

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

January 23, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 13-16 Workforce Presentation State Economic Forecast

MEMBERS PRESENT: REP. RAY BAUM REP. JERRY BARNES REP. CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE REP. BOB PICKARD

MEMBERS EXCUSED:REP. MARGARET CARTER

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER, POLICY ANALYST JERI CHASE, OFFICE MANAGER JILL COPELAND, COMMITTEE ASSISTANT

WITNESSES:PAUL WARNER, STATE ECONOMIST, EXECUTIVE DEPARTMENT

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 13, SIDE A

000 CHAIR BAUM: Calls the meeting to order at 8:00 a.m.

WORKFORCE PRESENTATION

003 JOE CORTRIGHT: Introduces the taped presentation "The America's Choice Report:" by the International Center on Education and the Economy. Dealing with workforce issues and what the U.S. needs to do to change the way it trains the bulk of its workforce in order for the economy to be competitive with our international rivals.

053 Begin taped presentation of IRA MAGAZINER (from the Work-7 Conference in Portland, OR on November 8, 1990 sponsored by the N.W. Regional Education Laboratory). Verbatim transcript of presentation submitted as EXHIBIT A. Cortright submitted the Executive Summary of the report "America's Choice: high skills or low wages!" as EXHIBIT B. Transparencies shown during presentation submitted as EXHIBIT C.

TAPE 14, SIDE A

030 Continue taped presentation of IRA MAGAZINER with verbatim transcript (EXHIBIT B) and transparencies (EXHIBIT C).

270 Change exhibit tape to side B.

290 Continue taped presentation of IRA MAGAZINER with verbatim transcript (EXHIBIT B) and transparencies (EXHIBIT C).

TAPE 13, SIDE B

030 Continue taped presentation of IRA MAGAZINER with verbatim transcript (EXHIBIT B) and transparencies (EXHIBIT C).

123 End of taped presentation.

124 CHAIR BAUM: This is a proposal that I hope that we will be anxious to share with our colleagues. 147 CHAIR BAUM: The Chair has a meeting with the Speaker of the House and the Chair of the Senate T&E Committee and will be leaving here at about 9:15 a.m. and REP. HAYDEN will temporarily take over the duties of the Chair and conduct the meeting.

142 REP. KATZ: This has been so well received across the country that 20 states are thinking about beginning to adopt this. They are looking now at going around the country and building these coalitions.

152 REP. BARNES: Have Higher ED and the school systems been receptive to this plan?

162 REP. KATZ: It has received on a national level support from almost every group including the National Business Round Table.

175 REP. PICKARD: Doesn't General Motors Saturn Plant take part in some of this?

179 CHAIR BAUM: There is 5 or 10% of industry taking part.

182 REP KATZ: Saturn Plant is taking part.

183 Continued discussion on industry participation.

193 REP KATZ: There is no set state curriculum for students to go into the technology industry and are now just beginning to approach the industry for guidelines.

210 TAMI MILLER: Began presentation of "Lessons From The Old School, European Workforce Development Strategies For Oregon" (EXHIBIT D).

230 MILLER: Highlight major factors that make the European job training and education systems work extremely well. >Government policy and programs are designed to promote employment, they are highly funded, they are preventative not reactive. They provide holistic services. >Business and labor play a very significant role in the development of training programs and in the administration of those programs. Every student whether or not they are bound for college or for vocational occupation participates in cooperative work experience all the way through school. >Vocational education programs that are extremely comprehensive.

335 MILLER: Distributes models of the Danish system (EXHIBIT E & F).

366 REP. HAYDEN: In the Scandinavian systems the children start school at a later age go for a shorter total time (9 years) and essentially soon surpass their peers in America at the equivalent age.

379 MILLER: Voc-ed is for tech and commercial schools every occupation outside of those traditionally associated with a regular college program fall into either your technical or commercial school. Vocational

education in Europe is a much broader concept than what we think of here in the U.S.

411 REP. KATZ: There are several levels of the technical/commercial school and once students get to the higher level they are able to change their mind and go to a university.

420 MILLER: The system is flexible.

433 REP. KATZ: Describe senior commercial college.

438 MILLER: In the commercial school you are teaching beauty operators, retail workers, and service workers. Technical schools teach more trades and crafts, such as metal working, plumbing, and construction.

472 MILLER: In Denmark there are 200 occupational courses that you can pursue that lead to certificates. They are divided among eight industrial arrangements: iron and metal, construction, food industries, graphics, services, agriculture and forestry, transportation, commerce and clerical.

