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HOUSE  
COMMITTEE REPORT

JUDICIARY

Date referred: 2-7-86

FURTHER REFERRALS: FINANCE

DATE: Feb. 7, 1986

The LABOR & COMMERCE Committee has considered SSH B 466

"An Act relating to Alaskan resident employment preference; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title
- new title

and recommends \_\_\_\_\_

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note
  - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Mike Savane

Mike Dun

John ...

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Alyce Hanley - No-Rec

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Mike Savane  
Chairman

Craner  
2/5/36 ✓  
Version #1

Original sponsor: Larson by request

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 454 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to compensation of state officers;  
7 establishing a commission on compensation of state  
8 officers; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 39.23 is amended by adding new sections to read:

11 ARTICLE 1. STATE OFFICERS COMPENSATION COMMISSION.

12 Sec. 39.23.200. COMPENSATION COMMISSION ESTABLISHED. (a) The  
13 State Officers Compensation Commission is established. The commission  
14 is composed of seven members appointed by the governor subject to  
15 confirmation by a majority of the legislature in joint session.  
16 Members serve for staggered terms of four years. Commission member-  
17 ship shall include at least one business executive, one representative  
18 of a nonpartisan voters' organization, one person with experience in  
19 public administration and one representative of a labor organization.  
20 A vacancy shall be filled for the balance of the unexpired term.

21 (b) The commission shall annually elect a member to chair its  
22 meetings. A majority of the commission members constitutes a quorum  
23 to transact business. The affirmative vote of four members is re-  
24 quired to approve the commission's recommendations on compensation.

25 (c) The commission shall meet at the call of the chair. Notice  
26 of a meeting shall be mailed to each member at least 15 days before  
27 the date scheduled for the meeting.

28 (d) The commission shall hold a public hearing to discuss its  
29 findings and recommendations before submitting its final report to the

1 legislature.

2 (e) The commission shall be established in the Office of the  
3 Governor.

4 Sec. 39.23.210. PROHIBITIONS AGAINST STATE OR MUNICIPAL SERVICE.  
5 A member of the commission may not be employed by the state, including  
6 the University of Alaska, serve as a member of a state board, commis-  
7 sion, or authority, or hold elective state or municipal office during  
8 membership on the commission.

9 Sec. 39.23.220. COMPENSATION. Members of the commission serve  
10 without compensation but are entitled to per diem and travel expenses  
11 authorized for members of boards and commissions under AS 39.20.180.

12 Sec. 39.23.230. STAFF. (a) The commission may contract for  
13 professional services and may employ staff as it considers necessary.

14 (b) If requested by the commission, the director of personnel in  
15 the Department of Administration shall serve as secretary to the  
16 commission.

17 Sec. 39.23.240. DUTIES OF THE COMMISSION. (a) The commission  
18 shall review the salaries, benefits, and allowances of members of the  
19 legislature, the governor, lieutenant governor, members of the judi-  
20 ciary, and the head of each principal department and submit a report  
21 on its findings at least once every two years, but not more frequently  
22 than every year.

23 (b) The commission shall submit its preliminary findings and  
24 recommendations by November 15. The commission shall give reasonable  
25 public notice of its preliminary findings and recommendations, solicit  
26 public comments, and give due regard to the public comments, before  
27 submitting a final report under (c) of this section.

28 (c) The commission shall make a final report of its findings and  
29 recommendations as to the rate and form of compensation, benefits, and

1 allowances for state officers no later than the 10th day of a legisla-  
2 tive session.

3 (d) The commission may submit to the legislature amendments to  
4 the report submitted under (c) of this section.

5 (e) A commission member who does not concur in the proposed or  
6 final recommendations may attach written objections to the commis-  
7 sion's report of its findings and recommendations.

8 Sec. 39.23.250. RECOMMENDATIONS RELATING TO THE JUDICIARY,  
9 GOVERNOR, AND LIEUTENANT GOVERNOR. (a) A recommendation of the  
10 commission may not have the effect of reducing the compensation or  
11 benefits of a member of the judiciary who is a member of the judiciary  
12 on the effective date of the commission's recommendation; or reduce,  
13 unless consistent with general law applicable to all other salaried  
14 officers of the state, except incumbent members of the judiciary, the  
15 compensation and benefits of the governor or lieutenant governor who  
16 are in office on the effective date of the commission's recommen-  
17 dation.

18 (b) The commission may recommend reduction in compensation or  
19 benefits for individuals who become members of the judiciary or gover-  
20 nor or lieutenant governor after the effective date of the commis-  
21 sion's recommendation.

22 Sec. 39.23.260. FILING WITH LIEUTENANT GOVERNOR AND CERTIFICA-  
23 TION. The commission shall, upon transmitting its final recommenda-  
24 tions to the legislature, file the recommendations in the office of  
25 the lieutenant governor, and upon the recommendations becoming effec-  
26 tive the commission shall certify the copy of the recommendations on  
27 file in the office of the lieutenant governor.

28 Sec. 39.23.270. POLICY OF THE LEGISLATURE. It is the policy of  
29 the legislature that the commission determine an equitable rate and

1 form of compensation, benefits, and allowances for state officers.

2 Sec. 39.23.280. ADMINISTRATIVE PROCEDURE ACT. The regulation-  
3 making provisions of the Administrative Procedure Act (AS 44.62) do  
4 not apply to proceedings of the commission.

5 Sec. 39.23.400. DEFINITIONS. In AS 39.23.200 - 39.23.400

6 (1) "commission" means the State Officers Compensation  
7 Commission;

8 (2) "judiciary" means justices of the supreme court and  
9 judges of the court of appeals and the superior and district courts;

10 (3) "state officer" means members of the legislature, the  
11 governor, lieutenant governor, members of the judiciary, and the head  
12 of each principal department in the executive branch.

13 \* Sec. 2. AS 39.23.240(c) is amended to read:

14 (c) The commission shall make a final report of its findings and  
15 recommendations as to the rate and form of compensation, benefits, and  
16 allowances for state officers no later than the 10th day of a legisla-  
17 tive session. A recommendation has the force of law and becomes  
18 effective on the first day of the next regular legislative session  
19 unless rejected by a concurrent resolution adopted by two-thirds of  
20 the members in each house of the legislature.

21 \* Sec. 3. AS 22.05.140(a) is repealed and reenacted to read:

22 (a) The State Officers Compensation Commission shall set the  
23 compensation and geographic cost-of-living adjustment, if any, of each  
24 justice under AS 39.23.200 - 39.23.400.

25 \* Sec. 4. AS 22.07.090(a) is repealed and reenacted to read:

26 (a) The State Officers Compensation Commission shall set the  
27 compensation of each judge of the court of appeals under AS 39.23.-  
28 200 - 39.23.400.

29 \* Sec. 5. AS 22.10.190(a) is repealed and reenacted to read:

1 (a) The State Officers Compensation Commission shall set the  
 2 compensation and geographic cost-of-living adjustment, if any, of each  
 3 judge of the superior court under AS 39.23.200 - 39.23.400.

4 \* Sec. 6. AS 22.15.220(a) is repealed and reenacted to read:

5 (a) The State Officers Compensation Commission shall set the  
 6 compensation and geographic cost-of-living adjustment, if any, of each  
 7 judge of the district court under AS 39.23.200 - 39.23.400.

8 \* Sec. 7. AS 24.10.100 is repealed and reenacted to read:

9 Sec. 24.10.100. COMPENSATION OF LEGISLATORS. The State Officers  
 10 Compensation Commission shall set the compensation of legislators  
 11 under AS 39.23.200 - 39.23.400.

12 \* Sec. 8. AS 39.20.010 is repealed and reenacted to read:

13 Sec. 39.20.010. COMPENSATION OF THE GOVERNOR. The State Offi-  
 14 cers Compensation Commission shall set the compensation of the gover-  
 15 nor under AS 39.23.200 - 39.23.400.

16 \* Sec. 9. AS 39.20.030 is repealed and reenacted to read:

17 Sec. 39.20.030. COMPENSATION OF LIEUTENANT GOVERNOR. The State  
 18 Officers Compensation Commission shall set the compensation of the  
 19 lieutenant governor under AS 39.23.200 - 39.23.400.

20 \* Sec. 10. AS 39.20.050 is amended to read:

21 Sec. 39.20.050. EXCLUSIVE COMPENSATION. The compensation fixed  
 22 by the State Officers Compensation Commission [LAW] for the governor  
 23 and lieutenant governor is full compensation [IN FULL] for all servi-  
 24 ces rendered by each of them in any official capacity or employment  
 25 whatsoever during their respective terms of office, and shall be paid  
 26 throughout their respective terms of office unless the office becomes  
 27 vacant.

28 \* Sec. 11. AS 39.20.080(a) is repealed and reenacted to read:

29 (a) The State Officers Compensation Commission shall set the

1 compensation of the head of each principal executive department under  
2 AS 39.23.200 - 39.23.400.

3 \* Sec. 12. Notwithstanding AS 39.05.055(5) and AS 39.23.200, one of the  
4 initial members appointed to the commission shall serve a one-year term,  
5 two members shall serve two-year terms, two members shall serve three-year  
6 terms, and two members shall serve four-year terms.

7 \* Sec. 13. Notwithstanding secs. 3 - 11 and 15 of this Act, the salary  
8 established for justices of the supreme court in AS 22.05.140, judges of  
9 the court of appeals in AS 22.07.090, judges of the superior court in  
10 AS 22.10.190, judges of the district court in AS 22.15.220, legislators in  
11 AS 24.10.100, the governor in AS 39.20.010, the lieutenant governor in  
12 AS 39.20.030, and heads of each principal executive department in AS 39.-  
13 20.080, as those sections existed immediately before the effective date of  
14 this section shall remain in effect until the commission has recommended a  
15 change in the salary of that office in accordance with AS 39.23.200 -  
16 39.23.400.

17 \* Sec. 14. Notwithstanding the time limit imposed by AS 39.23.240,  
18 enacted by sec. 1 of this Act, the commission shall submit its first final  
19 report to the legislature by January 10, 1987.

20 \* Sec. 15. AS 22.05.140(c); AS 22.10.190(c); AS 22.15.220(d); AS 39.-  
21 20.080(c); and AS 39.23.200(e) are repealed.

22 \* Sec. 16. AS 39.23.260, as enacted by sec. 1 of this Act, and secs.  
23 2 - 11, 13, and 15 of this Act take effect on the effective date of an  
24 amendment to the Constitution of the State of Alaska creating a State  
25 Officers Compensation Commission.

26 \* Sec. 17. AS 39.23.200 - 39.23.250 and 39.23.270 - 39.23.400 as enact-  
27 ed by sec. 1 of this Act, and secs. 12 and 14 of this Act take effect  
28 immediately in accordance with AS 01.10.070(c).

Original sponsor: Larson by request

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE  
2 CS FOR HOUSE JOINT RESOLUTION NO. 54 (Judiciary)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 Proposing amendments to the Constitution  
6 of the State of Alaska establishing a  
7 state officers compensation commission.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. Article XII, Constitution of the State of Alaska, is  
10 amended by adding a new section to read:

11 SECTION 14. STATE OFFICERS COMPENSATION COMMISSION. The state  
12 officers compensation commission shall consist of seven members ap-  
13 pointed by the governor and subject to confirmation by a majority of  
14 the members of the legislature in joint session. The commission may  
15 revise the salaries, benefits, and expense allowances of members of  
16 the legislature, the governor, lieutenant governor, justices and  
17 judges of the court system, and the head of each principal department,  
18 by submitting a report to the legislature. The salaries, benefits,  
19 and expense allowances established by the commission in the report  
20 take effect on the first day of the next regular legislative session  
21 ~~after the report is submitted to the legislature.~~ However, the legis-  
22 lature may reject the salaries, benefits, or expense allowances by a  
23 concurrent resolution adopted by two-thirds of the members in each  
24 house of the legislature. The legislature shall implement this sec-  
25 tion by law.

26 \* Sec. 2. Article XV, Constitution of the State of Alaska, is amended  
27 by adding a new section to read:

28 SECTION 29. STATE OFFICERS COMPENSATION COMMISSION. If the 1986  
29 amendment creating the state officers compensation commission (art.

To: Rep. Navarre, ch. House L&C  
Fr: Sid Billingslea, comm. aide  
Dt: 1/18/86  
Re: Brief of Robison v. Francis, S-493

#### FACTS

Francis is a nonresident (hereinafter NR) ironworker who got fired from his public works job because he was a NR. AS 36.10.010 required 95% of the employees on a public works project be residents (hereinafter R). Figures changed to 90% on projects hiring 10 or fewer employees.

#### ISSUE

Does AS 36.10.010 violate Francis's federal Privileges & Immunities clause right to travel, his Equal Protection right, and his State equal rights under the Alaska Constitution's equal rights clause?

#### HOLDING

AS 36.10.010 violates Francis's Privileges and Immunities right.

#### RULE

Privileges and Immunities (hereinafter P&I) protects fundamental rights. The Court's level of scrutiny is INTERMEDIATE REVIEW, which means:

The State must have an IMPORTANT PURPOSE and the means (AS 36.10.010) must be FAIRLY AND SUBSTANTIALLY RELATED to the ends (R employment) (at 11)

The state must have substantial justification for its action. Here, NRs must be a "peculiar source of evil" which the state seeks to remedy.

(at 10)

The means must be the least onerous to the discriminated group (NRs).

#### MARKET REGULATOR VS. MARKET PARTICIPANT DISTINCTION

Where the state is acting only as a sovereign (regulator) it is afforded little deference in its discriminatory actions, using the "variable standard" (at 12)

In a market participant (e.g. public works project) capacity more leeway is given. Here, the state as market participant used a broad scope of discrimination and extends it to "the fringes of the state's proprietary interests" (at 12). Therefore, little deference is given.

The "broad scope" referred to is the fact the 60-70% of all commercial construction in Alaska was affected by AS 36.01.010.

#### THE STATE'S JUSTIFICATION

a) Facts: Alaska has higher than national average unemployment, but the state failed to show that NRs were the "peculiar source of evil" other factors could be climate, lack of training in Rs, lack of construction projects in rural areas. (at 16)

b) Law: Rationale that excluding NRs lets more Rs work<sup>er</sup> not a "substantial justification" under P&I. The purposes of P&I are to prevent Rs from discriminating against NRs for economic protectionism. (at 8); to further the concept of federalism and create a national economic unit. (at 9).

#### RELATION OF MEANS TO ENDS

a) Too broad scope: See Hicklin, which required any R, regardless of qualifications be hired over an NR. (at 22) Need less onerous means.

b) See Wyoming case, which upheld a local hire law

c) Sugarman i) rejects under Equal Protection the argument that states interest in restricting resources for the advancement and profit of Rs entitles state to discriminate against aliens for employment purposes. ii) State can restrict employment for aliens, but on a much narrower scope. (at 28)

#### JUSTICE BURKE'S CONCURRING OPINION

Justice Burke would address the Alaska Const's equal rights provision first because it would preclude further review unless as substantial federal question was left unresolved.

1 XII, sec. 14) is adopted, the members of the state officers compen-  
2 sation commission appointed under AS 39.23.200 shall become the mem-  
3 bers of the state officers compensation commission under art. XII,  
4 sec. 14, and any action taken by the commission under AS 39.23.200  
5 shall be considered an action taken by the commission under art. XII,  
6 sec. 14.

7 \* Sec. 3. The amendments proposed by this resolution shall be placed  
8 before the voters of the state at the next general election in conformity  
9 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-  
10 tion laws of the state.  
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# Alaska State Legislature

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CHAIRMAN  
Special Committee on  
Telecommunications

MEMBER  
Labor and Commerce  
State Affairs  
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

## M E M O R A N D U M

To: Rep. Mike Navarre, Member  
House Labor and Commerce Committee

From: Rep. H.A. "Red" Boucher, Chair  
House Labor and Commerce Committee

Date: February 5, 1986

Subject: Expert Witnesses for testimony on HB 466 at Feb. 6  
Committee Hearings

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The Alaska Supreme Court decision in the Francis case two weeks ago indicated that unemployment alone is not sufficient grounds for an Alaskan hire law to exist. After conversation last Thursday with Ron Lorenson, Deputy Attorney General, it was established that we need to provide for the legislative committee record findings of information and fact that demonstrate a critical causal link exists between unemployment and various social problems or social ills.

Among the social ills Lorenson pinpointed were alcoholism, suicide, violent crimes, poverty, broken families, and insolvencies/bankruptcies. For the record then, we need to obtain testimony from expert witnesses who can give us insight into the linkages that exist. We have been contacting people we think can shed light on this area, and have asked them to make brief overview presentations of about 5 minutes each, giving an overview of the connection between unemployment and the area they are familiar with and expert in.

We asked them to make reference to specific written documents or publications they are familiar with, on both the federal level and the state level where it exists, and asked them to send that material to us as it becomes available. Some of it will be here in time to include in the record; but if not, we asked them to send it anyway so it could be included later.

Attached, therefore, is a list of expert witnesses that we have contacted and would like to be allowed to present testimony first for the House Labor and Commerce Committee Hearings on Thursday, February 6, 1986 from 1:15 to 2:45 via statewide teleconference.

In a few cases, they requested that they be allowed to testify first because of scheduling conflicts--and we have indicated those. Also, a few of them cannot attend the hearing or a teleconference site because of work conflicts, but are available on a teleconference bridge call. When we are ready for them, please just indicate, and we can take about 30 seconds to call them, and have them dial back into the bridge and hook up to the teleconference for their testimony.

LIST OF EXPERT WITNESSES

1. John Tabor Director, Division of Public Assistance, Dept. of H & SS, 465-3347. Linking unemployment to poverty. Will be here live; wants to go first due to testimony at 1:45 in another Committee.
2. Michael Price Director, Division of Family and Youth Services, Dept. of H & SS, 465-3170. Links unemployment to sexual abuse, domestic violence. Wishes to testify early due to a 2:00 Committee hearing. Will be here live.
3. Matt Felix Coordinator, Office of Alcoholism and Drug Abuse, Dept. of H & SS, 586-6201. Links to alcoholism. Will be here live.
4. Dr. Joesph Cuterichi Clinical psychologist & head counselor, Vietnam Veteran Center, Anchorage, phone 563-6966. Would like to testify early if possible, around 1:30-2:00. Links to mental health.
5. Dr. Aaron Wolf Director, Langdon Clinic, Anchorage. Will be calling on a bridge from Kotzebue when we are ready for him. Is also Chief Medical Consultant for Voc. Rehab. Links to mental health.
6. Cecilia Kleinkauf Social Work Dept. Faculty, U. of Alaska-Anchorage, phone 786-1725. Would like to testify from her office when we are ready for her. Links to broad range of social problems.
7. Dr. Norma Forbes Acting Director, Division of Mental Health, Dept. of H & SS, will be in Anchorage for meetings and would like to have us call her when ready. Links to suicide, and also studies that show unemployment is a key indicator.

Additional people we have contacted who have not yet committed; but may be able to by Committee meeting time:

8. Cominco Representative --Lisa Parker, the AA to the President of the Company, may have someone lined up to speak; they have the most liberal policy on Alaskan hire of any company in the state, its even better than any of our past or future state laws; and they have also done some detailed studies linking unemployment to various problems ir both Canada and Alaska.

9. Willis Kirkpatrick -- Dir., Division of Banking, Securities & Corporations, Dept. of Commerce, Links to insolvency and bankruptcy.

10. Shirley Green -- Trying to arrange for someone else from the Women's Resource Center in Anchorage to testify in Heather Flynns absence on links to sexual abuse and assualt, etc.

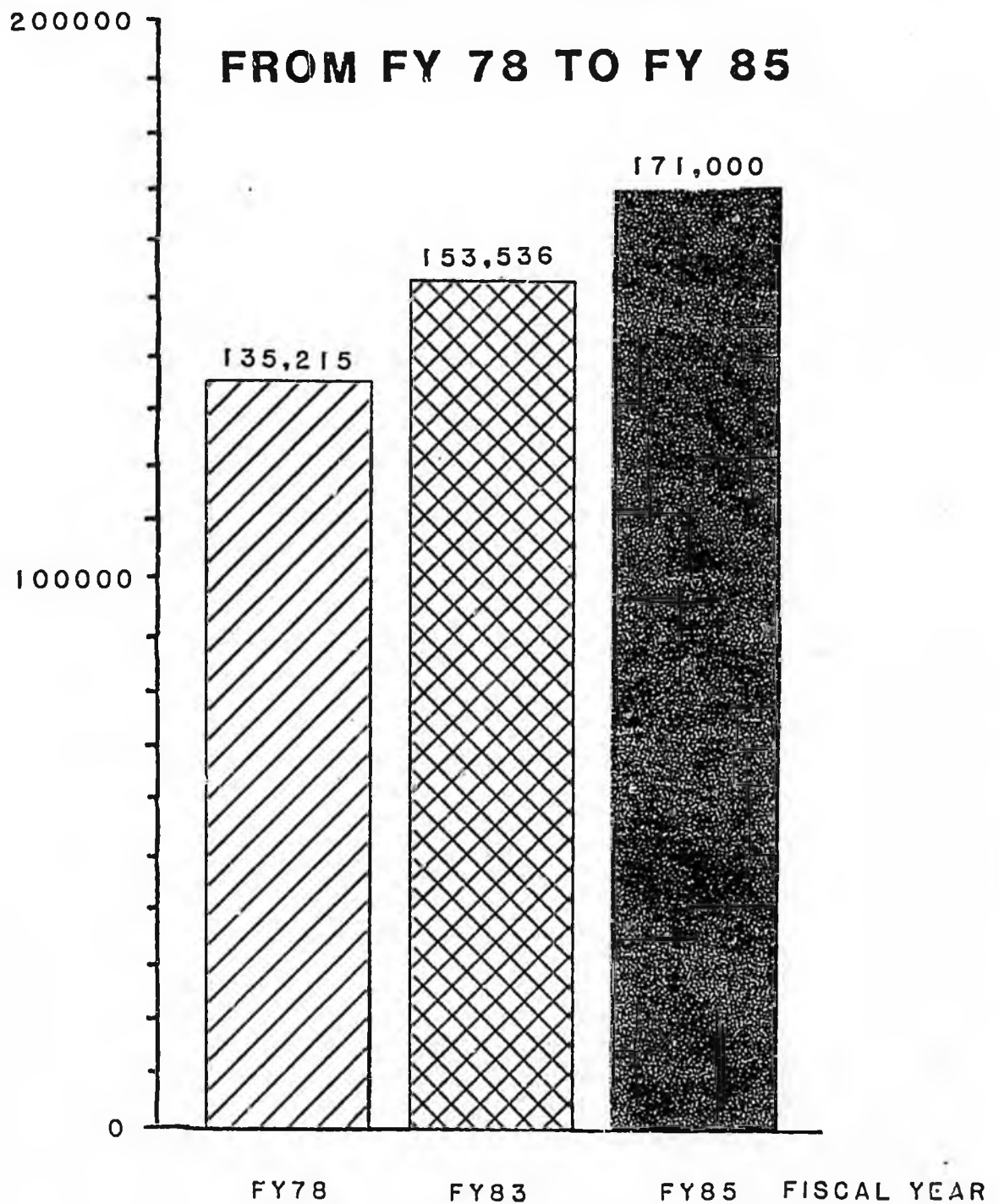
11. Dr. Kelso Center for Alcoholism and Addiction STudies, U. of A.-Anchorage.

# AT RISK CHILD POPULATION IN ALASKA 0 TO 18

POPULATION

26% INCREASE

FROM FY 78 TO FY 85



SOURCE: ALASKA DEPARTMENT OF LABOR,

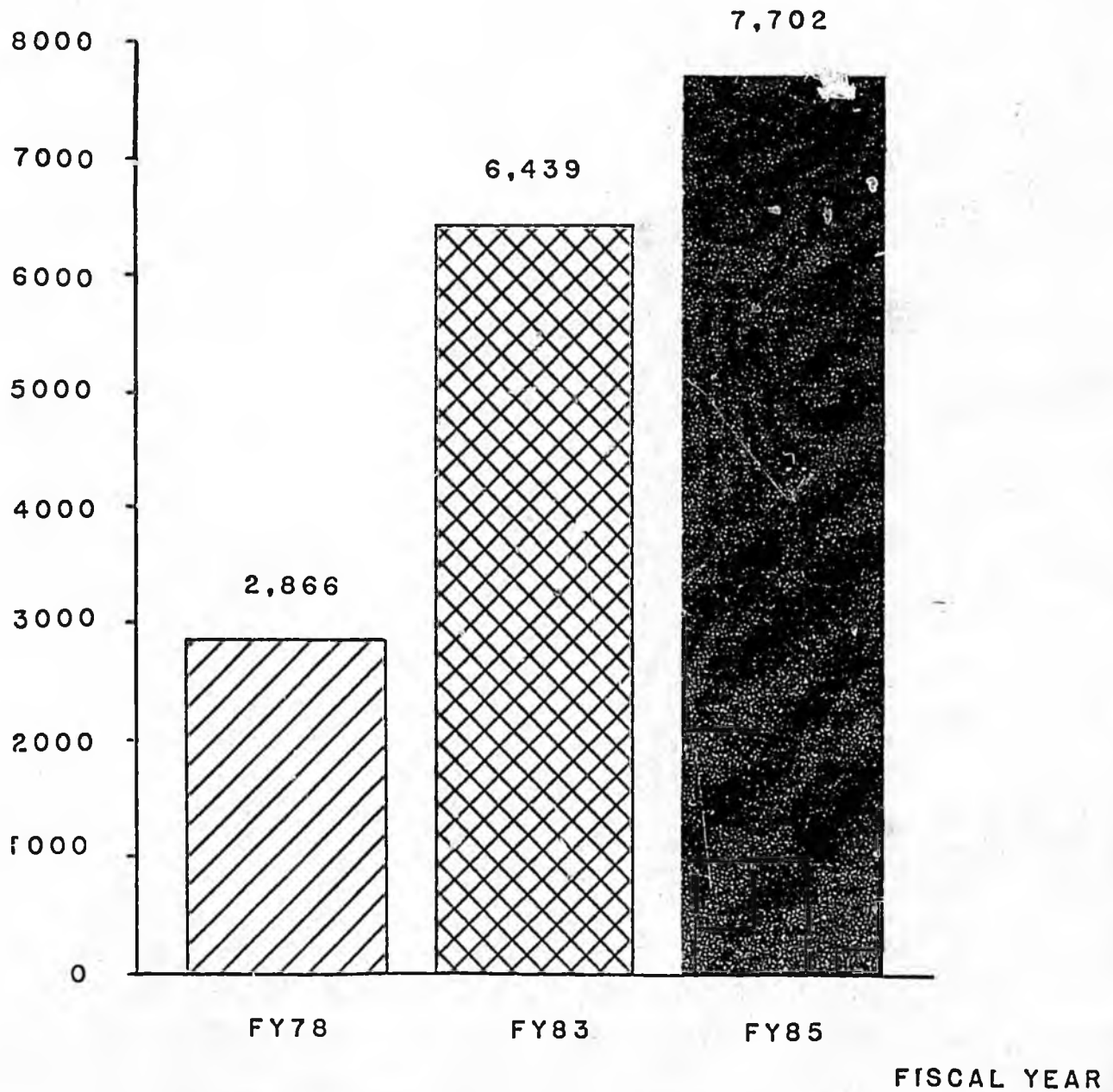
"ALASKA POPULATION OVERVIEW."

