

Opportunities for Job Creation and Economic Growth in Cleveland County, NC

Center for Competitive Economies (C3E)
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Few counties in the United States have experienced as much economic dislocation as Cleveland county, North Carolina. In recent years, local plants have closed and businesses have downsized, causing multiple “shocks” to reverberate through the county’s economy within a relatively short period. There are many reasons for these recent trends, including a national recession, gains in productivity, and increasing global outsourcing. Regardless of the specific causes, plant closings and mass layoffs take a heavy toll on workers, communities, and local governments. These are detailed in C3E’s companion paper, “Estimating the Economic Impacts of Plant Closings and Business Downsizing in Cleveland County, NC.” To summarize, the adverse effects experienced by Cleveland county include the following:

- Approximately 43 companies closed or downsized significantly since 2001, leaving some 3,500 people without jobs.¹
- The county’s unemployment rate climbed from 4 percent in 1990 to over 12 percent by 2003.²
- The percentage of county residents living in poverty was nearly 14 percent in 2000, 3 percentage points higher than the average among Charlotte region counties.³
- The county’s growth in property and sales tax revenues has lagged average growth among Charlotte region counties.⁴

¹ North Carolina Employment Security Commission. Announced Business Closings and Layoffs, 1990-2005.

² North Carolina Employment Security Commission. Civilian Labor Force Estimates, by county.

³ U.S. Census Bureau, Housing and Household Economic Statistics Division. Small Area Estimates Branch. Available online at <http://www.census.gov/hhes/www/saipe/county.html>

⁴ North Carolina County and Municipal Financial Information. North Carolina Department of State Treasurer. 1998-2002.

- The overall trend in the county has been a replacement of higher-wage manufacturing jobs with less lucrative and less plentiful service jobs.
- Plant closings and downsizing between 2001 and 2003 have resulted in an estimated loss of almost 2,000 jobs, over \$637.5 million in output, and \$175 million in labor income for Cleveland county.⁵

These economic challenges require an aggressive response from local leaders. Accordingly, the leadership of the Cleveland County Chamber of Commerce (“Chamber”) is developing a comprehensive economic development strategy to position the county to be competitive in the 21st-century knowledge economy. This strategy will not only assist the county in its recovery from recent plant closings, but also will address persistent economic problems that have hindered the county for many years.

The Chamber contracted with C3E to estimate the economic impacts associated with the Chamber’s successful implementation of its economic development strategy. This report presents the projected baseline impacts in terms of industry output, labor income, and job-years. We conclude with a partial inventory of the many local strengths that county leaders can leverage to ensure the successful implementation of the economic development strategy that will put the county on solid footing in the new economy.

SECTION 1: IMPLEMENTING AN ECONOMIC DEVELOPMENT STRATEGY IN CLEVELAND COUNTY

The Chamber’s economic development strategy will build on its existing strengths, including manufacturing employment. While the county’s manufacturing base has declined significantly in recent years, manufacturing still accounted for a quarter of the county’s total employment in 2003. Half of the investments targeted by the Chamber are in manufacturing, including automotive/truck manufacturing, metal work machinery, and industrial machinery.

The Chamber’s strategy also includes plans to recruit and nurture industries that have historically not played a prominent role in the county’s economy. For example, Cleveland county long has had a smaller proportion of professional services jobs than the state average. The Chamber’s new strategy includes plans to attract new investments in accounting, auditing, and management and consulting services.

⁵ See “Estimating the Economic Impacts of Plant Closings and Business Downsizing in Cleveland County, NC” C3E. July 2004.

Specifically, the Chamber estimates that its development strategy is poised to help the county realize significant new private-sector investments in the following industries:

- Auto/Truck Manufacturing (\$100 million)
- Electronic Devices (\$20 million)
- Biotechnology, Agribusiness (\$40 million)
- Plastics (\$40 million)
- New Office Sector, including business and consulting services (\$10 million)
- Woodworking (\$40 million)
- Metal Fabrication (\$40 million)
- Food Preparation (\$50 million)
- General Manufacturing (\$160 million)

The total of all these anticipated investments is approximately \$500 million.

