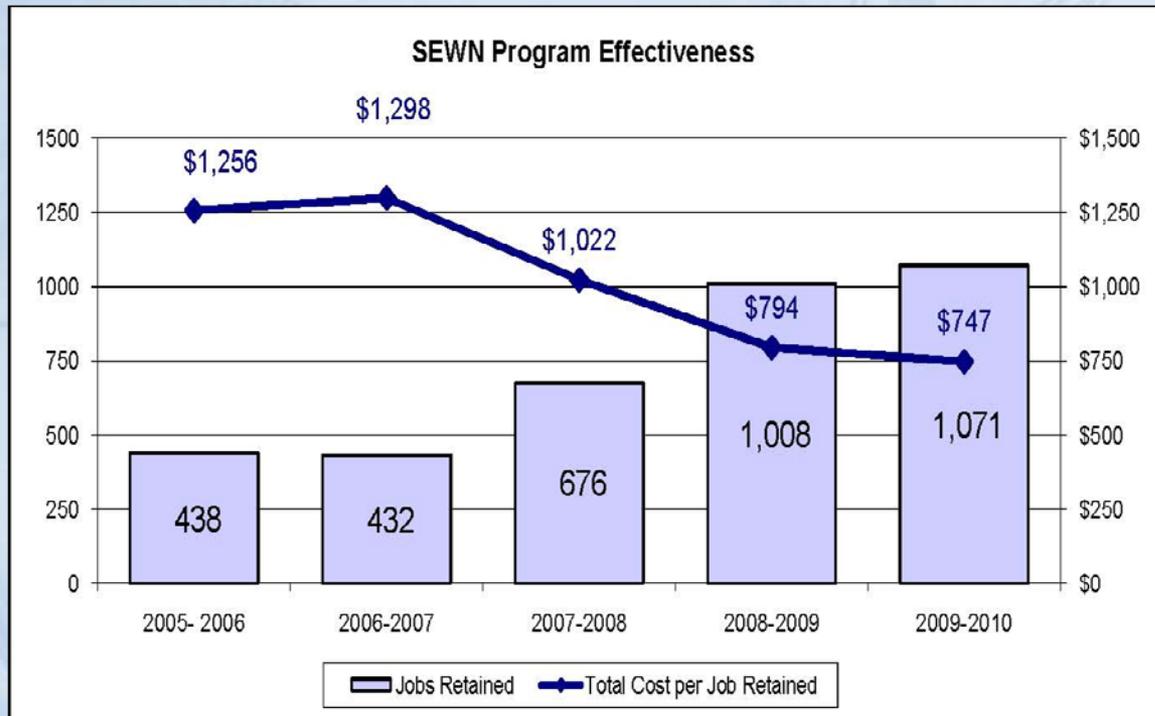
- The SEWN Team focuses on businesses-at-risk, visiting firms within 48 hrs. of a warning. Why we focus on saving jobs: Every manufacturing job loss causes the loss of three indirect jobs.
- SEWN relies on a small, streamlined professional staff and consulting capacity, a unique public-private information system, public awareness, and rapid response to business risk.

□ Why Early Warning?

- It is far more cost effective to avert a layoff than it is to pay UC benefits and to create new jobs. Likewise it is far more cost effective to support and stabilize existing manufacturers than it is to attract new ones to the State.
- Early Warning helps to better transition dislocated workers.

SEWN's ROI and Cost-Effectiveness= Number of Jobs Saved/Cost Per Job Saved

SEWN is the most successful, cost-effective layoff aversion program in U.S. In 2009-2010, the overall cost per job retained was **\$747**, and in the last 5 years, that cost averaged **\$1023** per job annually. Over 5 years, SEWN saved the Commonwealth \$19 million in PA. UI comp benefits, and **\$75 million** if jobs/payroll multipliers are included in calculation.



