

Black Belt Manufacturing and Economic Prospects

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An inability to attract and retain talent was the top issue identified in National Association of Manufacturers' Manufacturing Institute survey.¹ This is true in rural Alabama and especially in its 24 Black Belt counties. With workforce development and education at the forefront of rebuilding the post-COVID economy, we see business stepping forward and teaming up to solve the skills-gap challenge. In this issue brief, the ninth and final in the Black Belt 2020 series by the University of Alabama's Education Policy Center, we review manufacturing and economic prospects in the Black Belt, and offer proposals for policy and further study, drawing upon the entire series of issue briefs.

Manufacturing Has Lifted Black Belt Counties on the Periphery

While the "Big 3" American automakers have operated in Alabama for decades, it was Mercedes-Benz' 1993 arrival in Tuscaloosa that began Alabama's rise as an auto manufacturing leader. Mercedes has invested more the \$6 billion in its North American plant east of Tuscaloosa,² and with its commitment to a 100% electric-powered fleet by 2022 is building a new electric battery plant that will employ 600 more workers. Montgomery County, home to Hyundai Motor Manufacturing's \$1.7 billion plant, employs about 3,000 workers, and with its second and third tier suppliers employs nearly 14,000.⁴

As of 2018, Alabama ranked 3rd nationally among the states in motor vehicle exports at \$6.5 billion.³ State economic development efforts are building on these successes. In addition to a \$1.6 billion joint venture between Mazda and Toyota, an additional \$830 million investment in Huntsville was announced in August 2020 that includes enhanced training for its growing workforce.⁵ Governor Kay Ivey commended their "belief in the future of manufacturing in America."

The U.S. Department of Commerce recently announced a grant of \$1.7 million to the University of West Alabama to support a \$175 million economic development project at the Port of Epes Industrial Park.⁶ Commerce Secretary Wilbur Ross said it funds “transportation infrastructure, improved barge access and increasing the port’s operational capacity.” The International Automotive Components Group is building a new \$55.9 million plant that will create 182 jobs in Cottondale and Anniston,⁷ with 119 jobs in Tuscaloosa County.⁸

As Mercedes human resources officials told us—and as the heavy daily traffic on I-20/59 at the crack of dawn each morning clearly shows—workers are willing to drive up to a little more than an hour each way to go to work. Even though no hard evidence exists, abundant anecdotal evidence suggests the high likelihood that the new manufacturing plants established in counties on the periphery of Black Belt over the past 25 years have helped workers and families in many of the state’s poorest, most impoverished counties.

The Black Belt Lags in Business and GDP Growth

Chart 1 on the page following shows that eleven Alabama counties are at or above the statewide average of 22.4 business per 1,000 residents. This includes the counties hosting four of Alabama’s five largest cities. *Only 4 of the 24 Black Belt counties are above the statewide average, and eight were at or below 15 business per 1,000 residents* (Bullock, Greene, Lowdnes, Marion, Perry, Pickens, Russell, and Washington). With fewer businesses per 1,000 residents, it is no surprise the region has experienced high unemployment over the past several decades.⁹

Chart 2 shows Gross Domestic Product, the measure of the market value of the final goods and services produced within each Alabama county in the 2018 year. With no agreed upon definition, we deployed an expansive definition that includes 24 counties in the Black Belt.¹⁰ Of the 24 counties, just three—Montgomery, Washington, and Choctaw—were above the state’s average.

Further, Chart 3, below, shows the statewide average of personal income in 2018 was \$43,229. All 24 Black Belt counties except Montgomery County were below the statewide average of Personal Income per Capita by County. *In fact, 10 of 14 counties with the lowest personal income per capita in Alabama are in the Black Belt.*