In the section that follows, we input these projected investments into a regional input-output model (by IMPLAN), to ascertain the effects that growth will have on Cleveland county's economic development. The full list of industries used in the model, and the specific investments attributed to each industry, are included in Appendix A.⁶

⁶ The model employs a three-year ramp-up, beginning in 2005. Data used to construct the model date to 1999. That is the most recent data available. However, great changes have occurred in the structure of the economy since 1999. Inaccuracies in estimates may arise due to this discrepancy. Furthermore, IMPLAN is best suited for study areas at least the size of Labor Market Areas (Professor Harvey Goldstein, UNC- Chapel Hill). Studies of small areas, such as this one, may overlook important economic linkages and cause overestimates of leakages.

SECTION 2 : ECONOMIC PROJECTIONS OF NEW INVESTMENTS IN CLEVELAND COUNTY

We report the estimated impacts of successful implementation of the county's development strategy below, using IMPLAN Professional software. IMPLAN is an input-output modeling program that permits researchers to estimate the projected effects of an exogenous increase in demand in a specified geographic region such as Cleveland county. In this application, the change in demand is caused by the infusion of new private-sector investments in Cleveland county resulting from successful implementation of an economic development strategy. An important assumption that drives the results is that the investments would not otherwise have been in Cleveland county if not for the Chamber's efforts, so the direct, indirect, and induced spending attributable to the economic development programs would not otherwise have materialized.

Using IMPLAN Type II multipliers, we report the *direct, indirect* and *induced* effects on Cleveland county's employment and industry output resulting from an increase in \$500 million in direct industry investment in the county. Chamber representatives identified the industries targeted for investment. "Direct" effects represent the changes for a given industry resulting from the increase in final demand for that same industry on, for example, payroll. In our study, the increase in final demand is the direct investment from new or existing firms making \$500 million of new investments in the county. "Indirect" effects include the impacts on all local industries resulting from industries purchasing from industries in multiple iterations as a consequence of this increase in final demand.

"Induced" effects represent the increases in spending by households resulting from the increases in income and population that were caused by both the direct and indirect effects. The total effect of the \$500 million in new investment is represented by the sum of all three effects - direct, indirect and induced.

Model results

Exhibit 1 illustrates the direct, indirect and induced effects of the total increase of \$500 million in investments in the selected industries.

This shows that over 5,500 jobs and over \$700 million in output will be realized in Cleveland county by attracting \$500 million in investments in the selected industries. An employment multiplier of 1.8 indicates that the county's industrial structure is positioned to take advantage of the investments in the targeted industries. For every job-year directly created by the new investments, an additional 9.6 months of employment will result from indirect and induced impacts.

Some of the initial investments will be lost to the local economy due to leakages. This is especially true of a small geographic area, such as a county. Such leakages can be observed in the Direct Industry Output column of Exhibit 1. The initial investments of \$500 million result only in an estimated direct impact of \$486 million. Some of this difference is due to deflating into 2004 dollars, but mostly it is caused by the local economy's inability to meet new increases in industry demands. Over time, the industrial structure may shift to accommodate this increase in demand. IMPLAN models are not designed to account for such structural changes, and therefore, may overestimate leakages.

A more detailed breakdown of the direct, indirect and induced employment effects on each sector of the economy may be found in the IMPLAN reports included in Appendix B. Appendices C and D include similar breakdowns for specific output and income impacts, respectively.

Exhibit 2 puts these data in perspective by comparing the impacts from successful implementation of the Chamber's economic development strategy to the county's economy:

Exhibit 3 displays the distribution of employment impacts by industry.

The Chamber was interested in the individual employment, labor income, and output impacts of specific investments in the automotive industry. Accordingly, we ran separate models for each industry investment, permitting observation of isolated impacts. The Chamber is projecting \$100 million in new investment in automotives, specifically the following sub-sectors: motor vehicles (\$40 million), truck and bus bodies (\$30 million), motor vehicle parts and accessories (\$30 million). Exhibit 4 below displays the aggregate economic impacts that would result from the \$100 million investments in the automotive industry alone.