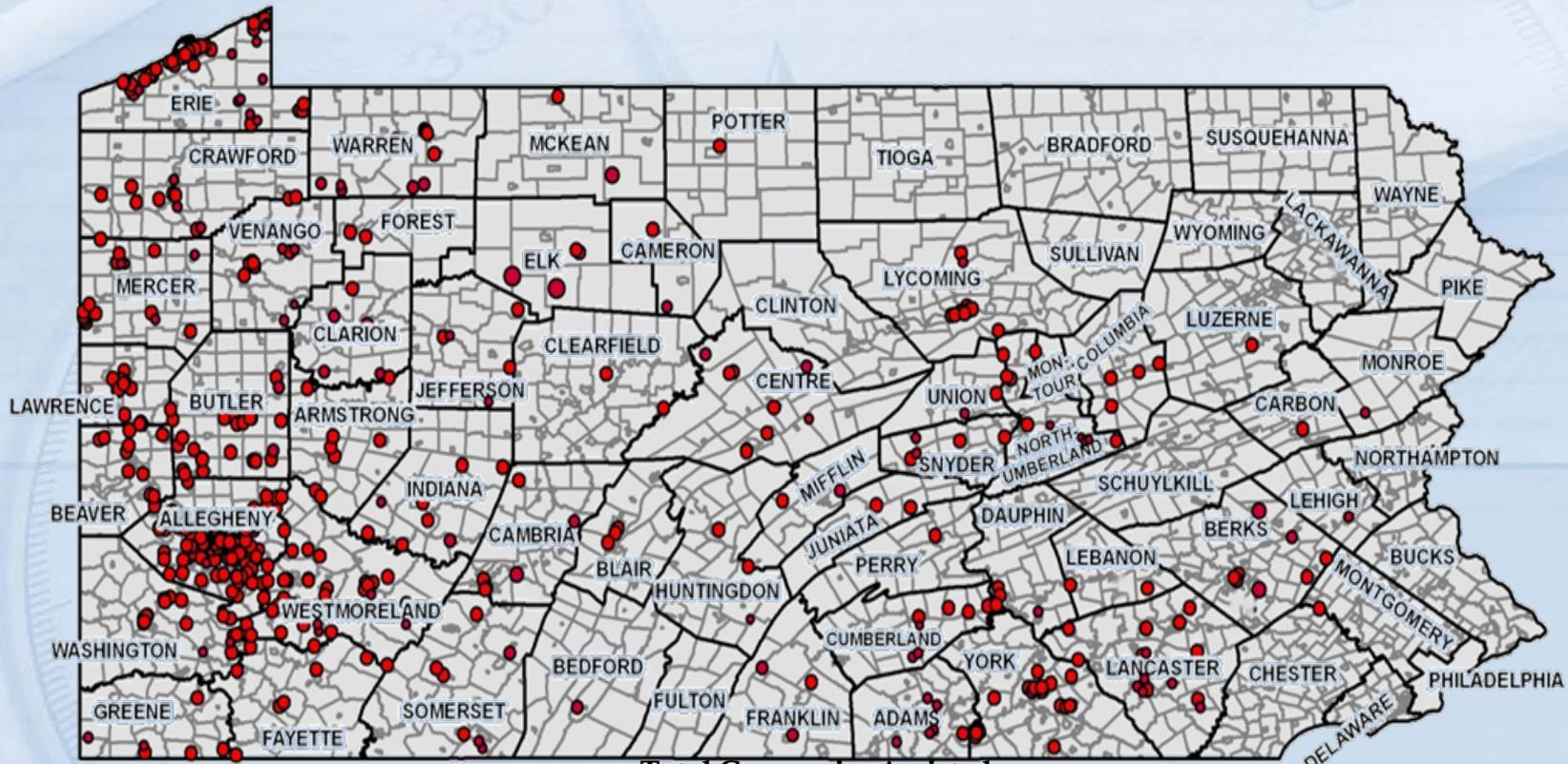
SEWN's Success Stories 2009-'10



- ❑ Wendell August Forge – 75 Employees
- ❑ Kuhn's Brothers Lumber – 126 Employees
- ❑ Miller Welding and Machine Company – 149 Employees
- ❑ Pro Tube – 15 Employees
- ❑ AMMAC – 25 Employees