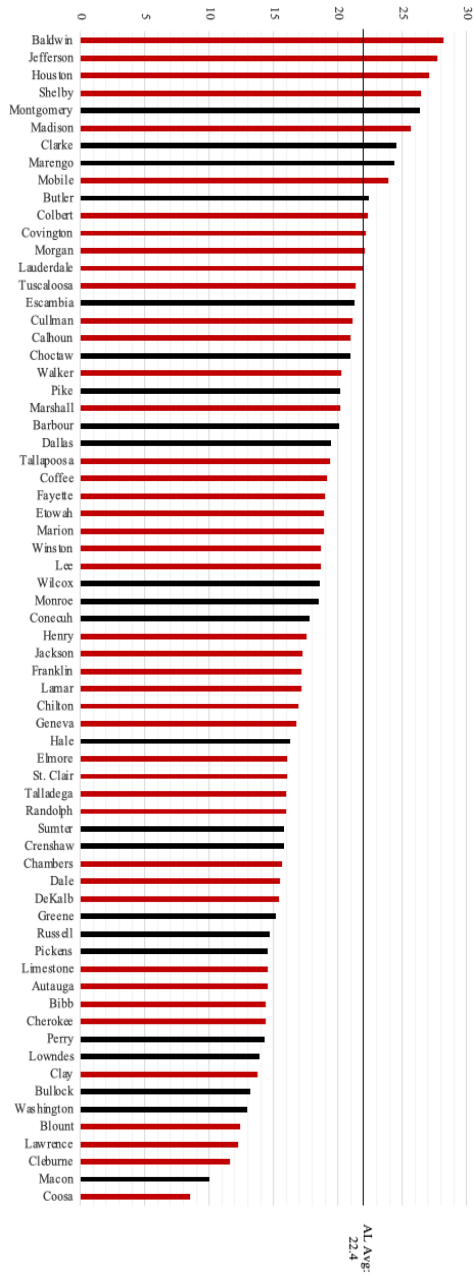


Chart 1. Number of Businesses Per 1000 Residents by County, 2018
Black Belt counties indicated in black

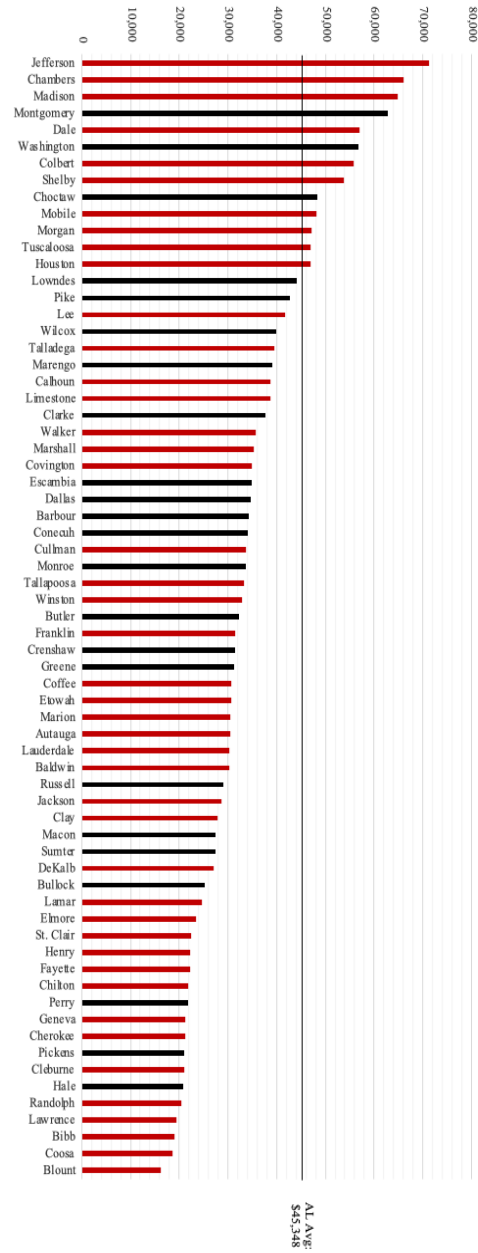
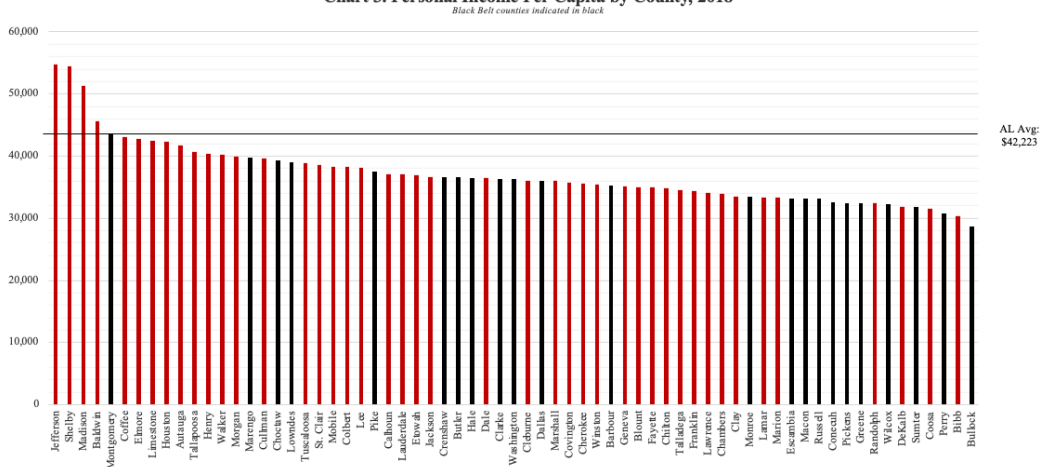


