

SENATE COMMITTEE ON LABOR

February 27, 1991

Hearing Room 50 03:00 p.m.

Tapes 22 - 23

MEMBERS PRESENT: SEN. LARRY HILL, VICE-CHAIR SEN. PETER BROCKMAN

· SEN. BOB KINTIGH SEN. BOB SHOEMAKER MEMBER EXCUSED:  
GRATTAN KERANS, CHAIR

SEN.

STAFF PRESENT: ANNETTE TALBOTT, COMMITTEE COUNSEL ROBERTA WHITE,  
COMMITTEE ASSISTANT MEASURES CONSIDERED: SB 368 - SUPPLEMENTAL BENEFITS  
FOR WOOD PRODUCTS WORKERS (PUBLIC HEARING) SB 369 - CREATES TASK FORCE  
ON TIMBER ADJUSTMENT (PUBLIC HEARING) SB 370 - ESTABLISHES FAMILY  
SUPPORT FUND FOR DISLOCATED TIMBER WORKERS (PUBLIC HEARING)

These minutes contain materials which paraphrase and/or summarize  
statements made during this session. Only text enclosed in quotation  
marks report a speaker's exact words. For complete contents of the  
proceedings, please refer to the tapes.

TAPE 22, SIDE A

WITNESSES: ED WHITELAW, PROFESSOR OF ECONOMICS, UNIVERSITY OF OREGON  
STEVE TEGGER, LEGISLATIVE LIAISON, EMPLOYMENT DIVISION FRANK RICHEY,  
MANAGER, UNEMPLOYMENT INSURANCE ANALYSIS PROGRAM, EMPLOYMENT DIVISION  
TOM LYNCH, MANAGER, LABOR MARKET INFORMATION PROGRAMS, EMPLOYMENT  
DIVISION

001 VICE CHAIR HILL called the meeting to order at 3:09 p.m.

INTRODUCTION OF COMMITTEE BILLS

006 MOTION: VICE CHAIR HILL introduced the bills listed in the  
amendment from committee staff (EXHIBIT A) en bloc.

VOTE: Hearing no objections, the motion carries. Senator Kerans was  
absent. Senate Committee on Labor February 27, 1991- Page 2

017 ANNETTE TALBOTT, COMMITTEE COUNSEL: > Introduces SB 368, 369 and  
370 and explains the bills as a package. > There will also be a hearing  
on Monday at which time former Representative Bernie Agrons who  
co-chaired the Joint Interim Committee on Forest Products will speak to  
the committee on the interim committee talked about when they considered  
them. > Suggests that the committee should consider making the language  
in the three bills consistent. > Introduces various Exhibits to the  
Senators: · Final Report of the Joint Interim Committee on Forest  
Products Policy (EXHIBIT B) · Costs of Retraining Dislocated Forest  
Products Workers (EXHIBIT C) · Fiscal Analysis on SB 368 prepared by the  
Legislative Fiscal Office. (EXHIBIT D) · Standard Industrial  
Classification, Major Group 24. LUMBER AND WOOD PRODUCTS, EXCEPT  
FURNITURE (EXHIBIT D)

TAPE 22, SIDE A

SB 368 - SUPPLEMENTAL BENEFITS FOR WOOD PRODUCTS WORKERS - PUBLIC  
HEARING

WITNESSES: ED WHITELAW, PROFESSOR OF ECONOMICS, UNIVERSITY OF OREGON,  
PRESIDENT, ECO NORTHWEST, MEMBER, GOVERNOR'S OREGON PROGRESS BOARD STEVE  
TEGGER, LEGISLATIVE LIAISON, EMPLOYMENT DIVISION FRANK RICHEY, MANAGER,  
UNEMPLOYMENT INSURANCE ANALYSIS PROGRAM, EMPLOYMENT DIVISION TOM LYNCH,  
MANAGER, LABOR MARKET INFORMATION PROGRAMS, EMPLOYMENT DIVISION

082 ED WHITELAW, PROFESSOR OF ECONOMICS, UNIVERSITY OF OREGON > Two focuses of the task force: · Timber dependent communities · Dislocated workers > Charge from the committee was to address two concerns: what should state do in dislocated workers programs to help with employment following layoffs stemming from a contraction in the timber industry, and (2), what the state should do in its community development programs to increase the number of job opportunities available to these workers and families. > Difference in interests between dislocated workers, and timber dependent communities. · Property owners in timber dependent communities · Workers who lose jobs when mills shut down 120 SENATOR KINTIGH: Would you include in the category of the timber dependent community the people who own the businesses in the community? These people simply can't pick up and go anywhere else. WHITELAW: > You've identified very well why some interests are definitely tied to the community, the place, whereas other interests are tied to the people. It turns out the workers are more mobile than the out the workers are more mobile than the people who have their interests and savings, etc. Senate Committee on Labor February 27, 1991 - Page 3

> Policies which will help dislocated workers don't always help those people in timber dependent communities. One is interested in maximizing job choices, while the other is designed to attract replacement jobs for that community, which will help the property owners and business owners, but it will take a long time and the jobs which replace timber jobs may not meet the skills or wage expectations of the people within the community. > Details Executive Summary from Final Report by Task Force (EXHIBIT B).

