

January 21, 2021

To: Chair and Members of the Senate Committee on Labor and Business
From: Paloma Sparks, Vice President, Oregon Business and Industry
RE: OBI Testimony on Unemployment

Chair Riley and Members of the Committee:

I am Paloma Sparks, Vice President of Oregon Business and Industry. Thank you for the opportunity to discuss the impacts of unemployment insurance taxes on Oregon's struggling employers. This issue is crucial to Oregon Business and Industry members and the business community on the whole. OBI is Oregon's most comprehensive business association representing approximately 1,600 businesses that employ over 250,000 people. We represent multiple sectors and serve as the state's Retail and Manufacturing Councils.

The COVID-19 pandemic and the Governor's Stay Home orders forced many businesses to lay off most of their workforce. While some restrictions have since eased, in March the Governor ordered large portions of our economy to shut down. Executive Order 20-12 completely shut down personal services, gyms and other fitness businesses and most non-grocery retail. The order also shut down any restaurant that could not provide take-out or delivery services. While some restrictions have eased the damage was already done. Businesses were forced, by state action, to lay off all or most of their workforce. The virus and stay home restrictions further hurt businesses. The temporary and permanent closures of these businesses had cascading impacts on other sectors, ultimately resulting in the current recession.

The decision to lay off workers were not business decisions, these choices were dictated by Government action. Many of these businesses could not continue to operate, by law. This was not due to any action on their part, but by the need to keep everyone safe and at home. Despite the hardships, business have found creative ways to continue to remain open by changing their business models – increasing delivery and pick-up options, turning to e-commerce and other ways to continue serving their customers. Sadly, too many had to close their doors for good.

Struggling businesses got another shock this last fall when they opened their mail to discover yet another hurdle – their 2020 unemployment insurance tax rates. Some have seen a doubling of their tax bills. Throughout the pandemic, we have been told we were all in this together but to many, this feels like another instance where the bulk of the burdens are being laid upon the shoulders of businesses just trying to keep their business going.

With the arrival of COVID-19 vaccines we are all hoping to recover individually and collectively. The 2021 tax rates are challenging and will make that more difficult. But, if something isn't done, the expected 2022 increases could force some businesses to the brink. They may just have to give up the fight and close their doors for good.

We urge the state to step in and help. Businesses did not lay off employees by choice, they were forced to. Their experience rating increases due to the pandemic should not be bourn by

them alone. OBI encourages you to all think creatively and to mitigate the impact on businesses across Oregon.

Certain industries were particularly hard-hit. They should not be further hurt by tax increases that are caused by actions that they had no control over. The state should create a fund to establish rebates for businesses that were forced to shut down or saw unusually high lay offs due to circumstances dictated by the pandemic or Stay Home orders.

There are ways to do this, so that our UI trust fund remains strong and able to withstand the tough years ahead but also provide relief to Oregon's businesses. OBI stands ready to work with legislators, partners and the Employment Department to find solutions that help restore our economy's strength.

Thank you for your consideration.

RANK	Tax Rate Change	Industry (III Digit NAICS)	Descriptors
1	153%	Personal and laundry services	Tax rates more than doubled (100%+)
2	147%	Clothing and clothing accessories stores	
3	135%	Textile mills (<i>note: few firms here</i>)	
4	126%	Food services and drinking places	
5	118%	Transit and ground passenger transportation	
6	115%	Furniture and home furnishings stores	
7	109%	Amusements, gambling, and recreation	
8	104%	Printing and related support activities	
9	103%	Ambulatory health care services	
10	98%	Miscellaneous store retailers	Significantly higher taxes (80% to 100%)
11	96%	General merchandise stores	
12	95%	Sporting goods, hobby, book and music stores	
13	94%	Miscellaneous manufacturing	
14	91%	Accommodation	
15	91%	Rental and leasing services	
16	88%	Monetary authorities - central bank	
17	87%	Apparel manufacturing	
18	86%	Beverage and tobacco product manufacturing	
19	80%	Museums, historical sites, zoos, and parks	
20	80%	Motion picture and sound recording industries	
21	79%	Electronics and Appliance Stores	Tax increase similar to the total average increase
22	79%	Scenic and sightseeing transportation	
23	79%	Performing arts and spectator sports	
24	78%	Textile product mills	
25	78%	Food manufacturing	
26	77%	Leather and allied product manufacturing	
27	74%	Health and personal care stores	
28	73%	Repair and maintenance	
29	72%	Motor vehicle and parts dealers	
30	71%	Educational services	
31	67%	Social assistance	
32	66%	Nonmetallic mineral product manufacturing	
AVG 66% Total			
34	64%	Lessors of nonfinancial intangible assets	
35	63%	Furniture and related product manufacturing	
36	62%	Support activities for transportation	
37	61%	Building material and garden supply stores	
38	60%	Food and beverage stores	
39	60%	Gasoline stations	
40	58%	Nonstore retailers	
41	58%	Administrative and support services	
42	58%	Merchant wholesalers, nondurable goods	
43	57%	Warehousing and storage	