Chart 2. Gross Domestic Product Per Capita by County, 2018
Black Belt counties indicated in black

Alabama's Comprehensive Workforce Development & Lifelong Learning System

We now turn attention to describing Alabama's approach to workforce training and manufacturing, and prospects for the Black Belt. In prior works in this series, we documented how the Black Belt's declining population in turn meant lower elementary and secondary school enrollments, which in turn lead to challenges related to economies of scale for rural, small high schools to offer high-cost

Chart 3. Personal Income Per Capita by County, 2018



technology rich curricula. We also documented how unemployment rates in the 24 Black Belt counties are well above the state average, and how the labor force participation rates are roughly 20 points below.

For Alabama to expand its labor force participation rates to meet current and future business and industry needs, it must first train and then have a lifelong learning system in place to retrain and retain talented workers. Governor Ivey undertook the ambitious mission of adding 500,000 highly-skilled workers who are already here to the workforce by 2025 through her administration’s *Alabama Works Success Plus* initiative.¹¹ This comprehensive “all hands on deck” approach entails convening high school educators, post-secondary institutions and adult education programs to better align pathways to careers in high-demand fields. Its goal is to raise labor force participation rates to the national average by 2025.

Between the time Governor Ivey took office in April of 2017 and March of 2020, Alabama stood among the top states in improved labor force participation rates. This did not happen by accident: A four-bill package passed with unanimous support in the 2019 Alabama Legislature, which established a new Alabama Office of Apprenticeships (AOA). Prior to this time, all apprenticeship programs paid with federal Perkins Career and Technical Education (CTE) funds had to be submitted for approval by the regional U.S. Department of Labor office in Atlanta. Under the new streamlined process AOA, headed by Josh Laney, AOA is part of the Alabama Department of Commerce in Montgomery. This is one of many of a dizzying number of initiatives coordinated by the Governor’s Office of Education and Workforce Transformation, that include but are not limited to:

- *The Success Plus Education Attainment Committee* identified intended targets critical to meet the needs of Alabama industry so that business are provided with workers possessing the skills that are needed.¹²
- The process of submitting *Alabama's 2020 Combined Joint Workforce Investment Opportunity and Perkins Career and Technical Education Plan* created a common language across Alabama's workforce community, its business-driven 7 Workforce Regional Councils, and education partners.
- *The Alabama Terminal on Linking Statistics (ATLAS)* on Career Pathways is an inter-agency data-sharing system to allow education and workforce agencies to share data to create reports across sectors.
 - It will permit education and workforce data to be combined to create the *Alabama College and Career Exploration Tool (ACCET)*, which allows Alabamians of all ages to explore career pathways in each of the 16 industry clusters; employers can also use the ACCET to identify job seekers compatible for job openings and encourage inserting credentials into job descriptions, with the ultimate goal of enhancing credential currency and producing wage increases for those earning additional credentials of value.
- *The Governor's Survey of Employer Needs*, supported by UA's Education Policy Center, assessed post-COVID employer needs (June & July, 2020).

The mission of *Alabama Works* is to "recruit, train, and empower a highly skilled workforce driven by business and industry needs."¹³ Through partnerships with the Departments of Commerce and Labor, the Alabama Community College System, and the Alabama Industrial Development Training (AIDT), *Alabama Works* pairs business and job seekers at all skill levels. There are three workforce councils serving the Black Belt's 24 counties. Our focus is on the award-winning Region 3, *West Alabama Works*, which serves western Black Belt counties.¹⁴

In December 2019, *West Alabama Works* opened its Black Belt Workforce Center in Demopolis to better connect businesses looking to train employees in the Black Belt.¹⁵ The Center develops new business as it maximizes existing Black Belt talent. *West Alabama Works* partners closely with Career and Technical Education programs at local secondary schools and community colleges. For students, CTE high school courses are an effective, affordable way to learn job readiness skills, earn industry recognized credentials that demonstrate immediate readiness to

enter the work force, and credit towards an Associate's degree.¹⁶ AIDT and WIOA are important funders of non-credit customized workforce training.¹⁷

Benefits Cliffs: A Challenge in Alabama's Black Belt

To reach the goal of 500,000 more Alabamians with degrees or credentials by 2025, the business-driven *Alabama Works Success Plus* connects high-skilled labor to jobs. Bringing more underemployed and unemployed Black Belt citizens into the workforce means aligning programs, and establishing a wage premium for workers now unable to enter or stay in the labor force due to benefits cliffs.

