

The Rural Challenge: Emerging Resources for Tobacco-Dependent Communities

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First of all, I'd like to say that it is great to be here. Also, I'd like to recognize the folks that put this conference together. I think it's particularly exciting for those of us who are in this line of work to see capable people like the folks here at ECU bringing people together to talk about issues in a way that begins to rally us around actions. In my mind, taking action allows us an opportunity to protect our right to work and live where we want. So, I want to commend the organizers for a great conference.

These are difficult times for rural areas in North Carolina. I grew up in North Carolina, over the last 53 or 54 years, and I have watched as folks have left the farms. I have watched the number of farmers decrease from 225,000 down to 45,000 or 46,000 today. A lot of the folks who left the farms went north to work, but then came back in the 60s and 70s to work in the manufacturing plants. And because of those plants, many of our children were able to stay here in North Carolina. But over the last two decades, there have been plant closings and economic troubles. Counties have had to compete against counties, and we have found ourselves fighting some major economic forces in this state. Educating and re-educating our population has become a major challenge, in both urban and rural areas. There is an example that I like to introduce when I talk about these issues—and it has to do with our high school dropout rate here in North Carolina. To get a

sense of that rate, think of all the school children going home in the buses at the end of the school day today. Of all those kids, there are three busloads of kids that will go home today, but will not be back at school tomorrow. Three busloads of kids—that is our dropout rate, and that is another force that we have to counteract if we are going to improve things in rural North Carolina.

We have also watched the tobacco industry go through huge changes over the last few years, with major impacts on rural areas. And we have watched commodity prices do some amazing things too. We watched a few years ago as the prices for pork changed our living standards almost overnight. So, these are the forces and changes that are having an impact in rural North Carolina. But one of the key things to note about all of this is that we have been working hard in the face of all these changes. We have developed resource capabilities at our universities in order to develop new ideas, and we have developed medical schools, pharmaceutical industries and other industries, so that there will be jobs here at home for our families and our children—jobs that mean that some individuals can even stay on the land, and maybe our farms can continue to support many individuals.

Now, let me take just a minute and tell you about the North Carolina Rural Economic Development Center, or 'Rural Center.' How

many of you know that the Rural Center will provide about \$40 million worth of grants this year, next year, and the following year? That is grant money that will help to keep the water bills and the sewer bills down in your community. For those of you who supported the bond issue, you ought to keep this in mind. That clean water is really critical to our lives and our future, and this bond issue says that we will help your areas clean up the water. Unfortunately, it doesn't clean up all the water, and we still have some major problems out there.

How many of you know that we are also in the leadership training business? Thirty-five folks come through our leadership training program every year. What we try to do is give them as much training as we can, and let them know how hard the job of promoting rural development is going to be, especially in tobacco dependent communities. We also try to encourage them to look at the resources that are available (I'll get to the resources in a minute). I hope some of you also know about the research we do at the Rural Center looking at tobacco dependency, with NC State University and with others. One project we have done with the Agricultural Advancement Consortium looks at issues around the settlement of tobacco law suits— what did the Agreement do to the demand for tobacco in North Carolina? What did it do to the employment picture, and to the tobacco dependency ratio?

The Rural Center has also been involved in rural Internet access—a project to deliver Internet access to rural areas. The challenge from the state legislature was to deliver high-speed broadband access to rural North Carolina by 2003. So, we have about 20 months left to deliver high-speed broadband to every citizen and every business in rural North Carolina. In doing this work, you need to keep in mind that one of the challenges here is that we are trying to deliver this service to some folks who don't necessarily want internet access, and aren't sure of the value of computers for their lives and livelihoods. But we are also working

with a lot of folks who are committed to the cause, and we are thinking about the role that the Internet can play in the future of farming.

The last thing I would say about the Rural Center is that we fought successfully through our Agricultural Advancement Consortium to persuade the government to leave \$6.6 million in flood assistance in place for farmers. This money was budgeted for Hurricane Hugo, and then was in question because of the state budget crisis. The idea was to take back the \$6.6 million. Instead, \$6.1 million went to farmers who had past due bills that were related to the flood, and it was exactly the right thing to do, because it may have saved some of them from going into bankruptcy. Other resources went to providing financial counseling for farmers, which is also important, because when you throw that many different forces and demands at a farmer, just like you or me, they can need someone to just sit down with them and provide friendly advice.

