Roseburg
A Forest Products Company

March 25, 2019

The Honorable Jeff Barker
Chair, House Committee on Business and Labor
The Honorable Kathleen Taylor
Chair, Senate Committee on Workforce
900 Court Street NE
Salem, Oregon 97301

**RE: House Bill 3031**

Dear Chair Barker, Chair Taylor and Members of the Committees,

On behalf of Roseburg Forest Products (Roseburg), please accept the following observations and conclusions regarding the currently proposed language of House Bill 3031. Oregon-based and privately owned for 77 years, Roseburg employs more than 2,500 people at 11 facilities in Oregon. The company has a long history of providing robust compensation and benefits, while serving as an active community partner and supporter in the areas where we operate. After reviewing the proposed legislation in HB 3031, we conclude that it will substantially impact our operations and presence within those rural communities. It likely will dissuade new manufacturers from considering Oregon a business-friendly, positive environment in which to operate.

The financial impact of HB 3031 will multiply the already substantial economic burden that the Oregon Family Leave Act (OFLA), the federal Family Medical Leave Act (FMLA) and other state and federal laws (e.g., Oregon pregnancy leave requirements) already impose on employers in the state. These compounded consequences will likely lead to many employers either reducing or eliminating operations in our state, which will ultimately lead to loss of jobs and tax base, a comprehensive negative result for Oregon. Roseburg has always been Oregon-based and engaged in Oregon communities. The effects created by HB 3031 will not positively influence that presence or engagement.

Consider the financial impact of HB 3031 related to hourly, nonexempt employees. For every 40 hours of paid leave provided, the labor cost increases by 3% per employee. That increase is incurred through the payment of compensation and existing federal and state taxes. When an hourly, nonexempt employee uses paid leave, employers like Roseburg must replace that employee, often using overtime pay, at 1.5 times the employee’s normal wage. This equates to an additional 4.5% in labor expense. The combined effect of that expense with the direct labor cost is effectively a 7.5% increase for each week provided. Assuming an average hourly rate of $20, which is below Roseburg’s current average hourly rate, an employer faces a direct increase of more than $4,000 annually per employee. For a company like Roseburg, with more than 2,000 hourly and nonexempt employees in Oregon, this amounts to an annual expense of over $8 million for EACH week of paid leave that we are obligated to provide. This increased cost and the overall expense is in addition to other paid time off, such as vacation and holidays.

Regardless whether employees contribute to funding the paid leave, employers will have to find alternatives to balance out the added labor expense for operating in Oregon. Alternatives may include hiring fewer employees, increasing automation to eliminate jobs, reducing other labor expenses, such as wages and benefits, or simply limiting investment in Oregon operations. Beyond cost, the legislation poses a safety risk. Companies will be forced to find replacement labor for employees on leave. Those replacements may not normally work in the role, which immediately raises the safety risk to everyone in the facility. Due to this lack of familiarity, the performance of the replacement may be substandard and affect production while the original employee is on leave. None of these options is ideal.

A related, but separate issue involves the availability of qualified labor to meet the need created by the terms of HB 3031. There simply are not enough qualified candidates in Oregon to meet existing staffing needs, as Roseburg learned following the implementation of OFLA. As employees take advantage of paid leave options, companies such as ours struggle to find people willing and able to backfill those positions. HB 3031 as currently proposed will exacerbate the issue by increasing the need for replacement workers. Obstacles like these threaten the existence of manufacturing operations in rural areas of Oregon, and imperil the jobs and tax revenue they create.

Below, we provide commentary on specific provisions of HB 3031.

1. Thirty-two weeks of protected AND paid leave is an onerous burden that will quickly have a detrimental impact on both employers and employees. Employers are already coping with the labor expense created by FMLA, OFLA and other state protected leaves. Adding an additional 31 weeks of paid leave, regardless of how it is funded, creates an unreasonable additional expense for employers to fund both the increase and the added expense of replacement workers.

2. Based on Roseburg's experience since implementation of OFLA, most employees take the annual maximum paid time off for which they are eligible. Anticipating this same behavior to continue, many employees will take at least 26 paid weeks per year, effectively one-half of the year. In addition to this paid leave, employees still have paid vacation and paid holiday benefits through the company. Most employers facing this compounded effect of employee absence and coverage cost will be forced to reconsider other paid time off and benefits they provide. Many employers likely will reduce those optional paid benefits to help offset the extreme costs imposed by HB 3031's provisions, to the detriment of the overall workforce.

3. To prepare for employees taking protected paid leave, employers essentially will have to hire a separate workforce to cover protected leave absences. Roseburg did that when Oregon paid sick leave went into effect. Our operations attempted to hire an additional 5-10% of necessary staff to provide adequate coverage for absences, a significant additional labor expense. As an example, assuming a $20 per hour wage, hiring an additional 200 employees for a workforce of 2,000 is an additional labor expense of almost $12 million annually. The current low unemployment made it virtually impossible to find the additional 200 people to staff replacement coverage. When people were found, our experience showed that many employees lacked relevant work experience, which resulted in increased workplace issues, such as safety incidents, workplace injuries and higher turnover.

4. The proposed legislation effectively adds an extremely costly benefit for employees without an offset on their part. Based on the proposed funding language, an employee will pay no more than 0.5% toward funding their increased paid protected leave. This means an employee making $20 an hour will pay an annual contribution of $208. Divided over an average of 26 paychecks per year, that comes out to $8 per pay period. This is an unreasonable minimum contribution for a benefit that could cost the company between $20,800 and $25,600 per year. Most employers will address the added expense by cutting compensation in some way. This could mean reduced health insurance benefits, requiring the employee to pay more out of

pocket; less paid time off, so the employee loses flexibility and family time; or some other economic change. This will have a negative impact on employees' overall compensation.