We estimate that investing \$100 million in the automotive industry would yield approximately 715 new jobs, \$148 million in increased industry output, and \$31 million in increased labor income. Exhibit 5 shows employment created in specific industries resulting from this \$100 million investment in the automotive industry.

SECTION 3: CONCLUSIONS AND RECOMMENDATIONS

Cleveland county's success in managing its economic transition will depend largely on its ability to identify and leverage existing strengths while recognizing the degree to which the county is closely connected to the surrounding region. Many of these strengths have not gone unrecognized. For

example, *Southern Business and Development* magazine recently ranked the county among the nation's top ten small markets and *Site Selection* magazine recently ranked among top 100 small cities for corporate location.

While the county's manufacturing sector – particularly textiles and chemicals – and retail trade have experienced significant dislocation in recent years, several manufacturing industries continue to be important potential engines of new growth. Recognizing this, the Chamber adopted a plan to attract \$160 million in “general manufacturing” and \$100 million “automotive/truck” manufacturing as a key plank of its comprehensive economic development strategy. Thus, over half of the new investments sought by the Chamber are in areas of historical strength. The key will be to realize new investments in particularly innovative manufacturing sectors, including firms in primary metals and machinery production that have the capacity to evolve to meet new demands of the marketplace.

A recent report by Michael Porter identified Cleveland county as the leading county in the nation in employment in the “traded” construction materials cluster. According to Porter, traded industries have a disproportionate influence on regional prosperity and economic growth due to higher levels of productivity and higher average wages than local industries. Traded industries can provide significant employment while increasing the demand for local commercial services and strongly influencing the region's consumer demand.⁷ We believe leaders should continue to develop this important strategic cluster, which provides significant employment in Cleveland county.

Beyond building on traditional strengths, it is also important that county leaders build on areas of strength that are only recently emerging. For example, several growing service-sector industries are increasingly important elements in the county's evolving economy. While the county's economy has not been able to create enough new jobs to compensate for the large number of manufacturing job losses, the health care, social assistance and education industries have demonstrated modest growth in recent years. Since 1993, the county has added nearly 2,000 jobs in health care, and over 1,200 in education. Growth in health care and education jobs in Cleveland county industries far outpaced state growth in these industries. Local leaders should ensure that local educational institutions and workforce development programs are appropriately suited to support these industries as their importance to the county's economy becomes more pronounced.

Cleveland county is connected to many institutions from which to draw renewed strength. Locally, these institutions include Gardner-Webb University, Cleveland Community College, and the Charlotte Regional Partnership. In

⁷ Michael E. Porter. February 25, 2004. “Competitiveness in Rural U.S. Regions: Learning and Research Agenda.” Institute for Strategy and Competitiveness. Harvard Business School.

addition to these important local relationships, the county should seek to develop new synergies with other key institutions and activities that have previously not been exploited but are within the county's reach. For example, the Cleveland Chamber has identified as a potential county asset the collaborative partnership that includes Clemson University, IBM, BMW, Michelin, and Microsoft working together in the Greenville/Spartanburg (SC) metropolitan area to develop an international automotive research sector. Given the county's existing strengths in the automotives sector, as well as its plans to attract additional automotive investments in the near future, the county would be well advised to become actively involved in this effort.

One of the lessons of the new global economy is that political boundaries do not always correspond closely with economic boundaries. Looking south across the state line to nearby South Carolina counties, Cleveland county should take advantage of the existing clusters that exist in Greenville/Spartanburg MSA. The power of forging new partnerships and networks in South Carolina, Charlotte, and Asheville will help the county connect like-minded organizations to work together on projects that can spawn new ideas for development, partnership, and growth in the future.