# CHILD PROTECTIVE SERVICES INDIVIDUAL CHILDREN SERVED

169% INCREASE OVER FY78

20% INCREASE OVER FY83

POPULATION



CHILDREN SERVED

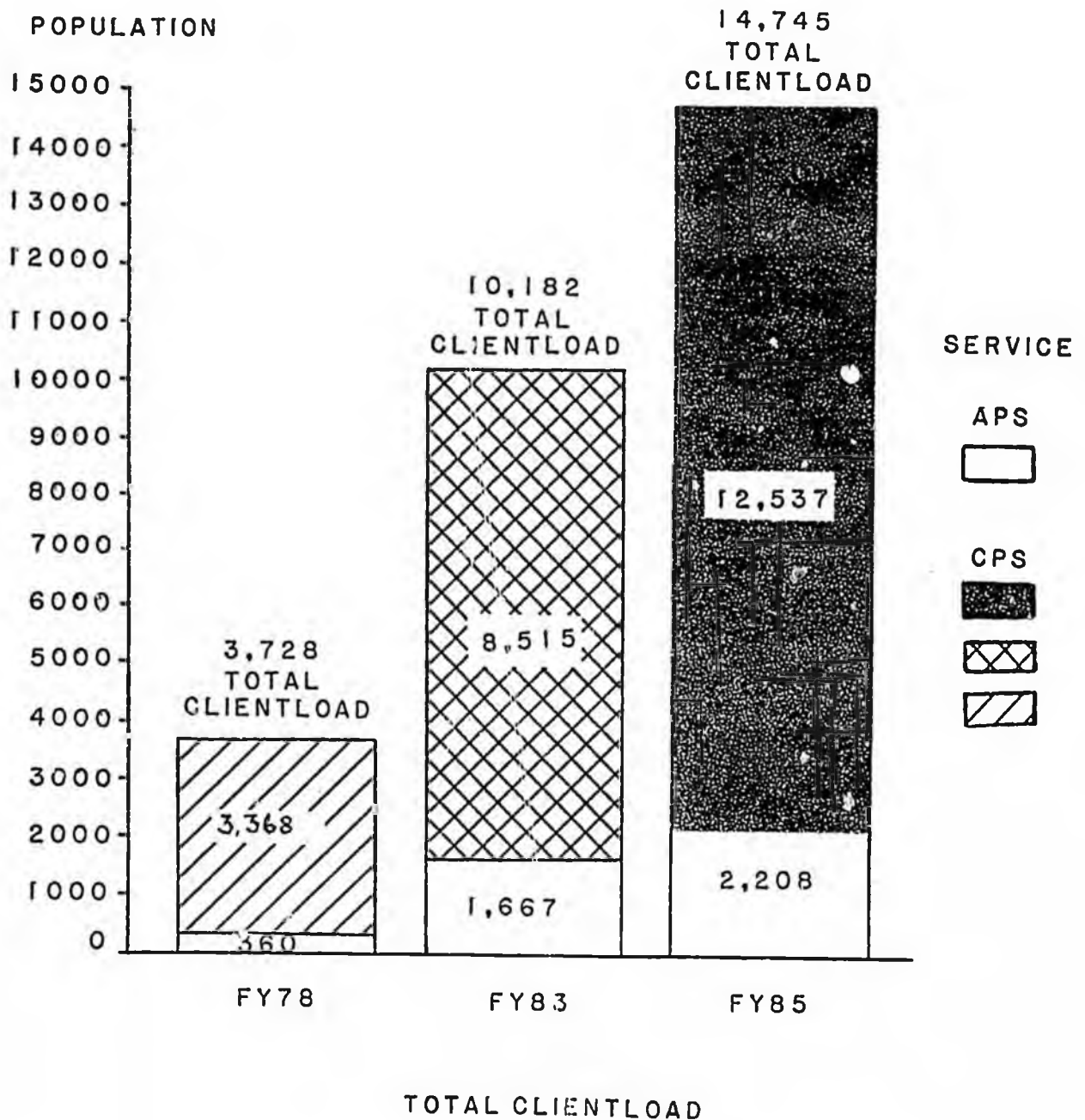
SOURCE: DIVISION OF FAMILY AND YOUTH SERVICES

FY78, 83, AND 85 ANNUAL REPORTS

# INDIVIDUALS RECEIVING ADULT OR CHILD PROTECTIVE SERVICES

296% INCREASE OVER FY78

45% INCREASE OVER FY83



SOURCE: DIVISION OF FAMILY AND YOUTH SERVICES

FY78, 83, AND 85 ANNUAL REPORTS

ADDENDUM  
to  
CHILD ABUSE AND NEGLECT IN ALASKA REPORT  
FY 84

The following data updates the charts depicted in the report provided Governor Sheffield on September 18, 1984:

1. Clients Served

Total APS/CPS Clientload	=	10,913
Total APS Clients	=	1,669
Total CPS Clients	=	9,244
Total Children Served	=	7,176

From 1983 to 1984 % of Change:  
Total Children Served Increased 11%  
Total Clientload Increased 7%

2. Reports of Child Abuse and Neglect in Alaska

Total Reports for FY 84	=	9,476
Physical Abuse	=	1,929
Sexual Abuse	=	1,167
Neglect	=	6,380

From 1983 to 1984 % of Change:  
Total Reports Increased 7%  
Physical Abuse Increased 3%  
Sexual Abuse Increased 9%  
Neglect Increased 8%

3. Licensed Facilities in Alaska as of January 1985

Total Facilities	=	1,874
Total Capacity	=	15,325
Child Care Centers	=	2,860
Family Child Care Homes	=	7,351
Residential Child Care Facilities	=	1,618
Child Foster Homes	=	2,091
Adult Residential Care Facilities	=	369
Adult Foster Homes	=	38

From August 1984 to January 1985 % of Change  
Total facilities Increased 7%  
Total Capacity Increased 21%

SUMMARY OF CLIENTLOAD BY REGION

FAMILY SERVICES APS/CPS CASES

Comparison of January 1983 to January 1985

Region	Total Clients		Social Workers Required		No. of Existing Social Workers	Additional Social Workers Needed	Number of Social Workers Requested in Governor's 86 Budget
	1983	1985	1983	1985*			
Southeastern	912	1,342	20	27	17	10	2
Western	439	587	12	13	12	1	0
Northern	1,809	1,578	37	32	24	8	5
Northwestern	347	399	7	8	9**	0	0
Southcentral	3,386	3,718	72	75	55	20	6.5
Grand Total	6,893	7,624	147	155	117	39	13.5

\* Based on 50 clients per social worker.

\*\* Includes 3 Kawerak and 2 Maniilaq line social workers.

Summary of Clientload by Office  
Family Services APS/CPS Cases

For January 1983/January 1985

Office	Total Clients		Average Clients/ Soc Worker		Total No. of Social Workers Required*		No. of Existing Social Workers	Additional Social Workers Needed	Soc. Workers Requested in Governor's FY 86 Budget
	1983	1985	1983	1985	1983	1985			
Juneau	373	685	62	114	8	14	6	8	1
Sitka	181	153	60	51	4	3	3	0	0
Ketchikan	212	284	42	57	5	6	5	1	1
Petersburg	67	107	67	107	1	2	1	1	0
Wrangell	42	67	42	67	1	1	1	0	0
Craig	37	46	37	46	1	1	1	0	0
Bethel	287	470	47	59	6	9	8**	1	0
Aniak	29	41	29	41	1	1	1	0	0
Alakanuk	14	CLOSED							
Mt. Village	41	31	41	31	1	1	1	0	0
Kwigillingok	41	41	41	41	1	1	1	0	0
Scammon Bay	6	CLOSED							
Grayling	21	4	21	4	1	1	1	0	0
Fairbanks	1,054	894	75	64	21	18	14	4	2
Galena	201	102	100	51	4	2	2	0	1
Ft. Yukon	70	81	70	81	2	2	1	1	0
Barrow	191	215	64	72	4	4	3	1	0
Delta	207	206	70	69	4	4	3	1	1
Nenana	86	80	86	80	2	2	1	1	1
Nome	214	260	71	43	4	5	6***	0	0
Kotzebue	97	135	97	45	2	3	3****	0	0
Unalakleet	36	CLOSED							
Anchorage	1,951	1,993	57	59	39	40	34	6	3
Wasilla/ Palmer	247	301	62	75	5	6	4	2	0
McGrath	28	25	28	25	1	1	1	0	0
Glennallen/ Copper Center	92	51	92	51	2	1	1	0	0
Iliamna	0	CLOSED							
Eagle River	205	291	103	146	4	6	2	4	0
Seward	69	62	69	61	1	1	1	0	0
Kenai	158	158	79	79	3	3	2	1	2
Homer	151	330	151	165	3	7	2	5	1
Dillingham	223	152	112	76	5	3	2	1	0
Valdez	57	46	57	46	2	1	1	0	0.5
Cordova	39	52	39	52	1	1	1	0	0
Unalaska	102	81	102	81	1	2	1	1	0
Kodiak	64	120	32	60	2	2	2	0	0
Naknek	-	52	-	52	1	1	1	0	0
<b>GRAND TOTAL</b>	<b>6,893</b>	<b>7,624</b>			<b>146</b>	<b>155</b>	<b>117</b>	<b>39</b>	<b>13.5</b>

- \* Based on 50 clients per social worker
- \*\* Reflects transfer of Alakanuk and Scammon Bay positions
- \*\*\* Reflects 3 Kawerak line social workers
- \*\*\*\* Reflects 2 Maniilaq line social workers

CHILD ABUSE AND NEGLECT IN ALASKA

A REPORT TO  
THE HONORABLE BILL SHEFFIELD  
GOVERNOR  
STATE OF ALASKA

Revised September 18, 1984

John R. Pugh  
Commissioner  
Department of Health  
and Social Services

Michael L. Price  
Director  
Division of Family  
and Youth Services

## DFYS: ALASKA'S PRIMARY AGENCY TO PROTECT CHILDREN

The Division of Family and Youth Services (DFYS) is the primary state agency which provides a range of social services designed to prevent or remedy child abuse and neglect. The state mandate to provide child protective services is found in AS 47.10 Delinquent Minors and Children in Need of Aid, AS 47.17 Child Protection, and AS 47.35 Private Institutions.

In state fiscal year 1985, the division was appropriated \$53 million and 453 positions. Of this total, \$21 million was appropriated for 183 child protection social workers, licensing staff, and clerical staff located in five regional and 36 field offices. The balance of the budget is appropriated for adult protective services, youth services, and a continuum of purchased services for children, youth, and adults.

## CHILD ABUSE AND NEGLECT IN ALASKA: A GROWING CONCERN

The problem of child abuse and neglect has become a matter of increasing concern in Alaska as it has throughout the United States. There is a heightened public awareness of the problem exemplified by substantial attention in the news media, increased constituent interest, and inquiries of legislators concerning child related issues. Perhaps the most significant indicator of the public concern with the problem of child abuse and neglect has been the significant increase in reports of harm to children and a demand for intervention and services to protect children and strengthen families.

A major issue is the ability of the Division of Family and Youth Services to respond to the increased need for services.

## LEVEL OF RESPONSE TO CHILD ABUSE AND NEGLECT: AN ANALYSIS

Although the population of children at risk of harm from neglect and abuse has increased, the effect of this increase is overshadowed by the significant increases in the reports of abuse and neglect, the number of children served, and overall DFYS caseloads. DFYS staffing levels, on the other hand, have not kept pace with the increased need and demand for services, resulting in a decrease in the level of services the agency has been able to provide. There is now a gap between the agency's ability to respond and the level of response expected by the public and the Legislature. The agency's ability to perform its mandated services at acceptable levels is becoming questionable. Increased demands for mandated services have resulted in competing priorities for the agency's limited resources. The extent of the problem and the difficulty experienced by the agency in responding at desirable levels are clearly illustrated in the following information.

### I. Growth in At Risk Population

During the six year period from FY 78 to FY 83 the population of Alaska grew by approximately 15% from an estimated 411,600 to 472,419. The number of children at risk of harm from abuse and neglect (those ages 0 to 18 years of age) is estimated to have increased at the same rate as the overall population (15%) from 133,000 in FY 78 to 153,000 in FY 83. (See Appendix B, chart 1, magenta border - At Risk Child Population in Alaska.)

### II. Growth in Need for Protective Social Services

In striking contrast to the population growth, DFYS caseloads (total number of persons being served) in both child protection and adult protection services increased by 173% during the six year period FY 78 to FY 83. During this same period there was a 122% increase in the number of children receiving protective services and a 363% increase in the number of adults receiving protective services. (See Appendix B, chart 2, blue border - Ak. Div. of Family and Youth Services Clients Served.)

Of particular importance is the 219% increase in reports of child abuse and neglect during the same six year period (Appendix B, chart 3, red border). During this period there was a 272% increase in reports of sexual abuse of children and a 579% increase in the number of such reports that were substantiated (Appendix B, chart 4, purple border). These are particularly significant since the nature of alleged abuse requires an intensive investigation, and formal court action is more frequently required in order to achieve adequate protection for the children.

The growth in the need for response by DFYS to reduce risk of harm to persons who must reside outside their own homes is reflected by an increase in the number of licensed facilities providing care such as child day care centers and homes, foster homes, and residential facilities serving both children and adults (Appendix B, chart 5, green border). During the period from January 1980 to August 1984, there has been a 70% increase in the number of licensed facilities. This reflects additional responsibility of DFYS to license adult facilities, increased demand for day care facility licensing, and an increased utilization of family foster homes. Increases to the state day care assistance program have significant effects on the demand for licensed day care facilities since the state requires assistance be utilized to provide care for children in licensed facilities. This acts as an incentive for facilities to be licensed.

### III. Agency Resources

Despite the increasing demand for protective services provided by DFYS, the service resources - social work staff, community licensing specialists, and clerical support staff - have not been increased propor-

tionately (Appendix B, chart 6, gold border). Although overall DFYS caseload has increased 173% since FY 78, there was only an 18% increase in social work staff during that period. While the number of licensed facilities increased by 70% from January, 1980 to the present, licensing staff increased only 23% during the same period. Support staff in regional and field offices increased only 6% during the period FY 78 through FY 83. Lack of adequate support staff has placed an increasing burden on professional staff who must perform clerical functions, decreasing time available for them to perform the direct client services. This problem was cited in a recent Division of Legislative Audit Special Report on the Division of Family and Youth Services Emergency Custody Procedures.

#### IV. Level of Response

As is illustrated in Appendix B, chart 7 (brown border), in 21 of 36 field offices the average number of cases served by DFYS social work staff exceeds the maximum caseload standard of 50 (this figure represents the maximum number of cases for social workers to provide minimally acceptable services.) In seven of these offices this maximum number is exceeded by 100% or more. Chart 8 in Appendix B (indigo border) illustrates the number of social work staff needed to bring caseloads in various Division of Family and Youth Services offices down to the maximum standard.

A comparison of work load standards for licensing workers with existing DFYS staff responsibilities indicates some workers exceed the recommended standard by more than 100%. As a result it has been necessary to convert three social work positions to perform licensing and to add licensing responsibilities to other already overburdened caseworkers.

DFYS staff levels have resulted in continually decreasing levels of service to clients and inability of the agency to perform other than mandated or crisis services. Decreasing service levels and increasing expectations by the public and legislators have led to greater numbers of complaints to legislators, the Ombudsman, and to increasing litigation. As the need and demand for services increase, and the level of public expectation has increased without commensurate increases in staff resources, there has been an increasingly high rate of staff turnover, errors of judgement, and an inability to implement appropriate agency policies and procedures on a uniform basis. Increasing complaints, increased agency liability and litigation, and increased legislative oversight through legislative audits are to be expected (three special audits by the Division of Legislative Audit have been conducted in the past one and one-half years).

#### V. Agency Strategy

DFYS' strategy for responding to client needs is based on its analysis of the continuum of services provided to clients and its existing allocation of resources along that continuum. Services may be categorized

or located on a continuum based on several indices. Such indices are the cost of service per client, restrictiveness of the services to the client, the severity of the client problem appropriately served by the service, the number of clients expected to be served, and the amount budgeted to provide the service.

Under a desirable scheme for resource allocation, client needs would be identified and met at the earliest possible time, in the least restrictive setting, and at the lowest cost. Under a desirable configuration for resource allocation, the greatest amount of resources would be allocated to provide services to prevent client problems or provide early intervention to the client in his or her own home (see Appendix B, chart 9, black border). This would reduce the severity of the problem and eliminate the need for more restrictive and expensive types of services. As smaller numbers of clients are served in more restrictive settings, the cost per client increases disproportionately.

As social services agencies become overburdened, their ability to maintain the desirable configuration for resource allocation diminishes. The agency's ability to provide critical prevention, and early intervention decreases as staff time must be focused on crisis response. DFYS' actual resource allocations for FY 83, unfortunately, do not follow the desired configuration (see chart 10, raspberry border). Instead, a large proportion of resources are devoted to providing service to a very few clients in restrictive settings. The agency goal has been to move toward an allocation of resources more closely resembling the desired configuration. DFYS has taken a number of steps to achieve this. An example is the increased use of family foster care and decreasing the reliance on residential care for children in need of out-of-home protective services.

#### RECOMMENDED ADMINISTRATION RESPONSE

The Division of Family and Youth Services is mandated through its various statutory requirements to be a comprehensive social service agency providing a full range of services to strengthen families and promote the individual well-being of children. However, the agency has not had adequate resources to accomplish its mandate. Most critically the agency is presently understaffed to a degree which limits services to a level little greater than crisis response, and may be inadequate to achieve minimally acceptable protection of children.

An immediate response is needed to eliminate this crisis circumstance and both raise the level of service to clients and reduce the liability of the state. This would require funding of additional staff positions to provide necessary social services and perform required licensing functions. It would also include administrative support staff. The minimum number of staff necessary to increase the agency's ability to provide services is illustrated in the accompanying Appendix A. Briefly, this

would require 35 positions, including 15 full time social workers, 5 full time community care licensing specialists, and 15 field support staff distributed throughout the state in areas experiencing the most critical need.

Long term solutions to the problems currently being faced will initially require additional resources in prevention and early intervention services and an altering of the configuration for allocation of resources. This change in resource allocation will necessarily be gradual but will eventually result in reduced need for more expensive and restrictive client services and, perhaps, reductions in overall resources required to meet client needs.

APPENDIX A

Recommended Staff Augmentation  
by Location

SUMMARY OF REQUEST - 35 POSITIONS

Social Workers - 15 Full-Time Positions

Community Care Licensing  
Specialists - 5 Full-Time Positions

Administrative and  
Clerical Support - 15 Positions  
11 Full-Time Positions  
8 Part-Time Positions

Southcentral Region - 17 Positions

Anchorage Service Unit

1 Social Worker IV  
1 Social Worker III  
2 Social Worker I's  
2 Community Care Licensing Specialist I's  
2 Clerk Typist III's

Kenai

2 Social Worker III's

Homer

1 Social Worker III  
1 Clerk Typist III

Field Office Clerical Support

3 Clerk Typist III's  
.5 Valdez  
.5 Copper Center  
.5 Unalaska  
.5 Wasilla  
.5 Cordova  
.5 Dillingham

Regional Office

1 Administrative Assistant II  
1 Accounting Clerk III

Northern Region - 11.5 Positions

Fairbanks Service Unit

2 Social Worker III's  
2 Community Care Licensing Specialist I's  
2 Social Services Associate III's  
1 Clerk Typist III

Delta

.5 Clerk Typist III

Galena

1 Social Worker III

Northern Region (continued)