482 REP. HAYDEN: Do they have a category for health profession workers?

485 MILLER: Yes that is a part of the training program. Although I do not know exactly where that fall in the category. Nurses and doctors are part of the junior college track.

TAPE 14 SIDE B

029 MILLER: To highlight the link between education and business every student that enters the commercial or the technical school is required to sign a contract with an employer and the student is working for the employer for whom they have signed a contract.

043 MILLER: The high level of taxes that they are willing to pay is part of what makes this possible.

055 ACTING CHAIR HAYDEN: Aren't our state, local, and federal taxes at least 50%? We have a figure of 31% which is our national gross domestic product and it's averaged across our entire society including our very lowest of the wage earners. As these people become upwardly mobile and pay more and more taxes won't they at some point in time be paying as much as West Germans or even the Danes?

075 JOE CORTRIGHT: All of those countries listed have a more steeply progressive tax system than dose the united states. So if you compare higher income individuals they face much higher marginal tax rates than we do.

078 ACTING CHAIR HAYDEN: Their counterpart in West Germany would be paying 70 or 80% in taxes.

079 CORTRIGHT: Or more, Sweden and Denmark have recently moved away from this but they had almost reached 100% effective tax rates at not particularly high income rates.

090 Continued discussion. Mostly inaudible.

100 ACTING CHAIR HAYDEN: These are very small populations (Sweden and

Austria). We have 250 million people and the smaller economy can well afford to pay more per capita. So there is a perspective there that we have to keep in mind.

107 MILLER: The amount of money that Denmark spends on its educational system gives them a lot more to work with than what we have and needs to be considered when you look at how well they do.

119 MILLER: In Denmark high school drop-outs are referred as disaffected youth which communicates a different message to young people. They aren't considered a lost cause; they are considered as kids who have an attitude problem and they need a little extra help.

130 REP. KATZ: How do they find the drop-outs and when they know who they are what do they do?

136 MILLER: They track them and for every student who drops-out of school a person from the youth center closest to them goes to that student and his parents, talks to them and enrolls him in the youth center. They are required to make contact with every student.

141 REP. KATZ: Mandatory or voluntary enrollment?

142 MILLER: Voluntary. They will link the kids up with employers in their area for six week internships.

158 REP. KATZ: Employers must have a different ethic to be able to understand their responsibility to provide those opportunities for job training.

161 MILLER: That is exactly true.

164 REP. KATZ: There is an employer in Portland that has made an agreement with a Community College to provide scholarships, work experience.

182 REP. KATZ: Do you have the curriculum for the voc-tech enrolment program?

185 MILLER: I don't have a list of curriculum.

194 Tape mostly inaudible

213 REP. PICKARD: Did you notice a big difference between the number of women in the workforce between those three countries and between the United States?

217 MILLER: In Germany it is an issue. It is cultural not an educational problem.

238 ACTING CHAIR HAYDEN: Recessed committee at 9:45 a.m.

250 ACTING CHAIR HAYDEN: Reconvened committee at 9:55 a.m.

STATE ECONOMIC FORECAST 256 PAUL WARNER begins presentation of "Economic Forecast and Methodology" (EXHIBIT G).

277 WARNER: The U.S. economy is in a recession that began in August or possibly July. Reasons: >Labor costs have been rising, productivity growth has been slow, >U.S. economy has amassed a tremendous amount of

debt.

310 WARNER: Two outcomes: >A short war scenario. The war would last 30 to 60 days and there would be a relatively mild recession. Factors that would lead to a recovery: >we do not have significant inventories built up in the U.S economy >oil prices coming back down >consumer confidence would return >The long war scenario would extend and deepen the recession in the national economy.

355 WARNER: A long war would be 6 to 9 months. There would be a modest kick in the economy but not as powerful as it has traditionally been during a military conflict.

370 ACTING CHAIR HAYDEN: Does replacing the skilled workers that leave for the Gulf effect unemployment rates at all?

375 WARNER: The impact of skilled workers leaving would slow the state economy and it would reduce pressure on unemployment. Long war scenario will cause a slower growing National economy and a deeper recession. >Our state economy. Employment rate continues to grow but at a slower rate each quarter. U.S, economy peaked in June last year, so we continue to outperform the National economy.

444 WARNER: continues with EXHIBIT G (graph on page 5).

461 REP. BARNES: Will Oregon rebound more quickly than we have in the past?

467 WARNER: In general the recovery outlook for the state is one that is stronger than the U.S. average and that the general outlook for the state is positive.

493 REP. KATZ: Are you still on target with your revenue projections?

TAPE 15, SIDE A

033 WARNER: It appears that revenues are slightly above forecast.

040 WARNER: Continues with EXHIBIT G (first page, comparison of Oregon economy in 1982 and 1991). State economy is not expected to be insulated from the National recession.