Now, let me shift gears and give you some statistics on the North Carolina economy. But, before we talk about statistics, let me just remind you of one thing. While we are going through some difficult economic times right now, this is not the first time that such a thing has happened in the state. North Carolina has been through tight budget times before, and we have also been through difficult public policy challenges before, and some of those challenges have happened during times when the state was strapped for money. For instance, the state has created medical schools during difficult times, and we faced the challenge of building the community college system. Our goal then was to put a community college facility within range of a 28-minute commute for 96% of the population. We also built a great university system, and we did it during times when the state was strapped for money. Our leaders stepped up and took on the challenge, and somehow, the money came together and we accomplished these things, so I think we should keep that in mind. We can do these

difficult things, even during tight budget times. But let me turn to discuss some statistics about the North Carolina economy.

Up through the beginning of 2001, our economic system was doing OK—we were able to maintain one of the highest employment rates in the country. We were always among the top two or three states in our level of employment, and unemployment never ran much more than 4%. Granted, unemployment was higher in the rural areas, but we were in relatively good shape, and we were making good investments. But then in 2001, we hit a recession. This recession, paired with the effects of globalization, hit us particularly hard. In fact, it hit us at warp speed. Let me define warp speed for you: warp speed means that 63,000 of your neighbors were laid off—maybe some of you were laid off. Forty-thousand of those lay-offs were in manufacturing. Those manufacturing jobs are good jobs; they are the sort of jobs that provide health benefits for you and your family, enabling you to stay on the farm. They are the sort of jobs that pay higher than average wages, and make it possible for you to buy that car or that boat. But once those jobs are lost, those sorts of things are eliminated from the manufacturing base and are gone.

Now, we also need to keep that number in context. Over the last decade, we did have a lot of upheaval in our job market. In a typical year, probably 20,000 to 30,000 people lost their jobs, but we never had a year in which we lost more than 30,000 jobs. That turnover was managed by the Employment Security Commission, working in each county with the unemployed. The community colleges in the counties were able to develop training programs and help to retrain folks. People could find support programs like the Rural Advancement Foundation International, and stay on the farm. And North Carolina had a relatively short average turnover time for finding new employment. In fact, we were ranked number one or number two among the states. The average time on unemployment was estimated at 9.9 weeks. But then

everything changed when we moved into warp speed. For starters, the number of people laid off in one year doubled. From January 1990 to December 2001, we lost more than 155,000 jobs. Nearly 100,000 of those losses were in the textile industry—in 2001 alone, we had an absolute decline of 11,000 textile industry jobs, something we had not seen in that industry since 1971. We have also seen unemployment rates in the double digits, and the state has paid out record amounts in unemployment benefits. In January of 2002, we paid out \$136 million in unemployment insurance. You may not be aware of this, but when there is excess money in the unemployment insurance fund, that money helps to pay for facilities and training programs at the community colleges, but with these large pay-outs, that excess money is all gone. There was \$1.8 billion 18 months ago, but at \$135 million a month—if we keep this up—we would be out of funds for insurance within four months. I can tell you that the state will do some borrowing and will be able to make it until next January, but starting then, employers are going to have to pay more into the insurance fund. We will have to pay rates that are 100% or more higher than what we have been paying. Employers will have to pay rates that are calculated for them, and it will be based on their use of the unemployment insurance, so a manufacturing facility might see a 120% increase. Now, I know this is all bad news, but it is because we are in a recession year and it has been hitting us hard, and rural areas have been hit particularly hard.

We can see this by looking at the lay-offs in textiles. A lot of people want to work in the textile industry, but folks, the textile industry is pushing most of their employees out the door. If we have one or two more rounds of lay-offs in the textile industry, and if the markets elsewhere keep opening up, then we can just kiss our apparel/textile industries good-bye. Now, let me turn your attention to one number in particular: there are 130,000 people in the rural counties who are out of work today. These

are not the people who are fed up and have quit looking for a job; these 130,000 are people who got up this morning and said, "I am willing, able, and ready to go to work." And now think about another statistic—the number of job openings in rural counties. If you were able to fill every available job listed in each of the 85 rural counties, you would only employ 13,300 of those 130,000 jobless people. So, when people tell you that folks in North Carolina don't want to go to work, you can rest assured that they are not telling the truth. The people in North Carolina have always wanted to go to work, whether it was in the tobacco fields or anywhere else. But when there are only 13,300 jobs available for 130,000 people, it's not an easy problem to solve. We are certainly ready to go to work, and if you can find us a job we will fill it.

Let me also talk about the effect that these difficult economic times are having on communities. Because of these lay-offs, whole communities are being devastated. In Mitchell County, textile and furniture plants have closed. All the lost jobs were located in the town of Spruce Pine, where three out of every ten people have lost their jobs (which translates into about 60% of the labor force). As another example, consider Robeson County. Robeson County has lost two major employers, and 2,112 jobs in a year, and this has meant the loss of \$46 million dollars in wages. With that many people out of work, it becomes difficult for a municipality to cover their public service costs, because unemployed people have a hard time paying their property taxes. So, as you can see, the consequences for these communities can be very far-reaching.

