



March 2, 2023

TO: Members of the Senate Committee on Labor and Business

FR: Derek Sangston and Katie Koenig, Oregon Business & Industry

RE: Workforce Challenges Faced by Oregon Employers

Good morning, Chair Taylor, Vice-Chair Bonham, members of the committee. My name is Derek Sangston, policy director and counsel for Oregon Business and Industry or OBI, and I'm joined by Katie Koenig, OBI's public affairs manager.

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Thank you for the opportunity to present on the workforce challenges Oregon employers face and allowing us to discuss some of the things we believe could be effective in addressing them.

Oregon's labor market is tight. Current job vacancies remain close to the number of unemployed Oregonians looking for work, not even accounting for alignment of skills.¹ The [Oregon Employment Department projects](#) Oregon will add nearly 265,000 new jobs by 2031. With leisure and hospitality at 34%, private health care and social assistance at 17%, and construction jobs at 16% predicted to grow fastest. Yet, by 2031, Oregon's population forecast shows that the number of prime and older wage earners will grow by only half that amount². This will continue the very high labor demand in Oregon and, unfortunately, the workforce challenges will persist, and likely grow. We appreciate your attention to this issue.

I want to note there is no one root cause of the workforce challenges in Oregon, and this is not just a challenge in Oregon. As you know, workforce issues are complicated and nuanced. Our members almost universally say that they struggle to fill open positions, and this occurs regardless of industry, geography, or size of business. Further, these job openings range from entry-level to management-level positions.

Why? First, many employers specifically pointed to a lack of CTE-trained applicants to fill trades positions ranging from electricians to machinists to welders. Health care employers are also struggling to fill positions in every area, but most notably nurses and medical assistants. While educational programs in these areas exist in Oregon, anecdotally, we hear three issues: there is a decline in enrollment, some programs must run below

¹ <https://www.qualityinfo.org/>, accessed Feb. 20, 2023

² [Oregon's Annual Population Forecast Through 2030](#), Oregon Department of Administrative Services, accessed Feb. 20, 2023

capacity due to lack of resources, and programs do not offer enough flexibility to expedite certification through on-the-job training. Statistics confirm those issues. According to [a U.S. Chamber of Commerce survey](#), less than 40% of workers aged 25-34 who lost their jobs during the pandemic are looking to acquire new skills, education or training before rejoining the workforce, and two-thirds of all workers who lost their jobs are not currently looking for work. Manufacturers and other employers across Oregon would gladly be part of a solution to expedite on-the-job training and look for traction from state partners on creative solutions.

Second, the significant lack of housing, particularly middle income housing, also contributes to Oregon's workforce shortage, and not just in the Portland-area. We hear regularly about how the lack of buildable land along the Oregon Coast has contributed to that area's housing shortage preventing potential employees from finding housing close enough to take jobs in Oregon's coastal cities. An employer in The Dalles shared how they cannot recruit people to the region because of housing scarcity, which has driven up prices. They named this as a significant concern in analyzing whether to grow operations in Oregon, or in another state. A survey from the [Bend Chamber of Commerce](#), additionally points out that 83% of employers in their area have worked to mitigate the high cost of housing in Oregon by offering relocation bonuses to help employees cover the higher costs in Oregon.

Again, this issue is not limited to the Portland area, or even just the Oregon Coast or Bend. Housing affordability is an issue in many smaller, rural communities in Oregon.

We also hear frequently from employers—again, across the state—that the dispersed approach to managing workforce issues is a hindrance. Some workforce partnership boards are responsive, engaged, and proactive. That is not the case for all of them. In addition, the Bureau of Labor and Industries, the Higher Education Coordinating Commission, the Department of Education and others all have jurisdiction over various aspects of workforce, apprenticeship, career and technical education, and other related issues. There is not a cohesive, coordinated approach within state government that gives employers *and* employees a clear place turn.

Like so many issues Oregon is facing today, there isn't one simple solution, but there are certainly steps we can take to overcome our workforce challenges.

Funding from the \$200 million Future Ready Oregon legislation that passed in 2022 has begun to be distributed to post-secondary training facilities, workforce development programs and other community organizations. It is imperative that strict review of the success of these funds takes place so that we can not only account for this significant taxpayer investment, but so that we can learn about best practices and opportunities for improvement in how we deploy workforce support funding. We would also like to see enhanced opportunity for private sector engagement in the Future Ready program to both incentivize and reward innovative solutions brought forth directly by employers. Further, while we appreciate the package's focus on manufacturing, health care and construction, we must emphasize that shortages exist in many other industries as well.

