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## **GST MICHIGAN WORKS POLICY 15-16 Change 3**

(Board Approved 03-08-2024)

**TO:** GST Michigan Works! One-Stop Partners, Service Providers, Employer -Based Training Employers, Participants, Other Interested Parties, and Employees

**FROM:** Jody Kerbyson, CEO

**SUBJECT:** WIOA Layoff Aversion Strategies and Policy Guidelines for Incumbent Worker Training (IWT) Programs

**EFFECTIVE:** February 1, 2024

**PROGRAMS AFFECTED:** WIOA Programs

**REFERENCES:** The Workforce Innovation and Opportunity Act (WIOA) Public Law 113-128, WIOA Manual

**RESCISSIONS:** PI 15-16 c2

### **BACKGROUND:**

This policy revision updates who is eligible to receive Incumbent Worker Training and updates GST's representative name and contact information.

Some individuals may need assistance to maintain or retain a good job by enhancing their skills or learning new technologies and procedures in an ever-changing economic environment. Without appropriate training that allows existing workers to gain the necessary skills to operate new processes or technologies, employers' may find it necessary to lay off workers with obsolete skills. Layoff aversion is one of the functions of the workforce system.

Layoff aversion is the prevention or minimizing of unemployment for employees of companies that have announced layoffs, or are struggling and at risk, for layoffs. Layoff aversion focuses on saving jobs, putting people back to work, shortening the length of layoff, and revitalizing communities.

The overall goal of layoff aversion is to save jobs. A workforce's knowledge and skills are the core drivers of economic competitiveness. Implementation of programs and policies to develop the workforce, investment of limited resources, and arrangement of service delivery to continually improve employee skills is paramount.

Per Section 134 (d)(4) of the Workforce Innovation and Opportunity Act (WIOA), local boards may reserve and not use more than 20 percent of the funds allocated to the local area for Adult & Dislocated Worker employment and training activities combined to pay for the Federal share of the cost of providing training through a training program for incumbent workers.

**POLICY:**

It is crucial for the GST Michigan Works! (GST) to promote a well-trained, well-educated, highly skilled and qualified workforce that understands and meets the needs of employers and that is actively engaged in lifelong learning. GST intends to ensure that workforce development services for the existing workforce are coordinated and that prospective strategies are developed for rapid access to statewide and local initiatives. GST recognizes that improving the education and skill levels of the current workforce will not only improve the state's economy and fiscal wellbeing, but will also increase the ability of businesses to effectively compete in the global economy. This policy provides a definition for layoff aversion, the benefits of averting layoffs, information on identifying layoff risks and the GST's layoff aversion strategies and services, including IWT.

**Definition of Layoff Aversion**

A layoff is averted when:

- 1) A worker's job is saved with an existing employer that is at risk of downsizing, relocating or closing; or
- 2) A worker at risk of dislocation transitions to a different job with the same employer or a new job with a different employer and experiences no or a minimal spell of unemployment.

**Benefits of Layoff Aversion**

The costs of Unemployment Insurance (UI) benefits alone constitute a substantial motivator for the implementation of layoff aversion strategies throughout the state, but there are many additional benefits that accrue to workers, employers, taxpayers, and communities when layoffs are averted.

For workers, the loss of income and benefits associated with unemployment can be financially devastating and risks the well-being of the worker's family.

For employers, retaining a known reliable worker can save costs associated with severance; costs associated with having unfilled, vacant job openings; costs associated with recruiting and orienting a new employee with requisite skills to the procedures, culture, and systems of the company; and intangible costs, such as avoiding lower overall company morale for the remaining workers.

For taxpayers, averting layoffs saves outlays from unemployment funds and other taxpayer-funded services that the unemployed worker may draw.

Finally, for communities, averting layoffs is far less disruptive and costly compared to providing emergency food and health services to financially strained families, and the loss of property taxes associated with high home foreclosure rates.

Layoff aversion strategies authorized under the WIOA can be effective tools to assist employers in developing the skilled workforce necessary to:

- Adapt to the changing economy
- Stay in business; and
- Retain employees.

Additional benefits of a layoff aversion strategy include:

- Retaining jobs in the economy;
- Retaining critical industries in the region;

- Promoting new industry-sector growth strategies; and
- Promoting improved coordination between state agencies, WDBs, economic development, and other public and private partnerships.