Lastly, I'd like to make a point about what happens to some of these folks who lose their jobs. We did a study of 9,000 people who were laid off from manufacturing positions (at plants with 50 or more employees). From that study group of 9,000, we wanted to find out how many found new jobs within two years of being laid off, and at what percentage of their former in-

come. What we found was that, within two years, only 74% of those individuals went back to work. Twenty six percent fell out of the job market; they either retired, moved away, or just gave up looking for work. And of that 74% that did find work, their average income dropped 12% from previous levels at their manufacturing jobs. In addition, according to our research, a full 20% of those 9,000 laid off people would be willing to go back to work for half or less of their former manufacturing wages. They were so desperate to get any job, that they were willing to work for half of their former income, and this is something I worry about. I worry about it because I try to think about these individuals and these families struggling to get by on half their former income—I think about the effect that has on the families and also on the local economies. And I also want to emphasize that, while a certain amount of lay-offs and job turnover is normal and happens in every economy, what we are experiencing now is not normal. Under normal circumstances, we have a system in place that tries to cope with job turnover. We have community colleges set up to retrain people and get them back into the workforce, and we have federal agencies with money available to assist displaced workers. Under normal economic times, those systems can step in and help soften the blow of job loss, and keep the economy going. But what we are experiencing now is an order of magnitude greater than that of normal job loss—the situation has changed. We need to recognize that, and we need to realize that we cannot rely on those standard systems. Taking a business-as-usual approach is not enough to solve this crisis. We need some other strategies.

So, people in rural areas need to know what resources are out there for them to help with the sorts of problems they are facing. And that is my job—to let you know what resources are available to you. Of course, like you, I would love it if we could go back to the sort of economic climate we had in 1995 or 96 or 97, when farmers were making money and they did not have to bother with thinking about

things like this; but that is just not the case these days. Farmers in Eastern North Carolina suffered over \$1 billion dollars in losses from Hurricane Floyd alone. In addition we have had a state budget crisis, and a crisis in commodity prices, and these circumstances are the things that have put us in this room today, looking for solutions. We do have a goal—and that goal is to find ways to enable folks in rural areas to have a decent life, living on the land, raising their children, and making sure those children also have the option to stay in the rural areas if they so choose. That is our goal, and we need to look for ways to reach that goal—that's what we're working for.

Who can help? There are a number of groups and organizations, some public, some private, and some non-profits. Some of them are old friends, and you will be familiar with them, others you might not have thought about. First off, the big group that is helping the farm community right now, and that has a lot of potential to provide help, is the Tobacco Trust Fund. This group will have a billion dollars coming in over the next few years, and that is important money for tobacco communities. Billy Carter, William Upchurch and others are taking a critical look at those resources and are thinking hard about how to help tobacco farming and tobacco dependent communities. They can be a valuable resource for you, and they are sending in a stream of income that will amount to about \$30 to \$40 million per year. Secondly, as many of you know, the Golden Leaf Foundation is an important resource. They have a bit of money to give away each year, but perhaps more importantly, I don't think there is a better advocate for rural North Carolina and for farming and tobacco dependent communities anywhere in this state. Their money is basically dedicated entirely to improving rural North Carolina, and it is one of the few places where you really have such a dedicated source.

Now how about some of our old friends? Well, N.C. State University is certainly an im-

portant resource for farmers. Like a lot of state agencies, they are experiencing a budget crisis, but maybe that will just put pressure on them to come up with more alternatives in specialty crops, and to do better research faster. N.C. State is absolutely your ally in research, and North Carolina A&T University is important too. A lot of times we in rural North Carolina forget that, because our university loyalties may be elsewhere. But we need to remember, when they provide information on catfish or on alternative soybeans, this is good information and we need to make sure we use that research. You can be hardheaded and try to do everything on your own, but you can do much better if you're not.

How about public purpose organizations like the Rural Center? The Rural Center does have resources to help, and they have been in business for a while. There is also the Agricultural Advancement Consortium that I mentioned earlier, chaired by Lois Britt. And the Farm Bureau has daily input through Larry Wooten. Senator Charlie Albertson is here to represent the Consortium. They are out there to come up with ideas to help farming communities, including fighting off the huge financial loss incurred because of flooding. And then there is the university system itself. I have mentioned N.C. State and A&T, but there is also ECU and others. They are not a foreign group, and we need to think of ways to connect with them on our issues. If you are having trouble with a business plan, you ought to be looking for help from these folks. Of course, there is also the N.C. Department of Agriculture.