Estimating the Economic Impacts of Plant Closings and Business Downsizing in Cleveland County, NC

Center for Competitive Economies
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The recent economic history of Cleveland county, North Carolina is characterized by plant closings, business downsizing, and chronic unemployment. Over 3,500 employees have lost their jobs in the county since 2001. And that is an underestimate, since it applies to layoff events that involve 50 or more workers at a time. Many other smaller companies have laid off workers as well. These numbers are significant since the county's labor force only numbers around 33,000 workers.⁸

⁸ Data from the N.C. Employment Security Commission.

Layoffs are devastating to workers and their families. In the very best case, displaced workers can find alternative employment, but typically there is a temporary loss of income, and more likely, they are re-employed at a lower wage than they left. Many other displaced workers remain unemployed indefinitely, either because they lack the appropriate skills for available jobs or feel they are too old to move or go back to school.⁹

Economic dislocation also creates problems for the broader community. When unemployment rates rise, there is an increased demand for services at a time when municipalities are experiencing sharp drops in tax revenues. These declines can result in poorer quality schools, under-maintained infrastructure, and large welfare rolls, making it more difficult to attract new businesses to the area.

The full dimension of Cleveland county's current crisis is important for the public to comprehend, especially business and government leaders who have resources to contribute to a solution. The challenge for Cleveland county, as for any region suffering the consequences of globalization and industrial transformation, is to manage the short term dislocation problems while planning ways to capitalize on new opportunities presented by the knowledge economy of the 21st-century. The county has existing and potential competitive strengths that must be understood and exploited.

The Cleveland County Chamber of Commerce ("Chamber") contracted with the Carolina Center for Competitive Economies ("C3E") to estimate the impacts of recent plant closings and business downsizing on the county's economy. This report presents findings in terms of lost output, labor income, and job-years. In addition to estimating the direct, indirect, and induced impacts of plant closings and businesses downsizing since 2001, we include a discussion of how Cleveland county has performed in the late 1990s relative the state as a whole, the state's rural counties, and the Charlotte region. This report is designed to inform the leadership of the Chamber about the comprehensive impacts of recent plant closings and to guide the design of an economic development strategy to help the county recover and prosper in the future.

⁹ See: Michael I. Luger, Lucy Gorham, and Brian Kropp, *The Hidden Problem of Worker Dislocation in North Carolina*. ([Report \[PDF:\]](#)) For the North Carolina Department of Commerce, November 1999, and Michael I. Luger, Lucy Gorham, and Brian Kropp, *Displaced Workers in North Carolina: Anatomy of the Problem and Analysis of the Policy Approaches*. ([Report \[PDF:520K\]](#)) For the North Carolina Department of Commerce, November 1999.

SECTION 1: CLEVELAND COUNTY DEMOGRAPHIC AND ECONOMIC PROFILE

Demographic profile and trends

Cleveland county, with an estimated 2003 population of 98,249, is located in the piedmont of southwest North Carolina, in the foothills of the Blue Ridge Mountains. The county, part of the Shelby micropolitan statistical area, is just a short drive away from the Charlotte, Asheville, and Greenville/Spartanburg (SC) metropolitan areas. It is one of sixteen counties that constitute the Charlotte Regional Partnership. It is a Tier 2 county within the Region C Council of Governments (COG) and is part of the 10th U.S. Congressional district (for which Comprehensive Economic Development Strategies, or CEDS, are prepared).

In recent years, Cleveland county has experienced slow population growth relative to both the state average and the average among other rural counties in the state. In the 1990s, as the state's population grew by 21.4 percent and 17.7 percent in rural counties, Cleveland county's population grew by just 13.6 percent. See Exhibit 1 below. This slower-than-average growth presents a policy challenge since it is accompanied by an increase in the average age of the population due to selective in- and out-migration. Younger, more productive residents have moved away with an accompanying drop in child births, leaving retired and harder-to-employ workers behind (more on that below).

