

**WHITE PAPER**

**STATE JOBS AS AN ECONOMIC  
DEVELOPMENT STRATEGY**

**JUNE 30, 2005**

**PREPARED BY:**

**NORTHEAST OREGON  
ECONOMIC DEVELOPMENT DISTRICT  
101 NE FIRST ST. STE 100  
ENTERPRISE, OR 97828  
[www.neoedd.org](http://www.neoedd.org)**

**FUNDED BY:**

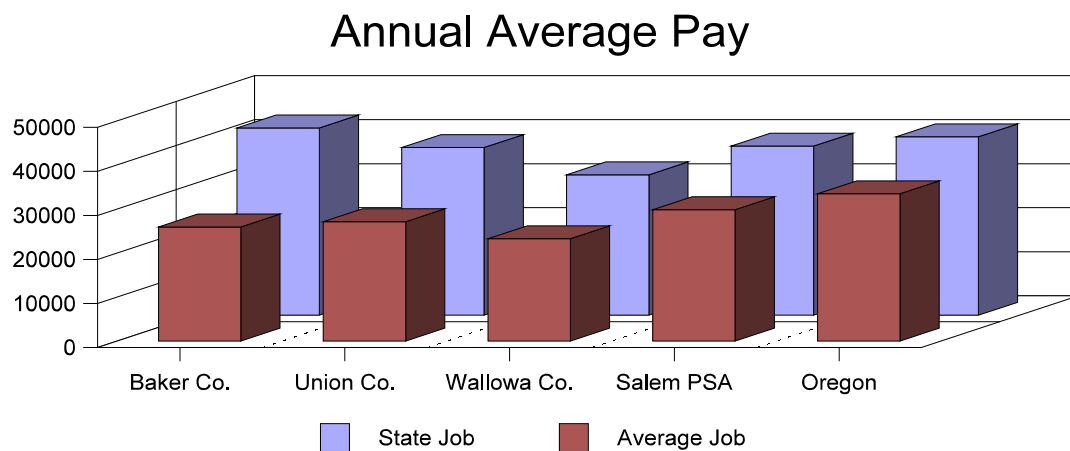
**OREGON EMPLOYMENT DEPARTMENT**

## State Jobs as an Economic Development Strategy

### History

Government jobs have long been recognized as a source of employment and income for individuals. The federal government has historically used government jobs and government spending as a way to influence the national economy and to provide employment for individuals - most notably during the 1930's depression with the implementation of President Roosevelt's "New Deal" and the Civilian Conservation Corps. The State of Oregon passed legislation during the 2003 Legislative Assembly to improve the state's roads and bridges to meet a recognized infrastructure need, but also as a job creation and economic development activity.

Baker, Union and Wallowa Counties, in Northeast Oregon, have benefitted from the establishment of government agencies and employment within the region. In all three counties, government jobs account for about a quarter of the employment. State jobs, in particular, pay a 37%-64% higher average annual wage than the overall average wage for all combined employment.



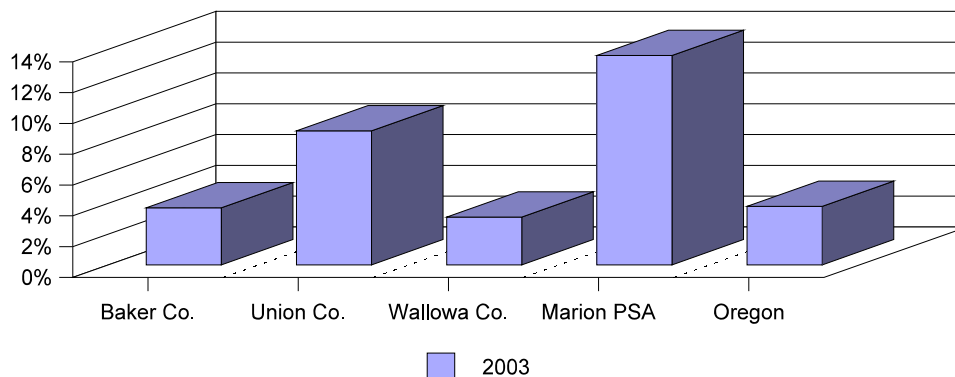
It is interesting to note, that for the most part, average wages for state jobs vary with the local employment market. For instance, of the three counties mentioned, the average wage for a state job in Wallowa County is \$31,900, while the overall average annual wage is \$23,232. The average annual wage for a state job in Union County is \$38,074, while the overall average annual wage is \$27,108. In Baker County, the average annual wage for a state job is \$42,530, while the overall average annual wage is \$25,876. We can conclude from this information that there are proportionately more supervisory/management positions in Baker County than in either Union or Wallowa Counties, and that most state positions located in Wallowa County are subordinate positions.