SEWN's Statewide Growth: Companies Assisted Since 1993

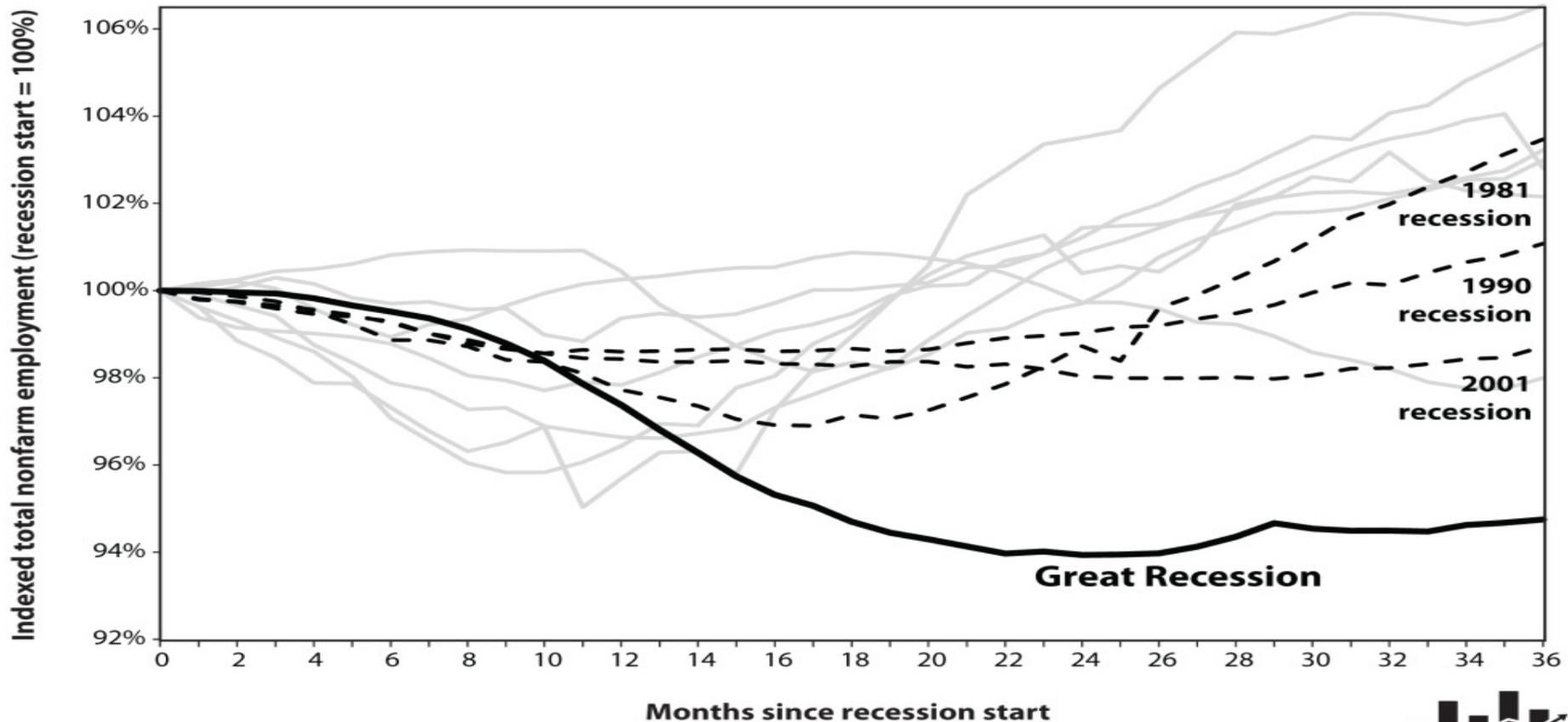


Total Companies Assisted

What Happened to our Jobs?

