Keys to Economic Recovery from COVID-19

This case study was developed by NCgrowth and the ncIMPACT Initiative as part of the Testing the Keys for Economic Recovery project supported by the North Carolina Policy Collaboratory at the University of North Carolina at Chapel Hill with funding from the North Carolina Coronavirus Relief Fund established and appropriated by the North Carolina General Assembly. Learn more about project findings, upcoming webinars, case studies and resources at https://go.unc.edu/KeystoRecovery.

Synopsis

The Carolina Textile District (CTD) is a network of firms with a focus on the textile and apparel manufacturing industry, and a part of The Industrial Commons (TIC), a social enterprise non-profit organization located in Burke County. The District pivoted its work in response to COVID-19 and subsequent demand for personal protective equipment (PPE) and cloth face coverings, supplying hospitals and public-school systems, among other clients throughout North Carolina.

Burke County, North Carolina

Points of Interest | County Data
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Population (2010) | 90,912
County budget (2020) | $90,126,090
Per capita income (2018) | $23,466
Median household income (2018) | $42,516
Poverty rate (2020) | 14%
Minority population (2019) | 14%
Proximity to urban center: | 56.6 miles to Ashville,NC
Proximity to interstate/highway | I-40
Introduction

The Carolina Textile District (CTD) is part of The Industrial Commons (TIC), a social enterprise non-profit organization located in Burke County, established in 2015 to support North Carolina’s manufacturing industries. The CTD was founded by a consortium that included Opportunity Threads, Burke Development Inc. (BDI), and the Manufacturing Solutions Center. The Manufacturing Solutions Center is a part of Catawba Valley Community College that seeks to help textile manufacturers increase sales and improve quality and innovation through applied research, to expand, incubate, and support locally rooted initiatives such as CTD.

Since its inception in 2013, CTD has connected end-product designers and businesses with manufacturing facilities that can support production needs. Without CTD, end-product businesses would have to search for manufacturing partners on their own, which can be a lengthy process of negotiation and trust building. To enhance that connection, CTD manages a database of textile-related industries and their services, specialties, products, and price structures. The CTD also provides training and technical assistance to textile manufacturers and end product designers who are looking to contract sustainable suppliers.

During the COVID-19 pandemic when demand for regular products slowed down, this network and support structure enabled CTD to quickly meet the increased need for personal protective equipment (PPE) and cloth face coverings. Their overall structure did not change, but rather shifted to meeting specific needs by adding new partners and contracting with new clients.

The Community and its History

North Carolina was the center of textile manufacturing starting in the mid-1900s, and the textile industry was a main driver of economic development in the area until the 1990s. Over the past 20 years, there has been significant loss in textile manufacturing jobs in North Carolina because of cheaper labor abroad and automation. Many of the closures occurred among larger companies that were not as diversified in their contract base, produced large quantities, and focused on basic apparel. Despite the losses, some firms, especially those with diverse contracts that were doing smaller runs and more niche products, remained in operation, and the region maintained the infrastructure to support textile manufacturing. In addition to infrastructure, western North Carolina, particularly Morganton, has a large immigrant community from Central America with sewing knowledge and skills, which poised the region to be a hub for the revitalization of textile production.

The Industrial Commons (TIC), a 501c3 non-profit organization, formed in 2015 as a manufacturing industry-focused organization to support firms and create networks among manufacturers. The
formation was motivated by a desire to improve the western North Carolina economy after NAFTA negatively impacted many of the local heritage industries. Its core mission is to “rebuild a diverse working class based on locally-rooted wealth.” TIC is primarily grant-funded; it wholly owns CTD, which received some initial support from local government, including significant support from Burke Development, Inc., which served as the fiscal sponsor for CTD and one of the three founding members.