Benefits cliffs occur when unemployed or underemployed workers receiving assistance from multiple programs (Alabama Medicaid, SNAP, WIOA, housing vouchers, etc.) begin to earn too much money to qualify for a specific benefit. Upon losing a single benefit such as childcare, the beneficiary then makes the sadly rational decision that taking care of children is more important than work.

Benefits cliffs can be reduced by better aligning welfare-to-work, employment and training, adult literacy, food security and education programs. The concept is not new—aligning programs around community colleges was identified back in the 1980s and 1990s.¹⁸ Better aligned programs is a goal of the Dallas County Promise, where new Dallas County Community College students receive food bank vouchers and bus passes as they enroll.¹⁹ Eliminating barriers and program alignment is a priority for business, education, and civic leaders involved in the many College Promise launched in 320 communities and 29 states since 2015.²⁰

On October 22, 2020, Governor Ivey and Atlanta Federal Reserve Bank President Raphael Bostic announced a new online dashboard to aid workers to see how rising wage levels impact their benefits curves, noting, "It is important to address the issue of increased marginal tax rates—or benefit cliffs—in a coordinated way, to make sure that the incentives are not sending the wrong signal to people, but rather are pushing and driving them to invest in themselves and get to a more stable place. This is one way we make sure that this economy works for everyone." Ivey said, "We are the first state to take a benefits cliff calculator and merge it with a workforce development career path planner...we are proud to, once again, be leading the way with innovative workforce development solutions for the people of Alabama."²¹

Moving Forward – Prospects and Possibilities

Charts 4 and 5, obtained from the Alabama Department of Labor, show that few advanced and automotive manufacturing industries are located in the 24 Black Belt counties. The notable exception is Montgomery County and the counties that lie between the large Kia plant in LaGrange, Georgia, just over the Alabama line on I-85. Thus, we see again the theme that many manufacturing plants exist on the periphery of the Black Belt, but not in it. Since the economic development literature consistently emphasizes the need to build on existing strengths, we offer these options for policymakers, and note many are already underway:

Chart 4

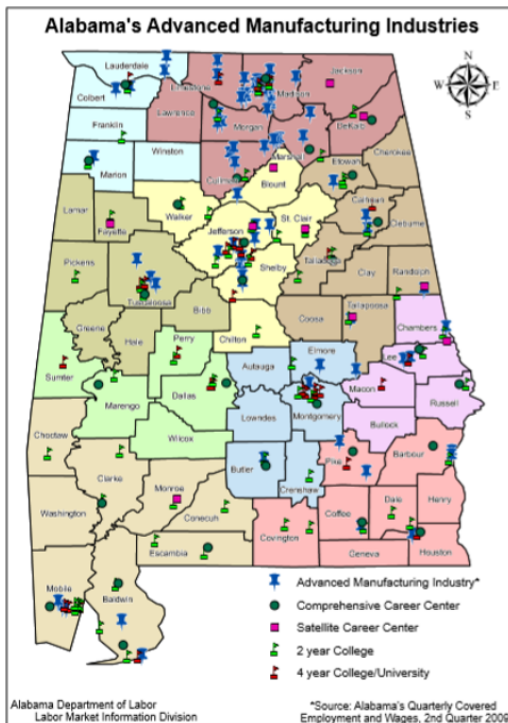
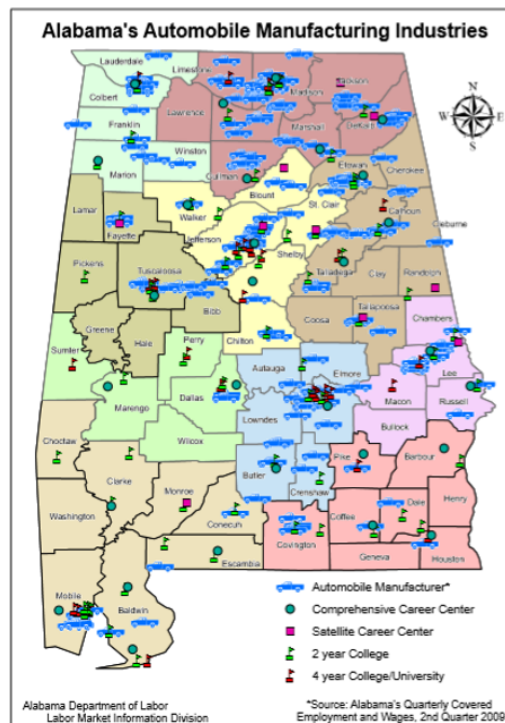