FIGURE A

Indexed job loss in all post-war recessions



NOTE: Grey lines are not labeled but represent recessions starting in 1948, 1953, 1957, 1960, 1969, 1973, and 1980.

SOURCE: EPI analysis of Bureau of Labor Statistics data.

Addressing the Challenge

- ❑ **Today's economy** presents serious challenges to our state's workers and businesses, and we must confront and overcome these challenges. The Great Recession was a devastating downturn, destroying millions of US jobs.
- ❑ **Plant closings and job losses** hit the construction and auto industry sectors the hardest, though the ripple effects affect all sectors, especially rural counties.
- ❑ **While there have been signs of recovery**, PA. lost 93,600 good manufacturing jobs since December 2007 (PA DLI). While the state's unemployment rate has improved to 7.8%, it was 4.6% in January 2008.
- ❑ **One truth should be clear to all**: the citizens of this Commonwealth cannot accept a near 8% unemployment level as the "new normal."

How to Overcome the Challenge to Our Communities?

❑ **Mass layoffs and plant closings** have hurt our communities.

We want to ensure that all dislocated workers receive consistent, quality Rapid Response services. And let's employ our next generation in the coming boom in advanced technology jobs.

❑ **Mass layoffs have harmed the Commonwealth**, through the loss of business and wage tax revenues to the treasury, and the increase in unemployment compensation benefits (which resulted in a \$3+ billion debt to the U.S. DOL).

As Threats to Our Manufacturing Businesses Remain...

- ❑ **Economic uncertainty**: Owners and managers are facing fear and uncertainty, and are slow to add workers or bring laid-off workers back;
- ❑ **Business still stagnant**: Orders increasing but only slowly;
- ❑ **Tight credit**: Bank lending is slowly picking up, but sources of bank credit and private investment are still tight—a problem in terms of paying for new inventory;
- ❑ **Lack of skilled workers**: Where companies are hiring, they are having difficulty finding the right mix of advanced manufacturing skills;
- ❑ **Changes in market, product mix**: New manufacturing methods and skills—and investments--are sorely needed so that manufacturers can transition to new market opportunities.