CTD is a for-profit LLC member-governed network established in 2013, operated by TIC. CTD has a total membership of 20 companies representing 2,000 workers, including 9 voting members (partners) who govern the organization, primarily located in western NC and the central part of the state. Collaborators are the second ring of members on the path to becoming partners. Aside from profit generation, CTD is committed to zero waste, social equity (including fair wages and worker-ownership of firms), and transparent, local sourcing. In addition to managing a regional textile value-chain, CTD also shares resources and best practices, and provides training and technical assistance to textile manufacturers and end-product designers through TIC and the Manufacturing Solutions Center.

A central tenet of TIC’s theory of change is that the solutions to economic development exist within the community and can be mobilized if adequate support is provided. Opportunity Threads – one of the founding members of TIC and CTD, and one of strongest, migrant-led worker-owned manufacturing firms in the United States – exemplifies this asset-based approach in relying on the existing textile skills of the Mayan immigrant workforce in Burke County.

The Strategy

The relationship between CTD, TIC, and the Manufacturing Solutions Center is central to the success of CTD. TIC and Manufacturing Solutions Center provide innovation training, management professionalization, access to capital, cooperative development, workforce training, legal assistance, shared equipment, mill to mill problem solving, collaboration, and technology transfer to small and mid-size firms in CTD’s production network. This gives member firms a competitive advantage; through collective cooperation they become more competitive globally. For example, TIC founded and operates Material Return, an enterprise that aggregates and recycles waste for CTD’s firms. TIC also has a staff person that provides financial literacy training to both companies and their employees using the Great Game of Business, an open book management program. Another enterprise of TIC called Good Books provides human resources and bookkeeping services.

Manufacturers in CTD’s value-chain are not only connected through production, but also through shared values. All firms attend to a triple-bottom line – financial, social, and environmental – focusing
on what they call “crafted production,” which enables CTD to capture a certain client profile. Crafted production is directed toward entrepreneurs that are committed to domestic production, sell directly to consumers, and require small, customizable runs. The majority of this type of clients are under the age of 40, have a commitment to manufacturers that pay fair wages, and prefer to invest in local economies. A robust market analysis has allowed CTD to tailor its approach to this type of client.

At the start of the pandemic, CTD already had the machinery and value-chain coordination in place to pivot quickly to PPE production. Network members and collaborators began designing patterns for masks, consulting with physicians, sourcing fabric, and reaching out to potential partners. After a supply-demand analysis, CTD shifted completely into making cloth face coverings and medical gowns. Aside from designers, manufacturers, and other textile producers, CTD partnered with fellow TIC enterprise Material Return for transportation and distribution to support this effort. The total number of firms involved in the PPE pivot included 83 firms primarily from North Carolina, counting existing members and collaborators.

CTD conducted outreach to hospital systems, school systems, and local businesses in the area to secure contracts, leveraging relationships already in place. Burke County Public Schools was one of the primary buyers of cloth face coverings from CTD, with the superintendent prioritizing locally-made products from the start. Other local clients included Cooperative Home Care Associates, North Carolina State Parks, the North Carolina Department of Health and Human Services, businesses and manufacturers, local governments, daycares, and schools. This extensive list of institutional buyers shows that relationships that TIC and CTD had in place with local governments and local businesses played an important role in allowing them to secure contracts early on. Because CTD already had local supply chains in place, and existing relationships with local government entities, they were initially able to outcompete other suppliers, securing large contracts with institutional buyers. As the PPE market became more competitive, the market became primarily driven by price, and not many institutions are willing to pay domestic prices. Because CTD was able to act quickly in the beginning they already had large contracts secured and are now looking to niche and more environmentally sustainable products in the market to keep production going. As time passed, demand for other core products returned. Through the pandemic no manufacturer shifted completely to PPE production, but through the network they were able to balance PPE production and core products in order maintain employment and revenue generation.
The Outcomes

- TIC launched five cooperative businesses since its founding that employ more than 70 workers.
- TIC organized 60 small mills representing 5,000 workers plus 83 partners in the COVID retooling initiative.
- TIC produced over 500,000 units of masks and gowns over 6 months in 2020, organizing 83 partners. TIC has a production capacity of 30,000 masks and 10,000 gowns a week.
- Due to the COVID PPE pivot, PPE manufacturers generated $2 million in sales, 96 jobs were retained, and no layoffs were made.
- New institutional contracts were obtained for local manufacturers with hospital systems, school systems, and local businesses for PPE.
- CTD is now rethinking the way local stockpiles are built in anticipation of future crises.