There are also some non-profits and coalitions out there as well, and you need to be drawing on these associations for advice. The Tobacco Growers Association is a good group of people. And there is the Rural Advancement Foundation International. You should put their name on a piece of paper and stick it on your refrigerator and call them. They will describe the things that they do. Whenever you think about alternative crops, make sure you touch

base with these people. Just the other day, I met the Southern States Cooperative Foundation, and I am sure there must be other organizations like theirs as well. A lot of us are looking for new ways to be competitive in a global economy, and the Southern States Cooperative Foundation may be a group that can help you do that, so make sure you tap into their resources. There is also the US Department of Commerce Export Assistance Center. We export a lot of farm products from this state, and that is a program designed to provide assistance with that. And lastly, let me mention the foundations. R.J. Reynolds has put a lot of money in the bank for the Z. Smith Reynolds Foundation, the Mary Reynolds Babcock Foundation, and the K.B. Reynolds Trust Fund. These foundations are there to help, and you can help them by providing them with the opportunity to do some good with their money.

Now, let me close, because I know I have used more time than I was supposed to. If you are fortunate enough to find these resources, how should you use them? First of all, I think each of us wants those groups to act as partners with us, not simply to give us directions on what we 'should' do. If the foundation or agency tells you they have money available, and here's what you should do with it, I would suggest you give that money back to them. However, if you have a good idea and you need someone's help to make it happen, then that is when I think you should take their resources, deliver what you promised, and say thank you for the money. But that is just a little bit of advice from me.

And in terms of summing up, let me just pull together what I think it is that we as a group want to agree on, now and for our future. We want to reiterate that tobacco-dependent communities are where we live—they are where we make our living, raise our children, and where we want to stay. But to keep those communities viable we need strategies that create jobs. As I mentioned earlier, this is a real issue for rural communities today—there are

130,000 residents in rural North Carolina communities who are out of jobs. But what we want are strategies that create 'smart' jobs—jobs that are aware of globalization trends, and that are inclined to be there for a while. And jobs that acknowledge the forces that affect specialty crops. So, we want our partners in Raleigh and Washington to help us figure out smart answers. We don't want them to simply show up and tell us what to do, we want to work with them, figuring out together what we believe will be the best thing for our community.

The second thing we have to do as a group is to focus on education in the rural areas. We can't just turn away and assume our citizens are properly prepared for jobs in the new economy. For so many years, we have not put a high enough premium on being well trained and well educated. Most of us felt that once we had finished high school or college, that was enough education. But it's not. If you polled the people in this room, you would probably find that many have changed their career three, four, or even five times. What this means is that we have to be prepared to be life-long learners. We have to help our population remember that they need to be the best educated and trained people in the world. And why is that? It is because capital can move very easily, and in a global economy, it moves to where the highly skilled labor is located. If we want to compete on the world's playing field, we need high-speed access and all those other things, but we also need to have well educated children. And remember, we started from a disadvantaged position. Only two-thirds of the people in rural North Carolina have a high school diploma, whereas in other developed countries, 95% have a high school diploma or better.

The third thing I would mention is this—as we move down this economic track at warp speed, let's not forget to pay attention to the people who have been hurt. All across North Carolina right now, there are people who have lost their job, or suffered some other serious

blow to their livelihood or economic situation. These people go home and have not only lost income, they have also lost self-esteem and pride. As a result, they may be suffering family problems, they may be drinking more than they want to, and they probably have transportation, healthcare and/or childcare difficulties. As we go into this warp change, we need to have a degree of sensitivity for what's going on—on every side of the track. And we need to keep in mind that, as we go after this solution, we need to go after it realistically. We need to remember that we can be somewhat biased, we can be somewhat prejudiced, we can be somewhat overly-focused on our own selves—on our notion of what the problem is or what the solutions should be. But I want to encourage us to remember that we also have a great opportunity. We can take

the warp speed economy, and we can take a strong resource base, and we can build a strong new economy and new jobs, but we have to do it by working together. We have to understand that we still have a lot of racism within ourselves, and in most of rural America, we are still sexist (the numbers don't lie—if you see that one group makes 67 cents on the dollar, you have to admit there are still some problems out there). But we have got to get over those things folks, because we cannot afford to be a segregated society.

I am looking forward to hearing the results from the conference, and I am sure that the people at Golden Leaf, our Chair, and the others who are here wish you the very best. I just want to commend East Carolina University, and the folks who put this together. Thank you very much.