As in other North Carolina rural counties, residents of Cleveland county are relatively poor. The county's per capita personal income (PCPI) was \$23,020 in 2002,. Cleveland's PCPI was ranked 58th among North Carolina counties, at just 83 percent of the state average and 74 percent of the national average. The 2002 PCPI reflected an increase of 0.7 percent from 2001 while the state and national changes were 1.0 and 1.2 percent, respectively.¹⁰

Cleveland county resembles other rural North Carolina counties with respect to educational attainment. Nearly 28 percent of the county's residents have less than a high school education, compared to 21.9 percent for the state and 26.3 percent for the state's rural counties. Thirty-four percent of the county's residents have earned a high school diploma or its equivalent, which is higher than the state average (28.4 percent). However, this higher percentage is a result of a lower share of Cleveland county residents (13.3 percent) that have earned a bachelor's degree or higher compared to the state average (22.5 percent) or the state's rural counties (15.1 percent). Cleveland county's high school drop-out rate (5.2 percent) is slightly better than average for the state's rural counties (6.2

¹⁰ U.S. Bureau of Economic Analysis, Regional Economic Accounts. Available online at: <http://www.bea.doc.gov/bea/regional/bearfacts/countybf.cfm?fips=37000&areatype=37000&yearin=2002&sublist=next>.

percent). In addition, Cleveland county students have fared slightly better on end-of-grade tests (76.3 percent passing in 2000) than the state (74.8 percent) or rural counties (74.0 percent). Finally, public school expenditures in Cleveland county (\$6,594 per student) are roughly equivalent to the state average (\$6,575) and to the average among rural counties (\$6,460).

During the 1990s, changes in the county's population with respect to age mirrored those statewide, with a few notable exceptions. First, the population of the 20-29 year old cohort *declined* by 4.3 percent from 1990 to 2000, while this cohort *grew* by 4.6 percent in the state as a whole. Exhibit 2 below suggests the occurrence of "brain drain" in the 1990s, in which younger workers have left the county in pursuit of other opportunities. Second, the proportion of Cleveland county residents aged fifty or over *declined* slightly from 18.3 percent in 1990 to 17.8 percent by 2000. In the same period, the proportion of the state's residents in this age group *grew* from 16.5 percent in 1990 to 19.5 percent by 2000. See Exhibit 3 below.

Economic profile and trends

In 2003, Cleveland county had a greater concentration of manufacturing, health care, social assistance, and education jobs than the state as a whole and a smaller proportion of professional, technical service, and construction jobs. The higher percentage of health care and social service jobs most likely reflects the poorer and more aged population in the county relative to the state. The smaller percentage of professional and technical jobs is consistent with the lower levels of educational attainment. The smaller percentage of construction jobs is likely due to Cleveland county's slower growth rate. See Exhibits 4 and 5.

Despite recent losses, the manufacturing industry is still relatively more important to Cleveland county than to the state as a whole or to the state's rural counties. Even after suffering over 6,000 manufacturing job losses since 1993, a quarter of all jobs in Cleveland county are in the manufacturing sector compared to 16.2 percent of workers statewide. See Exhibit 6.

The larger share of manufacturing jobs has made Cleveland county more vulnerable to the manufacturing decline that has characterized all of the U.S. ; the manufacturing base has declined more rapidly in the county than in the state as a whole (43.1 percent decline from 1993-2003 compared to the state's 25.4 percent decline). Most of the county's manufacturing job losses in the last decade have occurred in textile mills (3,197 jobs lost since 1993), apparel manufacturing (1,170), and manufacturing of computer and electronic products (497). See Exhibit 7.

While the county's economy has not been able to create enough new jobs to compensate for the large number of manufacturing job losses, some service-sector industries have experienced modest growth in recent years. For example, since 1993, Cleveland county has added nearly 2,000 jobs in health care, over 1,200 in education, and 300 in accommodation and food services. In fact, growth in health care and education jobs in Cleveland county industries far outpaced state growth in these industries. See Exhibit 8.

The overall trend has been a replacement of higher-wage manufacturing jobs with lower-wage service jobs. The manufacturing industry's \$38,838 average annual wage in 2003 is 53 percent higher than the average annual weighted wage paid to three rapidly growing service industries shown in Exhibit 9.