Barrow

1 Clerk Typist III

Regional Office

1 Administrative Assistant III  
1 Accounting Clerk II

Southeastern Region - 6.5 Positions

Juneau Service Unit

1 Social Worker IV  
1 Social Worker III

Ketchikan Service Unit

1 Social Worker III  
1 Community Care Licensing Specialist I  
1 Clerk Typist III

Craig

.5 Clerk Typist III

Regional Office

1 Administrative Assistant I

APPENDIX B

# AT RISK CHILD POPULATION IN ALASKA 0 TO 18

POPULATION

200,000

15% Increase

153,536

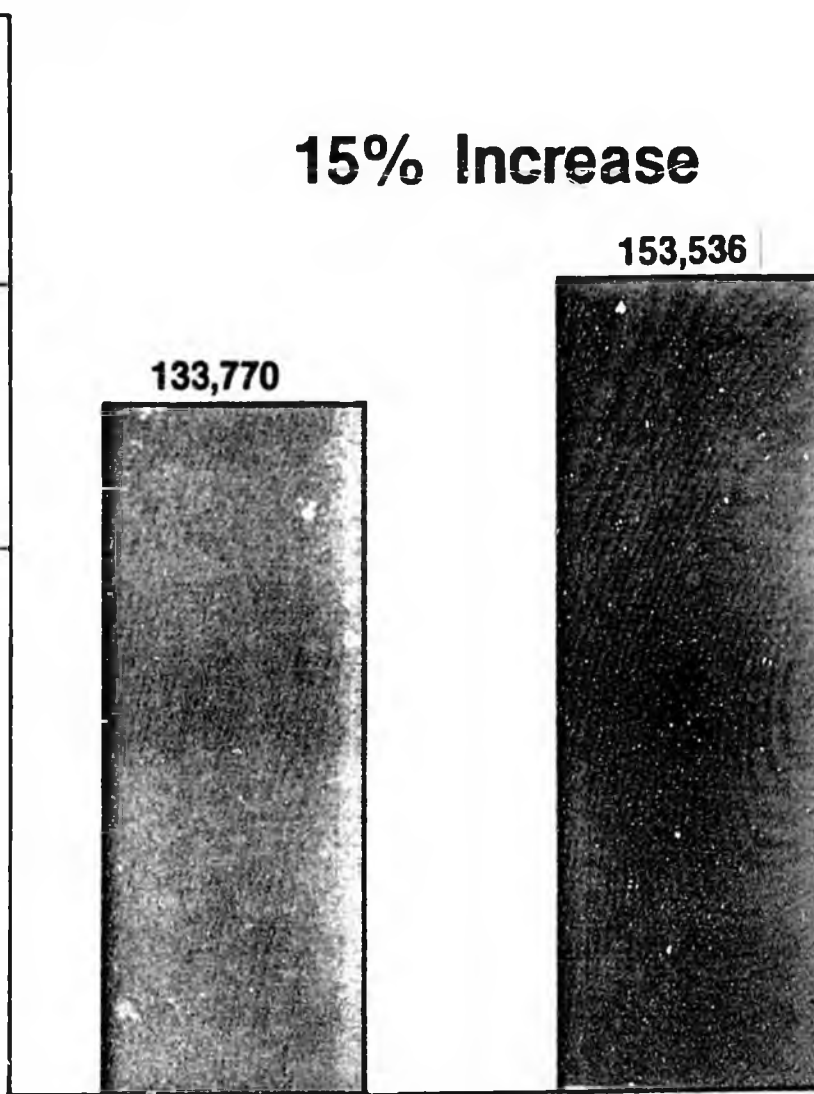
133,770

100,000

FY78

FY83

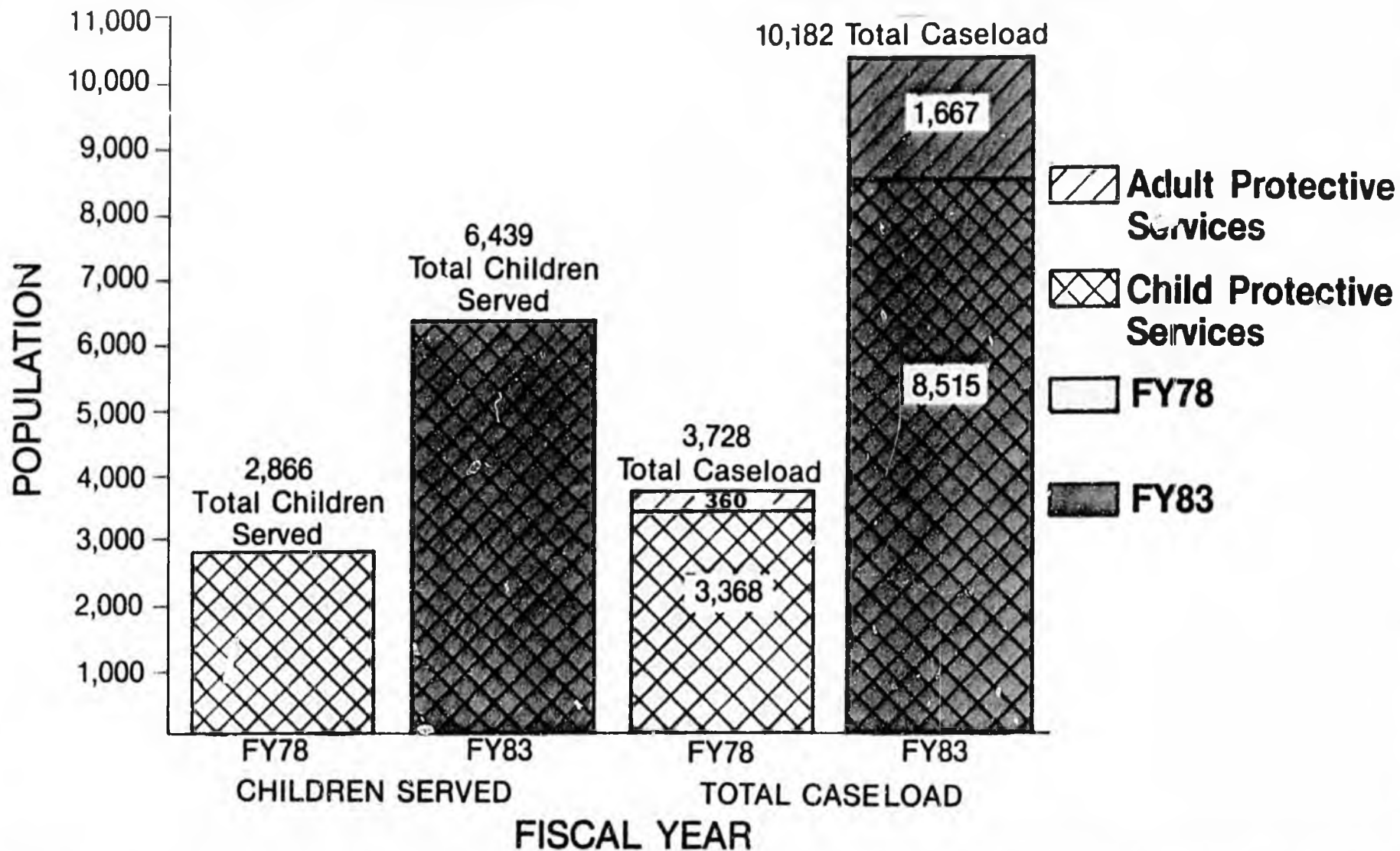
FISCAL YEAR



# AK. DIV. OF FAMILY AND YOUTH SERVICES CLIENTS SERVED

122% Increase

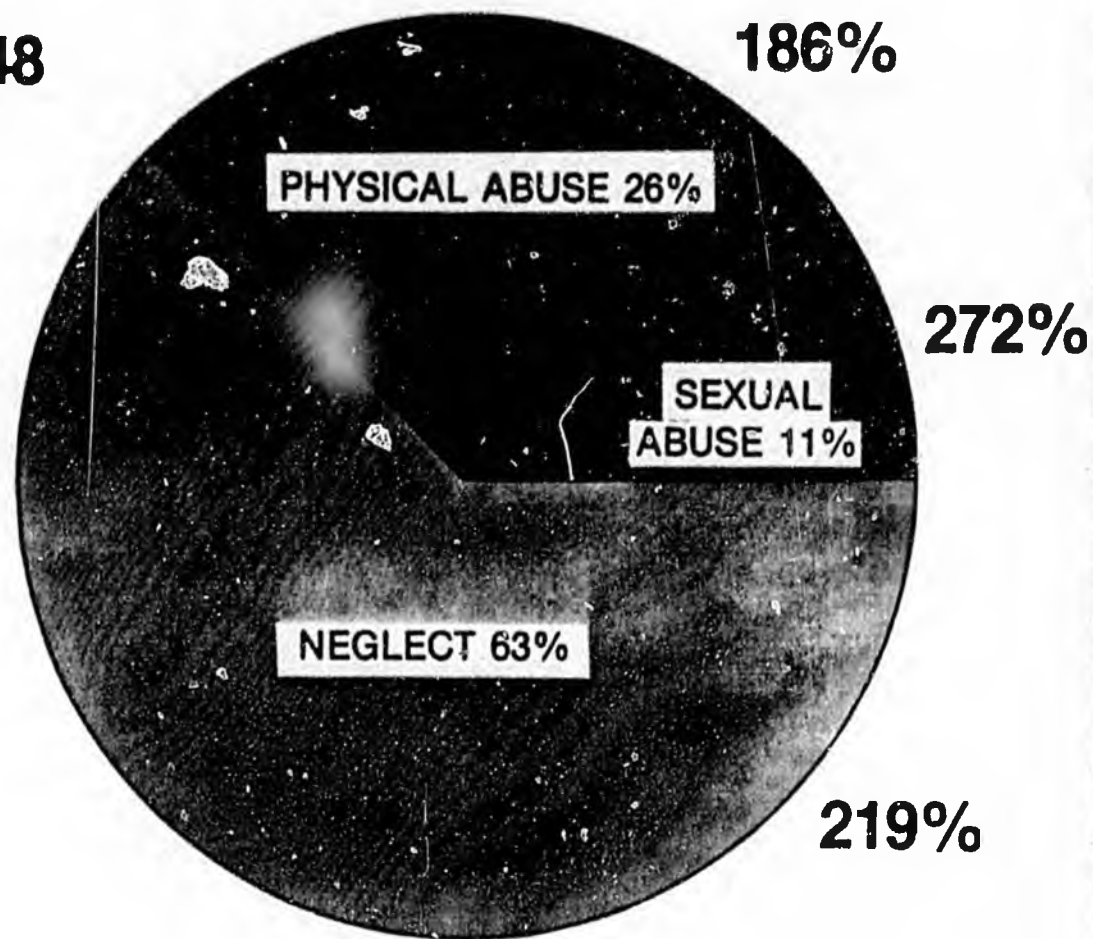
173% Increase



# REPORTS OF CHILD ABUSE AND NEGLECT IN ALASKA

FY83 Total Reports: 5,574

FY78 Total Reports: 1,748

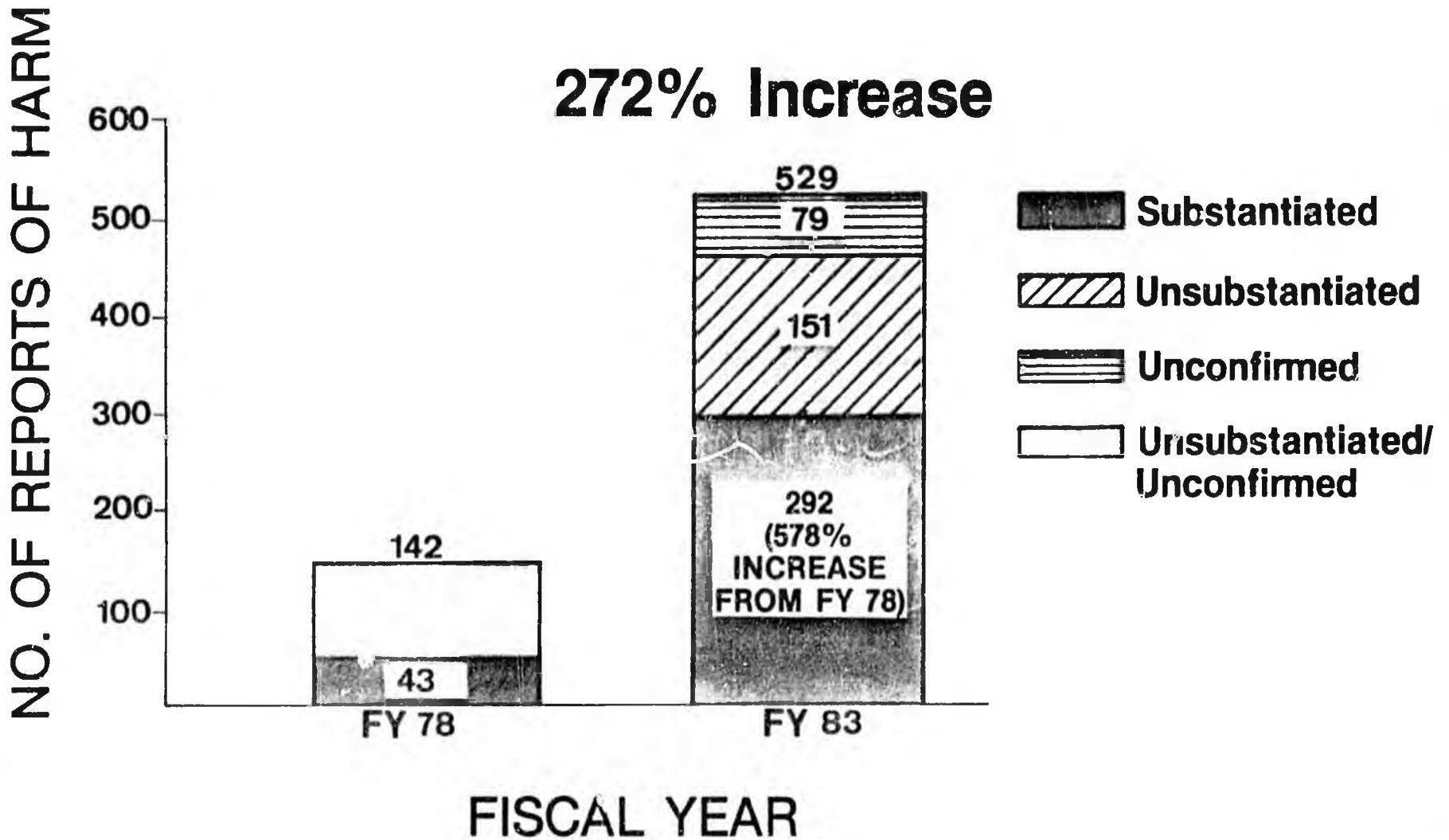


186%

272%

219%

# REPORTS OF CHILD SEXUAL ABUSE IN ALASKA



# LICENSED FACILITIES IN ALASKA

**January 1980**

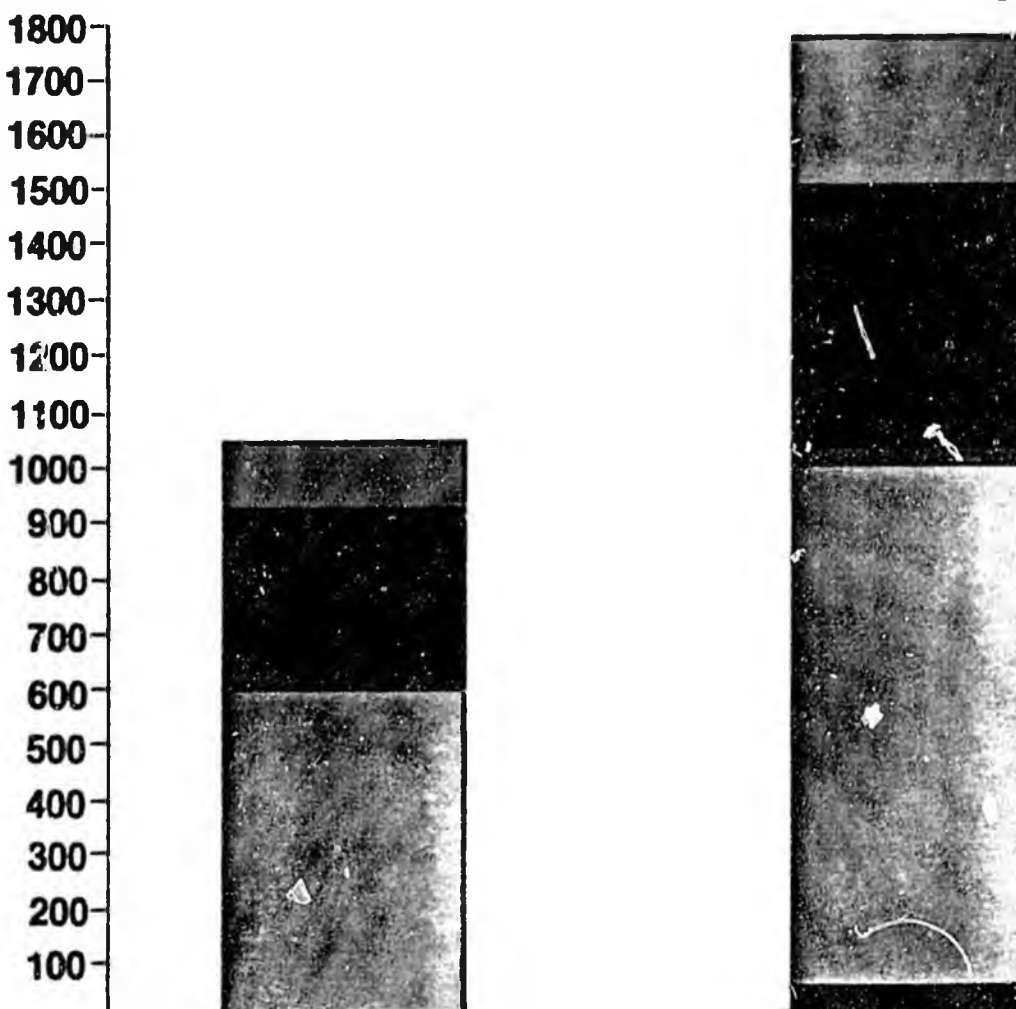
**1,039 Facilities**

**7,043 Capacity**

**August 1984**

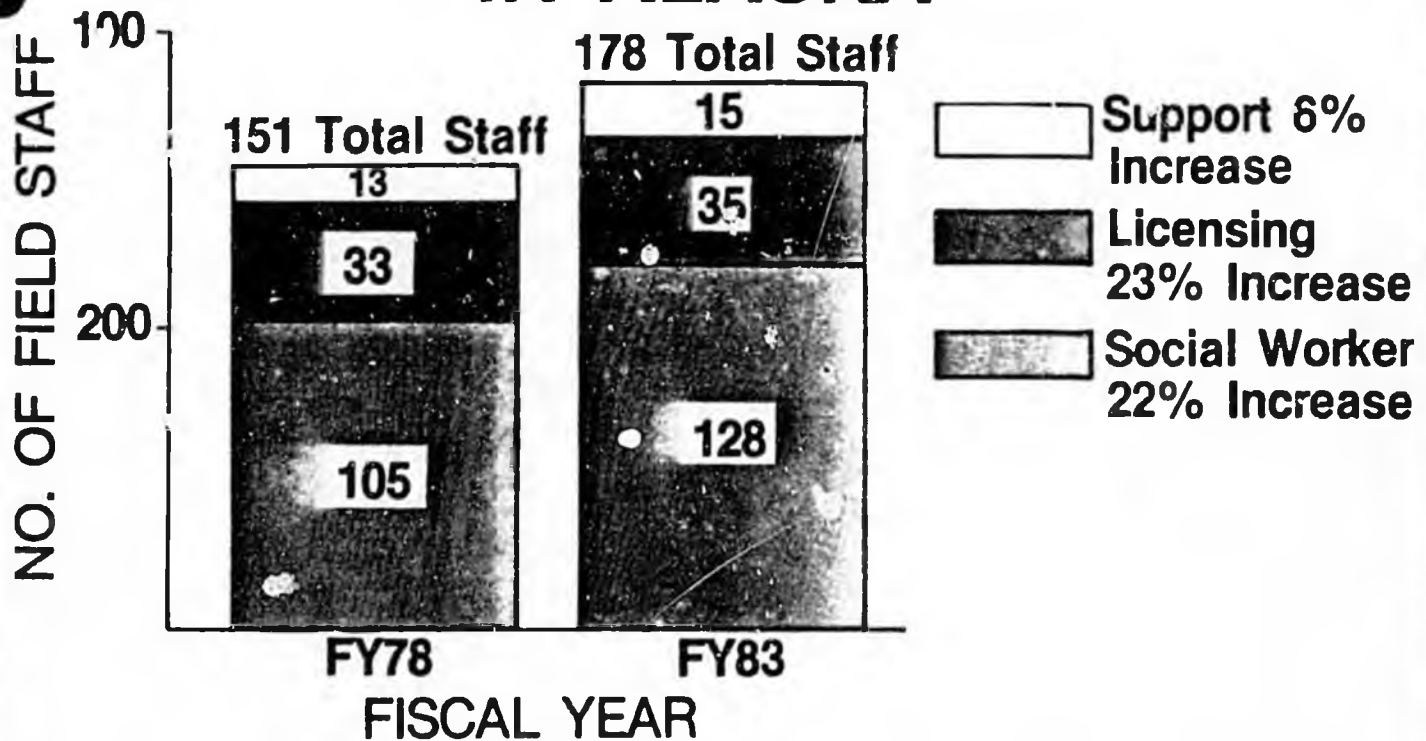
**1,755 Facilities = 70% Increase**

**12,617 Capacity = 79% Increase**

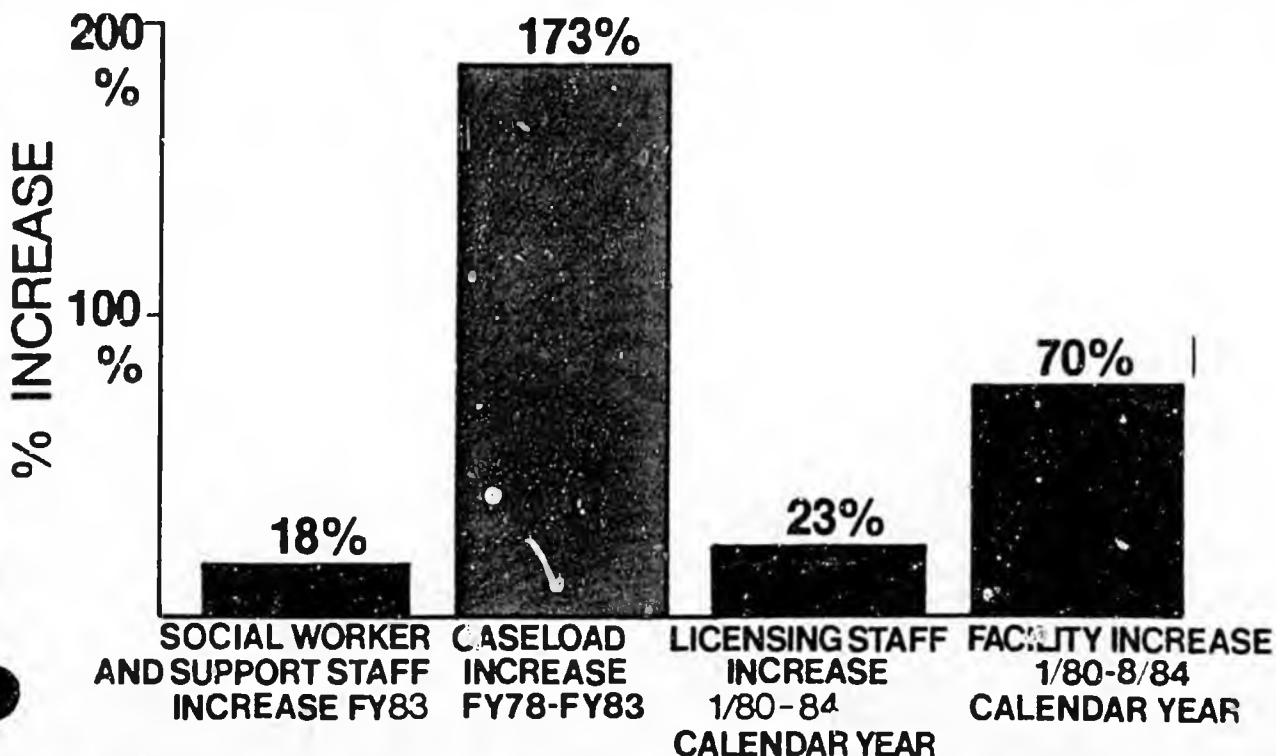


-  Child Care Centers
-  Family Child Care Homes
-  Residential Child Care Facilities
-  Child Foster Homes
-  Adult Residential Care Facilities
-  Adult Foster Homes

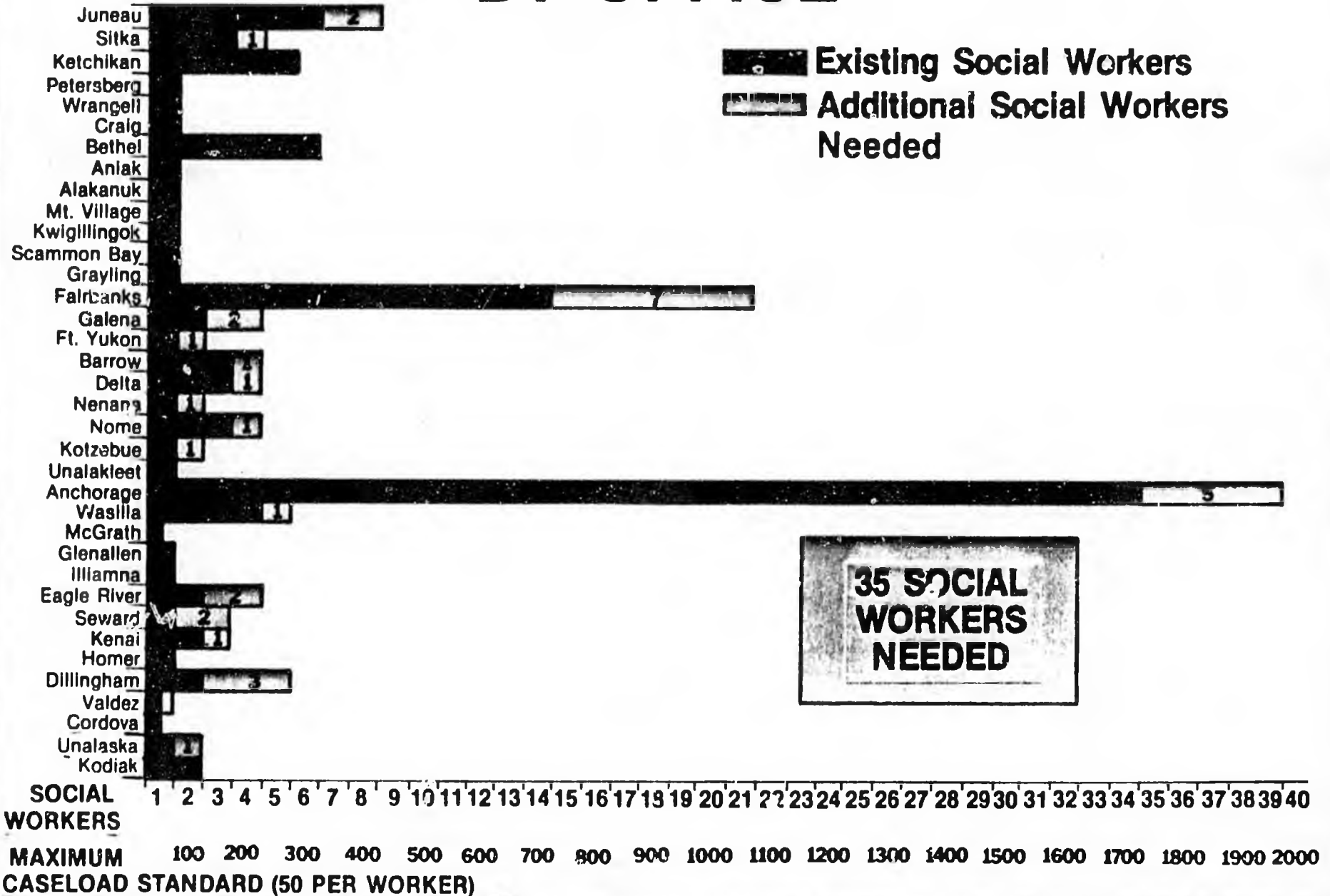
# DFYS FIELD STAFF RESOURCES IN ALASKA



# DFYS FIELD STAFF COMPARED TO CASELOAD INCREASES IN ALASKA



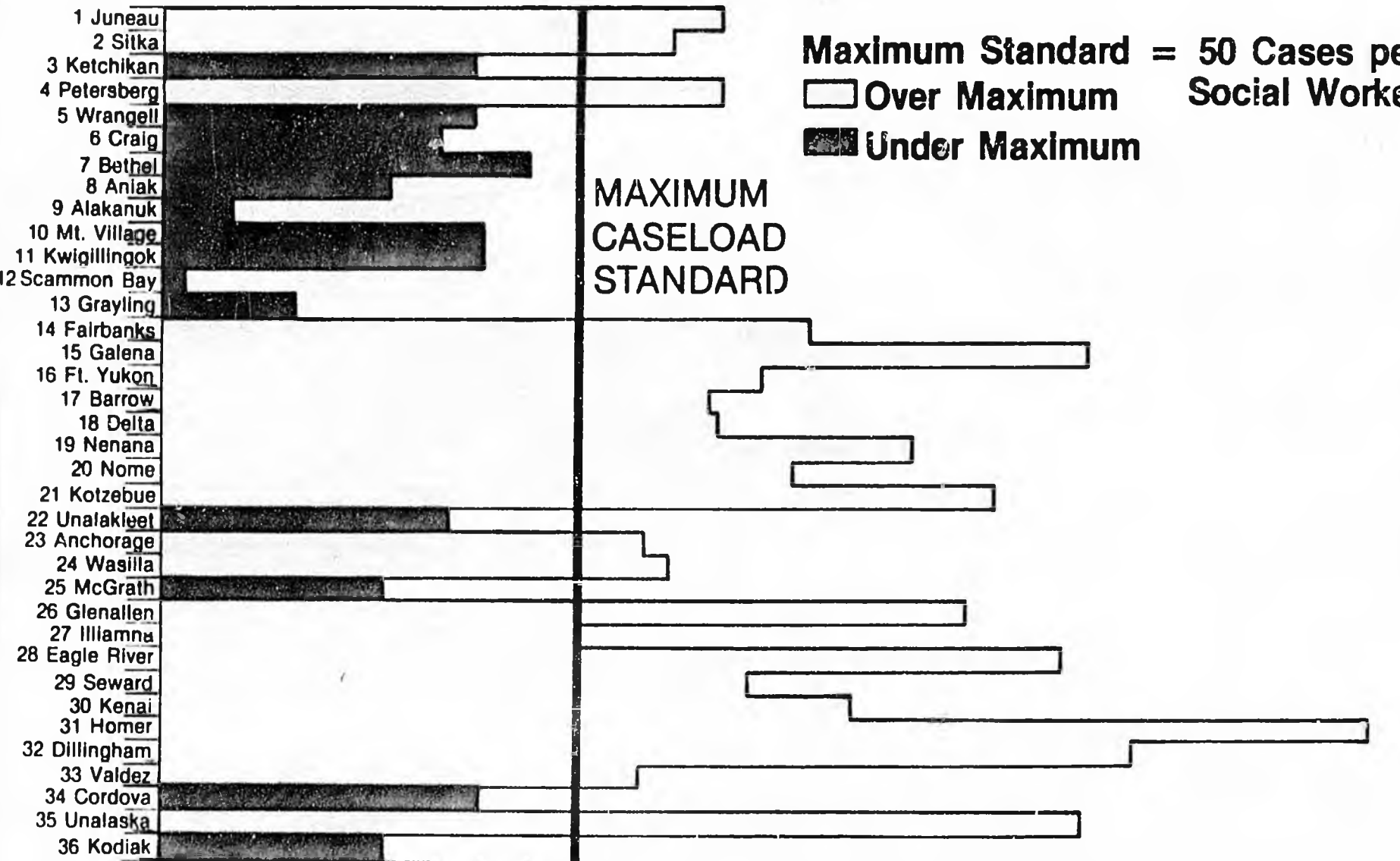
# NEEDED SOCIAL WORKERS BY OFFICE



# AVERAGE SOCIAL WORKER CASELOAD BY OFFICE

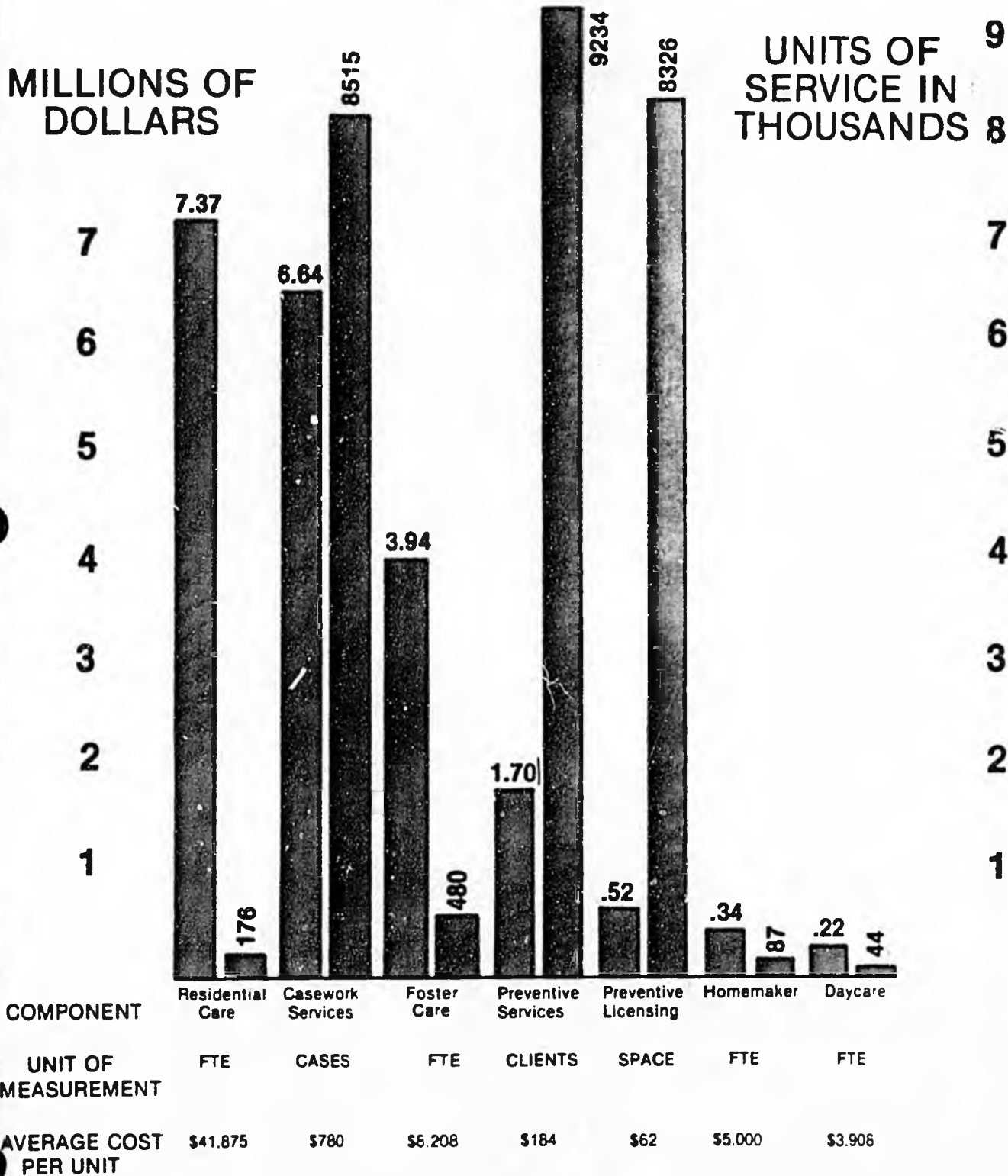
Maximum Standard = 50 Cases per Social Worker  
 □ Over Maximum  
 ■ Under Maximum