135 REP. HAYDEN: What is the benchmark for that 5,400, is that an annual job loss?

136 WARNER: That is an annual loss, annual averages.

138 WARNER: In mid-1991 the state economy will begin to grow again and return to a moderate growth path.

156 REP. HAYDEN: This is a short-term proposal?

157 WARNER: This is through five years.

160 WARNER: Ballot measure 5 in terms of its impact on the economy and how we looked at that and the structure of our tax system. > Tax capacity and tax effort, Table 2 (EXHIBIT G). Our tax effort is at the

national average, in 1988. >Our tax capacity is now 9% below the National average.

199 REP. KATZ: Would that reflect the kicker?

202 WARNER: The capacity reflects only our ability to raise revenue. The kicker is how much it would effect our tax effort. (GRAPH B)

223 CORTRIGHT: The decline in tax capacity is a reflection in the decline of per capita income relative to the national average.

226 WARNER: The change in capacity does track very closely with the change in per capita income but it doesn't necessarily have to do this..

232 CHAIR BAUM: You're saying that tax capacity is related to the average per capita income and the ability to pay taxes and the tax effort is related to how well you are collecting the National average from our own people.

239 WARNER: Tax capacity reflects the ability to raise taxes. Tax effort reflects how many taxes you are raising compared to your ability to raise taxes.

242 CHAIR BAUM: Based on national averages?

242 WARNER: Yes.

250 WARNER: How measure 5 will effect Oregon. >Short-term a transition from the public to private sector. Net effect of that is that the unemployment should stay the same.

287 REP. KATZ: That is assuming that employment opportunities are available in the private sector.

290 WARNER: There will be a shift in resources.

282 REP. KATZ: What you're basically saying is that a government dollar is basically the same as a private dollar.

295 WARNER: Yes. Neither of them at this point is an export sector.

300 REP. HAYDEN: Wouldn't we anticipate that this would be a lateral transfer of skilled workers and that they should be able to find jobs in the private sector?

307 Continued discussion.

311 WARNER: Long run impact is that we would have a low tax low service environment. Our tax effort would drop from 99 to 79. 367

REP. KATZ: That is why the Governors of Mississippi, Tennessee and Arkansas placed a top priority on educational reform.

373 WARNER: Certainly the Governor of Mississippi is linked very closely with economic development.

394 WARNER: There isn't a real clear link between tax capacity and effort.

457 REP. BARNES: Have you looked at the negative impact that there will be in terms of creating new jobs?

469 WARNER: Yes there will be a small negative effect.

TAPE 16, SIDE A

030 REP. KATZ: There are some exceptions (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Nevada, New Hampshire) and they don't provide any services at all. Oklahoma, Texas, Tennessee, West Virginia-- those are not what we would call booming economic states.

040 WARNER: The fundamental reason behind our chart is to inform how we are compared with other states. Ballot measure 5 will fundamentally change our tax structure and make us go from an average state in terms of services and taxes to one that is low tax low service.

060 PICKARD: Could you go back a decade and look at previous economists and track their progress by having three columns; forecasts, actual outcome, and then your batting average? Is this a doable project?

083 WARNER: We do an annual review of methodology for our economic models and our revenue models. We don't go back the 10 year period but look at how we did in the last biennium. We also have a comparison with 20 other states that are on a biennium. You'll find looking back historically that most economist project less dramatic changes than actually occur.

113 REP. PICKARD: Is my request something that would put undue stress on someone in your office? That is a direct request and unless you tell me that it would be an undue burden on your department then I would hope to get that from you.

120 CHAIR BAUM: Is that a request that your staff could fulfill for us?

114 WARNER: Yes.

126 PICKARD: A batting average is what I'm after so I can get an idea of the margin of error historically in the position.

128 CHAIR BAUM: Adjourned committee at 10:44 a.m.

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Verbatim Transcription of Ira Magaziner's taped presentation, submitted by Joseph Cortright.

EXHIBIT B - Executive Summary of the report "America's Choice: high skills low wages!", submitted by Joseph Cortright.

EXHIBIT C - Transparencies shown during presentation of EXHIBIT A, submitted by Joseph Cortright.

EXHIBIT D - "Lessons From the Old School, European Workforce Development Strategies For Oregon", submitted by Tami Miller.

EXHIBIT E - Model of the Danish system, submitted by Tami Miller.

EXHIBIT F - Model of the Danish system, submitted by Tami Miller.

EXHIBIT G - "Economic Forecast and Methodology", submitted by Paul Warner.