Chart 5



- *Target second and third tier suppliers related to the automotive industry for development and location in western Black Belt counties.*
- *Establish and strengthen CTE programs targeted to work opportunities in the automotive industry in county schools on the periphery of the Black Belt adjacent geographically to plants in central Alabama and Montgomery.*
- *Establish and strengthen CTE programs targeted to work opportunities in aerospace and shipbuilding in county schools on the periphery of the Black Belt adjacent*

geographically to plants in Baldwin and Mobile Counties, targeting these industries' second and third tier suppliers.

In addition to programs targeted to help Black Belt counties on the periphery of major manufacturing plants, we also suggest efforts to effectively reach counties inside the Black Belt that are not. We note, at the outset, that the approaches that would work in an urban area will not be successful in rural, sparsely populated rural areas like the Black Belt. For example, *West Alabama Works* has two vans equipped with mobile high speed wifi—our broadband brief preceding this one found virtually no high speed internet in some west Alabama Black Belt counties—that “go to where the people are.” This specifically includes schools, churches, and childcare facilities.

The point is that while the goal is the same in urban and rural areas—connect/reconnect people to the labor force through a lifelong learning system that makes work pay—the strategies to accomplish this must necessarily be very different to be effective in sparsely populated rural areas with persistent poverty. In addition to encouraging other Alabama workforce regions to carefully study the strategies *West Alabama Works* has used to reach people in the dirt, we recommend these programs to enhance the rural infrastructure already in place:

- *Establish a Rural-Small Schools Workforce Development Fund.* Since many federal programs are grant-funded on three-year cycles, it is clearly in the state's interest to create a level playing field for their small, rural schools to be competitive in both writing grants and sustaining them after receipt. A cost-effective Rural-Small Schools Workforce Development Fund could give small, rural schools a fourth, fifth and sixth year boost above the normal three to sustain grant-funded programs. This would improve the odds for rural, small Black Belt schools to apply for grant-funded high-tech programs, including CTE funded apprenticeships, and vastly improve the odds that such programs take root. If successful, this model could be extended to include rural Appalachian school districts.
- *Establish a Rural Colleges Workforce Development Fund.* With fewer revenue streams, rural community colleges like rural, small K-12 school districts, are more vulnerable to economic downturns and are more conservative in their budgeting practices.²⁰ A Rural Community Colleges Workforce Development Fund can with state funding extend by two or three years any National

Science Foundation, National Institutes of Health, or other three-year federal grant programs. This would spur submissions by colleges serving high poverty Black Belt counties at relatively low-cost.

- *Encourage federal officials to include rural dispersion policy provisions in federal grantmaking.* Rural dispersion policies whereby if the population is below 20 persons per square mile, or if the poverty rate is 150% or above, small, rural schools and rural community colleges and universities are eligible for points in grants competitions or enhanced funding are needed. Alabama's congressional delegation should be encouraged to insert language into federal programs that help their rural, small schools and colleges overcome economy of scale issues wherever possible.

We also offer these suggestions for further study:

- *Convene an ad-hoc group of experts to formally define the Black Belt,* as suggested in our *Defining Alabama's Black Belt Region* issue brief. What cannot be defined cannot be measured. With so many definitions out there, it is in the interest of the State of Alabama to once and for all gain clarity on which counties are in the Black Belt and which are not.
- *Examine the actual migration patterns of Black Belt high school graduates since 2010,* to determine not only how much out-migration of graduates from high schools, community colleges, and four-year institutions is actually occurring, but also the actual patterns themselves. If they are leaving, are they migrating to other areas of Alabama, or leaving the state altogether? Reasons for departure need to be specifically identified, so that actionable policies, including potential loan forgiveness, might can be developed.
- *Examine why industrial investment/employment is not coming to the Black Belt.* Investors care about transportation infrastructure and the availability of workers who are well trained. Are there differences within and across the Black Belt (i.e., are western Black Belt counties lagging behind the rest of Alabama in industrial production due to issue with transportation infrastructure?) Studies going beyond surface issues are needed.
- *Examine inter-generational wealth transfer for minority-owned rural manufacturers and entrepreneurs.* How much intergenerational wealth was transferred from rural Black family-owned businesses pre-Civil Rights movement to their descendants, and if the answer is very little, might the state consider a program to support entrepreneurship in rural Black Belt Counties?