MAXIMUM  
CASELOAD  
STANDARD



DFYS 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100 105 110 115 120 125 130 135  
 OFFICE NO OF CASES PER SOCIAL WORKER

# ACTUAL RESOURCE ALLOCATION — FY83 (\$20,728,900)



COMPONENT

Residential Care    Casework Services    Foster Care    Preventive Services    Preventive Licensing    Homemaker    Daycare

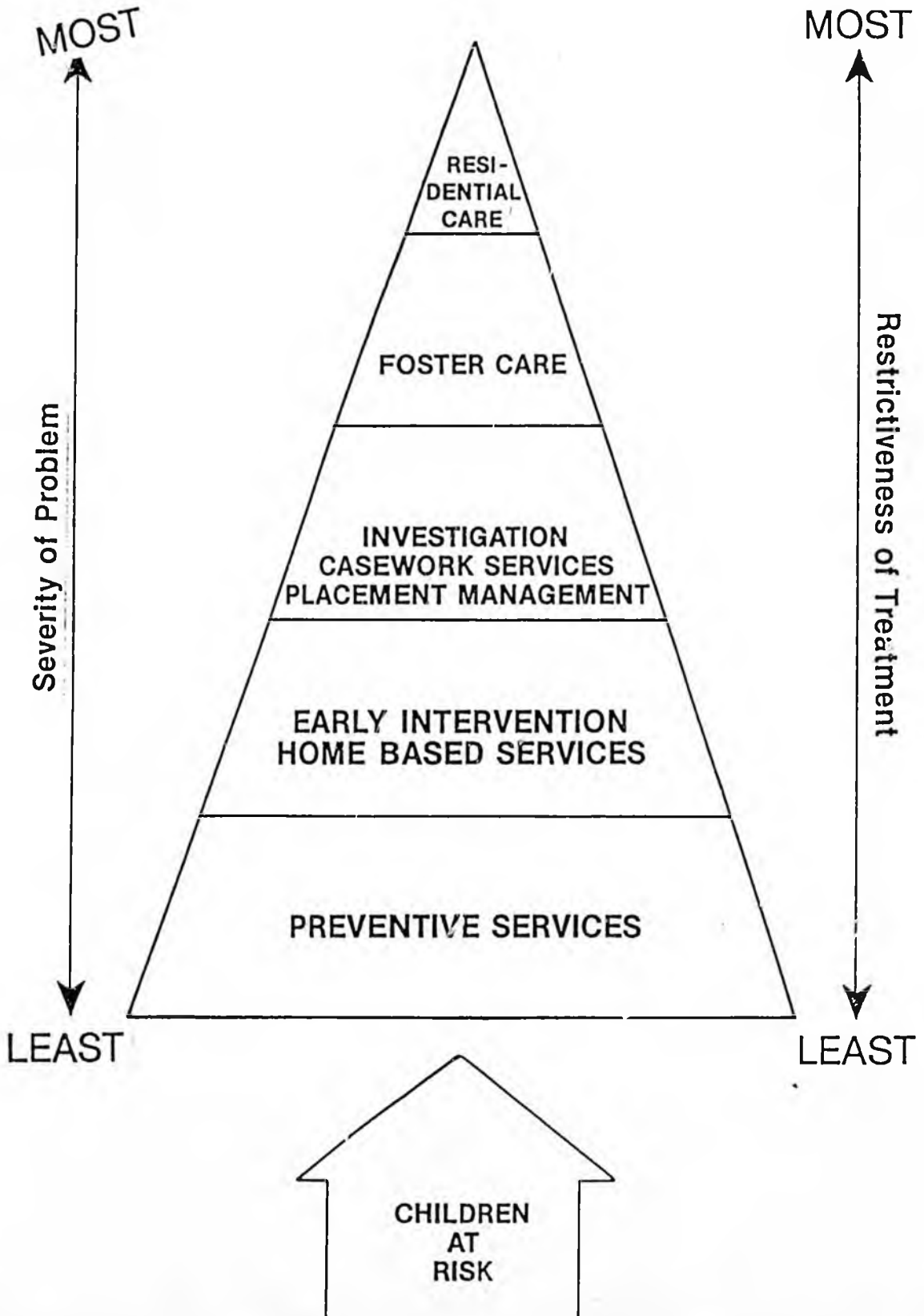
UNIT OF MEASUREMENT

FTE    CASES    FTE    CLIENTS    SPACE    FTE    FTE

AVERAGE COST PER UNIT

\$41.875    \$780    \$6.208    \$184    \$62    \$5.000    \$3.906

# SERVICE CONTINUUM





REGINALD LAMM  
GOVERNOR

DEPARTMENT OF INSTITUTIONS

FRANK A TRAYLOR M.D. Executive Director

DIVISION OF MENTAL HEALTH

ROBERT W GLOVER Ph.D. Director  
3520 West Oxford Avenue  
Denver Colorado 80236  
Telephone (303) 761-0220

*Time for  
5:15 - 5:30  
What you  
would like  
should I help  
- make that  
you can  
just note  
that these  
Studies Taylor's  
talking about  
are in the  
file for the  
next committee  
to meet -*

DATE: November 19, 1985

TO: Executive Directors and Board Presidents  
Community Mental Health Centers and Clinics

FROM: David L. Shern, Ph.D. and *DLS*  
Anita S. Coen, L.S.W. II *AS*  
Program Information, Evaluation and Research Services

RE: Population and Population in Need Estimates for  
1986-87 Planning Activities

Please find the enclosed tables which may be useful in your 1986-87 planning activities. In the tables, we summarize the most recent population and Population in Need estimates for each catchment area. The population estimates also are displayed by age and ethnic groups.

The social indicator data, which are employed in the need model, are also presented and updated in these tables. The "low variance" model, which was adopted jointly by the DMH and the CACMHCC, is used for estimating the number of needy individuals in each catchment area.

Each of the tables is described briefly below.

Table 1 presents the revised population estimates by age group.

Table 2 displays the population estimates for ethnic minority groups.

Table 3 includes the social indicator information that is employed in modifying the age-adjusted prevalence estimates for each catchment area.

Table 4 presents the Population in Need estimates disaggregated into age groups. These estimates were calculated by using the age specific prevalence rates and the low variance social indicator modification for each age group individually. In the final column of the table, the total Population in Need for each catchment area is presented.

We hope that you find this information helpful. If you have any questions, please call either your program coordinator or Dave Shern (761-0220 ext. 451).

DLS/ds

cc: Program, Administrative, Planning and PIER Services  
Management Team

COLORADO DIVISION OF MENTAL HEALTH  
POPULATION IN NEED MODEL  
SOCIAL INDICATORS RAW SCORES  
AND COMPOSITE STANDARDIZED SCORES

CATCHMENT AREA	SUICIDE RATE PER 100,000 POP 1983 (1)	ADUSE & NEGLECT REPORTS RATE PER 100,000 C & A 1984 (2)	DIVORCE RATE PER 1,000 MARRIED COUPLES 1984 (3)	PERCENT MINORITY POPULATION 1980 (4)	PERCENT POPULATION IN POVERTY 1980 (5)	PERCENT LABOR FORCE UNEMPLOYMENT 1984 (6)	COMPOSITE SOCIAL INDICATOR SCORE (7)
ADAMS	18.11	1519.48	15.96	19.5	7.4	5.650	-.18160
ARAPAHOE	16.67	698.69	18.61	5.9	4.5	3.580	-1.53242
AURORA	10.79	963.23	19.65	14.2	5.5	4.590	-1.18422
BETHESDA	21.02	1813.14	40.56	8.2	6.3	3.100	.21895
BOULDER	18.05	1142.88	28.92	7.9	10.1	4.750	-.38979
CENTENNIAL	17.92	793.86	15.42	6.9	12.9	4.770	-.95379
COLO WEST	23.38	1207.75	25.59	6.2	8.8	7.940	.00544
JEFFERSON	16.29	621.75	20.75	7.0	4.6	4.480	-1.41295
LARIMER	10.87	321.44	21.75	7.5	11.0	5.100	-1.41257
MIDWESTERN	16.42	1509.95	24.11	9.5	13.4	9.790	.42155
NW DENVER	34.09	1189.20	40.55	46.1	23.8	7.600	2.31130
PARK EAST	9.05	1122.62	40.56	43.5	11.4	4.800	.39310
PIKES PEAK	18.63	850.57	29.32	15.6	10.4	5.520	-.33367
SAN LUIS	15.00	779.40	25.02	44.3	24.1	10.470	1.11873
SE COLO	17.28	1289.98	13.38	25.0	18.7	5.920	.15519
SW COLO	33.41	1423.92	27.64	17.2	14.7	8.430	1.13543
SW DENVER	34.51	1049.20	40.58	29.3	10.8	5.000	.94092
SPAN PEAKS	10.83	1159.89	19.49	36.7	14.6	10.980	.54695
WELD	15.74	943.25	18.13	18.5	14.1	5.670	-.45428
WEST CENTRAL	26.77	917.50	34.89	12.5	10.6	9.930	.61870
MEAN	19.2	1066.0	26.3	19.1	11.9	6.4	
S.D.	7.6	350.1	8.8	14.0	5.5	2.4	

(1) SOURCE: COLORADO DEPARTMENT OF HEALTH, PUBLIC HEALTH STATISTICS SECTION, ANNUAL REPORT OF VITAL STATISTICS, 1983.

(2) SOURCE COLORADO DEPARTMENT OF SOCIAL SERVICES, PROTECTIVE SERVICES PROGRAM, 1984.

(3) SOURCE COLORADO DEPARTMENT OF HEALTH, PUBLIC HEALTH STATISTICS SECTION, ANNUAL REPORT OF VITAL STATISTICS, 1984. NUMBER OF MARRIED COUPLES ESTIMATED FROM 1980 CENSUS AND UPDATED WITH 1984 POPULATION ESTIMATES FROM DIVISION OF LOCAL GOVERNMENT, AUG 1984.

(4) SOURCE DATA EXTRACTED FROM SUMMARY TAPE FILE #4, 1980 U.S. CENSUS.

(5) SOURCE 1980 CENSUS SUMMARY TAPE FILE 3 PROVIDED BY THE DIVISION OF LOCAL GOVERNMENT, 1983.

(6) SOURCE COLORADO DIVISION OF EMPLOYMENT AND TRAINING, RESEARCH AND ANALYSIS SECTION, 1984.

(7) COMPOSITE SOCIAL INDICATOR SCORE CALCULATED BY TAKING MEAN OF INDIVIDUAL STANDARDIZED SCORES, AND STANDARDIZING RESULTING DISTRIBUTION.

PREPARED BY EVALUATION SERVICES,  
DIVISION OF MENTAL HEALTH, DENVER, 18 NOV 85.

Table 3

# Suicide and Economic Development Among the Inupiat

By Robert Travis

## Abstract

In the 1970's the suicide rates of two culturally similar Inupiat regions differed by a factor of 5:1. Several Durkheimian hypotheses were tested to determine the nature of this difference. The results indicate, most notably, that two factors, an interaction effect between economic development and modern education and level of unemployment itself, are significantly associated with the sharp rise in the suicide rate among the NANA Inupiat in the 1970's. The depressed economic structure within this Inupiat region could not facilitate the achievement of goals and aspirations fostered by modern education and an extremely high rate of suicide resulted.

## The Study

The North Slope and NANA Inupiat form the study populations. They inhabit the Northernmost area of Alaska, with nearly all of these two regions located above the Arctic Circle. Fully 7,345 Inupiat inhabit these two regions (U.S. Bureau of the Census, 1980).

The North Slope Inupiat have undergone tremendous economic development in the 1970's, this due to the tax revenues collected on oil and gas extraction at Prudhoe Bay. For instance, the North Slope Borough has launched a Capital Improvement Project of over one billion dollars to bring the basic necessities, such as adequate housing, indoor plumbing, sewer treatment, and telecommunications, to the residents of the North Slope. Such projects have meant a steady stream of jobs for the North Slope Inupiat, filling in the job gap created when the federal government withdrew as primary

## Acknowledgements

*Thanks to Norman Bradburn, Kevin Breault, Jan Hajda, Judith Kleinfeld, Donald Levine, William Parish, James Van Stone, and Rosita Worl for their comments and suggestions regarding this paper.*

*This paper is a revision of one that first appeared in White Cloud Journal, 1984, 3(3) pp. 14-21.*

employer on the North Slope in the early 1970's.

In contrast, the NANA Inupiat experienced an economic depression in the 1970's. For instance, unemployment rose 77% in the NANA region between 1970-1980. The federal government also withdrew as primary employer in NANA in the early 1970's, but no centralized regional government has materialized there to fill in the job gap.

Regarding the population composition of these two regions, the North Slope is comprised of eight villages, while NANA encompasses 11 villages. The regional center on the North Slope, Barrow, has over 2,000 inhabitants, as does the regional center in NANA, Kotzebue. Five of the smaller villages on the North Slope have around 200 or less inhabitants each, while the remainder comprise less than 500 each. For NANA, seven of the smaller villages have less than 300 inhabitants each, while the remainder have less than 500 each. All in all, both regions are composed of several small villages clustered around a regional center of less than 2,500.

#### Data

Information about suicides was extracted from death certificates collected by the Alaska Department of Health and Social Services from reports by physicians. Since many of the suicides among the Inupiat occurred within the North Slope and NANA regions, the ultimate responsibility for reporting suicides rested with physicians at the U.S. Public Health Service Hospitals in Barrow and Kotzebue. These tend to be young doctors, many right out of medical school, who have agreed to devote part of their career to the health care of Native Americans in exchange for federal financing of their education.

The crucial question, however, is whether or not the official reporting of suicides by the U.S. Public Health Service approximates the real level of suicides among the Inupiat. For instance, Douglas (1967) contends that the "critical problem" underlying the question of validity with official suicide rates is the systematic variation in the meanings of suicide. However, the fact that one main administrative agency—the U.S. Public Health Service—is largely responsible for reporting Native suicide rates in Alaska means that many of the official suicide

statistics were arrived at through articulated bureaucratic procedures.

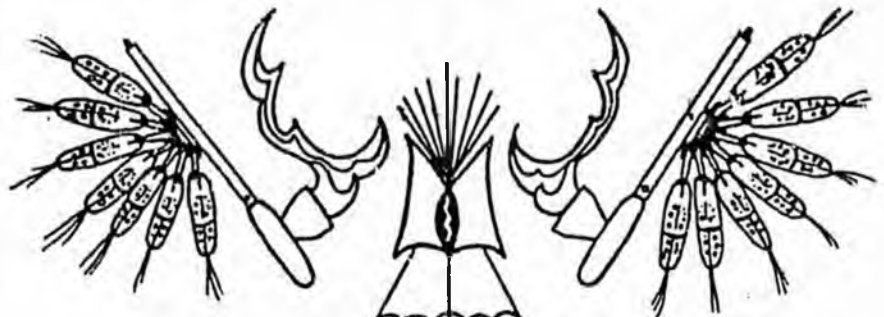
Another important question is whether or not the suicide rates between the North Slope and the NANA Inupiat are comparable. Are the definitions and search procedures employed the same for both populations? Indications are that the suicide rates are comparable, since similarly supervised doctors from the U.S. Public Health Service determine the official suicide rate in both regions.

Lastly, Douglas (1967) argues that one of the chief difficulties with official

suicide rates is the reliance upon human judgement in the classification of suicides. For instance, the determination of suicide is sometimes effected by the class of the families of the deceased (that is, the influence some strata have to bias the results). For an error in judgement to occur though the physicians in charge of classification must come to agree with particular middle-and upper-class families that those families would tend to suffer more if a death were rendered a suicide. However, this is not necessarily the case among the North Slope and

# LAMEBULL'S LODGE

## Alaska Native and American Indian Arts and Supplies



### BLANKETS

Pendelton Whitney  
Baron Hudson Bay  
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Moccasins Belts  
Watch bands



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Vests Coats

### BLANKET COATS AND CAPOTES

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At the turn of the century, many researchers believed that suicide was caused by mental illness. The researcher's problem, according to this view, was to find the causes of the illnesses which made suicide more likely and to treat them. After Durkheim's ground breaking work in suicide during the same period, which refuted many of the then current psychological explanations of suicide, research in suicide became divided into individual explanations and social explanations. "In more recent research a popular position is that suicide is the result of both external factors and internal factors and a proper, or ultimate, explanation of suicide should take cognizance of both" (Taylor, 1982, p. 37).

Durkheim, however was *not* a social determinist: he did not assume that external constraint was the only essential element for social life. Instead, he argued that external constraint is the material and apparent expression of an *interior* ideal--that is, moral authority. Such a perspective, as Nisbet (1974) has pointed out, renders his as one of the foundation-builders of modern social psychology. To date, moreover, Durkheim's (1951) *Suicide*, "despite criticism, 'modification' and 'improvement,' remains the most important sociological work on suicide" (Taylor, 1982, p. 6).

In this work, Durkheim rejected several popular notions of the causes of suicide--such as, "organic-psycho-dispositions," features of the physical environment, and the process of imitation. He argued that "suicide depends essentially on certain states of the social environment" (Durkheim, 1951, p. 138). Thus, he proposed several explanations of his own: 1) lack of integration, which leads to egoistic suicide; 2) excess of integration, which leads to altruistic suicide; 3) lack of regulation, which leads to anomic suicide; and 4) excess of regulation, which leads to fatalistic suicide.

As regards egoistic suicide, Durkheim observed that suicide varies inversely with the degree of integration, or cohesion, of the groups individuals live in. For instance, one would expect *less* suicide among those in traditional religions, those in rural-agricultural environments, and those in strongly articulated kinship systems. On the other hand, one would expect *more* suicide among those who are non-religious or who be-

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## Durkheim's Theory of Suicide

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long to individualistic and rationalistic religions, those who are urban-industrial workers, and those who are unmarried.

On anomic suicide, Durkheim implied that suicide varies inversely with the degree of regulation, or normative structure, within the groups the individual belongs to. Anomie is induced by sudden social change, whether manifested by a jump in wealth or a plunge into poverty. What matters, though, is relative deprivation: contentment may exist with poverty, while discontentment may accompany wealth. Still, it is not poverty in-and-of-itself that induces anomic and suicide, since, as Durkheim observed, poverty is associated with very low rates of suicide.

*Poverty protects against suicide because it is a restraint in itself. . . . So the less one has the less he is tempted to extend the range of his needs indefinitely. . . . Wealth, on the other hand, by the power it bestows, deceives us into believing that we depend on ourselves only. (Durkheim, 1951, p. 254)*

Durkheim differentiated anomic suicide into two dimensions: acute and chronic. Acute anomic suicide refers to sudden crises, where large numbers of individuals are suddenly displaced such that the norms that previously regulated them are no longer appropriate to their changed condition. Chronic anomic suicide, on the other hand, accompanies life in modern societies, resulting from the fact that social existence is no longer regulated by custom and tradition. As individuals in modern societies come to demand more from life, they are more inclined to suffer from a disproportion between their aspirations and their satisfactions, thus more suicide.

Moreover, Durkheim regarded egoistic and anomic suicide as largely manifestations of life in modern societies, while he considered altruistic suicide largely to be manifestation of life in more traditional societies. As regards fatalistic suicide, "it has so little contemporary importance and examples are so hard to find

. . . that it seems useless to dwell upon it" (Durkheim, 1951, p. 276).

Some critics, such as Johnson (1965) and Pope (1976), argue that Durkheim often merged the concepts of egoism and anomic, implying that there is only one "identical cause" to these two concepts--namely, degree of integration. Taylor (1982), however, counters that such a reconceptualization *restricts* the researcher's analysis to the integration of the individual into the prevailing norms of society and thereby *avoids* discussion of the *content* of those norms. "Thus, in a Durkheim formulation, it is possible for individuals to be both moderately, or adequately integrated and yet still vulnerable to suicide if those norms into which they are integrated are too weak to regulate their baser instincts" (Taylor, 1982, p. 16).

Lukes (1973), however, argues rather strongly that Durkheim's theory of suicide suffers from a number of flaws. First, Durkheim's characterization that adverse social conditions induce suicide is problematic, in that anomie might be a culturally prescribed and given norm rather than a state of normlessness. Second, Durkheim attributed suicide to psychological disequilibrium, but fails to recognize that in some cases suicide may be a rational choice. And third, Durkheim's theory of suicide is incomplete, since he emphasized the external and general to the exclusion of the particular and internal, or subjective.

*. . . it is incoherent to claim that particular circumstances and 'motives and ideas' are irrelevant to the explanation of suicide (or indeed of any human action). For these cannot be simply abstracted from action as though they were merely contingently related to them. Indeed, the actions cannot even be identified independently of them. In general, suicide is a motivated act arising out of, and perhaps intended to affect, a particular situation. To put it badly, explaining suicide--and explaining suicide rates--must involve explaining why people commit it. (Lukes, 1973, p. 221)*

These problems notwithstanding, how well does Durkheim's theory of suicide explain the prevalence of suicide among the Inupiat Eskimo, particularly in one region where suicide is more than eight times the U.S. national average?

NANA Inupiat, where suicide has a tradition of being a rational choice--that is, the former practice of taking one's life to avoid serious conflict with someone close (Spencer, 1976). Physicians in the north then encounter two social forces conducive to their classifying a death as a suicide: one, cultural differences in the interpretations Inupiat place on suicide (as opposed to their own middle-and upper-class non-relative definitions); and two, wide-spread support within the Inupiat communities for the health care capabilities of the U.S. Public Health Service Hospitals (which lends itself to accepting the definitions of suicide among these physicians).

#### Hypotheses

Durkheim posited that suicide varies inversely with the degree of integration, or cohesion, within the groups individuals belong to. That is, the less associative integration individuals experience, the higher their suicide rate. This then is the

first general hypothesis. It can be operationalized as:

#### *Operational Hypothesis I*

*The higher the proportion not married, the higher the suicide rate.*

#### *Operational Hypothesis II*

*The higher the level of education, the higher the suicide rate.*

Durkheim also implied that suicide varies inversely with the degree of regulation, or normative structure, within the groups individuals belong to. That is, the less associative regulation individuals experience, the higher their suicide rate. This forms the second general hypothesis. It can be operationalized as:

#### *Operational Hypothesis III*

*The higher the level of unemployment, the higher the suicide rate.*

#### Results

It is now apparent that the suicide rate among the North Slope Inupiat remained relatively constant during the period 1960-1980, from a high of 23.7 per

100,000 population to a low of 19.2 (Table 1). In contrast, the suicide rate in NANA registered zero for the period 1960-1966, climbed to 26.1 per 100,000 population for the period 1967-1973, then skyrocketed four fold to 106.0 for the period 1974-1980. This represents a phenomenal increase in the suicide rate among NANA Inupiat and gives rise to an important question--what factors are associated with such a precipitous increase?