### **Consideration of Layoff Aversion Services**

Layoff aversion strategies might not be a fit for every employer. Industry sectors whose strength has the most significant impact on the future of the regional workforce are the most appropriate targets for layoff aversion efforts. For example, efforts may focus on:

- Industries paying family sustaining wages and benefits and offer job and training ladders for low-income populations;
- Industries that create greater economic spin-off activity;
- Industries that drive productivity gains in the economy and provide customers for technology advances;
- Industries that offer diversification of the economy;
- Industries that provide a foundation for new industry clusters; and
- A combination of industries that provide the greatest positive impact for the region.

### **Layoff Aversion Strategies and Service**

There are a wide variety of approaches and strategies available to assist with layoff aversion. Layoff aversion is an ongoing effort, not a one-time event. Layoff aversion activities should be conducted as local economies are contracting and expanding.

GST will use the following strategies and services for Layoff Aversion:

- An Early Warning Network
- Economic Trend Monitoring
- Asset Mapping
- Incumbent Worker Training

### **Early Warning Network**

Early warning is a multi-stakeholder approach to identifying companies at risk early enough to be able to mount an effective layoff aversion strategy. GST has developed an early warning network to assist in identify companies at risk of closing or layoffs. As a component of the agencies layoff aversion strategy and services the early warning network is led by the Business Services Unit. The Business Services Unit has established Business Service Teams in all Counties. The Teams are comprised of local partners including talent specialists, Business Solutions Professionals, Veterans Administration, Chamber of Commerce, Economic Development,

Employment Services, Vocational Rehabilitation and AARP partners. The groups meet monthly to discuss businesses and their talent needs.

The groups use the chart below and are aware of the causation factors and early warning signs of businesses at risk.

<b>Early Warning Checklist: Causation Factors and Warning Signs</b>				
<b><u>Facility:</u></b> <ul style="list-style-type: none"> <li>• Obsolete physical plant</li> <li>• Outmoded operating procedure(s)</li> <li>• Lack of spare parts</li> <li>• Machinery old and outdated</li> <li>• Speed-ups lead to older worker layoffs</li> <li>• Repairs not made</li> <li>• Inefficient production process(es)</li> <li>• Equipment not up to quality standards</li> <li>• Environmental problems</li> <li>• Facility in a metropolitan or suburban area that is gentrifying</li> </ul>	<b><u>Market:</u></b> <ul style="list-style-type: none"> <li>• Demand or sales declines</li> <li>• Products, processes of services become obsolete due to technological innovation</li> <li>• Increased domestic or foreign competition</li> <li>• Changes in State/national taxation, regulation, monetary policies</li> <li>• Change in international relations (markets or supplier/customers)</li> <li>• Inventory stagnant</li> <li>• Loss of market share</li> <li>• Industry sector declines</li> </ul>	<b><u>Community:</u></b> <ul style="list-style-type: none"> <li>• Lack of access to raw materials, energy, products and services</li> <li>• Lack of skills in local workforce</li> <li>• Lack of quality or availability of land or infrastructure</li> <li>• Local/State tax or regulatory policies</li> <li>• Lack of transportation</li> <li>• High insurances rates</li> <li>• Poor access to trucking/rail/water/air</li> <li>• Utility rates high, or lack of energy available</li> </ul>	<b><u>Organization:</u></b> <ul style="list-style-type: none"> <li>• Managers, skilled workers or machinery moved to new plant</li> <li>• New plant is opened in low-cost location</li> <li>• Research and development are cut back</li> <li>• Fewer product lines produced</li> <li>• Parent corporation has major problems</li> <li>• Corporate merger acquisition creates excess capacity</li> <li>• Change in profit, market targets or distribution systems</li> <li>• Local subsidiary is milked for other investment</li> </ul>	<b><u>Organization (Cont.):</u></b> <ul style="list-style-type: none"> <li>• Hours and overtime eliminated</li> <li>• Managers replaced frequently</li> <li>• Irregular work or production schedules</li> <li>• Lack of workforce training, upgrading or training cutbacks</li> <li>• Sales staff/marketing cuts</li> <li>• Aging owner(s)</li> <li>• Shifts reduced</li> <li>• Increase in subcontractors, temporary workers</li> <li>• Lack of management and engineering talent</li> </ul>

### **Economic Trend Monitoring**

Economic trend monitoring is used to analyze industry trends within a region. That is, whether a particular industry is growing, stable, or declining. Monitoring trends and understanding the early warning indicators can buy time to develop an alternative to job loss. The function of trend monitoring is to identify firms at risk of leaving, or closing, prior to actual decisions by companies to shut down or relocate. Economic trend monitoring is executed by the Business Services Unit. The Unit continually analyses industry trends within the GST region. Industries are analyzed for stability and growth potential.