We look forward to engaging with HECC as the industry consortia planning unfolds this year and will repeat our strong desire to see Oregon's private sector employers at the table for these discussions. It is imperative that businesses and the associations and chambers of commerce that represent them are part of the work to advise the Workforce Talent and Development Board on strategic planning, policy, and investments for key industry sectors.

We believe that collaboration between employers and education and training programs can produce excellent outcomes in addressing skilled workforce shortages and encourage the state to look at ways to incentivize these programs. For example, to address a skilled workforce shortage issue they faced, Vigor partnered with Portland Community College to open a training center in one of its facilities to create a pipeline of workers with appropriate welding skills for shipyard work. Vigor provides the space, tools and other support while the college administers the courses and admissions. They have found that the six-month welding-intensive training program, designed with industry input to prepare graduates for immediate employment, provides a low barrier pathway for people without college degrees to attain family wage jobs, while supporting Vigor's employment needs. We need to find ways to do more of this.

The state should create incentives that encourage public-private partnerships to provide workforce and job-readiness training. Areas of focus should include vocational training, on-the-job skills development, paths to job readiness in K-12 education and the transferability of higher education credits.

As mentioned, housing ranks among one of the greatest challenges in attracting and retaining workers, and different areas of the state each face their own unique challenges. Removing barriers to constructing new homes, including shortening the length of time it takes to get permits and modernizing Oregon's outdated and restrictive land use laws, are clear steps Oregon needs to take to increase the number of affordable home units built each year. Additionally, Oregon should create a middle-market housing tax credit that would encourage the development of housing affordable to middle-income Oregonians priced out of the current market. Oregon should also create an affordable housing tax credit that would encourage investment in the development of rental housing for low-income Oregonians. We appreciate the Governor and the Legislature acknowledging this as a key issue for the 2023 session.

Finding affordable childcare is another workforce challenge throughout Oregon and there are some immediate steps Oregon can take to alleviate this burden. Oregon's child-to-provider ratios are more stringent than our neighbors in Washington and California. We should reexamine those. We have been told that more closely aligning these ratios with neighboring states would be particularly helpful in rural areas. Further, necessary permitting and background checks can take months, but employees will not wait that long to fill the position. We need to streamline processes so that child care facilities don't lose potential employees because of administrative backlog. Further, Oregon should investigate and adopt best practices from other states, including incentives for cost-sharing, expanding access, facility renovation, family and neighborhood-based care, and public-private partnerships.

Another barrier to attracting employees from other states is our tax structure. We should adjust income tax rates to be more competitive with other states to help restore Oregon as an attractive place to live, work and invest. Existing rates have not been adjusted to reflect current realities regarding wage levels, worker mobility, and jurisdictional competition. We also suggest doubling Oregon's standard deduction. Oregon's families are facing significantly higher costs of living whether it's housing, energy, food, or general household expenses. Standard deductions should be adjusted to reflect current realities. People often talk about wealth flight from Oregon to Vancouver, Washington being about high-income remote workers or retirees who move to avoid income taxes. However, studies show that the middle class is also crossing the river, taking jobs in Washington and receiving an immediate boost in take-home pay for the same work.

Employers also relay that a workforce challenge related to recruiting workers into Oregon is, sadly, an image problem. For example, just a couple of months ago, we interviewed a gentleman from the east coast, and he said his biggest concern about the job was not related to the work but that, based on what he sees on the news, he was worried about whether his family would be safe here. Our members have expressed similar experiences when interviewing out of state candidates. This is not something the Legislature can solve alone or easily, but it speaks to an overarching need for improvement in these areas and a robust, proactive economic development strategy that targets not just future employers, but also future employees.

We appreciate the opportunity to share some of the perspectives from the business community on workforce issues facing the state. Again, we realize that this is a multifaceted issue with various industries and parts of the state experiencing dynamic and unique problems and that there is not a one size fits all solution to any of these issues. We appreciate the work that each of you are doing to understand the issues better and we hope to be collaborative partners in finding solutions.