5. Imposing the provisions of HB 3031 on employers who operate with a collective bargaining agreement in place will have several negative implications. First, the proposed legislation creates questions regarding federal preemption. Despite the bill's proposed deferral to existing labor agreements, the added labor cost burden of the Oregon paid protected leave will influence the current allocation of paid and unpaid leaves as provided by those labor agreements currently in place. More importantly, the added labor expense of HB 3031 will have a direct impact on the collective bargaining process when those labor agreements next open. Employers will be forced to consider cost-balancing options via that collective bargaining, which will likely be via operational influences and/or other cost-related changes. This could mean reduced contributions to health insurance coverage, retirement benefits or current paid time off provisions. For employers that now provide benefits such as Short Term and/or Long Term Disability, those benefits become a duplicated cost. Unions will find themselves trying to retain benefits that they have historically bargained to maintain or improve, that would be replaced by state-mandated provisions. This will likely create significant and unnecessary labor unrest. That labor unrest, in turn, will have a detrimental impact on overall operations for affected employers, communities, and employees and their families.

6. There has been no need established to justify the increase to 32 weeks of paid protected leave for employees. In Roseburg's experience, employees take their allotted paid protected leave and also take unpaid leave as needed. Benefits such as health insurance remain in effect, and the employee's position is protected for when he/she returns to work. This has proven to be a reasonable means to provide appropriate time off while also encouraging the employee to return to work. The current cost borne by employers to provide the paid leave, continue benefits and replace the absent worker are relatively reasonable. Absent some objective evidence showing a specific need for the overwhelming increase of paid protected leave proposed in HB 3031, such a step is unnecessary and unreasonable. It will likely result in losses for employees in other areas, with some of those areas, e.g., take home pay, having a direct detrimental effect on the employee.

7. The expansion of the definition of "family" by HB 3031 is unreasonable and unnecessary. The expanded terms create extreme difficulty in managing the application of the term. Under Section 1, Paragraph 12 of the proposed legislation, subparagraphs (d), (e) and (f) present language with no objective or measurable means of managing. Terms such as "shares responsibility", "whose close association with an employee is equivalent to a family relationship" and "support the activities of daily living" have no clear definition for application. This lack of clarity leads to increased disputes over coverage and, likely, unreasonably expanded coverage. A definition consistent with current provisions for OFLA should be considered, as employers and employees are familiar with those terms and their more objective definitions.

Because of the high cost created by HB 3031's provisions, it is reasonable to assume that consumers will feel a personal and direct impact. Businesses will likely pass along a portion, if not most, of the added labor expense contained in the new bill. The cost of certain goods may increase. Certain businesses, both large and small, may close or relocate rather than incur the additional labor expense. This will create fewer choices for consumers, with remaining businesses able to increase their costs due to limited markets. Consumers will also feel a direct impact through the loss of jobs that can be expected if HB 3031 is implemented. These losses will negatively impact tax revenue in certain areas, and reduce opportunities for those trying to enter the Oregon workforce. Each of these effects will have both short and long-term consequences for Oregon consumers, as well as the state itself.

Based on the foregoing facts and reasoning, Roseburg Forest Products respectfully requests that HB 3031 as currently proposed be set aside, or at least sent back to committee for substantial revision. We see no specific, objective reasoning that supports state legislators taking a step this extreme. Current paid and unpaid leave provisions, combined other common paid time off benefits, provide Oregon employees significant time for both optional and needed time away from work. To add paid protected leave that can extend beyond half a year is unreasonable, and the overall net impact will be severely negative for employers, employees and their families, and, ultimately, the state.

If it is determined that paid protected leave needs to be increased in Oregon, there must be an improved balance in the expense of funding that leave. Imposing such a substantial labor cost increase on employers is unfair and will be detrimental to many employers that continue to operate in this state. Legislators must evaluate options for how paid protected leave and other employer-paid benefits can balance whatever needs that the currently proposed HB 3031 is attempting to address. It is likely that simply imposing such a major labor cost increase on employers will force many to reduce or eliminate certain benefits, reduce operations or pass on costs to consumers in an attempt to manage the increased cost.

We strongly encourage more direct employer involvement in assessing Oregon employers' current integration of mandated protected leave, paid time off, staffing and other benefits, such as health insurance and retirement benefits. Employer involvement in evaluating how companies large and small manage those current labor costs will provide legislators an improved and more comprehensive understanding of how protected leaves and other benefits can be balanced. Currently, HB 3031 provides no balance at all; it simply imposes a heavy new burden on the state's employers.

Oregon is fighting to retain and attract employers that provide living wages and benefits. HB 3031 will dissuade such employers from relocating to our state. When faced with state mandated labor costs that far exceed federal requirements, and far exceed other states' requirement, businesses will choose to go elsewhere. Oregon will fall further behind in attracting employers who enhance employment and quality of life in our state.

We believe that many alternatives can be implemented before taking the extreme steps contained in HB 3031, and respectfully request that our state legislators step back and assess which alternatives best accomplish the legislation's objectives, without severely damaging the opportunity for Oregon employers to maintain successful operations.

Respectfully submitted,

Kellye T. Wise
Senior Vice President, Human Resources and Labor

cc: Members of the House Business & Labor Committee
Members of the Senate Workforce Committee