While some of the social and economic indicators reveal that an underlying similarity exists between the North Slope and NANA Inupiat, other indicators point to some profound differences. First, the level of education of both populations is similar as is household size, percent immigration level of unmarried adults, and level of female labor force participation. Where the two populations differ, and differ sharply, is on economic factors. For one thing, a third of the North Slope

**Table 1**  
Social and Economic Change and Suicide Among the Inupiat Controlling for Region and Year: 1960-1980

CHARACTERISTICS	1960		1970		1980	
	NS	NANA	NS	NANA	NS	NANA
Suicide Rate <sup>a</sup>	23.2	0.0	23.7	26.1	19.2	106.0
Unemployment Rate	39.7	21.4	14.7	16.1	10.0	28.6
Percent Female Wage Earners	12%	20%	35%	45%	48%	43%
Median Family Income <sup>b</sup>	\$3,661	\$2,049	\$6,316	\$5,258	\$13,062	\$6,086
Median Education <sup>c</sup>	3.7	5.4	5.6	6.2	9.2	8.5
Percent Not Married <sup>d</sup>	32%	32%	30%	39%	47%	49%
Household Size	6.4	5.8	5.7	5.2	4.6	4.9
Percent In-Migration	6.4	6.0	11.3	5.6	6.0	5.0
NS Inupiat Population	(1603)	--	(2400)	--	(3225)	--
NANA Inupiat Population	--	(3212)	--	(3860)	--	(4120)

<sup>a</sup> Suicide rates were computed for three periods: 1960-1966, 1967-1973 and 1974-1980.

<sup>b</sup> Income reported in 1967 U.S. dollars.

<sup>c</sup> Adults 25 and over.

<sup>d</sup> Adults 18 and over.

SOURCE: U.S. Bureau of the Census, *Census of Population and Housing, 1960, 1970, 1980* (Supplementary Report); Alaska Department of Health and Social Services, Office of Information Systems.

Inupiat population worked in 1980, while in contrast only a fifth of the NANA Inupiat population worked in 1980. Income differences also sharply define the two populations: level of family income increased 107% among the North Slope Inupiat between 1970 and 1980, while remaining virtually the same among the NANA Inupiat for the same period. This is to be expected given the development of an oil and gas extraction industry on the North Slope in the 1970's and the creation of a regional government in the early 1970's to channel the tax revenues, creating more jobs for the North Slope Inupiat.

Examining the zero-order correlations (Table 2) of these same social and economic indicators shows that: one, none of these factors are significantly related to the suicide rate among the North Slope Inupiat; and two, all of these factors are strongly related to the suicide rate among the NANA Inupiat. Many of the correlations in the latter population are, however, highly intercorrelated, suggesting that some of the correlations may be spurious. In the former population

though, the low correlations between the social and economic factors and the suicide rate may mean that unmeasured situational and personality factors may be at work in producing the low level of suicide among the North Slope Inupiat.

In the event that certain factors might act to suppress the zero-order correlations among the North Slope Inupiat population, a series of multiple regression analyses were undertaken. Such an analysis (not shown here) revealed that the zero-order correlations are in fact real: none of the social and economic factors considered in this study are significantly related to the suicide rate among the North Slope Inupiat.

Regarding the Inupiat in NANA, three social and economic factors are also hypothesized to directly and significantly effect the suicide rate there (Figure 1). These factors are: non-marriage, unemployment, and education. In NANA as the proportion of "not married" increased, the suicide rate increased significantly. This would appear to confirm Operational Hypothesis I, if it were not for the fact that the proportion of "not

marrieds" increased by about the same rate for North Slope and NANA Inupiat alike and that such an increase did not lead to more suicide on the North Slope. Another factor appears to be at work here.

Unemployment, however, did directly and significantly ( $p = .0001$ ) effect suicide in NANA. This would seem to confirm Operational Hypothesis III, especially given the fact that both unemployment and the suicide rate fell on the North Slope, as one would expect when chronic anomie fluctuates.

Concerning the effects of education though, level of education actually increased more on the North Slope than in NANA, but it did not directly and significantly effect the suicide rate among the Inupiat in either region. This would seem to disconfirm Operational Hypothesis II, since the effects do not follow the prediction.

#### Discussion

Since both regions share a common culture but experienced dissimilar economic activity in the 1970's, economic development seems to emerge as the single most distinct, underlying factor

Table 2  
Zero-Order Correlations between Suicide Rates Among the Inupiat and Selected Indicators, Controlling for Region: 1960-1980

	Selected Indicators <sup>a</sup>														No. of Years
	Suicide		Education		Not Married		Income		Nowork		Female LFP		HH Size		
	NS	NANA	NS	NANA	NS	NANA	NS	NANA	NS	NANA	NS	NANA	NS	NANA	
Suicide	--	--													(21)
Education	-.09	.87	--	--											(21)
Not Married	-.16	.86	.91	.99	--	--									(21)
Income	-.10	.71	.99	.86	.93	.91	--	--							(21)
Nowork	-.01	.72	-.88	.77	-.62	.69	-.85	.34	--	--					(21)
Female LFP	-.01	.56	.94	.70	.74	.77	.93	.96	-.98	.08	--	--			(21)
HH Size	.06	-.77	-.99	-.92	-.89	-.96	-.99	-.98	-.89	-.49	-.95	-.90	--	--	(21)
Mobility	.26	-.83	-.24	-.98	-.61	-.99	-.29	-.92	-.23	-.66	.07	-.79	.20	.96	(21)

<sup>a</sup> Nowork refers to the level of unemployment. Female LFP stands for Percent Female Labor Force Participation. HH Size represents the Number of Household Members. Mobility refers to percent in-migration.

SOURCE: U.S. Bureau of the Census, *Census of Population and Housing, 1960, 1970, 1980* (Supplementary Report); U.S. Department of the Interior, *2 (c) Report, Federal Programs and Alaska Natives, 1973*; Alaska Department of Health and Social Services, Office of Information Systems.

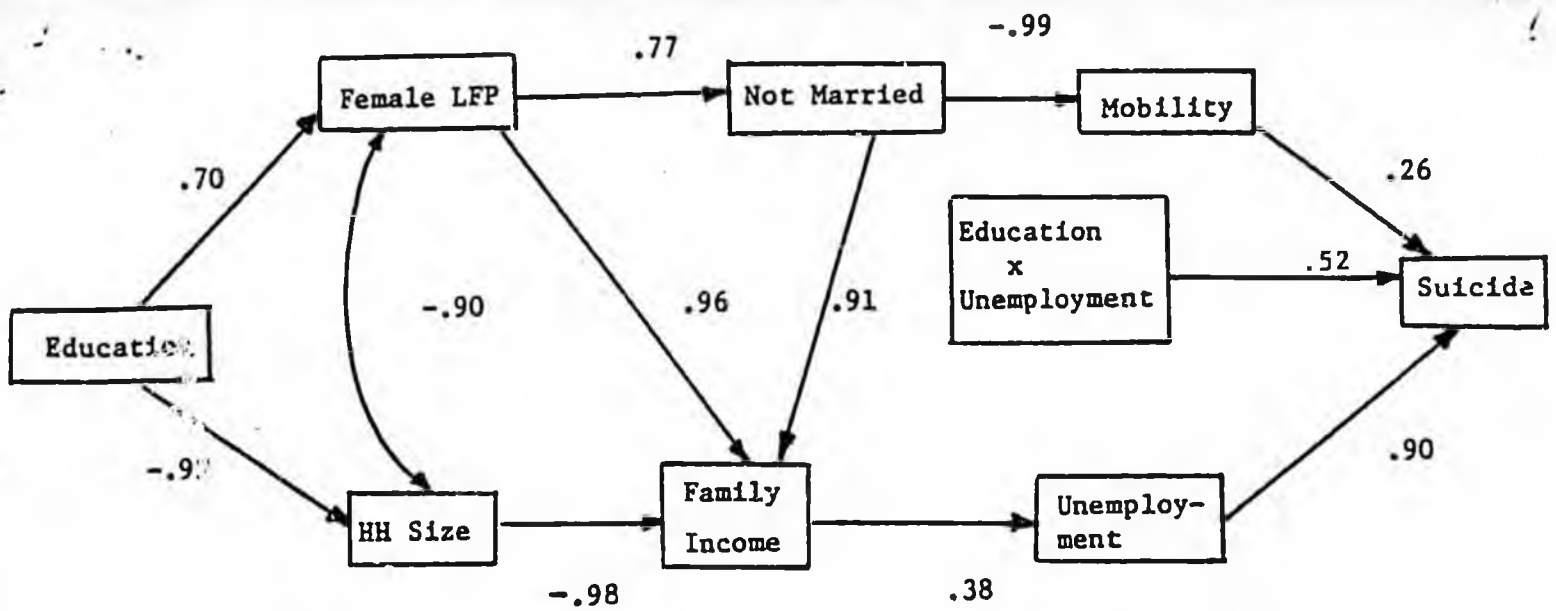


Figure 1. Path Analysis of Social and Economic Indicators on Suicide Among the Inupiat in NANA: 1960-1980. Female LFP refers to Female Labor Force Participation. HH Size represents the Number of Household Members. Education X Unemployment refers to an interaction effect. (U.S. Bureau of the Census, 1980; U.S. Department of the Interior, 1973; Alaska Department of Health and Social Services, 1980).

that separates the North Slope from NANA. The substantial rise in the level of unemployment among the NANA Inupiat between 1970 and 1980, moreover, seems to support the notion that an economic depression ravaged the regulative, as well as the integrative, structure of the Inupiat community in NANA during the 1970's.

The way it ravaged the social structure in NANA appears to emerge clearly when considering the significant ( $p = .001$ ) interaction effects of the rising levels of unemployment and education there. Travis (1983) documented the fact that the more educated a young NANA Inupiat is the more likely that individual is to commit suicide. Indeed, the effects of education in particular and of modernization in general have been pernicious: modern education, in its historic attempt to prepare the Inupiat only for mainstream society, has uprooted the traditions of Inupiat society in NANA and replaced them with unattainable economic goals and aspirations. These remain unattainable because during an economic depression the means to achieving economic success are blocked. Thus, young Inupiat are inclined to become separated both from their own and the non-Native culture, and once confronted with loss of meaningful relationships, or a series of failures, they tend to drink and to kill themselves with increasing frequency (Travis, 1983).

This notwithstanding, unemployment itself appears to be the principal factor that adversely effected suicide in NANA, particularly between 1970-1980 when unemployment among the Inupiat registered about four times higher than the U.S. national average. If the extent of "discouraged workers" were known, the association between unemployment and suicide would no doubt be even greater. Thus this study probably understates the real effects of chronic unemployment on suicide among the NANA Inupiat.

#### Conclusion

The findings contradict Durkheim's contention that suicide necessarily increases during economic upheavals, regardless whether economic depression or prosperity occurs. What matters, argued Durkheim, is the acute, abrupt, abnormal effects of economic crises. During

these crises society tends to be momentarily incapable of exercising its restraining influence on individuals, who then face a state of social deregulation or anomie. As regards the Inupiat though, both the North Slope and NANA experienced an economic upheaval in the 1970's—one for the better and one for the worst. But Durkheim's theory only predicts the state of social deregulation in NANA whereas anomie did not appear to plague the North Slope. This implies that in regions undergoing transformation from a traditional to a modern society suicide may not pose a significant problem during economic development.

Another contradiction arises when considering the effect modern education has on the suicide rate. Durkheim hypothesized that as the level of education rises so does the level of suicide. This re-

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sults, Durkheim argued, because modern education usurps traditions and customs and replaces them with individualistic, unsatiable goals and aspirations. As individuals come to demand more from life, relative deprivation sets in and the suicide rate rises. However, among the Inupiat modern education in-and-of-itself was not observed to foster suicide. The educational level rose faster in the 1970's among the North Slope Inupiat than among the NANA Inupiat, while the suicide rate increased significantly more among the latter. This suggests that the

social structure of Inupiat society can accommodate modern education and acculturation as long as the basic economic needs of the Inupiat are met.

Finally, the interaction effects of economic development and education, for instance, suggests that the extremely high suicide rate among the NANA Inupiat is a mixed-type of suicide--that is, egoistic-anomic suicide. Durkheim accounted for this in his theory of suicide:

*Two factors of suicide, especially, have a peculiar affinity for one another: namely, egoism and anomy.*

*We know that they are usually merely two different aspects of one social state; thus it is not surprising that they should be found in the same individual (Durkheim, 1951, p. 288).*

In sum, the interaction between economic development and modern education, between poverty and the loss of tradition, is significantly associated with the sharp rise in the suicide rate among the NANA Inupiat in the 1970's. Where economic development, however, has allowed the Inupiat to achieve the goals and aspirations engendered by a modern education, the suicide rate has approximated the national average. ■

*Robert Travis is a graduate student in the Department of Sociology, University of Chicago. His research interests include social problems and social change among contemporary Alaskan Natives.*

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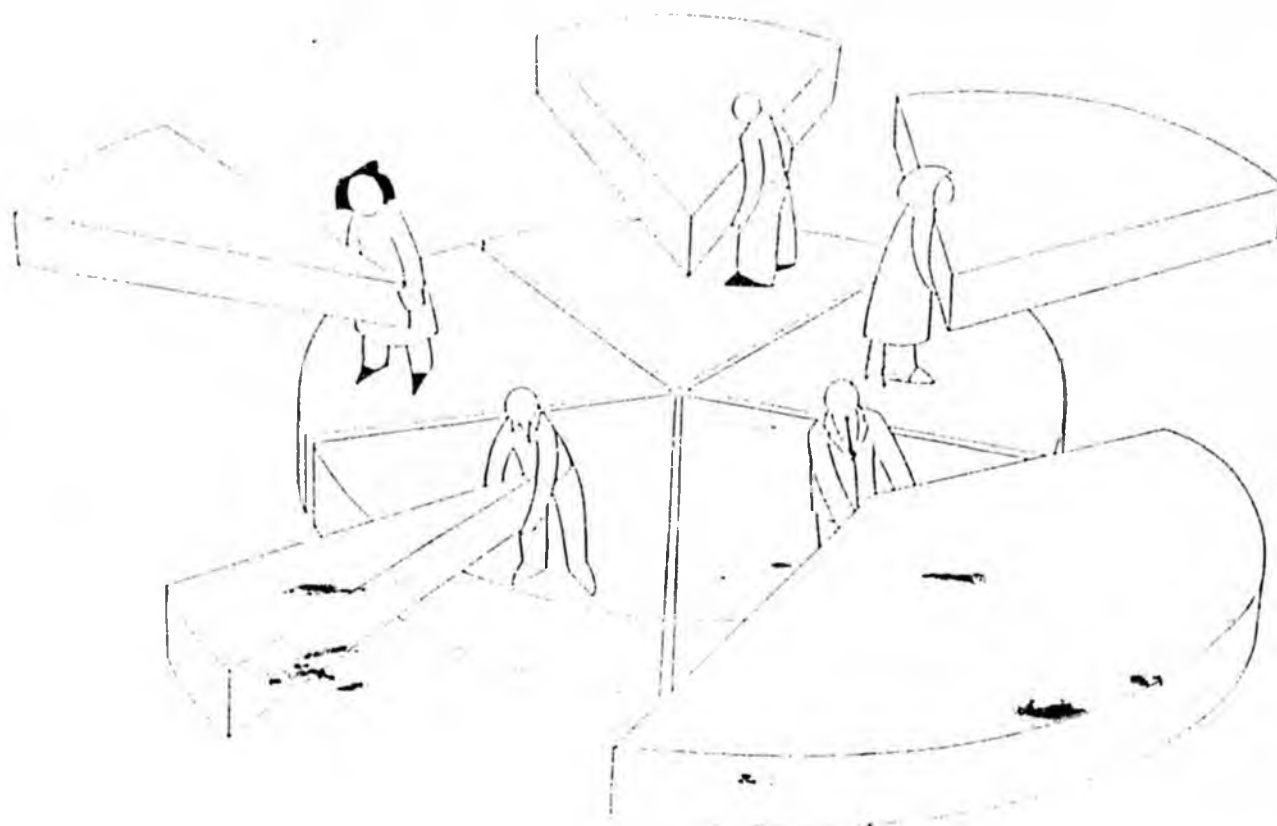
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# Smaller Slices of the Pie

The Growing Economic Vulnerability  
of Poor and Moderate Income Americans



Center on Budget and Policy Priorities  
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Washington, D.C. 20002

November 1985

THE CENTER ON BUDGET AND POLICY PRIORITIES is a nonprofit research and analysis organization founded in late 1981 and located in Washington, D.C. The Center specializes in analyses of federal policy issues, including issues relating to the federal budget, federal programs and policies affecting low and moderate income persons, defense spending, and tax policy. The Center is supported by grants from foundations. The director of the Center is Robert Greenstein.

This report was made possible by funds granted by The Villers Foundation, The Field Foundation, and the Charles H. Revson Foundation. The contents are solely the responsibility of the Center.

The principal authors of this report are Kathryn Porter, Robert Greenstein, and John Bickerman. David Kahan and Michael Wenger also contributed research assistance. Emily Gray and Leslie Zupan typed the draft; Jill Schwartz supervised production. Special thanks to Tom Blanton of the Villers Foundation for his assistance in seeing this report through from conception to completion.

# SMALLER SLICES OF THE PIE

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*The Growing Economic Vulnerability of  
Poor and Moderate Income Americans*

Prepared by the  
Center on Budget  
and Policy Priorities

November 1985

## FOREWORD

The Center on Budget and Policy Priorities has produced a report which I believe will help change the very terms of the debate in this country over poverty and economic vulnerability. Between its covers, the careful reader will find a complete and disturbing portrait of the all too real human conditions, not only of America's poor, but also of all Americans who remain vulnerable to a single development that could force them into poverty — developments such as the loss of a job, or illness or death in the family.

The data presented in this report are also a graphic indictment of governmental policies at both federal and state levels — policies that have taken from many who are poor or vulnerable, while giving to the wealthy and many large corporations. This approach could have serious consequences for the future of our country.

Fortunately, we now have the Center's detailed analysis of past policies and current conditions. This represents a first step toward correcting these problems; but it will require renewed commitment from all Americans — poor, rich, and middle income alike — to restore the American dream. Many of us already working to these ends regard this report, along with other work from the Center on Budget and Policy Priorities, as a crucial resource to aid in this task.

Arthur S. Flemming

[Secretary of Health, Education and Welfare under President Eisenhower; Commissioner of Aging and Chair of the U.S. Civil Rights Commission under Presidents Nixon, Ford and Carter]

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## INTRODUCTION

Not too many years ago, poverty and the living conditions of low and moderate income Americans were central issues on the American political scene. Now, less attention is given to these matters. Other issues — the deficit, the defense build-up, our foreign trade problems, arms control — are more in the spotlight.

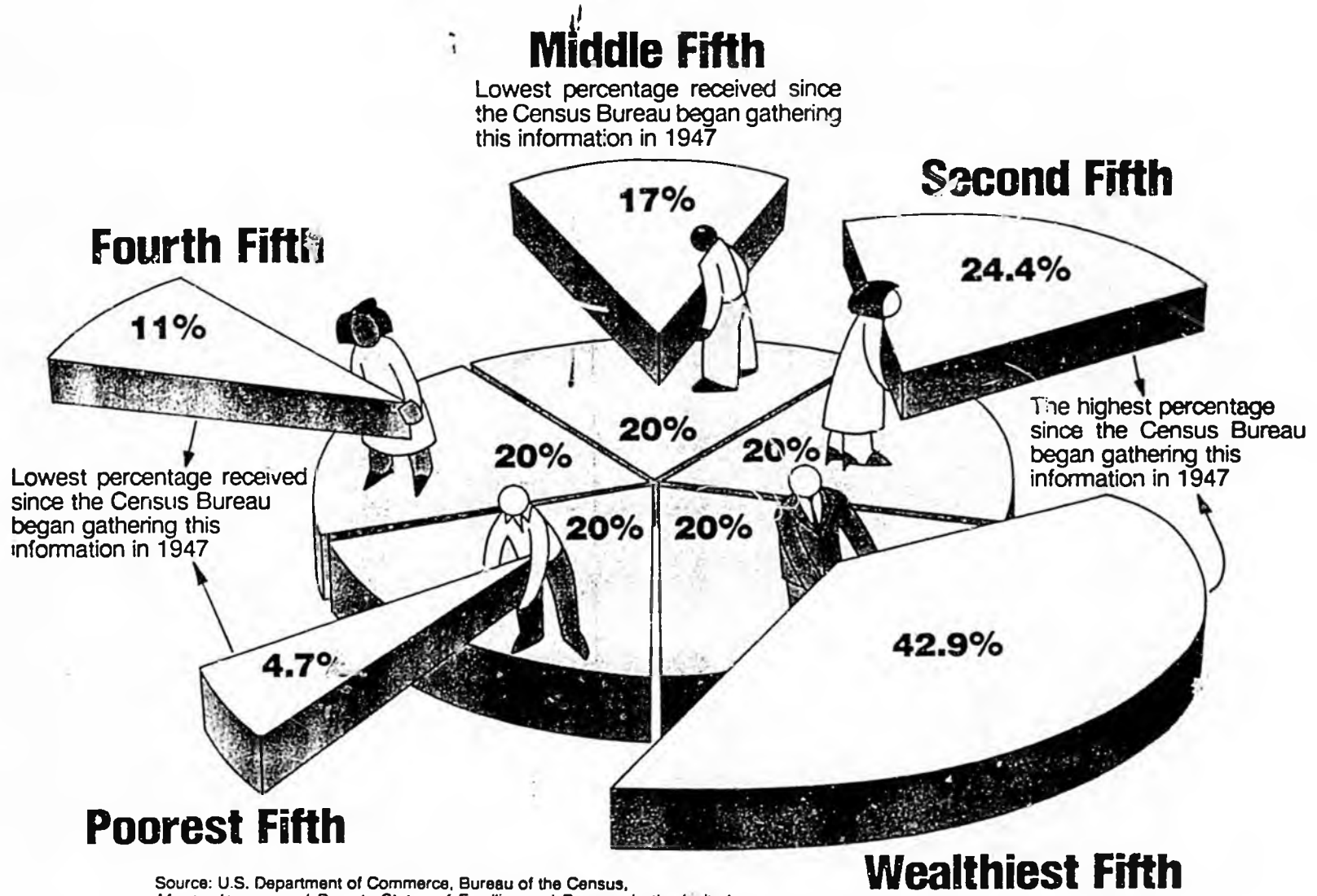
While low income issues have receded from national attention, some progress made in earlier years in reducing poverty and in tempering extremes of economic inequality has been reversed. Today, poverty is higher than in any other non-recession year in nearly two decades.

Equally important, the gap between the incomes of affluent Americans and those of low and moderate incomes is growing and has now reached its widest point since the end of World War II. Important changes in the fabric of American society seem to be taking place.

This report is being written in the hope of bringing renewed attention to these issues — and renewed interest in efforts to address them.

# The Rich Get Richer, The Poor Get Poorer

Percent of National Income that each  
Fifth of the U.S. Population Receives



Source: U.S. Department of Commerce, Bureau of the Census,  
*Money, Income and Poverty Status of Families and Persons in the United States: 1984* August 27, 1985

## I. GROWING INEQUALITY IN AMERICAN SOCIETY

Today in America there is a growing trend toward greater inequality of income between rich and poor. There are now wider gaps between the affluent and those of more limited means than our country has witnessed in close to 40 years. Americans of moderate incomes as well as those classified as poor have lost ground, while wealthy Americans have surged ahead.

### Census data on growing inequality

New data issued by the Census Bureau in late August 1985 show that the gap between upper income and lower income American families has been growing and is now wider than at any time since the end of World War II.

- The gap between upper and lower income families is now wider than at any time since the Census Bureau began collecting these data in 1947.
- The Census data show that in 1984,\* the poorest 40 percent of all families (those with incomes below \$21,700) received only 15.7 percent of the national income, the smallest share since 1947.
- Families in the middle lost, as well. The 20 percent of families with incomes in the middle of the income scale received 17 percent of the national income last year, their lowest share since 1947.
- At the same time, the wealthiest 40 percent of U.S. families received 67.3 percent of the national income, their largest share since 1947.
- This trend has escalated sharply since 1980. The Census data show that the typical (or median income) family in the bottom 40 percent of the population had \$470 less in income in 1984 than in 1980 (after adjusting for inflation). But the median family in the top 40 percent had \$1,800 more in income than in 1980 — and the median family in the richest 10 percent of the population had \$5,000 more in income than in 1980.
- If the shares of national income had been the same in 1984 as in 1980, the poorest fifth of all families would have received \$8 billion more in income. The wealthiest fifth would have received \$25 billion less.

The trend toward increasing inequality has been even more marked among families with children.

- A recent analysis of Census and other data by the Joint Economic Committee (JEC) of the Congress found that from 1979 to 1984, average family income for the poorest fifth of all families with children plunged 23.8 percent, after adjusting for inflation. In addition, the JEC found that the average income of the next-to-poorest fifth of families with children dropped 14 percent, while the average income of the middle fifth of these families fell 10.5 percent. Only one group of families with children came out ahead — those in the wealthiest fifth.
- The JEC also examined income trends from 1973 to 1984 and found that over this 11 year period, the income of low and moderate income families with children suffered even larger declines. Average family income for the poorest fifth of all families with children fell 34 percent over this period, after adjusting for inflation. This means that average incomes for the poorest fifth of all families with children in our society are now one-third lower (or over \$3,000 a year lower) than in 1973. The next-to-poorest fifth of families with children suffered an average family income loss of 20.2 percent over this same period.

### Similar trends in after-tax income

The gap between upper and lower income families is nearly as wide when after-tax income is examined.