- *Examine the experiences of minority-owned rural manufacturers and entrepreneurs to see how they might be replicated.* Alabama should identify successful rural minority-owned manufacturers and entrepreneurs, and make sure majority-minority school children visit those businesses, to see exemplary role models.
- *Examine if the region lacks a critical mass of key certificates and degrees.* This could include Associate's in Applied Sciences (AAS) degrees that are manufacturing related. If so, can state policymakers address the economies of scale issue so that the Black Belt's higher education institutions and their campuses can be more fully deployed to help lift up the region?
- *Establish a Black Belt Scholars Program,* to provide scholarships for Black Belt high school graduates to attend Alabama community colleges and four-year programs in STEM, healthcare, and manufacturing majors. If it is true that firms will locate by following the workforce, then the question begs: Can Alabama invest to allow its Black Belt to become a manufacturing area as well?

Concluding Thoughts

With labor force participation rates some 20 points below the statewide average, the focus on benefits cliffs is undoubtedly important to Alabama's Black Belt. In addition to making work pay, more must be done to encourage workers to join a lifelong learning and employment, training, and adult literacy system that has multiple points of egress. Postsecondary education—particularly community colleges—positioned between secondary education and senior institutions, play a critically important role in lifelong education. Community colleges have long been the nation's largest delivery system of for-credit and non-credit education to adults, dating to the Job Training Partnership Act of 1982, when President Ronald Reagan—a former two-term California Governor—linked community colleges to America's workforce training system.²² In Alabama, the good news is the commitment is there, as Alabama Community College System Chancellor Jimmy Baker noted in January 2020 at the Hyundai Training Center, when he said that at ACCS, all hands *are* on deck to support *Alabama Works Success Plus*.

In this brief, we have shown that businesses are coming to Alabama but aren't coming to the Black Belt at the same pace as the rest of the state. Thanks to the efforts by Governor Ivey and partners throughout the state, Alabama has established itself as a destination for business, but more can be done to bring investment to the Black Belt. For this reason, we encourage continued cooperation and

formation of new partnerships that will educate, train, and maximize the talent that already exists in rural Alabama.

This is why the Education Policy Center is pleased to work with the Governor's Office of Education and Workforce Transformation, assisting with aspects of the joint 2020 WIOA-CTE Plan, the Alabama Career Pathways Model, the Alabama Committee on Career and Credential Pathways, and the Alabama Terminal on Linking and Analyzing Statistics. Our partnership with the Alabama General Studies Committee and the Statewide Transfer and Articulation Reporting System housed at Troy University, seeks to update Alabama's original alignment program, created in 1994, to help students and families save time, credits and money. Alabama's higher education community has come together to move the current paper-based transfer system onto a mobile platform tied to labor market data, so users can map their entire course-taking from high school to community colleges, to four-year institutions (2+2+2). State Senator Jimmy Holley has called the AGSC Alabama's most successful education reform effort in his long career in state government. We are pleased to partner with the Alabama Department of Commerce' new Alabama Office of Apprenticeships, to create dashboards linking U.S. Department of Labor apprenticeships to employer needs.

There can be no doubt that a comprehensive approach is the only one that will work, and all of the wagons must be hitched and headed in the right direction. This is what Governor Ivey and the State of Alabama are trying to do with its myriad of workforce training and education initiatives.

Moving forward, our state should no longer accept being 49th of 50 on measures of education progress. In June 2009, the EPC hosted the Assistant Secretary of Rural Education at the U.S. Department of Education and convened a focus group of six Black Belt school superintendents. Five reported borrowing money from local banks to make monthly payrolls. The Rolling Reserve Act passed in 2011 ended the “boom and bust” funding cycles for Alabama schools. Now, as we move beyond the pandemic, Alabama is poised to chart a new and innovative course. The state’s challenge is to spell the word “vision” with upper and not lowercase letters.

THE EDUCATION POLICY CENTER AT THE UNIVERSITY OF ALABAMA

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