While some dislocated workers may be finding new jobs in service industries, these jobs are simply not as lucrative or plentiful as manufacturing jobs once were. Even with the recent growth in health care, social assistance, and education, many of the county's workers remain unemployed; the average unemployment rate climbed from 4 percent in 1990 to over 12 percent by 2003. Economists are quick to point out that reported unemployment rates tend to understate the employment problem in severely distressed communities. After a long period of unsuccessful job searches, workers tend to become discouraged and drop out of the labor force. Other workers take jobs for which they are overqualified. Those discouraged and underemployed workers are not accounted for in the government unemployment statistics.

The recent economic downturn reveals a significant and growing employment problem in Cleveland county. Throughout the decade, Cleveland county's unemployment rate was significantly higher than that of the Charlotte metropolitan region and the state as a whole. The gap between the county's and the Charlotte region's unemployment rate grew from an average of 2.7 percentage points between 1996 and 1999 to an average of 4.4 percentage points between 2000-2003. Similarly, the gap relative to the state as a whole grew from an average of 2.1 percentage points between 1996 and 1999 to an average of 4.6 percentage points between 2000 and 2003. See Exhibits 10 and 11.

According to the North Carolina Employment Security Commission, nearly 7,000 workers have been affected by business closings or mass layoffs in Cleveland county since 1990. See Exhibit 12. The number of job losses peaked with over 2,500 jobs lost in 2000 and 2001. See Exhibit 13.

SECTION TWO: ANATOMY OF A CRISIS

Plant closings and mass layoffs take a heavy toll on workers, communities, and local governments. This is particularly true when counties experience the shocks of multiple plant closings within a relatively short period, as in Cleveland county. When plants close, some residents leave the county to pursue other work opportunities. The slackening demand for industrial and residential space, along with the reduction in income flows among those who stay, depresses property values. In addition, reduced business and consumer spending lowers the volume of local sales. As a result, local governments bring in less property and sales tax receipts. With those lower tax revenues, government must reduce or cut programs, including incentives for attracting and retaining businesses. That simply exacerbates the employment situation within a region. See Exhibit 14.

Cleveland county's sales and property tax revenues have grown in recent years, but at lower rates than its neighbors in the Charlotte region. The county's local option sales tax revenues grew just 8 percent from 1998-2002 while the Charlotte region averaged 17 percent growth. Of the twelve North Carolina counties in the Charlotte region, only one - Anson - has experienced slower growth in local option sales tax revenues than Cleveland county. Similarly, Cleveland's 27 percent growth in property tax revenues between 1998 and 2002 was 12 percentage points less than in the Charlotte region during the same period. Just two counties in the Charlotte region - Union and Gaston - experienced slower growth in property tax revenues than Cleveland county.¹¹

The appropriate policy responses to mass layoffs and plants closings are not always obvious. For example, city and county governments could raise property tax rates and user fees to compensate for the loss in demand, but that would serve to discourage business location and expansion in the county. Each of these issues presents a fiscal challenge for local government at a time when the demand for social and welfare services is higher due to the unemployment of those who are displaced and do not move.

SECTION THREE: ESTIMATING NEGATIVE IMPACTS OF PLANT CLOSINGS AND DOWNSIZINGS

Here we report the estimated impacts of plant closings and business downsizing in Cleveland county from 2001-2003 using IMPLAN Professional software. IMPLAN is an input-output modeling program that permits researchers to estimate the projected effects of an exogenous decrease in demand in a specified geographic region such as Cleveland county. In this application, the change in demand is caused by the loss of payroll and output in the Cleveland county economy resulting from plant closings and business downsizing. The implicit assumption in our model is that

¹¹ North Carolina County and Municipal Financial Information. North Carolina Department of State Treasurer. 1998-2002.

direct, indirect, and induced losses would not have occurred in the county's economy in the absence of plant closings and business downsizing.