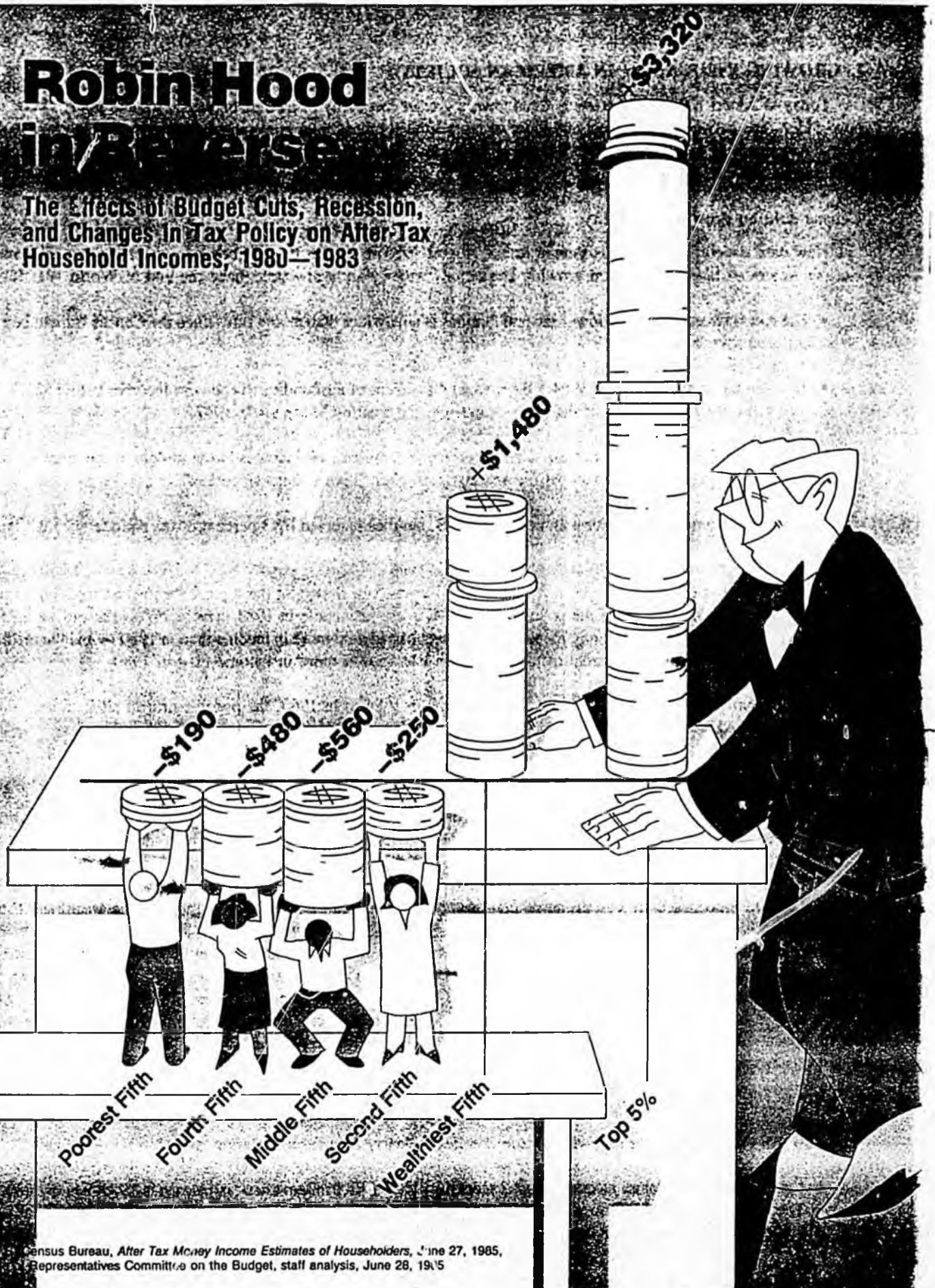
- Census data show that all income groups except the richest fifth had less after-tax income in 1983 than in 1980.\*\* The richest fifth of U.S. households averaged \$1,480 more in after-tax income in 1983 than in 1980 (after adjusting for inflation) and households in the top 5 percent had \$3,320 more in after-tax income. On the other

\*1984 is the latest year for which income distribution data are available.

\*\*1983 is the latest year for which after-tax income data are available from the Census Bureau.

# Robin Hood in Reverse

The Effects of Budget Cuts, Recession,  
and Changes in Tax Policy on After-Tax  
Household Incomes, 1980-1983



Census Bureau, *After Tax Money Income Estimates of Householders*, June 27, 1985,  
Representatives Committee on the Budget, staff analysis, June 28, 1985

hand, households in the poorest fifth averaged \$190 less in after-tax income than in 1980 and households in the next-to-the-bottom fifth averaged \$480 less. Households right in the middle were also hit — households in the middle fifth averaged \$560 less in after-tax income in 1983 than in 1980.

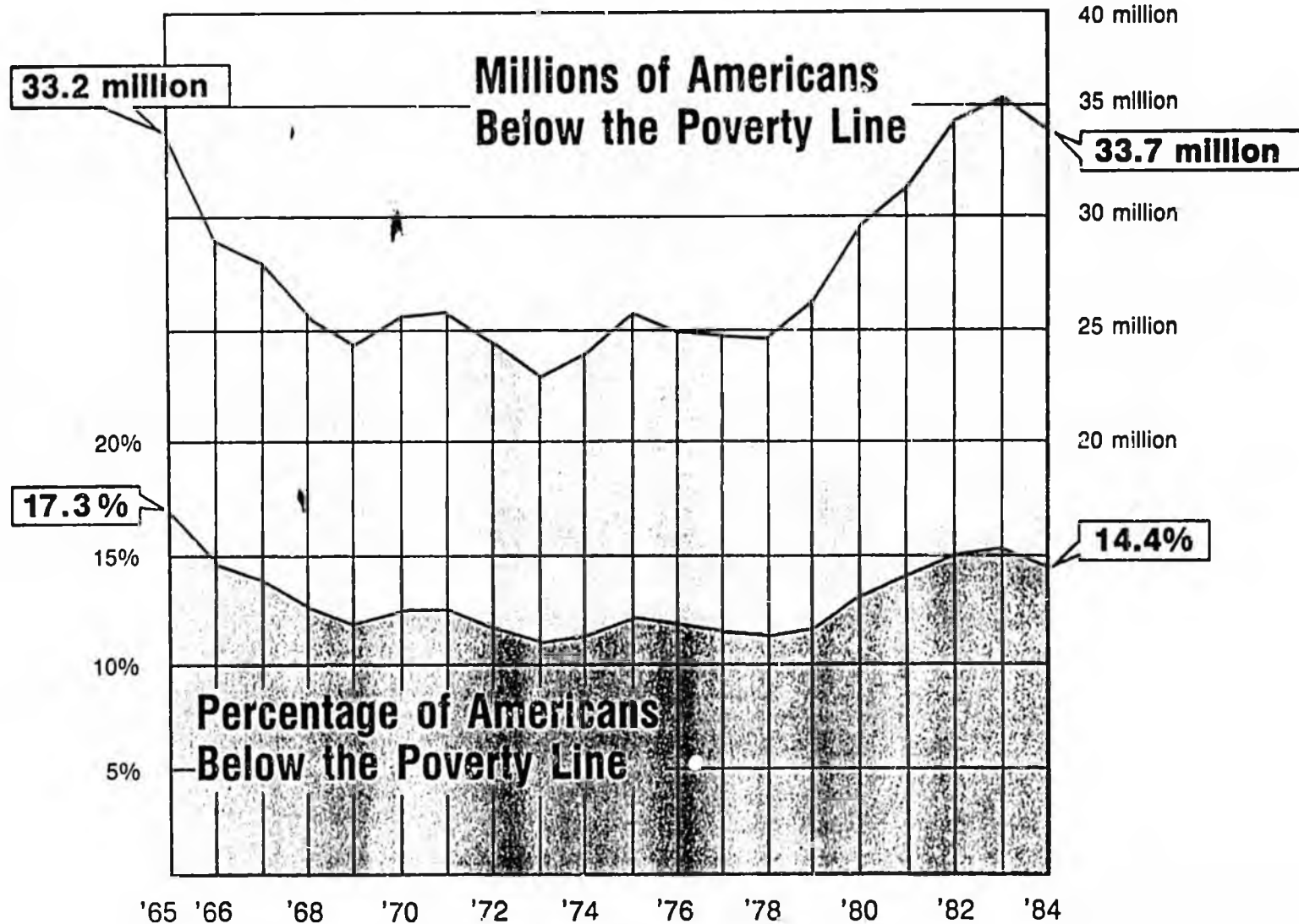
- Further evidence comes from the Urban Institute, one of the nation's most respected research institutions. Examining recent trends in income distribution, a 1984 study by the Institute (*The Reagan Record*) estimated that from 1980 to 1984, there was a transfer of \$25 billion in disposable income from poor and middle income families to families in the richest fifth of the population.
- "Disparities between the incomes of poorer families and those of more affluent families grew markedly over the 1980-1984 period," the Urban Institute found. Since 1980, the Institute reported, "families at the top of the income distribution have gained substantially; those in the bottom two-fifths have actually lost all the ground they had gained [in terms of receiving their share of the national income] over the two preceding decades."
- The Urban Institute also found that black families were especially hard hit, with the typical middle class black family losing ground as well as the typical poor black family. The Institute reported that "black families fared relatively poorly over the past four years . . . their incomes declined both absolutely and relative to the income of whites."

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\*1984 is the latest year for which income distribution data are available.

\*\*1983 is the latest year for which after-tax income data are available from the Census Bureau.

# Poverty in America



The 1984 poverty line for a family of four was \$10,609 in annual income.

Source: U.S. Census Bureau: *Money, Income and Poverty Status of Families and Persons of the United States: 1984*, August 27, 1985

## II. THE RESURGENCE OF POVERTY AND THE STATUS OF LOW INCOME AMERICANS

Along with a growing trend toward inequality, we have also witnessed a resurgence of poverty in America. Poverty is far more extensive today than it has been in quite some time. The poverty rates for each of the past three years have been well above the poverty rates of the 1970s and higher than the poverty rates for any year since the mid-1960s.

- In 1984, 14.4 percent of Americans — or one in every seven — had incomes below the official poverty line (\$10,609 for a family of four in 1984).\*
- This is the highest poverty rate since 1966, except for the recession years of 1982 and 1983. The poverty rate is now the highest for any non-recession year in nearly two decades and higher even than during the major recession of 1975.
- There are now 33.7 million Americans below the poverty line. This is 4.4 million more poor persons than there were in 1980 and 9 million more than there were as recently as 1978.

### The poverty drop in 1984 was disappointingly small

In 1984, the poverty rate dropped to 14.4 percent from 15.2 percent in 1983. Unfortunately, this modest decline in the poverty rate is not a sign that the problem is being solved.

- The one year drop in the poverty rate was largely attributable to reductions in unemployment. The unemployment rate dropped from 9.6 percent in 1983 to 7.5 percent in 1984, the largest single year drop in recent decades. Given this large reduction in unemployment, the reduction in the poverty rate to only 14.4 percent is disappointing.
- The poverty rate now appears to be substantially higher than it should be relative to the unemployment rate. In 1976 and 1977 — when the unemployment rate was at levels comparable to the unemployment level for 1984 — the poverty rate was 11.6 percent to 11.8 percent. Now, although unemployment is down to 1976-1977 levels, the poverty rate is nearly three percentage points higher than it was in those years. Had the poverty rate followed the unemployment rate back to 1976-1977 levels, six million fewer Americans would be poor today.
- Poverty rates rose steadily from 1978 to 1983, a period marked first by high inflation, then high unemployment, large budget cuts in programs for low income persons, and continuing demographic changes. The 1984 poverty figures indicate that the effects of the economic and policy changes of recent years have not been reversed much by the economic recovery.
- Moreover, little or no significant further drop in poverty is expected in 1985. Changes in the poverty rate are closely related to changes in the unemployment rate and in real weekly earnings (weekly earnings adjusted for inflation). When unemployment drops and real weekly earnings rise significantly, poverty almost always declines. The unemployment rate has stayed in the 7.0 to 7.5 percent range for all of 1985, however. In addition, real weekly earnings for the population as a whole are only slightly above their level of a year ago, and real weekly earnings for blacks and for women heading families have actually declined. This indicates there is not likely to be much of a drop in poverty in 1985.
- With the economy seemingly unable to bring unemployment below 7 percent and with the rapid economic growth of 1984 behind us, poverty rates may well be stuck at a new plateau (in the 14 percent range) for a number of years to come — a plateau that is at substantially higher levels than poverty has been in this country for nearly twenty years.

### Poverty rates for minorities are especially high

Poverty rates are much higher for minorities than for other Americans. Blacks are three times as likely as whites

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\*1984 is the most recent year for which poverty statistics are available.

to live in poverty. Hispanics are more than twice as likely as non-Hispanic whites to live in poverty. Nevertheless, most Americans who are poor are white, non-minority persons.

- The poverty rate for blacks was 33.8 percent in 1984, meaning that one of every three blacks lived in poverty. This compares to an 11.5 percent poverty rate for whites. Nearly 9.5 million blacks were poor last year.
- The number of poor blacks, like the total number of all poor persons, has increased substantially in the last six years. In 1984 there were nearly 2 million more blacks in poverty than in 1978, before the increase in poverty began.
- Among Hispanics, more than one of every four (28.4 percent) lived in poverty in 1984. This translated into 4.8 million Hispanics with incomes below the poverty line.
- While poverty rates for most groups went down in 1984, the poverty rate for Hispanics did not decline. Between 1983 and 1984, the Hispanic poverty rate edged upward from 28.1 percent to 28.4 percent (although this increase is too small to be considered statistically significant). More important, there appears to be a longer-term trend in which the Hispanic poverty rate is moving closer to the black poverty rate, which has long been the highest poverty rate for any racial or ethnic group.
- Among Hispanics, the poverty rate is highest for Puerto Rican-Americans (43.2 percent). The poverty rate for Mexican-Americans is also high (28.3 percent).
- Nevertheless, while the poverty rate is lower for non-minorities than for minorities, the great bulk of those who are poor are white. Of the 33.7 million Americans poor in 1984, 23 million — or more than two-thirds — were white.\*

#### Soaring poverty rates among children

Poverty is a particular problem among children, especially young children. Poverty rates among children have soared in recent years. Children are now far more likely to be poor than adults are.

- Fifteen years ago, the child poverty rate stood at 13.8 percent. Today, the child poverty rate has climbed to 21.3 percent. Over 13.4 million children now are poor.
- No other segment of U.S. society has experienced such a striking increase in poverty. In fact, the poverty rate for children is now nearly double the poverty rate for adults.
- For the most vulnerable children — those under the age of six — the poverty rate is even higher. Almost one-quarter (24 percent) of all children under six live in poverty.

For minority children, the situation is even more grim.

- Black and Hispanic children have poverty rates that are substantially higher than the poverty rates for other children. Among black children, nearly half (46.5 percent) are poor. Among Hispanic children, nearly two of every five (39 percent) are poor.
- The highest poverty rates, however, are those for children who are black or Hispanic *and* who are also very young. In 1984, *more than half* (51.1 percent) of all black children under six lived in poverty. This is the highest rate of poverty the Census Bureau has ever recorded for young black children since Census began collecting these data in 1970.
- Poverty rates have also increased rapidly for young Hispanic children. In 1984, 40.5 percent of all Hispanic

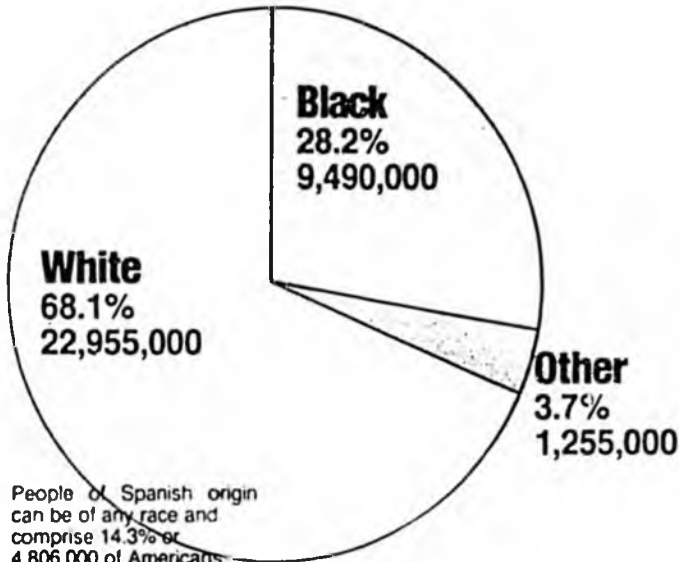
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\*Included in the 23 million white Americans who are poor are those poor Hispanics who are white. Persons of Spanish origin may be of any race.

# Poverty Profile USA

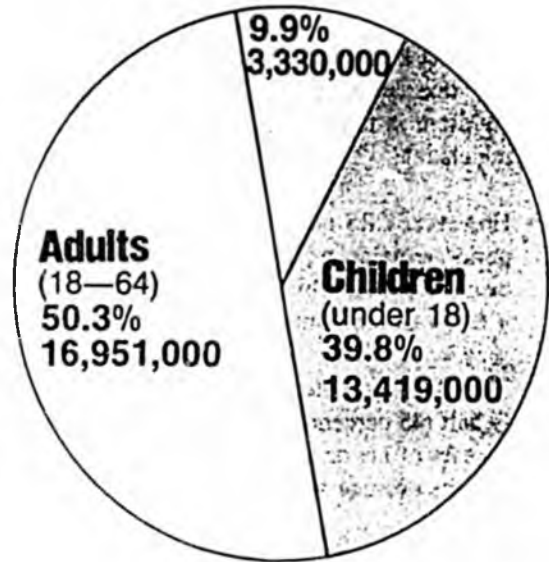
## Age

### Race



People of Spanish origin can be of any race and comprise 14.3% or 4,806,000 of Americans below the poverty line.

### Elderly (over 65)



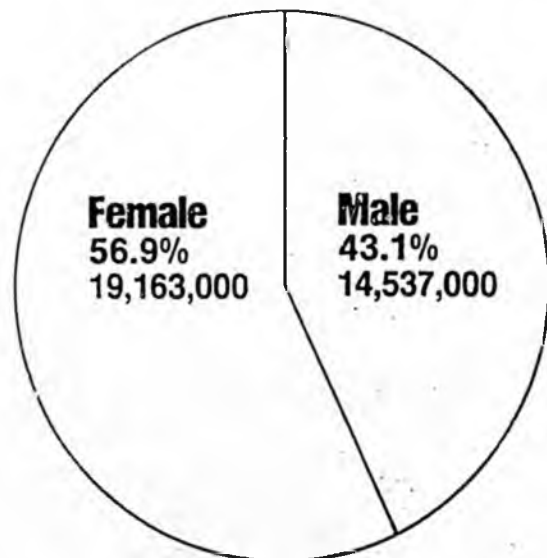
## Families

### Male Headed Households

(no wife present)  
4%  
292,000



## Sex



Source: U.S. Census Bureau; *Money, Income and Poverty Status of Families and Persons of the United States 1984*. August 27, 1985

children under six lived in poverty, up sharply from 29.2 percent just five years earlier. This means that an additional 11.3 percent of young Hispanic children fell into poverty from 1979 to 1984, representing one of the most rapid increases in poverty for any racial, ethnic, or age group in America during this period.

### **Poverty most serious for children in persistently poor families**

Of those children who are poor, many are poor for a few years and then climb out of poverty when their families' economic status improves. But some children are poor for much longer periods. Poverty is most serious for these children.

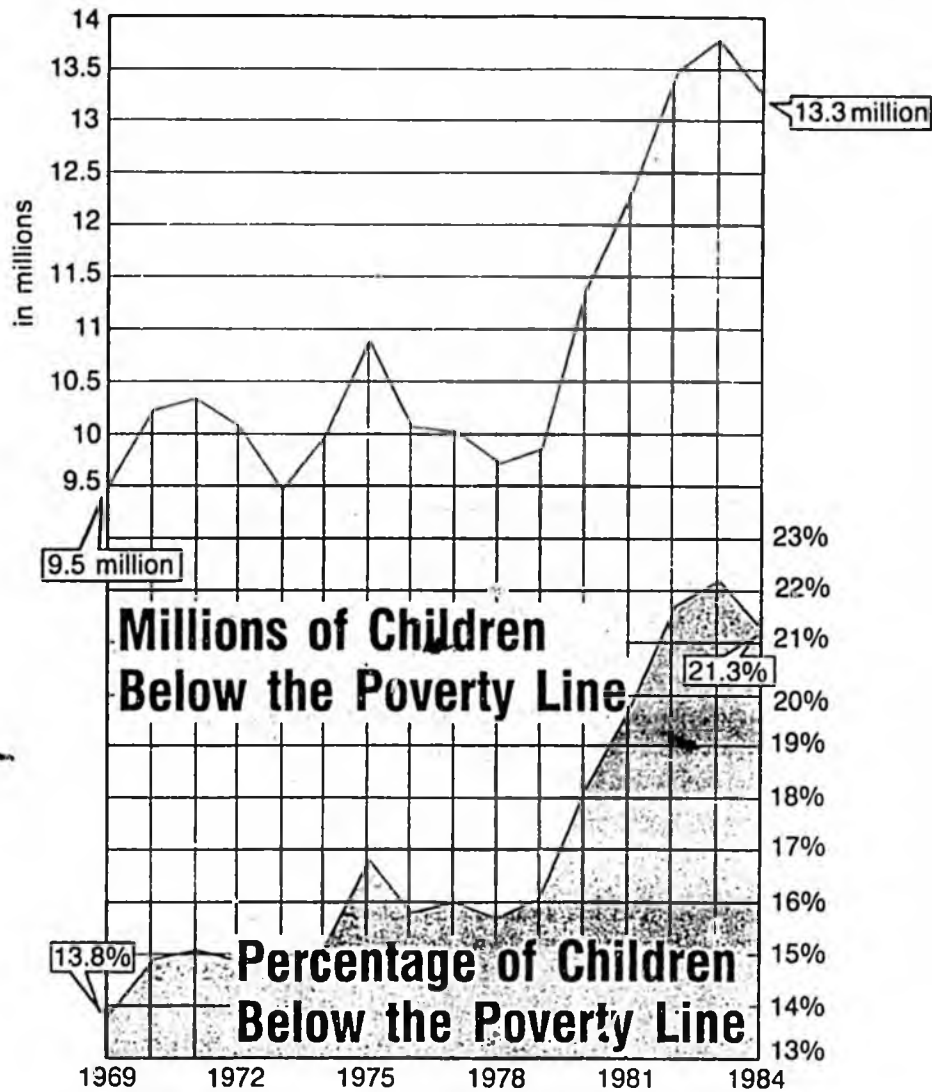
- A report by the Congressional Research Service (CRS) found that two-thirds of the children who are poor at any time during a 15-year period remain in poverty for no more than four years. The characteristics of these children, in terms of race and the type of family in which they live, are similar to those of the general U.S. population.
- However, CRS also found that one out of every seven children who are poor at some time over the 15-year period remains in poverty for at least 10 of the 15 years. These "persistently" poor children spend two-thirds or more of their childhood in poverty. Ninety percent of persistently poor children are black, most do not have a father in the home and live in rural areas and in the South.
- The CRS report also found large differences between black and white children in the dynamics of poverty. Nearly half (45 percent) of black children are born poor, and the average black child can expect to spend more than 5 years of his or her childhood in poverty. By comparison, only 15 percent of white children are born poor, and the average white child can expect to spend less than 10 months in poverty during his or her childhood.
- While CRS found poverty among white children more likely to be short-term and caused by changes in the composition of the family (such as divorce or separation) or changes in family earnings (such as due to a layoff), the report concluded that poverty among black children was of longer average duration and not as often related to changes in family composition or earnings.

### **Significant numbers of elderly persons remain poor**

The nation has made great progress in reducing elderly poverty — from 35.2 percent in 1959 and 24.5 percent in 1970 to 12.4 percent in 1984. This progress has been due in large part to increases in Social Security benefits and coverage and to regular cost-of-living adjustments in Social Security, as well as to the Supplemental Security Income (SSI) program for the aged and disabled poor, which was instituted in 1974 and is also indexed to keep up with inflation. Nevertheless, a significant number of elderly persons still live in poverty and many more live not far above the poverty level.

- The poverty line in 1984 was \$4,979 for an elderly person living alone and \$6,282 for an elderly couple. There were 3.3 million elderly Americans living below these poverty lines in 1984.
- Many more elderly persons live just above the poverty line. While the proportion of the elderly who are poor (12.4 percent) is slightly lower than the overall U.S. poverty rate (14.4 percent), the proportion of elderly who live below 125 percent of the poverty line slightly exceeds the percentage of the general population in this income bracket — and the proportion of elderly below twice the poverty line significantly exceeds the percentage for the population as a whole.
- Nearly half (46.2 percent) of elderly persons live below twice the poverty line. This means they have income below \$9,958 for an elderly person living alone and below \$12,564 for an elderly couple.
- Nearly three quarters (71.2 percent) of the elderly poor are women. Not only are there more elderly women than elderly men (because women tend to live longer), but the poverty rate among elderly women is nearly twice the poverty rate among elderly men.

# Poverty Among Children



Source: U.S. Department of Commerce, Bureau of the Census, *Money, Income and Poverty Status of Families and Persons of the United States: 1984*, August 27, 1985.

- Two-thirds (67.9 percent) of poor elderly women are widows and one out of every five elderly widows lives in poverty.
- Over half of the elderly poor rely solely on payments from the Social Security and Supplemental Security Income programs. These elderly persons have little hope of ever raising their incomes above the poverty level.
- Elderly members of minority groups are more likely than other elderly persons to be poor. The poverty rate among the black elderly is 31.7 percent — three times as high as the poverty rate among elderly who are white (which is 10.7 percent).
- For Hispanic elderly persons, the poverty rate (21.5 percent) is twice as high as among the white elderly.
- Among elderly persons who are members of minority groups and are also women living alone, poverty rates are especially high. Over half (56.8 percent) of all elderly black women who live alone are poor.
- Poverty rates are also higher among elderly persons of more advanced age. Poverty can be particularly serious among this group — not only are their incomes low and earnings opportunities scarce, but they also are more likely to have exhausted the assets they may have accumulated during their younger years. In general, the older an elderly person is, the more likely he or she is to be poor.

#### Female-headed families and poverty

Poverty is especially pervasive among female-headed families. Persons living in families headed by a single woman are more than three times as likely to be poor as families headed by a married couple or a single man.

- Over one-third (34 percent) of all persons living in female-headed families are poor, compared to 9.3 percent of persons in other families.
- Persons in families headed by a minority woman are even more likely to be poor. Over half (52.9 percent) of persons in families headed by a single black woman are poor. An even larger percentage (54.3 percent) of persons in families headed by a Hispanic woman are poor.
- The poverty rates are especially stunning for minority children who live in female-headed households. Nearly two-thirds (66.2 percent) of all black children living in female-headed families are poor. Among Hispanics, 71.0 percent of all children in female-headed families are poor, giving these children the dubious distinction of having the highest poverty rate of any group in the U.S. population.
- Currently, almost half of all persons in poverty (48.8 percent) live in families headed by single women — and over half of all poor children live in female-headed families. Over the last 25 years, the proportion of the poor living in female-headed families has increased dramatically. In 1959, just 26.3 percent of all poor persons lived in families headed by a woman.

Increases in the number of female-headed households are not the cause of the recent sharp increases in poverty, however.