How and Why the Strategy is Working

The county provided key support early on to a private industry effort that was able to leverage the county’s existing workforce. BDI, the economic development arm of Burke County, was instrumental in supporting TIC and CTD, functioning as a fiscal sponsor and founding member of CTD in 2013. BDI’s regional strategy allowed CTD to expand its production network to nearby firms. Alan Woods, president of BDI, continues to serve on the board of TIC. Manufacturing Solutions Center, another key partner and founding member of CTD, is part of Catawba Valley Community College and was created in the 1980s with the mission of providing innovation and technology support to textile manufacturers in the region.

When COVID-19 hit, the infrastructure for coordination of a localized value chain was already in place, enabling CTD to quickly meet local demand for PPE and cloth face coverings. CTD’s production network and existing relationships among firms facilitated a quick shift to PPE and cloth face coverings production. Design enterprises, fabric sourcing firms, and cut and sew facilities were able to simultaneously shift focus and production, with the certainty that each node in the value-chain was shifting accordingly. This collaboration sped up production when it was in high demand and local supply was low. The infrastructure support provided by TIC, such as bookkeeping and technological support, and its enterprises in transportation and waste processing, facilitated a coordinated and collective pivot.

Procurement commitments from local governments and other large institutions supported continuation of a key industry in a time of uncertainty. One of the first and largest contracts for
masks was from Burke County Public Schools, as the superintendent made the early decision that all of the system operations would encourage mask wearing. Agencies such as the North Carolina State Parks, fire and rescue agencies, and NC Department of Health and Human Services followed. Because of the pandemic’s economic impacts, local government agencies made the decision to support the local manufacturing industry, providing continuing momentum for CTD’s quick pivot and supporting local manufacturing jobs.

**Lessons Learned from the Story**

**Building networks among existing companies can lead to industry resilience in times of uncertainty.** The innovative structure of TIC and CTD allows for a strong network of firms throughout the value-chain with ample experience to work together. This network enables quick and responsive production changes that can meet the needs of emergency demand, driven in this case by the COVID-19 pandemic. Market connections are key. Workers of CTD firms are very skilled, but connections to the market are key. Before the pandemic, CTD served member firms by making critical connections to niche end buyers, allowing the firms to focus on manufacturing. When the pandemic hit, the pivot strategy relied on CTD connections in the market to secure contracts with buyers. CTD secured a lot of contracts at the beginning of the pandemic that protected many jobs that would have been lost otherwise when regular demand declined.

**Regional thinking can drive local benefit.** By supporting CTD and TIC, Burke Development Inc. took an innovative regional approach to economic development, focusing on smaller existing firms, and local ownership in addition to recruiting firms to relocate to the area. When manufacturing began to move from the Burke County area in the early 2000s, the recruitment-based organization focused on diversifying the manufacturing base. The regional rather than county-wide focus of CTD allows manufacturers to connect with firms outside of Burke County, and across North Carolina. For rural counties, thinking more regionally is crucial for economic development, as it expands opportunities for cooperation with geographically proximate firms. Additionally, the regional production network and the support provided by TIC helped grow both new and existing companies in the area.
Homegrown Tools tells the story of small towns that have successfully stimulated private investment and job creation. The tool is meant to connect public officials, practitioners, and researchers to successful small town economic development strategies and inspire small towns to leverage their unique assets. Homegrown Tools is managed by NCGrowth, an EDA University Center at UNC Chapel Hill, in partnership with the UNC School of Government, the Federal Reserve Bank of Richmond, the NC Rural Center, and the UNC Department of City and Regional Planning.