How the SEWN System Works

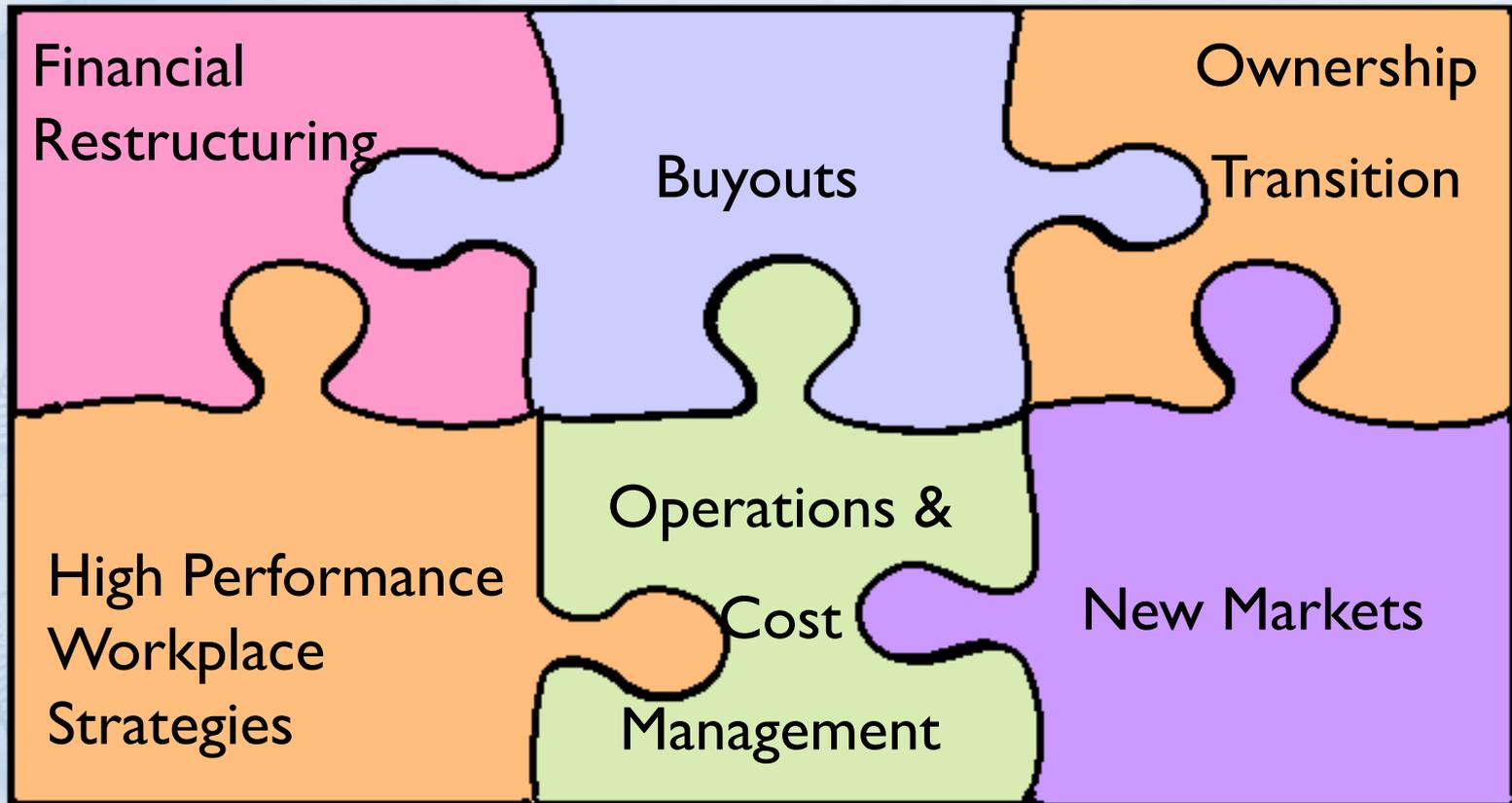


SEWN Addresses the Challenge

- ❑ **SEWN** saves manufacturing jobs **in your district** by offering layoff aversion services to stabilize, re-structure, turnaround, or attract buyers for at-risk small- to medium-sized companies.
- ❑ **SEWN** services are provided to the manufacturer **free of charge**.
- ❑ **SEWN** serves all of Pennsylvania, with professional, confidential field staff and turnaround consultants staffing offices in Pittsburgh area, Harrisburg, Wilkes-Barre, and Philadelphia areas.
- ❑ **SEWN** core services include Financial Restructuring, Operational Restructuring and Cost Management, Ownership Transition and Buyouts, High Performance Workplaces, and New Markets.

SEWN

SEWN Core Turnaround Services



In a Nutshell: The Purpose of Layoff Aversion

The purpose of layoff aversion is to promote a collaborative approach to economic stabilization and recovery, an approach that supports retaining, restoring and creating good jobs, and emphasizing economic innovation. We want to more effectively:

- ❑ **Reinvest** in workers, communities and economic regions.
- ❑ **Assist** dislocated workers in finding new jobs.
- ❑ **Establish** an effective and comprehensive state-wide early-warning network and layoff aversion strategies and tactics.
- ❑ **Help** businesses/employers manage economic transitions and achieve sustainable success.

How SEWN Works

First, early identification of troubled firms, affected workers

Adequate lead time to organize an effective response

Broad partnerships that mobilize workforce and economic development education resources

Sufficient capacity: SEWN staff or outside consultants to assess viability of firms and implement retention strategies

Source: NGA Center for Best Practices

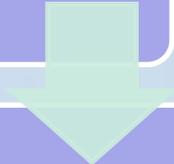
Early Warning: What it is...