Labor market information (LMI) sources primarily utilized by the agency include U.S. Bureau of Labor Statistics, Michigan Department of Technology, Management & Budget Michigan Labor Market Information, Labor Insight™ from Burning Glass Inc., and Economic Modeling Specialists Intl. (EMSI). The Unit also uses

the data to analyze, trend, and compare real-time jobs data on a regional, statewide or national basis to determine in demand industries and occupations.

LMI is used to answer a broad range of workforce and economic questions. The Agency uses the information to connect workers to viable jobs and businesses to skilled workers. It also utilizes the information to help understand the local labor market to tackle workforce demand and shortage issues, moving workers from declining occupations to better careers, and partnering to shape career and tech education training around labor market demands. In addition, by studying and sharing the industry/occupation data, impact assessments, and economic base analysis the agency assists economic development in targeting high-impact businesses for recruitment and retention. We explore LMI data to monitor economic trends and identify appropriate interventions when appropriate. In collaboration with economic development and other entities we offer to assist in the crafting of intervention plans for at risk companies. We help to maneuver the loss of jobs into successful business recruitment by showing the availability of skilled workers, and identifying the area's most competitive and basic industries so they can maximize the return on investment of retention and expansion efforts.

### **Asset Mapping**

Asset mapping identifies resources in the community and provides an inventory of key resources in our service delivery area. Asset mapping is included as one of our agency's layoff aversion strategy. The agency continues to map the resources in the community indicating a listing of key resources. Resources are provided at the request of the company in need. The Agency via the Business Services Unit meets with the targeted employer and provides the employer with contact and process information.

The Business Services unit works in collaboration with local governmental agencies, economic development, chamber of commerce, financial agencies and local resources to provide assistance. Local assets include an extensive referral network of small business experts throughout the region.

Additional resources include:

- Local elected officials
- Two and Four-Year Colleges and Universities
- Labor and Management Associations
- Telecommunications/Media Companies
- Accounting and Law Firms
- Investment Banks
- Community-Based Organizations, and
- Other State Agencies

### **Incumbent Worker Training**

Incumbent worker training is designed to ensure that employees of a company are able to gain the skills necessary to retain employment or avert a layoff and must increase both the participant's and a company's competitiveness. An ideal incumbent worker training is one where a participant acquires new skills allowing the participant to move into a higher skilled and higher paid job within the company, thus allowing the company to hire a jobseeker to backfill the incumbent worker's position. Incumbent worker training is designed to meet the special requirements of an employer (including a group of employers in partnership with other entities) to retain a skilled workforce, or to avert the need to lay off employees by assisting the workers in obtaining the skills necessary to retain employment.

To qualify as an incumbent worker, the incumbent worker needs to be employed, meet the Fair Labor Standards Act requirements for an employer-employee relationship, and have an established employment history with the employer for six months or more. There is one exception to the six month requirement, which is that in the event the Incumbent Worker training is being provided to a cohort of employees, not every employee in the cohort



must have an established employment history with the employer for 6 months or more as long as a majority of those employees being trained meet the employment history requirement.

An Incumbent Worker does not necessarily have to meet eligibility requirements for career and training services for adults and dislocated workers under the WIOA.

The employer, or group of employers, must pay for a portion of the cost of providing the training to incumbent workers. The portion of the training cost is the non-federal share of the cost of providing the training. Employers are required to contribute their share of the training costs, using the following sliding scale:

- No less than 10 percent of the cost for employers with 50 or fewer employees
- No less than 25 percent of the cost for employers with 51 to 100 employees, and
- No less than 50 percent of the cost for employers with more than 100 employees.

Calculation of the non-federal share of the training cost may include the wages paid by the employer to a worker while the worker is attending a training program. The employer share may be cash or in-kind, fairly evaluated.