- Increases in the number of female-headed households account for little of the large increases in poverty since the late 1970s. The proportion of poor families headed by a single woman is actually *lower* now than it was in the late 1970s. In recent Congressional testimony, Mary Jo Bane, one of the nation's leading poverty researchers (and now executive deputy commissioner of the New York State Department of Social Services), reported that "family-composition changes [*i.e.*, increases in the number of female-headed households] contributed almost nothing to the sharp increase in poverty that occurred between 1979 and 1983." In addition, Census data show that the bulk of the persons added to poverty since 1979 are persons who do *not* live in female-headed families.
- The major increases in poverty in recent years reflect, in part, the fact that poverty has again become more pervasive among other segments of the population. Poverty has grown even faster among other population groups in recent years than among female-headed households.

- It should also be noted that although female-headed families are more likely than other family types to live in poverty, neither divorce nor births to unmarried mothers are the primary causes of poverty. Other important new research by Bane shows that many poor female-headed families, especially poor families headed by a black single mother, were poor *before* divorce, separation, or the birth of a child to an unmarried mother (two-thirds of poor black female households heads were poor before the family breakup or the birth of an out-of-wedlock child). Bane's work shows that many persons in female-headed households who live in poverty would be poor even if they lived in intact families.
- Bane has also found that if the proportion of black families headed by a woman had been as low in 1979 as it was in 1960, the black poverty rate would have been reduced only from 31 percent to 24 percent that year — and would still have been more than double the white poverty rate.
- Finally, work by Bane and David Ellwood of Harvard University, which was completed last year and is widely regarded as the most important research yet conducted on welfare and family structure, found that the availability of welfare does not lead to increased numbers of out-of-wedlock births and has only a mild impact on divorce and separation rates (although welfare may encourage single mothers to live alone with their children rather than with relatives). Bane and Ellwood found that states with higher welfare benefit levels do not have higher rates of illegitimacy than states with low benefit levels.

### Sharp increases in the working poor population

If growth in the number of female-headed families has played a smaller role than is generally understood in spurring increases in poverty since the late 1970s, another factor — namely large increases in the ranks of the working poor — has had a larger role than is widely realized. The numbers of persons who work but are still unable to escape poverty has grown dramatically in recent years.

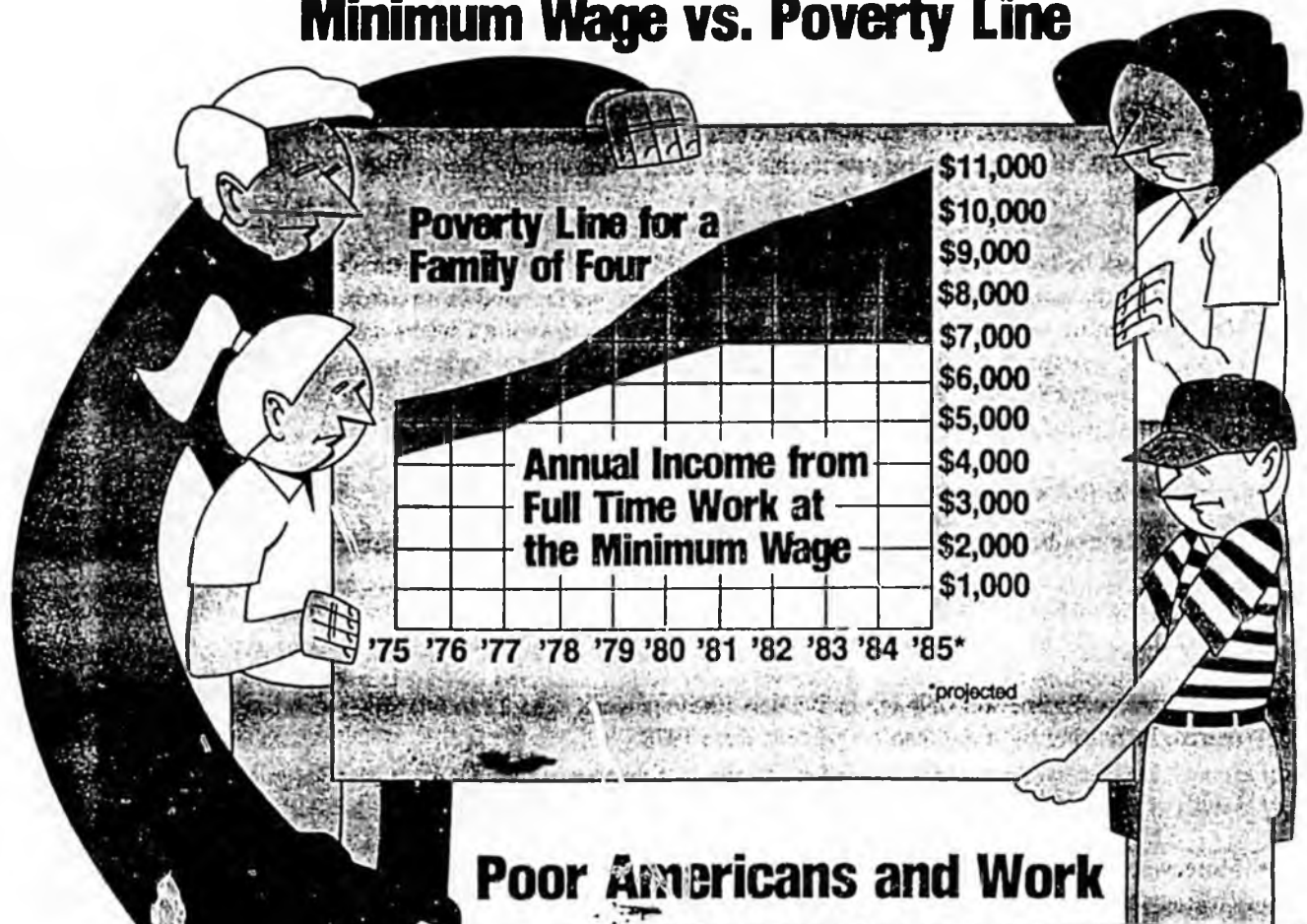
- The number of prime working-age individuals (those persons aged 22 to 64) who work but are still poor has soared, increasing by more than 60 percent since 1978.
- Of all poor persons who head families, nearly half (49.2 percent) now work at some point during the year.
- Moreover, the number of persons who work full-time year-round and are still poor now stands at over 2 million. This number has increased by two-thirds since 1978.
- In 1983, there were 2.5 million children living in families where a worker was employed full-time year-round but the family remained poor, according to the Congressional Research Service.
- In fact, most of the poor family heads whom the public thinks should work actually do work during the year. Research by Sheldon Danziger and Peter Gottschalk of the Institute for Research on Poverty at the University of Wisconsin indicates that most family heads who do *not* work during the year are elderly, disabled, students, or single mothers of small children. (Danziger and Gottschalk found that 53 percent of all heads of households in poverty are over 65, disabled, full-time students, or single mothers with children under 6.)

This raises an important question. Why are there so many more persons than in the past who are working but are still poor? One major factor has been that a sharp drop in the purchasing power of the minimum wage has pushed many working families into poverty.

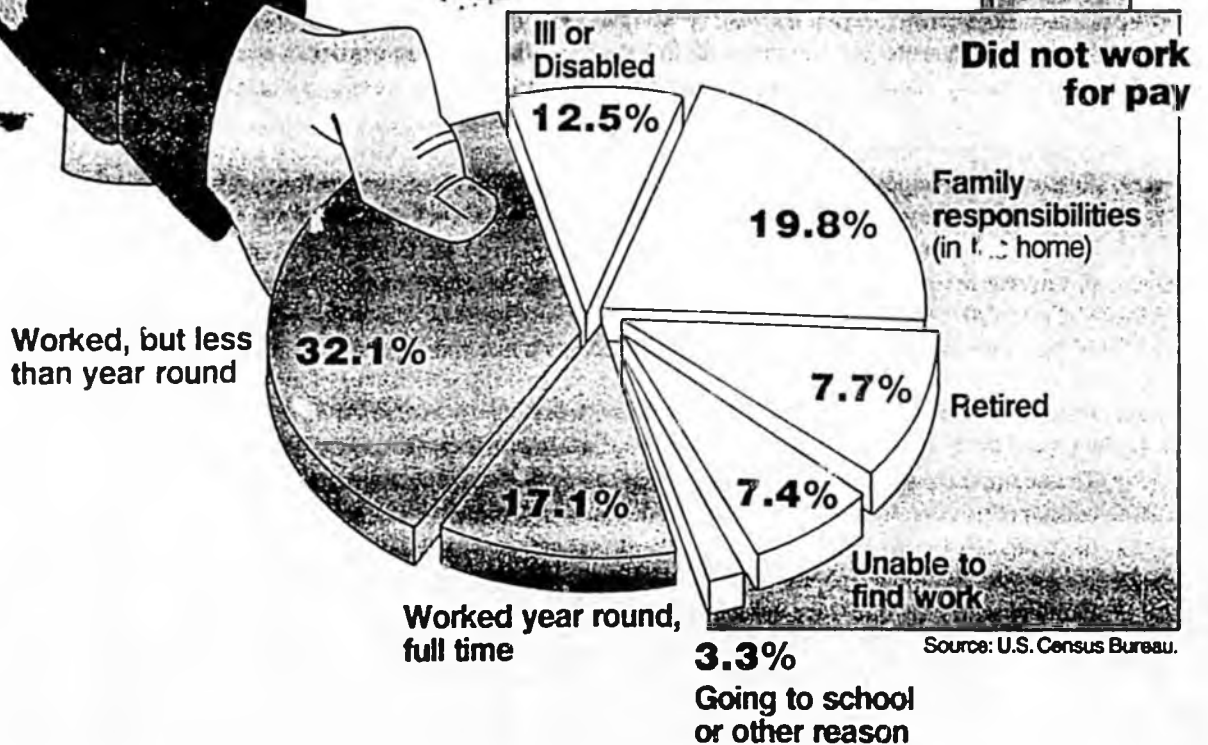
- The minimum wage has not been adjusted in nearly five years — since January 1981 — while inflation has raised consumer prices nearly 25 percent during this period. In other words, the minimum wage now provides a standard of living nearly 25 percent lower than it did in January 1981.
- Families with only one wage earner, working at the minimum wage, are now almost certain to be poor. In 1978, a family of four with one person working full-time, year-round at the minimum wage fell \$1,150 below the poverty line. In 1985, such a family falls more than \$4,000 below the projected poverty line. In 1978, a family of three with a full-time minimum wage earner was above the poverty line, today, this family is \$1,600 below

# The Working Poor

## Minimum Wage vs. Poverty Line



### Poor Americans and Work



the poverty line. And in 1978, a family of two (a parent and a child) with a full-time minimum wage earner was \$1,300 above the poverty line. Today, this family, too, falls into poverty.

- Even a family of four with two wage earners — one working full-time at the minimum wage and one working half-time at the minimum wage — is now poor.
- Large numbers of other jobs with wages pegged slightly above the minimum wage now also fail to provide enough income to escape poverty.

This trend toward increasing numbers of families that work but are still poor is likely to intensify in coming years.

- No future adjustments in the minimum wage have been enacted — and it is extremely unlikely that any adjustment (which requires passage of legislation by Congress and approval by the President) will be made for at least several more years. As a result, the minimum wage will fall further below the poverty line each year, and the number of families who work but still fall into poverty is expected to increase further.
- This is a particular problem for female-headed families. Single-parent families are usually limited to one earner, and women occupy a disproportionate share of minimum wage and other low-paying jobs.
- The fact that single-parent, one-earner families are expected to continue their rapid growth in the years ahead — combined with the prospect of further erosion of minimum wage levels compared to the cost-of-living in coming years — suggests that there are likely to be further large increases in the number of women who try to work and raise families at the same time, but who remain poor.

#### The poor are getting poorer

Not only has the number of persons in poverty increased sharply in recent years, but those who are poor are growing poorer. The proportion of the poverty population falling into the "poorest of the poor" category is growing, and the typical poor family falls further below the poverty line than it has in the past.

- The proportion of the poor who fall *below 50 percent* of the poverty line has been increasing in recent years. These are the poorest of the poor.
- In 1984, 12.8 million persons — or nearly four of every ten poor persons (37.9 percent) — had an income below half of the poverty line. In 1980, one-third of the poor fell below half the poverty line, and in 1975, less than 30 percent of the poor fell below this level.\*
- Likewise, the proportion of families with real incomes (incomes adjusted for inflation) below \$5,000 a year — a level far below the poverty line — has increased dramatically, rising 39 percent just since 1978.\*
- Even more important, the "poverty gap" has widened. The poverty gap is the total amount of dollars by which the incomes of all poor families and individuals fall below the poverty line. In many ways, it is the best overall measure of poverty status, because it reflects changes both in the number of persons who are poor and in how poor they are.
- Census data show that the poverty gap exceeded \$45 billion in 1984 — and was higher than the poverty gap recorded for any year since 1980, except for 1982 and 1983. (These poverty gap figures are adjusted for inflation; poverty gap figures are not available for 1961-1964 or 1966.)
- Perhaps of the greatest significance, the typical (or median) poor family fell \$3,666 below the poverty line in 1984 — further below poverty than for any other year for which the poverty gap has been measured, with the

\*The numbers of persons with incomes below 50 percent of the poverty line and the numbers of persons with incomes less than \$5,000 include some persons with substantial amounts of financial resources who, due to farm or business losses, or other reasons, show very low incomes.

sole exception of 1983. (Figures on the amount by which the typical poor family's income falls below the poverty line are available, on an inflation-adjusted basis, for all years back to 1959 except for 1961-1964 and 1966.)

### **Symptoms of poverty: hunger, homelessness, and infant mortality**

Accompanying these increases in the extent and the depth of poverty of recent years have been reports of growing hunger and homelessness throughout the country. In addition, progress in reducing infant mortality, which remains higher in the U.S. than in most other industrialized nations, now appears to be faltering.

- A number of studies have documented the increased demand for emergency food assistance in recent years. In 1983, the Center on Budget and Policy Priorities surveyed 181 emergency food providers and found that between February 1982 and February 1983 the number of people coming to these providers for soup kitchen meals or emergency food baskets increased by 50 percent or more for more than half of the providers. In 1984, the Food Research and Action Center reported that the nationwide demand for emergency food supplies had increased by 20 percent between 1983 and 1984. In 1985, the U.S. Conference of Mayors surveyed 21 cities and reported that in 70 percent of the cities, demand for emergency food supplies exceeds the amount available.
- The number of homeless persons has also increased considerably. A survey of emergency shelter needs in 83 cities by the U.S. Conference of Mayors found that the number of homeless persons served by shelters increased 71 percent from 1982 to 1983. A survey by the state of New York found that on an average night in 1983, 20,210 persons spent the night at emergency shelters or publicly-purchased hotel rooms in the state.
- Another indicator of living conditions in low-income communities is the infant mortality rate (the proportion of all infants born who die before their first birthday). In spite of new developments in medical technology, the infant mortality rate in the U.S. is higher than the corresponding rate in 15 other countries, including Singapore and nearly all other western, industrialized nations.
- The infant mortality rate for U.S. infants who are poor is even higher. Statistics collected on newborns do not include the income of the child's parents, so infant mortality among the poor cannot be measured directly. However, the race of the child is noted, and since the poverty rate among blacks is much higher than among whites, race is often used as a proxy for income status. Among blacks in this country, the infant mortality rate is nearly twice what it is for whites. Blacks in the U.S. had the same infant mortality rate in 1980 as infants in Cuba, and a higher infant mortality rate than in 25 other countries.
- In recent months, leading medical professionals have voiced increasing concern that progress in reducing infant mortality in the U.S. now seems to be faltering. From 1982 to 1983, the preliminary infant mortality rate dropped by only 2.7 percent and from 1983 to 1984, it dropped just 2.8 percent. Not since 1964 and 1965 has infant mortality declined so little for two successive years. For one group of infants, infants aged one month to one year, the death rate actually rose in 1983.
- In addition, infant mortality rates appear to have risen in some poor rural areas. The combined infant mortality rate for the 85 poorest rural counties rose significantly from 1981 to 1983, according to a recent study by Public Voice for Food and Health Policy, a non-profit organization in Washington, D.C.

### III. THE VULNERABILITY OF AMERICAN FAMILIES TO POVERTY AND ECONOMIC DISLOCATION

Many Americans who are not low income regard the data on poverty conditions as not affecting them. A common belief is that the poor are a distinct group who live in poverty much of their lives and are part of a "culture of poverty" that extends from generation to generation.

This belief is largely incorrect. Thanks to the pathbreaking Panel Study of Income Dynamics which tracked families' incomes over more than a decade, there is better information than ever before on families' income patterns over time.

The data show that most families who are poor move in and out of poverty within a few years and are not poor for an extended stretch of time. But the data also show that over a period such as ten years, large numbers of Americans — a quarter of the entire population — are poor at least some of the time.

These data demonstrate that millions of moderate and middle income Americans who are not poor today are likely to be poor at some point in the next decade. The vulnerability of moderate and middle income families to economic dislocation and poverty is far greater than is commonly realized.

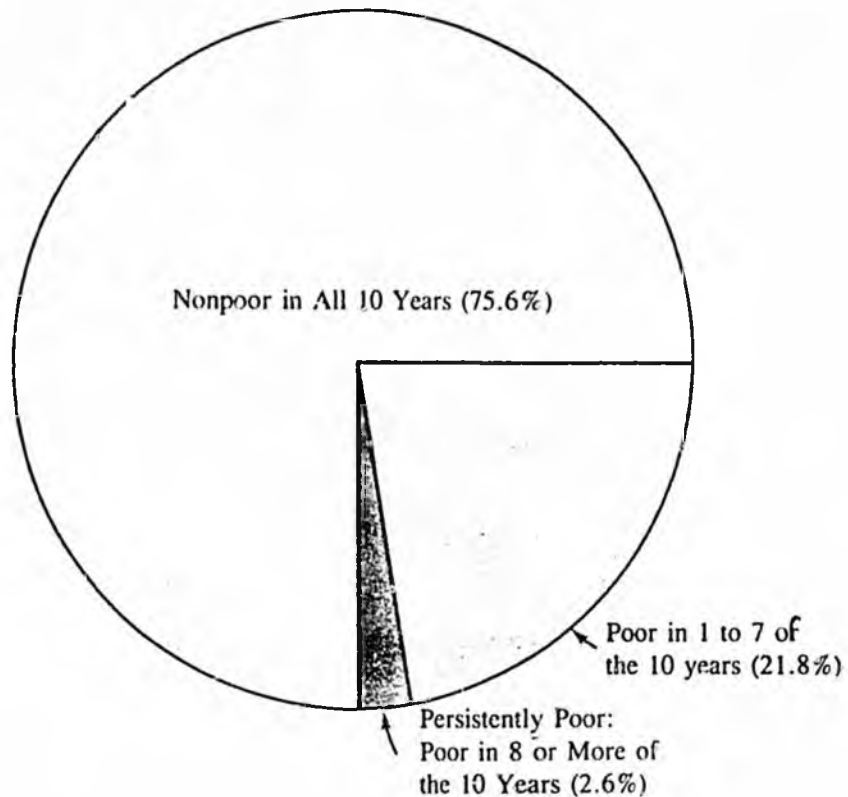
- The data from the Panel Study of Income Dynamics, conducted at the University of Michigan, have been analyzed by Greg J. Duncan and his colleagues in *Years of Poverty, Years of Plenty*. The data show that most families who are poor actually move in and out of poverty, as they gain or lose jobs (or better-paying jobs), as marriages dissolve, infants are born, etc. This means that most of those who are poor in a given year have *not* been poor (and will not remain poor) for an extended stretch of time.
- In fact, Duncan found that about one-third of the individuals who are poor in any given year climbed out of poverty by the following year. He also found that the majority of the poor were not poor on a "long term" basis. Only about one-third of those poor in any year had been poor for at least eight of the preceding ten years.
- But Duncan's findings signify something else, as well — that over a number of years, *a very large number of Americans will be poor for at least some period of time*. Duncan found that over the ten-year period from 1969-1978, *one-quarter of the entire U.S. population had lived in poverty for at least one year*.
- During the 1980s, a period when poverty rates are higher than they were in the 1970s, the proportion of the population that will be poor at some point should be even greater.
- Duncan also found that while those who are long-term poor (poor at least eight out of ten years) are disproportionately black or female-headed households, those who are poor for shorter periods of time are not much different from the general population — and are predominantly white and in other types of families.
- These findings indicate that millions of persons not currently in poverty are nevertheless vulnerable — and are likely to be poor at some point in the next decade.

#### The vulnerability of dislocated workers

A prime example of the vulnerability of many American families to major income loss is provided by a recent federal government study of workers permanently displaced from their jobs over the past five years. Several years later, most of these workers are still either unemployed or working at lower-paying jobs.

- The Department of Labor conducted a special study of 5.1 million workers whose jobs were abolished between January 1979 and January 1984.
- The study found that in January 1984, 40 percent were either still unemployed or were out of the labor force.
- Of the remainder, about half were employed either part-time or at jobs with lower weekly earnings.
- The large majority of these workers thus suffered substantial income losses for extended periods of time after their jobs were abolished.
- The experience of these 5.1 million workers is likely to be repeated — and to affect some millions of other

# Proportion of U.S. Population Poor at Any Time in Ten-Year Period



Source: Greg J. Duncan, *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families*. Institute for Social Research, University of Michigan, 1984.

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workers — in coming years. In the most recent recession, to a greater extent than in previous recessions, many workers who were laid off were never rehired by their employers. Even during economic recovery, major components of the manufacturing sector have continued to decline. With intense foreign competition, an overvalued dollar, record trade imbalances, automation, and a continued shift from a manufacturing-oriented economy to more of a service-oriented economy, plant closings and job losses will continue in many areas. Families that today have a small margin of economic comfort will in many cases find themselves economically vulnerable at some future point — and cast into low income status for at least a period of time.

### **The problem of persistently high unemployment**

The vulnerability of these families to unemployment, and subsequent income loss, has increased because unemployment rates are now considerably higher than in the past.

- The current economic recovery has failed to bring unemployment below 7.0 percent, a level that in the past usually indicated a recessionary period rather than a recovery period. In the 35 years from the end of World War II until 1980, there were only seven months, other than during the 1974-1975 recession, when unemployment exceeded the 7.0 percent level.
- Moreover, the unemployment rate has now been at or above 7 percent for five and one-half consecutive years. This is unprecedented for any period since the Depression.
- In recent years, each recession has pushed unemployment to higher levels (to 9 percent in the 1975 recession, to nearly 11 percent in the 1982 recession), and each subsequent recovery has left unemployment higher than in previous recovery periods. This raises major concerns about the impact of the next recession, whenever it occurs.

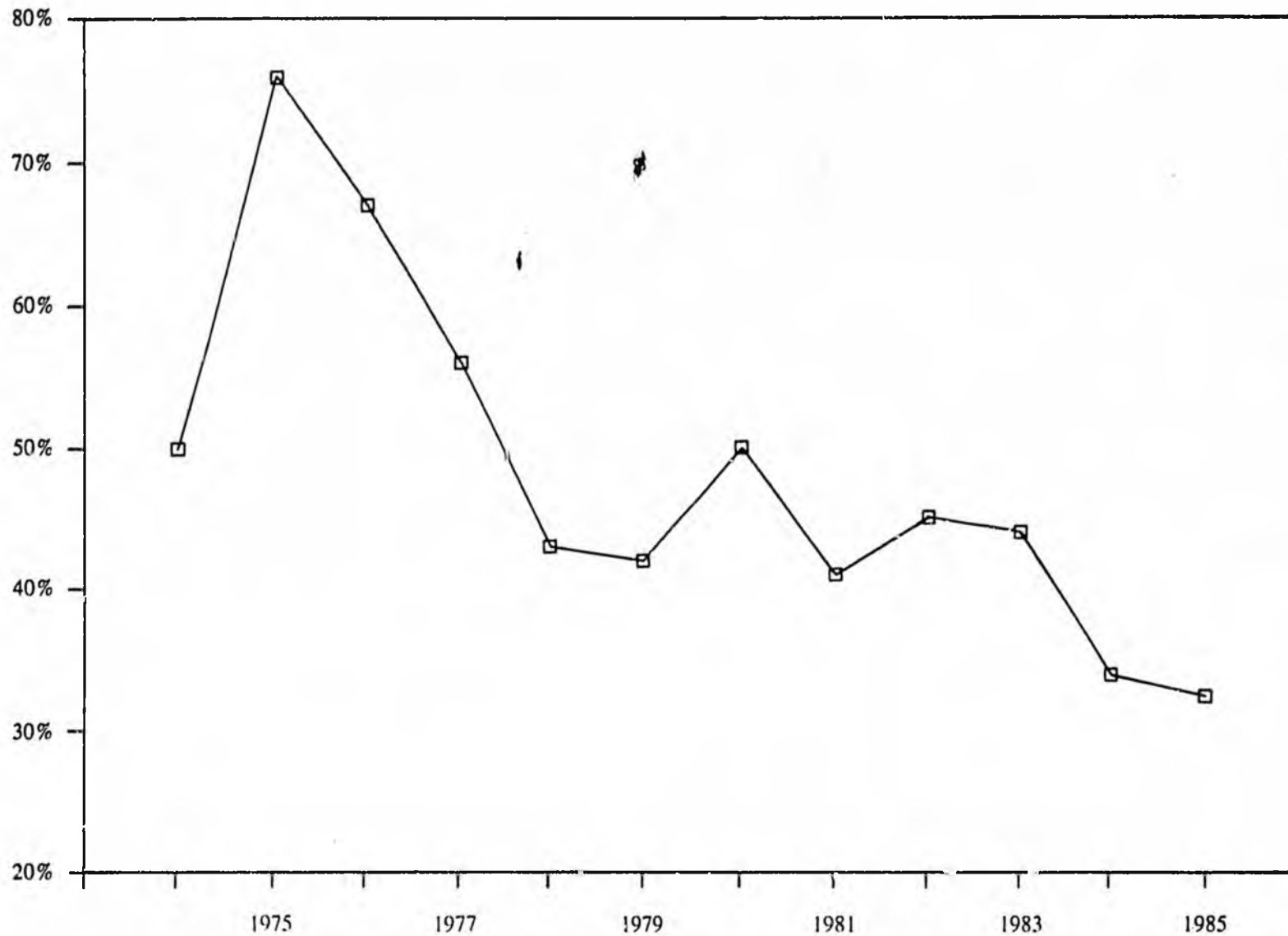
### **Unemployment programs no longer meet the needs of most unemployed workers**

The vulnerability of many families who are not currently poor is increased by recent changes in the income support system for those who lose their jobs. The centerpiece of this support system is supposed to be unemployment insurance. But the unemployment insurance program has contracted very sharply in recent years.