Early warning is a multi-stakeholder approach to identifying companies at risk. It seeks to:

Identify at-risk firms to develop response strategies that prevent layoffs;



Identify inevitable layoffs of workers to provide adjustment services as quickly as possible;



Identify labor market trends to develop and implement economic/workforce recovery and revitalization strategies.

Key Steps

Alert

- Early Warning Analysis and Assessment
- --Early Alert and Rapid Response
- --Pre-feasibility of Firms-in-Stress

Response

- Turnarounds and Training
- --Core Retention Steps
- --Industry Sector Partnerships

Important to Build a Retention Network, And Connect to Multiple Stakeholders

**State
Workforce
and
Development
Agencies, etc.**

**Management
and Industry
Groups**

**Banks,
Community
and
Employee
Stakeholders**

**Regional/
Local
Agencies**

Early Alert System: Data Sources

Rapid
Response

WARN
TAA

Public
Notices

UI Research

UI Claims

DLI Industry
Partnership
Trends

D&B, Corp.
Research

Financial
Stress

Credit
Scores

Early Alert Partners

Banks/Lenders

Workout
Departments

Losing Line of
Credit

Businesses
and Groups

Company
Owners

Chambers/
Manufacturing
Associations

Employee
Groups

Labor-
Management
Committees

Plant
Managers,
CFOs

Business Trend Tools: Dun and Bradstreet

D & B sells stressed company lists-- that can be selected by location and industry that have high stress scores.



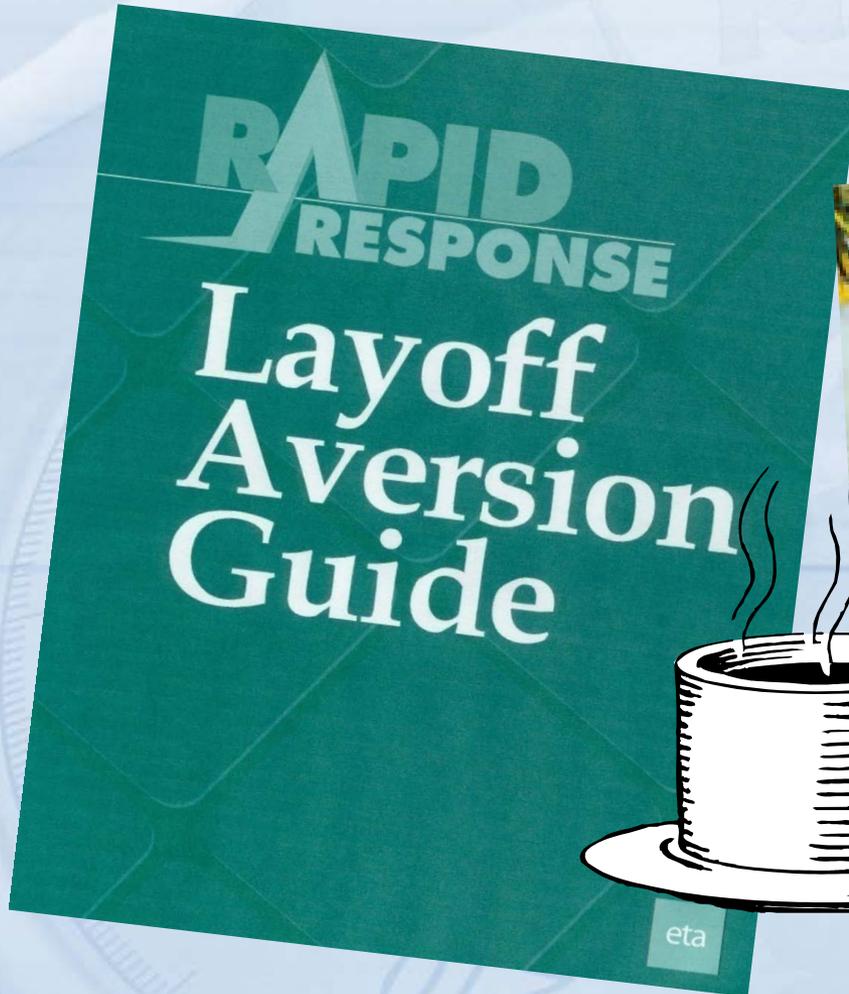
The Financial Stress Score predicts the likelihood of a firm ceasing business without reconciling with creditors, or undergoing re-organization.