The following requirements apply to IWT programs. Business Services Unit is to use the following assessments to determine whether the proposed IWT is employees of a company are able to gain the skills necessary to retain employment or averting a layoff and whether the training is appropriate:

- A worker's job has changing skill requirements as a result of external economic or market forces, significant changes in technology or operating processes, rapidly changing industry or occupational job requirements, or emergence of new products.
- Changing skill requirements are outside of normal skill growth and upkeep that would be provided by the employer.
- Training programs reasonably prepare workers to address these skill gaps.
- The employer demonstrates a commitment to retain employees or otherwise provide a tangible benefit to employees who receive IWT.
- Unless provided with training, the potentially laid-off worker does not have marketable, in-demand skills.
- New skills can be attained in a reasonable period of time.
- The worker has not received a formal layoff notice. (If a layoff notice is issued, such workers can be served with regular WIOA DW funds.)
- There exists a strong possibility of a job, either with the existing employer or a new employer, if the potentially laid-off worker attains new skills.

### **Documenting "At risk"**

It must be demonstrated that employers are "at risk" of downsizing or closing, or workers are "at risk" of dislocation prior to providing IWT. The term "at risk" means the possibility or potential of downsizing or closing exists within an industry or company. Evidence that the employer or worker is "at risk" justifies the appropriate use of the IW funds. The most common "at risk" indicators include declining sales, supply chain issues,

## Regional Community

### Raw Materials/Transportation:

- Lack of access to raw materials
- Lack of quality or availability of land or infrastructure
- Poor access to trucking, rail, water, or air

### Workforce:

- Lack of skill in local talent pool/lack of in-demand skills
- Lacking transportation
- Inability to find skilled labor positions

### Changes in Land Use:

- Rising land prices due to commercial or residential development
- Neighboring plants being sold and converted to non-manufacturing uses

### Business Climate Complaints:

- Management complaints about taxes, energy prices, unions, poor workers
- Indications that a company is looking for enterprise zone, tax breaks
- High utility and insurance rates

### Regulatory:

- Local/state tax or regulatory policies
- Changes in state/national taxation, regulation, or monetary policies

adverse industry or market trends, changes in management philosophy or ownership, and workers

## Industry

### Market/Product Issues/Declining Sales:

- Products, processes of services become obsolete, due to technology innovations
- Industry sector declines
- Mature product
- Demand or sales declines/loss of market share
- Increased domestic or foreign competition, change in international relations (markets, suppliers, customers)
- Three-year trend declines, worse than the rest of the industry
- Loss of major customers
- TAA certifications/ WARNs filed
- Changes in state/national taxation, regulation, monetary policies
- Supply chain problems
- Stagnant inventory

### Labor Issues:

- Expired union contract or contentious labor/management relationships
- Gradual corporate downsizing over time
- Management asking for shorter or longer contracts than usual
- Company offering to initiate severance pay clause

lacking in-demand skills. The charts below provide a more comprehensive list of “at risk” indicators, in four key areas.

## Company / Organization

### Mismanagement/Management Instability:

- Managers, skilled workers or machinery moved to a new plant
- Lack of management and engineering talent
- New plant is opened in a low-cost location
- Research and development are cut back
- Fewer product lines produced/lack of new products compared to similar companies
- Poor quality control, poor product design
- Parent corporation has major problems
- Corporate merger acquisition creates excess capacity
- Change in profit, market targets or distribution systems
- Local subsidiary is milked for other investment
- Weak management practices
- Nepotism, irregularities in promotions

### Changes in Management Behavior:

- Increased labor relations problems
- Relocation of top managers and corporate officers to another location

### Workforce:

- Hours and overtime are eliminated
- Irregular work or production schedules
- Shift reductions/eliminations (Outside of seasonal or regularly planned reductions)
- Managers replaced frequently
- High turnover in plant manager, engineer, and labor relations positions
- Lack of workforce training, upgrading, or training cutbacks
- Sales/marketing staff cut
- Increase in subcontractors, leasing agencies, or temporary workers
- Poor treatment of workforce by corporate parent or poor managers

### Financial Problems/Disinvestment:

- Negative cash flow, accounts payable backlog
- Overdue loans/liens
- Profits used to improve or buy other plants
- Lack of equipment and building maintenance
- Excess dividends or payouts
- Supplies arriving C.O.D. or shortages in supplies causing production snags
- Paychecks bouncing
- Changes in profit targets or distribution