266 SENATOR SHOEMAKER: Is there a problem if you move in too quickly to try and fix the situation of the dislocated worker, much lilce you would if you tried to intervene in the grieving process?

WHITELAW: > Most of us in this state have gone through a phase of denial - the timber industry, workers, etc. Different parts of those groups get through that phase more quickly than others. > Focus on families as well as the dislocated worker. Develop a two income household from the more traditional household of the male wage earner with dependent wife and children. > This is not a social service activity, it is an economic development activity. · The more a program looks like a welfare program administered by social workers, the longer the denial of the worker involved. · As we think of unemployment and retraining programs, there is a world of difference between investing in retraining of somebody who has had a successful and productive work life, whose industry happens to have changed, and someone who hasn't had that experience and has come out of a different background. > From the stand point of Oregon's economy as a whole, losing people who have lost their jobs through economic impacts is greater than losing workers who have never been employed. > Tailor the programs to the needs of the individual - don't try a cookie cutter approach. > From the State's standpoint it pays to invest in communities which are closer to I-5, because we are not going to save them all. Some communities will die. Property values are growing most rapidly along I-5, and it's not because of some set of policies, it's not because of political intrigue, it's because there are very strong economic forces acting on that pattern from British Columbia to Mexico. If we want to buck that, it will be much more costly.

TAPE 23, SIDE A

013 SENATOR KINTIGH: Why would that be so much more expensive?

WHITELAW: > Programs have a greater rate of return the closer it is to I-5 simply because it will exploit economic forces that are already acting. The further away from I-5, there will be less reinforcing help from the economic forces, the market forces that are acting on the economic transitions that are going on in the Northwest. S > Continues to detail Exhibit A.

115 SENATOR SHOEMAKER: Is there anything in the program for those communities that do not survive? What happens to them?

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WHITELAW: > Yes. The best step is for those communities that have no chance of surviving is to focus on the dislocated worker to make sure that the state's economy doesn't lose that.

173 SENATOR SHOEMAKER: What about the businesses? Not just financial help, but also how to get used to the demise of a community. WHITELAW: > I feel that one dishonest approach is to encourage small businesses and some of the dislocated workers to become entrepreneurs in other communities. On paper that sounds all right, but the incidence is 1% nationally. Once we can make that transition, then once those owners of businesses get into the labor force, then the same set of programs that we discuss before for the dislocated workers would become relevant. The Economic Development Department with some of its small business assistance and information may help. It depends on how skillful these folks are as entrepreneurs. SENATOR SHOEMAKER: The committee did not develop a systematic set of recommendations for that group. WHITELAW: That's sort of right. There is not a quick fix. Implicitly we're saying, those communities are going to disappear. So the question is how can we develop a more responsive, tailored or targeted program for dealing with some of these things. 255 SENATOR KINTIGH: How can the small business owner survive? WHITELAW: From my standpoint, that is more of a political issue than an economic one. We bailed out Lockheed and Chrysler, why not bail out the individual business owner? I think extending the benefits is imperative. If you compare the cost of extending the benefits to the costs incurred publicly and socially if we fail to extend benefits, the amount pales. 322 SENATOR HILL: Do you think that extending benefits for an entire class of workers is a good approach, or would you favor extending benefits for workers in retraining programs or otherwise improving or developing skills and leaving out workers who don't need to develop skills who have other saleable skills. WHITELAW: > I thought you were saying does it make sense to tailor these programs to timber related dislocated workers. Overriding all of this is the assumption to which I subscribe very strongly, that Oregon's economic future depends almost entirely on how successful it is in investing in its human resources. The changes that we are facing are much more rapid than other regions have faced. A very good larger economic program for this state is to create a shorter down time for our workers. > To answer your question, timber is not the only industry which is in trouble. The better the programs, the better off the economy will be.

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402 SENATOR HILL: Do you think we should target or try to find  
individual workers who qualify - either timber workers or others. For  
instance, should we look for towns or areas of the counties that are  
impacted, or should we qualify the people individually if we have these  
kinds of benefits.

WHITELAW: Economically, it should be tailored to the individual.  
Politically, you may not be able to do that.

SENATOR HILL: Dislocated workers' programs offered to the private  
industry councils are both geographically circumscribed, and also  
identify individuals within that area. Do you think we should use the  
same sort of approach if we have extended unemployment benefits to  
maximize the payoff on the dislocated worker programs, and also to allow  
people to continue to finish those programs.