Employee benefits associated with state jobs are also better than those received by the average employee in the region. Although state employees belonging to different unions are eligible for different benefit packages, in general all state employees working at least half time have access to vacation, sick leave, health insurance and retirement benefits. A

recent survey of businesses in Wallowa and Baker counties indicated that non-state employees in these counties receive a comparatively lower level of benefits.

Sixty-six businesses were surveyed as part of the Northeast Oregon Economic Development District Business Retention and Expansion Program. In Baker County, 77% of full time employees received paid vacation, 47% received paid sick leave, 67% received health insurance and 60% received retirement benefits. In Wallowa County, for full time employees, 72% received paid vacation, 36% received paid sick leave, 55% received health insurance and 44% received retirement benefits. In both counties, part time employees received a far lower level of benefits and in some cases, no benefits at all. (The Oregon Employment Department is currently conducting a comparative analysis of state job benefits to non-state job benefits. This information will be added to the report when it is available.) Quality job benefits and pay rates allow state jobs to compete well for employees in the local labor market and improve local annual average wage rates.

### State Jobs as Percent of Total Employment



In Baker and Wallowa Counties, state employment accounts for about 3-4% of total jobs over the past 25 years. In Union County, state employment accounts for about 8-9% of the jobs during the same time period. Baker and Wallowa Counties are more typical counties for state employment levels. Union County is higher than average because the regional state office of Oregon Department of Transportation (ODOT) and Eastern Oregon University are located in La Grande.

Customer service objectives have influenced placement of state employees throughout the state. The Department of Environmental Quality implemented a decentralization strategy which has dispersed their workers throughout the state to make it easier to deliver services on a regional basis. Adult and Family Services has many workers located throughout the state to deliver services to the public. Other agencies, such as Oregon Department of Transportation, also deliver services through regional offices.

## **State Jobs as an Economic Development Strategy**

Over the past few years, the relocation of state jobs from centralized locations in the Willamette Valley (such as Salem and Portland) to distressed, rural communities has been promoted as a strategy with a number of benefits:

- 1) Reducing traffic congestion and commercial and residential development pressure in urban environments
- 2) Improving the economic condition of distressed, rural areas
- 3) Providing jobs to unemployed or underemployed workers in rural, distressed areas
- 4) Potentially increasing the labor pool for state jobs
- 5) Cost savings to state government
- 6) An intangible benefit may be an improved sense of appreciation for the agency and the work they do when employees are known and recognized in the community

During Governor Kitzhaber's administration, this strategy was discussed by directors of various state agencies. They identified a number of potential barriers to moving jobs:

- 1) Employees would not want to move to rural areas
- 2) Unions representing employees would resist an effort to move jobs (or employees) from one area to another
- 3) It may be very difficult to find employees with the right qualifications in rural areas
- 4) Costs of operation may be higher
- 5) Travel costs may be higher
- 6) It may be difficult to supervise employees working in a remote location

## **Small Work-Group Opportunity**

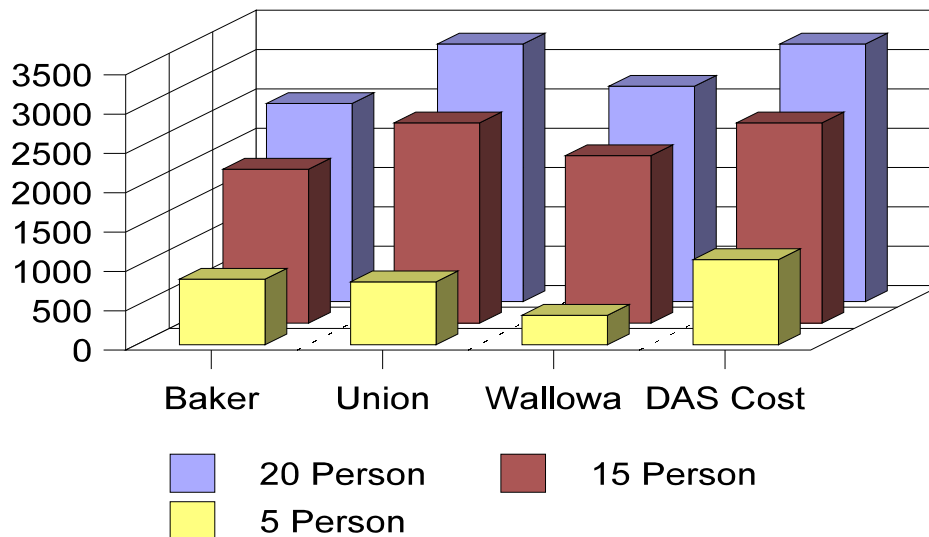
We would like to suggest that there are some state government functions that can be efficiently and effectively relocated to rural offices. Jobs that deal primarily with data, accounting, or administrative functions, currently conducted in a central office, could be relocated to rural locations. In general, these functions could be computer or communications related activities for which location is unimportant. Ideally, groups of 5-25 workers would be located in a rural office providing support and data to a central office. In the business world, we see companies locating these types of jobs in rural communities or off-shore. For example, ODS Companies have successfully located an insurance processing facility in La Grande. ODS is so pleased with the results that they are considering opening another facility in a rural location. The state could take the same approach to decentralization and have a positive impact on its rural, distressed communities.