RANK	Tax Rate Change	Industry (III Digit NAICS)	Descriptors
44	57%	Construction of buildings	
45	57%	Plastics and rubber products manufacturing	
46	57%	Fishing, hunting and trapping	
47	56%	Transportation equipment manufacturing	
48	56%	Electronic markets and agents and brokers	
49	56%	Specialty trade contractors	
50	56%	Real estate	
51	55%	Chemical manufacturing	
52	54%	Air transportation	
53	54%	Merchant wholesalers, durable goods	
54	53%	Membership associations and organizations	
55	52%	Fabricated metal product manufacturing	
56	51%	Electrical equipment and appliance mfg.	
57	51%	Postal service	
58	51%	Management of companies and enterprises	
59	48%	Private households	Taxes increase less than 50%
60	48%	Professional and technical services	
61	48%	Insurance carriers and related activities	
62	47%	Couriers and messengers	
63	46%	Truck transportation	
64	46%	Computer and electronic product manufacturing	
65	45%	Primary metal manufacturing	
66	44%	Machinery manufacturing	
67	44%	Nursing and residential care facilities	
68	44%	Securities, commodity contracts, investments	
69	44%	Broadcasting, except Internet	
70	43%	Other information services	
71	43%	Wood product manufacturing	
72	42%	Forestry and logging	
73	41%	Credit intermediation and related activities	
74	40%	Pipeline transportation	
75	40%	Funds, trusts, and other financial vehicles	
76	40%	Utilities	
77	39%	Animal production and aquaculture	
78	39%	Waste management and remediation services	
79	39%	Heavy and civil engineering construction	
80	37%	Agriculture and forestry support activities	
81	35%	Publishing industries, except Internet	
82	35%	Unclassified establishments	
83	35%	Crop production	
84	34%	Telecommunications	
85	33%	Hospitals	
86	33%	Data processing, hosting and related services	
87	32%	Support activities for mining	

RANK	Tax Rate Change	Industry (III Digit NAICS)	Descriptors
88	30%	Rail transportation	
89	27%	Paper manufacturing	
90	27%	Mining, except oil and gas	
91	26%	Water transportation	
92	21%	Petroleum and coal products manufacturing	

Tax Rate Comparisons by 3-digit NAICS, 2020 - 2021
Private Sector

NAICS Code	NAICS Title	No Change	Decrease	Increase	Closed		Industries percentage of employers with increases as compared to last year
482	Rail transportation	0	0	1	0	1	100%
521	Monetary authorities - central bank	0	0	5	0	5	100%
452	General merchandise stores	1	1	90	1	92	98%
722	Food services and drinking places	43	299	7,446	170	7,788	96%
448	Clothing and clothing accessories stores	5	29	671	18	705	95%
812	Personal and laundry services	13	100	1,912	44	2,025	94%
485	Transit and ground passenger transportation	0	13	193	2	206	94%
712	Museums, historical sites, zoos, and parks	1	7	102	0	110	93%
713	Amusements, gambling, and recreation	18	64	1,008	20	1,090	92%
442	Furniture and home furnishings stores	5	34	454	9	493	92%
621	Ambulatory health care services	65	444	5,716	80	6,225	92%
451	Sporting goods, hobby, book and music stores	9	50	639	7	698	92%
447	Gasoline stations	7	33	406	3	446	91%
441	Motor vehicle and parts dealers	24	73	916	24	1,013	90%
721	Accommodation	28	87	1,052	9	1,167	90%
323	Printing and related support activities	4	31	319	1	354	90%
446	Health and personal care stores	5	30	318	6	353	90%
811	Repair and maintenance	38	233	2,374	31	2,645	90%
453	Miscellaneous store retailers	32	130	1,384	30	1,546	90%
487	Scenic and sightseeing transportation	0	4	34	0	38	89%
813	Membership associations and organizations	47	367	3,488	45	3,902	89%
443	Electronics and Appliance Stores	8	23	259	5	290	89%
711	Performing arts and spectator sports	5	56	509	10	570	89%
525	Funds, trusts, and other financial vehicles	0	5	41	8	46	89%
532	Rental and leasing services	7	30	301	5	338	89%