### Quality Problems:

- High number of returns
- Customer complaints
- Increasing costs

### Supply Chain Issues:

- Loss of longstanding supplier/contract/relationships
- Competing supply chains

### Duplicate Capacity:

- Twin plant with the ability to make the same or related product
- Outsourcing of least skilled work
- Other corporate facility producing the same product in another area

### Ownership Problems:

- No successor for aging or sick owner(s)
- Change of ownership/new investment strategy
- Ownership by a non-local conglomerate

### Inadequate research and development:

- Lack of new products
- Losing product design and quality to other companies
- Lack of research to cut energy costs, overhead, and inventory



## Facility/Infrastructure

<p><u>Building &amp; Equipment:</u></p> <ul style="list-style-type: none"> <li>• Obsolete physical plant</li> <li>• Outmoded operating procedures</li> <li>• Lack of spare parts</li> <li>• Outdated/old machinery</li> <li>• Speedups lead to older worker layoffs</li> <li>• Repairs not made</li> <li>• Inefficient productions processes</li> <li>• Equipment not up to quality standards</li> <li>• Environmental problems</li> <li>• Facility is in a metropolitan or suburban area that is gentrifying</li> </ul> <p><u>Removal of Equipment:</u></p> <ul style="list-style-type: none"> <li>• Equipment moved to a twin plant or sold to a competitor</li> <li>• Loss of key equipment or minor pieces</li> </ul>	<p><u>Facilities/Transport Issues:</u></p> <ul style="list-style-type: none"> <li>• Lease of property, expiring lease</li> <li>• Obsolete or land-locked facility</li> <li>• Location in a problem neighborhood</li> <li>• Complaint about inadequate regional transportation system</li> </ul> <p><u>Unidentified visitors and/or cosmetic improvements:</u></p> <ul style="list-style-type: none"> <li>• Equipment or building being surveyed or appraised</li> <li>• Cosmetic improvements such as office spruce-up, landscaping</li> <li>• Consultants or other visitors the owners will not identify</li> </ul>
<p><u>Market/Product Issues/Declining Sales:</u></p> <ul style="list-style-type: none"> <li>• Products, processes of services become obsolete, due to technology innovations</li> <li>• Industry sector declines</li> <li>• Mature product</li> <li>• Demand or sales declines/loss of market share</li> <li>• Increased domestic or foreign competition, change in international relations (markets, suppliers, customers)</li> <li>• Three-year trend declines, worse than the rest of the industry</li> <li>• Loss of major customers</li> <li>• TAA certifications/ WARNs filed</li> <li>• Changes in state/national taxation, regulation, monetary policies</li> <li>• Supply chain problems</li> <li>• Stagnant inventory</li> </ul>	<p><u>Labor Issues:</u></p> <ul style="list-style-type: none"> <li>• Expired union contract or contentious labor/management relationships</li> <li>• Gradual corporate downsizing over time</li> <li>• Management asking for shorter or longer contracts than usual</li> <li>• Company offering to initiate severance pay clause</li> </ul>

Layoff aversion may begin as soon as an employer becomes aware of threats and opportunities that impact profitability or provide opportunities for growth.

**IWT is an appropriate use of workforce funds to avert layoffs, mitigate their impacts, and maintain jobs if the Business Services Unit identifies and has been documents at least one indicator from any of the four categories listed above.** When identifying a potential risk(s), company sales alone may not accurately reflect the true financial stability of the organization. It is possible for a company to begin showing signs of growth or expansion and still face barriers that threaten its continued financial well-being.

**Requirement that IWT Be Limited to Skill Attainment Activities**

IWT is restricted to skill attainment activities. Skill attainment activities for incumbent workers are defined as: *Skills that directly benefit the worker(s) receiving the training by making them more qualified in their field of employment and/or provide new skills for new product lines or processes that avert layoffs.*

The following criteria apply with regard to IWT skills attainment:

- 1) An individual is in an employment relationship with a participating employer or group of participating employers in a targeted sector utilizing IWT to upgrade the skills of their workers; and
- 2) An individual is receiving upgraded skills training:
  - a) To increase his or her skills in an occupation in which the individual already is an incumbent; or
  - b) To prepare for entry into a new occupation within the targeted workforce (i.e., the workforce of the participating employer or a group of employers).