Using IMPLAN Type II multipliers, we report the *direct, indirect* and *induced* effects on Cleveland County's employment and industry output resulting from plant closings and business downsizing between 2001 and 2003. "Direct" effects represent the changes for a given industry resulting from the decrease in final demand for that same industry on, for example, payroll. In our study, the decrease in final demand is attributed to the job losses resulting from the plant closings and business downsizing in Cleveland County.¹² "Indirect" effects include the negative impacts on all local industries resulting from industries purchasing fewer or no goods and services in multiple iterations as a consequence of this decrease in final demand.

"Induced" effects account for the economic activity that does not occur since affected workers no longer earn payroll dollars to spend on consumer goods in the county. The total negative economic effect of plant closings and business downsizing is represented by the sum of all three effects: direct, indirect and induced.

Model results

Exhibit 15 illustrates the direct, indirect and induced effects of plant closings and business downsizing in Cleveland county between 2001 and 2003.

This shows that an estimated 5,552 job-years,¹³ over \$637.5 million in output, and \$175 million in labor income have been lost in Cleveland county due to plant closings and business downsizing between 2001 and 2003. A more detailed breakdown of the direct, indirect and induced employment effects on each sector of the economy may be found in the IMPLAN reports included in Appendix B. Appendices C and D include similar breakdowns for specific output and labor income impacts, respectively.

Exhibit 16 puts the numbers in Exhibit 15 into perspective. The losses sustained in the past two years amount to almost 8 percent of all personal income in the county, and more than 4 percent of all jobs. Those are very high percentages given the short time period.

Exhibit 17 illustrates total estimated employment impacts on specific industry groups. Most (63 percent) of the losses have been in three industries: textiles, chemicals and allied products, and retail.

¹² Job loss data from the NC Employment Security Commission. See Appendix A.

¹³ A "job-year" is similar to a full-time equivalent job. The former is based on 2080 hours per year, the latter on 2000 hours.

SECTION 4: CONCLUSIONS

Many parts of North Carolina and the nation have experienced economic dislocation during the past decade. Cleveland county's plight has been particularly difficult due to its historic reliance on the most vulnerable manufacturing industries. The county has added some new service jobs, but not enough to absorb displaced workers, and at lower salaries. Consequently, the county has fallen further behind the state, the Charlotte region, and even other rural counties in such outcomes as unemployment and per capita personal income. There continues to be selective out-migration of younger and more educated residents, leaving behind older, lower-income workers who seek more social, health, and welfare services at a time when tax revenues are dwindling.

The considerable losses that Cleveland county has experienced in recent years demand an aggressive response from local leaders. Failure to respond will only put Cleveland county further behind. Cleveland county should design its economic development program to focus on specific sectors that have significant growth potential within the county as well as North Carolina:

- Cleveland county has seen a dramatic rise in the number of workers in the healthcare industry. The county should work to bolster its community training programs to increase the opportunities for local workers.
- Cleveland county has seen its professional and technical services sector increase by only 9 percent over the last ten years, while the state as a whole has witnessed an increase of 42 percent during the same period. In the foreseeable future, this sector will certainly not generate the numbers of jobs that the manufacturing sector has for the county or the state. But this sector will have a large impact on attracting and retaining high-skill, high-wage jobs, thus increasing the spillover effects of that sector on the county as a whole. The county needs to work with local education and workforce development institutions, such as Cleveland Community College, to ensure that local talent has been trained and is available for this sector.
- Cleveland county should focus on supporting the creation of transportation equipment manufacturing. It is the only manufacturing sector state-wide to realize increases in employment over the last ten years; in Cleveland county it is one of only three manufacturing sectors, along with primary metals and machinery manufacturing, that managed a net increase in jobs. As discussed in C3E's companion report on the positive impacts on the county of spurring private investment, the automotive and trucking sectors can also have a large indirect and induced effect on the local economy, generating jobs in areas such as healthcare and wholesale trade.

We elaborate on these points in the companion paper, “Opportunities for Job Creation and Economic Growth in Cleveland County, NC”