							Industries percentage of employers with increases as compared to last year	
NAICS Code	NAICS Title	No Change	Decrease	Increase	Closed			
339	Miscellaneous manufacturing	9	51	480	10	540	89%	
314	Textile product mills	3	6	71	1	80	89%	
315	Apparel manufacturing	0	6	47	2	53	89%	
312	Beverage and tobacco product manufacturing	15	48	491	6	554	89%	
311	Food manufacturing	17	70	665	14	752	88%	
425	Electronic markets and agents and brokers	41	267	2,277	42	2,585	88%	
611	Educational services	20	193	1,564	20	1,777	88%	
531	Real estate	61	449	3,713	43	4,223	88%	
624	Social assistance	83	1,132	8,790	46	10,005	88%	
313	Textile mills	0	1	7	0	8	88%	
488	Support activities for transportation	11	64	504	6	579	87%	
Total State Average		2,014	13,674	104,572	1,710	121,970	120,260	86.95%
424	Merchant wholesalers, nondurable goods	33	187	1,455	20	1,675	87%	
523	Securities, commodity contracts, investments	11	131	930	16	1,072	87%	
445	Food and beverage stores	43	170	1,378	26	1,591	87%	
423	Merchant wholesalers, durable goods	47	334	2,457	11	2,838	86.6%	
112	Animal production and aquaculture	14	55	428	8	497	86.1%	
326	Plastics and rubber products manufacturing	6	15	127	1	148	86%	
999	Unclassified establishments	4	471	2,871	48	3,346	86%	
454	Nonstore retailers	11	92	613	18	716	86%	
524	Insurance carriers and related activities	41	259	1,746	29	2,046	85%	
533	Lessors of nonfinancial intangible assets	0	7	40	1	47	85%	
512	Motion picture and sound recording industries	10	47	324	6	381	85%	
541	Professional and technical services	201	2,124	13,012	213	15,337	85%	
561	Administrative and support services	130	808	5,224	77	6,162	85%	
337	Furniture and related product manufacturing	14	42	307	7	363	85%	
623	Nursing and residential care facilities	50	194	1,334	26	1,578	85%	

NAICS Code	NAICS Title	No Change	Decrease	Increase	Closed	
238	Specialty trade contractors	207	930	6,187	72	7,324
221	Utilities	6	17	123	0	146
321	Wood product manufacturing	8	43	272	1	323
322	Paper manufacturing	0	6	32	0	38
236	Construction of buildings	99	724	4,387	80	5,210
335	Electrical equipment and appliance mfg.	2	10	63	1	75
491	Postal service	1	4	26	0	31
492	Couriers and messengers	1	34	181	1	216
515	Broadcasting, except Internet	7	12	98	0	117
814	Private households	7	301	1,563	144	1,871
444	Building material and garden supply stores	27	83	556	12	666
114	Fishing, hunting and trapping	8	10	90	0	108
213	Support activities for mining	0	2	10	0	12
493	Warehousing and storage	4	19	114	1	137
562	Waste management and remediation services	11	45	269	2	325
327	Nonmetallic mineral product manufacturing	11	22	157	2	190
551	Management of companies and enterprises	7	87	441	11	535
519	Other information services	5	68	341	9	414
332	Fabricated metal product manufacturing	36	110	679	6	825
336	Transportation equipment manufacturing	4	38	195	1	237
522	Credit intermediation and related activities	15	119	617	9	751
334	Computer and electronic product manufacturing	13	39	237	4	289
484	Truck transportation	37	229	1,198	23	1,464
333	Machinery manufacturing	13	54	292	3	359
316	Leather and allied product manufacturing	1	5	26	1	32
325	Chemical manufacturing	3	42	187	4	232
511	Publishing industries, except Internet	31	416	1,848	47	2,295

**Industries
percentage of
employers with
increases as
compared to last
year**

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NAICS Code	NAICS Title	No Change	Decrease	Increase	Closed	
115	Agriculture and forestry support activities	27	115	583	15	725
111	Crop production	90	352	1,721	22	2,163
517	Telecommunications	4	29	127	2	160
518	Data processing, hosting and related services	6	62	251	3	319
237	Heavy and civil engineering construction	39	118	568	7	725
481	Air transportation	3	15	62	0	80
113	Forestry and logging	31	104	439	0	574
622	Hospitals	1	4	16	0	21
331	Primary metal manufacturing	2	10	36	2	48
212	Mining, except oil and gas	5	20	65	0	90
486	Pipeline transportation	0	2	5	0	7
483	Water transportation	1	4	9	0	14
324	Petroleum and coal products manufacturing	1	4	8	0	13

**Industries
percentage of
employers with
increases as
compared to last
year**

80%

80%

79%

79%

78%

78%

76%

76%

75%

72%

71%

64%

62%