WHITELAW: Tailoring it to the individual is economically more sound.  
Politically it may not be possible.

TAPE 22, SIDE B

105 FRANK RICHEY, MANAGER, UNEMPLOYMENT INSURANCE ANALYSIS PROGRAM,  
EMPLOYMENT DIVISION: > Oregon law provides for additional benefit  
program to trigger on using a calculation involving the so-called  
"insured unemployment rate, which is those people drawing unemployment  
insurance divided by those people who are working. That is a statewide  
trigger, and in Oregon we just began paying additional benefits for this  
week. Those additional benefits typically last up to 6 and one-half  
weeks. The insured unemployment rate must average 4 and one-half percent  
for a 13 week average in order for those benefits to be paid. We expect  
to pay these benefits for a few months. This is a state program, no  
federal participation in financing of these benefits. > The program  
after that which would be provided is the so-called Federal/State  
extended benefit program, and all states are required to have this  
program enacted in state legislation, and that it conforms with the  
federal law. One of the parts of the federal statutes is its triggering  
mechanism. There are two triggers for this program: (1) If the insured  
unemployment rate for the same 13 week period were to average 5% rather  
than 4 and one-half %, but that rate must be 20% higher than it was for  
the previous 2 years; OR (2) The alternative trigger is to be at 6%  
regardless of where you were in the past. We are just barely over the  
4%, and we consider extended benefits remote. This program is the same  
in all states. It lasts for one-half of the regular benefits, so that  
would be 13 weeks. > Federal law has more stringent criteria than the  
state. The additional benefit program contains a proviso that may not be  
paid while we are in a federal extended benefit period. They would not  
piggy back. You would replace the Oregon additional benefit program with  
the extended one if we were ever to trigger on it. > The maximum  
potential for benefits would be 39 weeks for an individual on one  
unemployment insurance claim. SENATOR SHOEMAKER: Then you couldn't have  
additional benefits following along behind a period of extended  
benefits. RICHEY: That would not be a correct assumption. Senste  
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SENATOR SHOEMAKER: You could have regular benefits followed by extended  
benefits, and still be eligible for additional benefits.

RICHEY: Yes you could. The insured unemployment rate usually peaks at this time of the year, so you could go up through the whole cycle right now.

SENATOR SHOEMAKER: So you could have benefits for up to 45 and one-half weeks.

RICHEY: That's right.

' 208 SENATOR HILL: How is the fund taking this? It's in pretty good shape right now, isn't it?

RICHEY: The fund monetarily is approaching a level that would be considered actuarially sound within the definitions of that term in our statute - it's about \$1 billion, so from a dollar standpoint it's large. The payment of these benefits, along with the other benefits for this higher insured benefit that we now have could impact which tax schedules employers are going to be in. It's maybe going to make a difference about what's going to happen in the future otherwise.

SENATOR HILL: My guess is that the four and one-half percent rate is largely driven by job losses in the timber industry. Am I correct in that supposition?

TOM LYNCH, MANAGER, LABOR MARKET INFORMATION PROGRAMS, EMPLOYMENT DIVISION: Yes, that is true. It is also driven by some softening occurring in the construction industry.

SENATOR HILL: I wonder if the difficulty of people finding jobs is distributed equally across the job markets of the state, or if that difficulty, and therefore the accompanying need for extended benefits, is actually concentrated in some parts of the state.

LYNCH: I would suggest that probably because of the unique locations of the timber industry, that they would be more targeted in certain areas at this time.

245 SENATOR HILL: If the moneys available were concentrated in those areas where there was a high unemployment experience, mainly the timber areas, couldn't we purchase more benefits for the state for the same money for those areas, simply by reducing the scope of the coverage. Is that correct?

LYNCH: I would submit that's probably correct.

SENATOR HILL: We have an option to look where the need is, and we can consider steering benefits to where the greater need is. Now what the bill proposes is to stack some additional benefits on top, is that right?

TALBOTT: That's correct. As I read the bill, on top of your regular and extended benefits. It doesn't refer to additional benefits.

These minutes contain materials which pertain to and/or reflect the work done during this session. Only text enclosed in quotation marks report the speaker's exact words. For complete contents of the proceedings, please refer to the tapes. Senate Committee on Labor  
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STEVE TEGGER, LEGISLATIVE LIAISON, EMPLOYMENT DIVISION: This would be yet a third program beyond additional benefits or extended benefits, which is why we coined the phrase supplemental benefits to distinguish it from the other two programs.

SENATOR HILL: If we adopt a supplemental benefit program, as suggested in this bill, when would it kick in?