The Commercial Credit Score predicts a company's future payment performance.



Starting Points Toward an Integrated Layoff Aversion Model



SEWN: A National Model

- ❑ Layoff aversion is a critical component of Pennsylvania's Rapid Response program to save jobs and put people back to work. Early warning is not only a program to help dislocated workers, *it is a portal* to pro-active layoff aversion, incumbent worker training and other jobs-saving strategies.
- ❑ The SVA was commissioned by the U.S. DOL to write the national *Layoff Aversion Guidebook*, the definitive technical assistance guide for states. The goal: "prevention of layoffs whenever possible."
- ❑ PA's "best models" leadership has been acclaimed by the National Governor's Association (NGA), the U.S. Economic Development Administration (EDA), and other federal and state agencies.

SEWN: Providing Leadership to Other States, Bringing Revenues to PA.

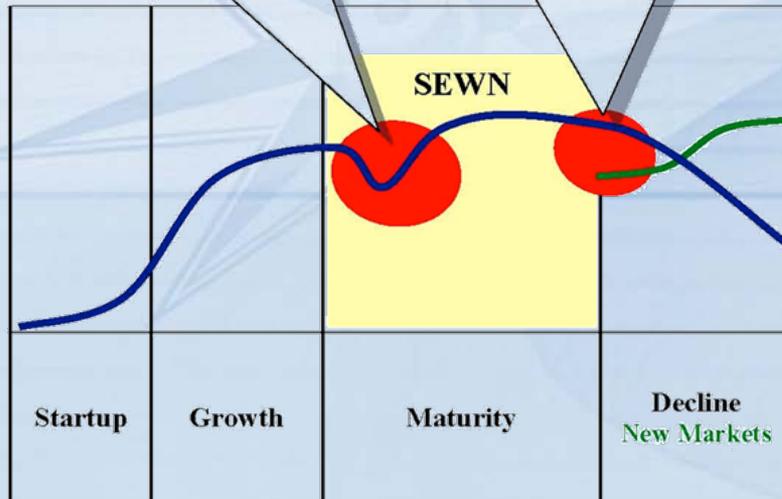
- ❑ Additionally, the SVA has also been asked to help other states, bringing outside revenues into the Commonwealth.
- ❑ The SVA assisted New York State DOL to design and implement an aggressive early warning/layoff aversion program for Downstate New York, launched in early 2010 (already saving over 1,000 700 jobs).
- ❑ The SVA has also provided TA to other hard-hit states and cities, including Michigan, Ohio, Tennessee, Missouri, the Chicago area, etc.

SEWN's Critical Role in PA. Business and Jobs Providers Network

SEWN'S UNIQUE "AIR SPACE"

SEWN typically provides technical support to viable companies that are in a short term crisis; where intervention will sustain the company and reduce job losses.

SEWN also targets viable companies at risk due to over-concentration in a customer or a declining market where diversification or entering a new market will help them to remain viable; reducing job losses.



Business Lifecycle

Tying it Together: PA's Economic Response System

SEWN: immediate business retention/turnaround assistance

IRCs, BFs, SBDCs: market and product development

DCED, LDCs: assistance with equipment/facilities

IRCs: production and process assistance

DLI, DCED: incumbent worker training

DLI, WIBs: industry partnerships

DLI: rapid response/trade-related assistance for workers

Contact SEWN

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