Skill attainment refers to IWT that develops skills that directly benefit the workers receiving the training and contributes to a company's competitiveness and productivity, thereby averting layoffs.

**Funding may be utilized for the following:**

- Employee skills, assessment, and testing
- Training development
- Classroom training
- Customized training consistent with the WIOA
- Instructor wages
- Training materials and supplies
- Fees required to complete training

When developing the training needs with an employer the Business Services Unit will ensure that the employer(s) demonstrate a commitment to retaining employees or otherwise provide a tangible benefit to employees that receive IWT. All IWT must include a contract/written agreement that outlines, at a minimum, the following for **each** participating employer: (Attachment A)

- The number of participants to be trained.
- Who is providing the training.

- What training will be provided.
- Where the training will be provided.
- The length of the training to be provided (including the start and end date, number of days per week, and number of hours per day).
- The cost of the training program (to include only reasonable and allowable costs).
- The amount, if any, of employer matching support and how it will be provided.
- The “at risk” indicator(s) identified as justification for layoff aversion.
- Documentation of training outcomes for each incumbent worker, including the skill attainment goals of the project for each incumbent worker and the credential/certification to be received.
- How and when IWT funds are distributed to employers.
- A cancellation clause

IWT is designed in conjunction with a specific employer, or consortium of employers, to upgrade the skills of a particular workforce. Business Services Unit will assess the need(s) of industries or companies using the parameters outlined above to deliver IWT and other appropriate services.

The prohibition against using WIOA funds to encourage business relocation, as described in WIA rule 667.268 applies to IWT funds.

Incumbent Worker training does not need to appear on the state’s Michigan Talent Connect training approval site (MiTC).

### **IWT Participant Data Reporting Requirements**

The GST Michigan Works! is required to report performance outcomes for any incumbent worker participant in the One-Stop Management Information System (OSMIS). Instructions for enrollment, tracking, and exiting an individual who has been determined to be an Incumbent Worker must be tracked through the OSMIS. Follow the Data Entry Instructions per PI’s from the state in regards to specific yearly contract numbers and directions for enrolling into the OSMIS.

- All participants in IWT projects, regardless of the fund source, must be reported in the OSMIS.
- Unless IWT participants are co-enrolled in another program, they will not be factored into local WIOA performance and will only be counted in State performance.
- Incumbent worker participants are subject to selection for the federally mandated WIOA data validation. Therefore, all WIOA documentation requirements apply to incumbent workers.
- Information pertaining to the applicant’s current hourly wage must be obtained.

An Individual Service Strategy does not have to be completed for program participants. Training services do not have to be provided through an Individual Training Account (ITA) or an eligible training provider. Furthermore, WIOA client follow-up services are not required. However, if co-enrolled in WIOA the above items would be required to be completed.

**Targeting and Aligning Layoff Aversion IWT within a Demand-Driven Strategy**

The MWA has demand-driven strategies in place to help industries by improving operations, as well as enhancing industry development. The strategies are part of the MWAs Cluster initiative. The Workforce Development Board of GST Michigan Works! (MWA) understands it is in the best interest of employers and job seekers to implement a demand-driven system based on a cluster strategy in response to 1) current employer demand; 2) the need for the workforce system to adapt to a changed labor market environment; and 3) the Michigan Works! System's goal of continuous improvement.

Layoff Aversion IWT is part of the MWA cluster strategy and will be utilized when businesses are identified that have a shortages of skilled workers that present a major impediment to growth. The IWT focus on these businesses is to assist them in re-gaining economic health there-by preventing layoffs. The focus of IWT is on small and mid-size companies and businesses that are unable to provide the resources necessary to train present employees to avert layoffs and or the vulnerability of becoming at risk of doing so.

**ACTION:**

Subrecipients and Agency staff shall take the appropriate actions necessary to implement the directives of this policy issuance. Service Provider officials shall ensure the information contained in this policy is disseminated to all appropriate staff.

**INQUIRIES:**

Questions regarding this policy issuance should be directed to Chief Services Officer at (989) 635-3561, ext. 236.

**SIGNED:**

  
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Jody Kerbyson CEO

2-1-24

\_\_\_\_\_  
Date

**Attachments A, B, C & D**