Based on information from the Oregon Employment Department (OED), we know that there is an available workforce for clerical and office jobs. OED staff report that when they advertise a clerical/computer position in Union County, they often have 50-75 qualified applicants for the position. There are qualified people who are currently underemployed that are actively seeking more rewarding jobs in rural areas.

Based on employer comments, we know that productivity is high and turnover is low for most positions. In certain employment categories, turnover rates are much lower within the region than in the state as a whole. In the absence of information on turnover rates for public administration, the finance and insurance sector was chosen for comparison as it seems closest to the type of state jobs that could be located in rural Oregon. In the finance and insurance sector, Wallowa County's turnover rate is 8.6% for females and 5.3% for males, this compares to a statewide rate of 12.6% for females and 12.1% for males.

Based on current building stock and lease rates offered by private owners, occupancy costs will be equal to or less than the Department of Administrative Services uniform rate of \$1.30 per square foot. Telecommunications availability and cost in rural areas should be comparable to metro areas. Baker City and La Grande are served with fiber optic connections. Most areas in Baker City and La Grande, and most of the towns in Wallowa County are served with high speed wireless services. T1 lines are available in all locations. Travel costs could be reduced by using the existing telecommunications infrastructure, including the comprehensive ITV system developed by the state of Oregon and Oregon's community colleges.

## Monthly Rental Cost



### Telework Opportunity

There is also an opportunity for some state jobs to be adequately delivered through telework. According to the Department of Energy's website:

“It is Oregon’s policy to encourage telework in state agencies whenever feasible, and all state agencies must adopt a telework policy. But telework makes good sense for government offices at all levels. Telework programs boost productivity and reduce office and real estate costs. And because employees value the flexibility telework gives them to balance their work and home life, telework programs help employers keep valued staff and recruit qualified personnel.”

Since telework has already been adopted by the state government as good practice, we would like to suggest that the state agencies adopt policies to increase the likelihood that telework positions would be filled by rural residents. State agencies could identify specific positions that could be filled by a teleworker. When those positions became vacant, they could advertise the positions statewide as positions that could be done via telework. The state agency might require a few weeks or months training time at a central location to ensure that the new employee is adequately trained. There are many potential employees in rural locations that would be willing to spend time in training away from home for a good job.

Using telework as a strategy for moving state jobs to rural areas would overcome many of the department directors’ concerns expressed during the Kitzhaber administration:

- 1) No employees would be moved
- 2) Unions should not be concerned if no employees are required to move
- 3) Jobs would be advertised statewide so the employment pool would be greater than if the jobs were offered in one labor market
- 4) Costs of operation would be less - no office space would be required
- 5) Travel costs may be higher if the teleworker were required to attend meetings in centralized locations, but teleconferencing and video-conferencing opportunities should reduce the need for in-person meeting attendance
- 6) The Department of Administrative Services telework policy addresses performance by stating that employee performance evaluations will rely more heavily on employee results rather than direct observation

## **Conclusion**

It makes economic sense for both the state government and rural areas to relocate some state jobs to rural areas. The cost of occupancy will be the same or much less. The workforce is available to fill the positions. Local business persons and local governments want new state jobs in their areas, and urban areas are dealing with traffic and sprawl issues. State government should do all it can to ensure that more of its jobs are located in rural areas.

Local economic developers are available and ready to support state agencies that are looking for space to lease and can also help managers find applicants for new jobs.