TEGGER: As provided in the bill, those who are qualified for the program, who filed regular unemployment claims between January 1, 1990, and December 31, 1991, would be entitled to the supplemental benefits.

SENATOR HILL: Do we have any problem with federal law by identifying a particular group of workers to receive special extended benefits?

288 TEGGER: We have talked with the Seattle Regional Office of the Department of Labor, and we continue to have ongoing dialogue with them about the supplemental benefits program. We are exploring a possibility for the feds paying for the supplemental benefits out of the unemployment trust fund in the same manner that extended benefits are funded. There are some issues about singling out a class of claimants for additional benefits, but we believe that those are issues that can, with a carefully crafted piece of legislation, be averted, and we're looking at that.

TALBOTT: > Requests that Mr. Lynch give a brief desk top analysis of the "Final Report of the Forest Products Policy". > Requests a profile of the types of workers who are hit hardest by unemployment, and whether they have transferable skills.

331 LYNCH: > We were involved heavily in trying to define the population we were referring to. When we refer to lumber workers in this analysis, what we are talking about are those workers that are in certain sections of the Standard Industrial Classification (SIC) 24. The basis of this discussion, we are talking about 6,700 people who are included under this definition. We needed to define the characteristics that these dislocated workers would have. > We narrowed the 6,700 unemployed down to 2,300 who could be considered dislocated workers for one reason or another. > Then, we profiled those workers according to their occupational skills. Then we developed a matrix which included AFS, JTPA and the community colleges. We developed a model we called the cost allocation model, which included not only the cost of unemployment benefits, but also included costs of mortgage assistance, health care, day care, relocation and training. > We identified profiles and came up with the kinds of training that might be reasonable for the kinds of skills those individuals have. By doing a transferable skill analysis, and then identifying other occupational opportunities for which that worker might be qualified with the existing skills they had, we also looked at reemployment opportunities within other secondary wood products industries in the local area. The occupational groups most at risk were the loggers. They ended up in occupations that were still timber dependent. Mill workers could transfer to assembly line types of work, but loggers are unique in their skills. > The options we identified are not included in SB 368. Senate Comm; - e on Labor  
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SENATOR HILL: Isn't retraining for dislocated workers longer than just 26 weeks, plus an additional 26 weeks? Aren't some of them 2 year programs?

LYNCH: One of the reasons we thought it was essential to look at the occupational skills of the person who is being laid off. Not all people who are laid off are really dislocated in the sense of the definition of dislocated workers.

TAPE 23, SIDE B

SENATOR HILL: But why give that person 52 weeks of unemployment insurance benefits?

016 LYNCH: We did consider that, and when we looked at those occupational skills and looked at the seven areas of potential training, one of those was simply job finding/job search training and relocation assistance. Those kinds of things that might help that individual who really didn't need a lot of skill building to be able to find another job.

018 HILL: Do you have language that we could look at that would tailor extended benefits to the job skill needs?

LYNCH: We have worked on a concept at the request of Representative Rod Johnson in terms of how do you define dislocated workers, and I also consulted with the state JTPA organization, because we are trying to make that concept consistent with the four criteria or four definitions which are used in the Federal Job Training Partnership Act. One of the dilemmas you run into is at the federal level the Employment and Training Administration uses the Bureau of Labor statistics to collect statistics on dislocated workers at the federal level. They use a different, a very tight definition of what constitutes a dislocated worker. One of the problems you run into nationally is there are various definitions that organizations use in terms of what is dislocated but when you apply those various definitions, the percentage of the total unemployed that could be qualified as dislocated can run anywhere from 3% to 17% of the total unemployment. The Employment and Training Administration then uses that information in their budgeting process when they design the dislocated worker programs at the federal level. We are trying to more clearly define what a dislocated worker would look like.

SENATOR HILL: And those are federal definitions.

LYNCH: Yes, they are.

TALBOTT: I will provide that definition to the committee on Monday because I think it will be helpful.

051 SENATOR HILL: We ought to target supplemental benefits to those people who do not have transferable job skills already, who we can assume can find work within the regular 26 week period for whatever period of unemployment benefits is already available under other law. Instead, focus on people who need to acquire job skills and help them stay with those programs until they succeed in acquiring the skills and completing those programs. I have had constituents drop out of the dislocated worker programs because the unemployment insurance benefits ran out. So they didn't complete the training, they didn't complete their skills, they are back on the job market without marketable skills, and that's not a good investment in capital. We will have to

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F - Letter to Labor Committee on Senate Bills 368, 369 and 370 -  
Irvin Fletcher - 1 page G - Staff Measure Summaries on Senate Bills  
368, 369 and 370 - Staff - 3 pages H - Fiscal Analyses on Senate  
Bills 368 and 370 - Legislative Fiscal Office - 4 pages

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