Once a program to assist most of the unemployed, unemployment insurance now assists only a small fraction of jobless workers. As a result, a job loss may entail a greater risk of substantial income loss, as well as of a brush with poverty, in the future.

- Throughout most of the 1970s, a majority of the unemployed received unemployment benefits each month.
- In the 1980s, however, the program has contracted severely, as a result both of an extraordinarily long period of continued high unemployment, and of budget cuts in the program at both federal and state levels.
- By October 1985, the percentage of unemployed receiving unemployment benefits had plummeted to just 25.8 percent, the lowest level ever recorded in the program's history. Nearly three of every four jobless workers are now without benefits, even without counting discouraged workers. (Discouraged workers are those who have given up looking for a job and are not counted as officially unemployed; if they are included, the percentage of jobless workers getting benefits falls closer to 20 percent.)
- These changes in unemployment benefit coverage have major implications for workers in the years ahead. In Duncan's study of family income patterns over a ten year period, he found that 40 percent of prime-age male household heads were unemployed at least once during the ten years. He also found that even before the shrinkage in unemployment insurance in the 1980s, unemployment benefits made up only 25 percent of aggregate earnings lost through unemployment.
- Adding to the problems of unemployed workers, the number of states that fail to provide cash welfare benefits to unemployed families where both parents are present (no matter how impoverished the family may be) has increased in recent years. Half the states (25) now automatically deny assistance to two-parent families. In addi-

# Percentage of the Unemployed Receiving Unemployment Benefits



Note: Figure for 1985 represents the average monthly percentage of unemployed persons receiving benefits for the first 10 months of 1985. However, the percentage receiving benefits has dropped significantly since the early months of 1985 and reached an all-time record monthly low of 25.8% in October 1985.

tion, even in the states that do provide welfare benefits to two-parent families, the family becomes ineligible if the father takes a part-time job of more than 99 hours a month.

- The result is that somewhat less of a safety net is likely to be available for those who lose their jobs or otherwise suffer major income loss in the future.

**An accident or major illness can also plunge families into poverty**

An accident or a major illness can deprive a family of a major portion of its income and at the same time produce very high medical expenses. The result can be a drop from moderate income status into poverty.

- Medical costs have risen sharply in recent years, far faster than the typical working family's income. In the five year period ending in October 1985, the consumer price index for medical care items increased by 50 percent.
- At the same time, the number of Americans without health insurance has grown significantly. Many unemployed or laid-off workers lose their health insurance when they lose their jobs. In addition, some low wage and part-time workers also lack health insurance, as do many who are out of the work force. Census data indicate that approximately 35 million Americans now lack any health insurance.
- This lack of health insurance makes millions of persons not currently in poverty vulnerable to having much of their incomes and assets consumed by an accident or chronic illness.

#### IV. THE IMPACTS OF FEDERAL BUDGET REDUCTIONS IN THE 1980s

Since 1980, there have been major reductions in a number of domestic programs. These reductions have disproportionately affected those with low or moderate incomes and have contributed to the rise in poverty.

##### Cuts deepest in programs for low and moderate income persons

Programs targeted to low income families and individuals comprise about one-tenth of the federal budget. Congressional Budget Office (CBO) analyses show, however, that these programs bore nearly one-third of the budget cuts enacted in 1981 to 1983, when the bulk of the reductions were made. Few, if any, other parts of the federal budget were cut so sharply.

A number of the most critical programs bore some of the stiffest reductions.

##### Aid to Families with Dependent Children

- Some of the most severe cuts came in the Aid to Families with Dependent Children program (AFDC), the nation's basic public assistance program for poor single-parent families with children. In a recent study, the U.S. General Accounting Office (GAO) reported that the budget cuts terminated 440,000 low income working families (most of them female-headed) from the AFDC program. Several hundred thousand additional low income working families remained on the AFDC program but had their benefits reduced.
- The families affected had low incomes. In the areas studied that had relatively low AFDC benefits, the GAO found that 80 percent of the families terminated from AFDC were still below the poverty line one and a half to two years after being cut from the program.
- The GAO also found that these families experienced major income losses. Although a number of these families tried to make up for the loss of benefits by working harder and increasing their earnings, the increased earnings were overwhelmed by the decreases in AFDC and food stamps (food stamp benefits were also reduced). The overall income of the families terminated from AFDC fell an average of \$124 to \$216 a month — or \$1,500 to \$2,600 a year. This represents a very large loss for families with low incomes.
- In addition to the loss in income, most of these families also lost Medicaid coverage for themselves and their children, because eligibility for Medicaid coverage is generally linked to eligibility for AFDC. Several hundred thousand low income children appear to have lost Medicaid coverage when their families were dropped from the AFDC program.
- The loss of Medicaid coverage had its effects. When the GAO studied families terminated from AFDC in five metropolitan areas, the GAO found substantial numbers of these families were without any health care coverage. In the states providing low AFDC benefits (and having the lowest eligibility limits for AFDC), the GAO found that half of the families who lost AFDC had no health insurance when GAO interviewed them one and a half to two years later.
- Between 14 percent and 24 percent of the families terminated from AFDC whom GAO interviewed either had not sought medical treatment when it was needed, or had been refused treatment when they did seek it, due to lack of money or insurance. In addition, between 30 percent and 48 percent had either not sought or been refused treatment for a dental problem, after being dropped from AFDC.
- The losses of AFDC and food stamp benefits also took their toll. In four of the five metropolitan areas GAO examined, over half of the families terminated from AFDC had run out of food at least once and had no money to buy more.
- Between 32 percent and 44 percent of these families had also had gas, phone, or electricity service shut off due to non-payment of a bill, after being terminated.
- In addition to the reductions aimed at working families, a number of other reductions were made in the AFDC program as well. For example, the 1981 budget-cutting legislation prohibited the provision of AFDC benefits

during the first five months of pregnancy to a poor woman pregnant with her first child, despite medical knowledge that the early period of pregnancy is of critical importance to healthy birth outcomes.

### **Housing Assistance**

- As part of the budget cuts in housing programs, rents have been raised for all low and moderate income families and elderly persons living in public or subsidized housing. Prior to the 1981 budget reductions, poor families or individuals in public or subsidized housing paid no more than 25 percent of their income for rent. Now the rents have been raised and will reach 30 percent of income in 1986.
- This amounts to \$2.5 billion in additional rental payments from these families and individuals over a five-year period. By 1986, the additional rent charge will average \$500 a year per household.
- In addition to the rent increases, severe reductions were also made in federal support for construction and rehabilitation of low income housing units. Construction and rehabilitation of low-rent housing helps to offset the large loss of low income housing that occurs each year due to condominium conversions, rent increases, abandonment and decay. Since 1981, federal support for activities to help replenish the shrinking stock of low-rent housing has been cut by two-thirds.
- The Urban Institute has estimated that about 300,000 more families are now living in substandard housing than would be the case if these cutbacks had not been made.

### **Food Stamps**

- Significant reductions were also made in the food stamp program. Program cuts in 1981 and 1982 resulted in reductions of \$1 to \$2 billion a year, according to Congressional Budget Office estimates.
- While most households are still able to receive food stamps, benefit levels for most of the 20 million persons in the program (the majority of whom are children or elderly or disabled individuals) are now lower than they would have been in the absence of the cuts. Over two-thirds of the savings in the food stamp program have come from reducing benefits for households below the poverty line.

### **Employment and Training Programs**

- Overall funding for employment and training programs, designed to help persons with barriers to employment gain skills or work experience and improve their prospects of finding regular jobs, was reduced very substantially. Annual funding for these programs stood at more than \$9 billion when the Reagan Administration took office. Today, it comes to less than \$4 billion.
- The public service jobs program, which had provided employment opportunities to 500,000 persons a year, was abolished. Virtually all persons served by this program had been low and moderate income, half were from minority backgrounds, and half were women.
- Job training programs were also slashed. Funding for these programs is down about 40 percent below 1981 levels (after adjustment for inflation), according to Congressional Budget Office and Urban Institute estimates. Among the programs that have been cut are the Job Corps program (a program which Labor Department studies have found to be cost-effective in improving employment and earnings prospects and reducing crime among low income unemployed youth) and the Work Incentive program (which provides job training and related assistance to AFDC mothers to help them get off federal assistance and into the job market).

### **Health Services**

- Another important program that was cut was the community health centers program, which supports health clinics in "medically underserved" areas (primarily poor rural areas and some inner-city areas in which there is a shortage of health services). The community health centers program is widely regarded as one of the government's most effective health services programs. Medical research and evaluations have credited the program with im-

proving the health status of low income communities and producing a reduction both in the need for persons to be hospitalized and in Medicaid costs.

- The Children's Defense Fund has estimated that following the 1981 budget cuts in the community health centers program over 200 centers had to cut back operations and that 725,000 persons — nearly two-thirds of whom were low-income children or women of childbearing age — lost access to health services at the centers. While some funding has been restored to the program since 1983, it remains below 1981 levels, after adjustment for inflation.
- Similarly, maternal and child health programs — which are designed to combat infant mortality and childhood disability, to provide rehabilitation services for blind and disabled children, to furnish treatment and care for crippled children, and to provide other prenatal and children's health services — were reduced significantly. A Children's Defense Fund survey found that after the 1981 cuts in the program, some 44 states made cuts in prenatal and delivery services to low and moderate income women. Here, too, while there has been some restoration in funding since 1983, the programs remain well below 1981 levels.

#### **Social Services**

- Even larger reductions were made in the basic social services program for low and moderate income families and elderly and disabled persons — the Social Services Block Grant. This program provides funding for basic services such as day care for low and moderate income mothers who work, services for abused children, and services for homebound elderly and disabled persons. This program has been cut one-fourth in real terms since 1981. The Children's Defense Fund estimates that thousands of lower income families lost access to federally-supported day care services as a result.

#### **Education and Child Nutrition Programs**

- Cuts were made in the compensatory education program for disadvantaged children, a program with a proven track record in improving the reading and math scores of low income elementary school children and narrowing the gap in test scores between young black and white children.
- Reductions were also made in student financial aid programs for low and moderate income students trying to go to college (as well as guaranteed student loans which are focused more on middle-income students). The proportion of black high school graduates going to college declined after these cuts were made.
- Large reductions were made in child nutrition programs, including the school lunch and breakfast programs. Child nutrition programs were reduced 28 percent in 1981, according to the Congressional Budget Office, and these cuts were on top of earlier reductions made in 1980. Today about 2 million fewer school children eat school lunches each day than before the cuts were made (these figures take changes in school enrollments into account). About one-third of the decline in school lunch participation occurred among low and moderate income children.
- In addition, the amount charged for school lunches to children from moderate income families in the \$14,000 to \$20,000 range (for a family of four) has quadrupled since 1980 as a result of budget-cutting federal policy changes. A family in this income range with two children in school now pays over \$100 more each year for its children's school lunches as a consequence.

#### **Medicaid and Medicare**

- Significant changes have been made in Medicaid, which provides health care coverage to families with children and elderly and disabled persons who are poor enough to qualify, and in Medicare, which provides health insurance for elderly persons in all income groups.
- Federal matching funds provided to states to operate Medicaid programs were reduced for fiscal years 1982 through 1984. Due both to these cutbacks and to budget pressures at the state level, over 40 states trimmed their Medicaid programs during this period, with the reductions including (in some states) elimination of Medicaid

coverage for certain categories of low income families and elderly persons, and reduction or elimination of coverage for some medical services.

- After the end of fiscal year 1984, the reduction in federal Medicaid matching funds ended. Some states have restored some of the cuts that were made. Many of the cuts and reductions remain in effect, however, and have become permanent parts of state Medicaid programs.\*
- Many moderate and low income elderly individuals were also affected by budget reductions made in the Medicare program. Medicare premiums were raised, thereby increasing out-of-pocket costs to elderly beneficiaries. In addition, the amount Medicare beneficiaries must pay out of pocket for the first day in a hospital has soared from \$180 in 1980 to \$492 as of January 1, 1986, in significant part because of changes made by Congress and the Administration in the Medicare payment structure.
- These increases in beneficiary costs affect low and moderate income elderly Medicare beneficiaries except for those who have Medicaid coverage. (Medicaid pays these charges for persons it covers.) Many elderly persons below the poverty line — and most of the elderly in the \$6,000 to \$10,000 range (which is just above the poverty line) — lack Medicaid coverage and have had to bear these added costs.

### Legal Services

- Finally, surveys by the Washington Council of Lawyers, a non-profit organization, found that some 375 legal services offices closed and the number of attorneys and paralegals providing services dropped 30 percent, in the wake of major funding reductions in the legal services program. Because of staff shortages, legal services offices in many areas now turn away significant numbers of indigent clients with legal problems.

**These federal budget policies have contributed to the rise in poverty and helped widen the gap between rich and poor**

The budget reductions have contributed to the increase in poverty — and also to the widening gap between lower and upper income Americans.

- A 1984 study by the Congressional Research Service of selected budget reductions enacted in 1981 (primarily the budget cuts in AFDC) found that these cuts pushed 560,000 persons — most of them children — below the poverty line. (This study does not cover the impacts of reductions in all programs or reductions enacted after 1981.)
- Work by economists Sheldon Danziger and Peter Gottschalk of the Institute for Research on Poverty at the University of Wisconsin, two of the nation's leading poverty analysts (and the only analysts able to correctly forecast the 1984 poverty rate in advance) indicates that the overall effect of all the budget reductions has been to increase the poverty rate by nearly a full percentage point — or by more than 2 million persons.
- A 1984 study by the Urban Institute found that budget cuts in benefits programs caused a 7.5 percent average reduction between 1980 and 1984 in the disposable income of households with incomes of less than \$10,000 a year. The Urban Institute estimated that half of the large increase in poverty between 1979 and 1982 was due to budget reductions enacted during the Reagan Administration.
- A major Congressional Budget Office study issued in 1984 provides further information on the impact of the budget cuts on low and moderate income households. CBO found that as a result of the budget (and tax) changes enacted from 1981 to 1983, households with incomes below \$20,000 a year would lose \$20 billion in income and benefits over the three-year period from 1983 to 1985.
- In addition, an analysis by the staff of the House Ways and Means Committee, based on data compiled by the

\*There is one brighter note regarding Medicaid. In 1984, Congress required all states to provide Medicaid coverage to certain categories of poor women who are pregnant for the first time and to certain pregnant women and children up to age five who live in poor two-parent families. Many states had denied coverage to these persons in the past.

Congressional Research Service, found that federal spending on low income benefit programs fell over 15 percent per poor person from 1980 to 1983, after adjustments for inflation.

- Finally, Census data show that federal benefit programs remove significantly fewer families from poverty now than they did before the budget reductions occurred. In 1979, one of every nine female-headed families with children was removed from poverty by cash assistance programs other than Social Security. But in 1984, only one of every nineteen such families was lifted out of poverty by these programs.

The budget reductions not only had a significant impact on poverty rates, they also (in concert with changes in tax policies enacted since 1980) had a profound effect in widening the gaps between low and moderate income families and those who are already affluent.

- The Congressional Budget Office study which found that budget and tax changes enacted from 1981 to 1983 had taken \$20 billion (over the 1983-1985 period) from those with income \$20,000 a year also found that these policy changes caused \$35 billion increase in the after-tax incomes of households with incomes of \$80,000 or more. The households with incomes over \$80,000 who gained so handsomely (they received an average gain of over \$8,000 a year per household) constitute the wealthiest 1 to 2 percent of all U.S. households.
- Findings from the Urban Institute are similar. The Institute found that Reagan Administration policies (including budget, tax and general economic policies) resulted in losses in disposable income from 1980 to 1984 for average families in all income brackets — with the sole exception of families in the top 20 percent of the population. The largest losses were borne by families in the bottom two-fifths of the population, the Urban Institute determined.
- The Urban Institute concluded that Administration policies had "contributed to a substantial increase in income inequality" and that "only those in the top quintile [the top fifth] benefited from [these] policies." The Administration's policies "helped the affluent but were detrimental to the poor and the middle class," the Institute found.

#### Minorities and women also disproportionately affected

Because female-headed families and minorities are disproportionately poor and rely more heavily on federal benefit programs, the impacts of federal budget cuts were most severe for these families.

- Female-headed households comprise the bulk of the participants in many of the programs subject to the deepest cuts. About 90 percent of AFDC families are headed by women, as are nearly 70 percent of food stamp households and most of those in subsidized housing. Moreover, most of the elderly who participate in low-income programs are elderly women.
- Not surprisingly, from 1980 to 1983, the after-tax incomes of female-headed households fell more sharply than the incomes of any other group. Female-headed households with children received \$4.3 billion less in after-tax income in 1983 than in 1980. This represented an average loss of \$657 for every female-headed household with children in the nation (the loss would be even larger if reductions in non-cash benefits such as food stamps, day care services, and low-income housing were taken into account).
- Minorities also bore a disproportionate share of the budget reductions. The average black family lost more than three times as much in benefit reductions from the 1981 budget cuts as the average white family, according to an analysis by researchers at the Urban Institute. The average Hispanic family bore cuts twice as large as the average white family, as a result of the 1981 budget cuts.
- While black Americans comprise 12 percent of the total population, they make up between 30 and 40 percent of those assisted by a number of the low and moderate income programs that were most sharply cut. Hispanics comprise 7 percent of the overall population, but make up between 10 percent and 17 percent of the participants in a range of these programs.

## V. FEDERAL ASSISTANCE PROGRAMS LEAVE LARGE GAPS AND PROVIDE LOW BENEFIT LEVELS

The budget cuts of the 1980s were made in programs that, in many ways, were already inadequate. Federal benefit programs have large gaps, failing to reach millions who are poor. The programs also provide benefit levels that, in most cases, fall well below the poverty line.

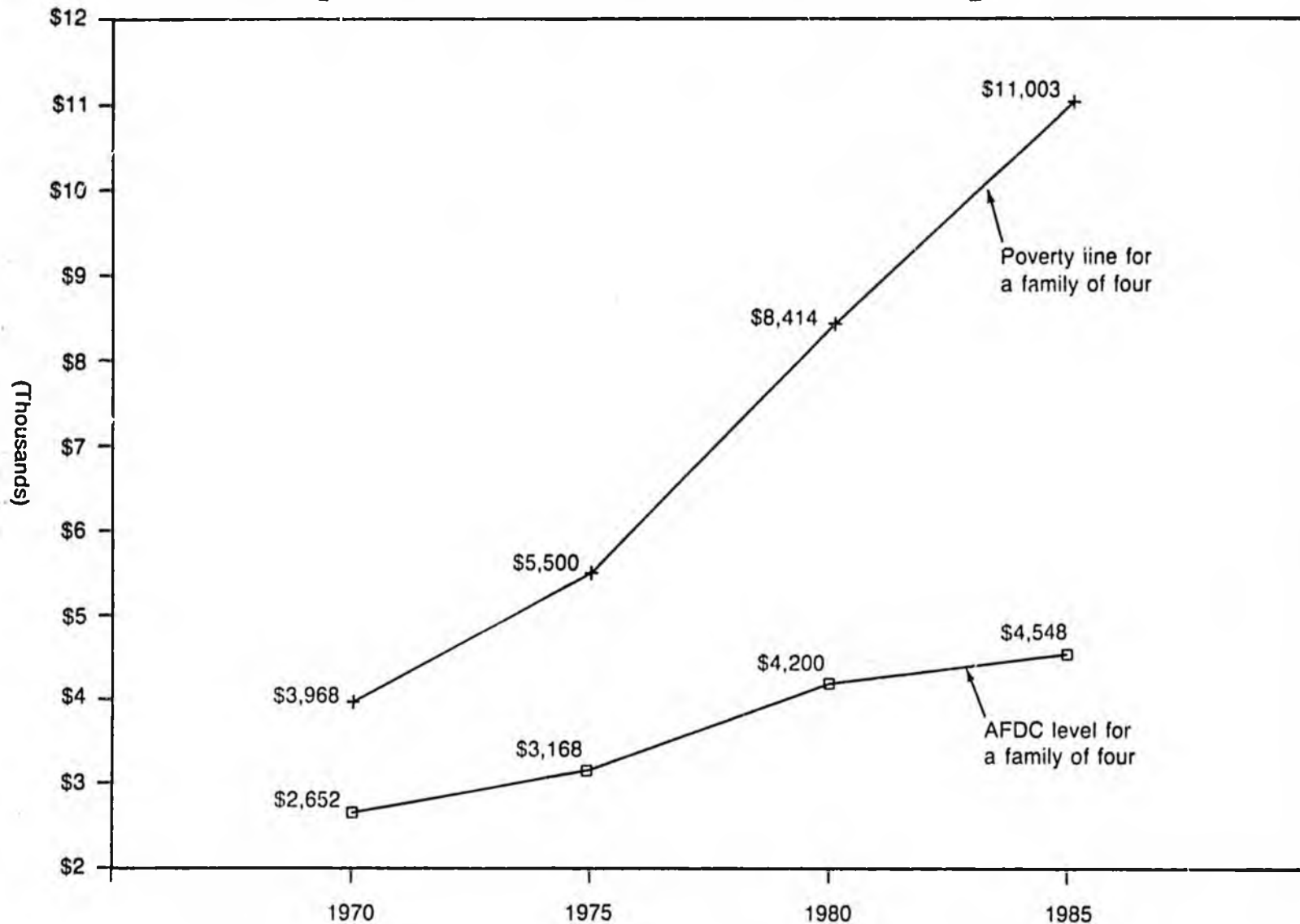
### Gaps in basic assistance programs

Many low-income Americans are simply ineligible for any federal cash assistance or for federally supported health care coverage.

- In 25 states, families containing both parents are not eligible for AFDC (or for any federal cash welfare benefits), no matter how destitute they may be.
- Even in states which do not automatically disqualify two-parent families, the assistance is severely restricted. To be eligible, the head of household must be unemployed. If the household head manages to work more than 99 hours (or about 2½ weeks) in a month, the family becomes ineligible regardless of how low its income may be.
- Because these two-parent families are ineligible for AFDC, persons in these families (except for some pregnant women and children up to age five) are also ineligible for Medicaid in most states.
- In addition, in all states, poor individuals or couples without children are automatically ineligible for AFDC. Unless they are elderly or disabled, poor individuals and childless couples are automatically ineligible for Medicaid, as well, in most areas. State and local governments may provide some cash assistance to them, but the assistance is generally extremely meager and usually comes to only a small fraction of the poverty line. In many states and localities, no cash aid whatsoever is available for these persons.
- Many single-parent families that work but are still poor also are shut out of cash assistance programs. In almost all states, it is possible to have earnings that are several thousand dollars below the poverty line and still be ineligible for AFDC.
- In most states, the cutoff point at which earnings disqualify a family for AFDC is quite low. In Texas, earnings of just \$326 a month (\$3,912 a year) — or 36 percent of the poverty line — disqualify a family of four from any AFDC benefits after the mother's fourth month on the job.\*
- In Arkansas, wages of \$329 a month (about \$3,948 a year) result in a cutoff of all AFDC benefits after the fourth month on the job (for a family of four). In Alabama, the cutoff point is even lower. Earnings of only \$252 a month, or just over \$3,000 a year, cause AFDC benefits to cease, even though this equals just 27 percent of the poverty line.
- Nationwide, there were 40 states in January 1985 where the earnings cutoff for AFDC benefits (after a mother's fourth month on the job) was at or below \$7,000 a year for a family of four; \$7,000 is less than two-thirds of the poverty line for a four-person family.
- This means that mothers who work full-time year-round at the minimum wage but still find themselves far below the poverty line are generally ineligible for cash assistance in most states. In large numbers of states, they are ineligible for Medicaid as well.
- In fact, more than three of every ten children below the poverty line are now left out of Medicaid, according to the Children's Defense Fund. One-third of all pregnant women with incomes less than \$15,000 have neither public nor private health insurance.

\*The income cutoffs referred to in this section apply to families without child care expenses. Families with child care expenses can earn somewhat more before losing all benefits. Most working families on AFDC do not incur child care expenses, however.

# AFDC Benefit in Typical State\* Compared to the Poverty Line



\* Typical state refers to the median state, that is, the state whose benefits are exactly in the middle when the state AFDC benefits are ranked from highest to lowest. Half of the states have AFDC benefits greater than those in the median state, and half have AFDC benefits that are lower.

- Millions more Americans who live on limited incomes but are modestly above the poverty line also lack any health care coverage. Census data indicate that approximately 35 million Americans in all now lack any health insurance.

### Low AFDC benefit levels

For those families that can qualify for AFDC, benefit levels are generally quite low.

- There is not a single state where the AFDC benefit for a family of four reaches 75 percent of the poverty line. Half of the states offer AFDC benefits that are less than 50 percent of the poverty line.
- As of January 1985, the typical (or median) state offered a benefit equal to just 41 percent of the poverty line — \$379 a month (\$4,550 a year) for a family of four, which comes to just \$12 a day.
- In Mississippi, the state with the lowest benefits, the maximum payment for a family of four with no other income is \$144 a month (\$1,730 a year), or less than 16 percent of the poverty line. In Alabama, the same family would receive \$147 a month. In oil-rich Texas, the maximum benefit for a family of four is less than one-quarter of the poverty line — just \$221 a month.
- Low benefit levels are not confined to the South. Illinois, a midwestern state with the fifth largest population in the nation, has an AFDC benefit level that comes to only about two-fifths of the poverty line (\$385 a month). Indiana, another midwestern state, provides a benefit of only \$316 a month, a little over one-third of the poverty line, to a family of four with no other means.
- Even the inclusion of food stamps does not raise a poor family's income to the poverty line. There is no state in the country where the combined benefit from AFDC and food stamps equals the poverty line. In half the states, the combined benefits from AFDC and food stamps do not reach two-thirds of the poverty line.

The purchasing power of AFDC benefits has declined precipitously over the past 15 years.

- One reason AFDC benefits are so low is that in most states, the benefit levels have not been adjusted to keep up with inflation. Taking inflation into account, AFDC benefits have fallen 37 percent since 1970 in the typical state. (Unlike Social Security and the Supplemental Security Income program for the elderly and disabled poor, there is no automatic cost-of-living adjustment for AFDC benefits.) The decline in the purchasing power of the benefits has occurred in nearly every state in the country. No other group in the U.S. population has lost so much to inflation in recent years as AFDC families have.
- In two of the largest states, AFDC benefits are now worth less than half of their value in 1970. In Texas, even after a recent benefit increase, AFDC benefits have declined 55 percent since 1970, after adjusting for inflation. In Illinois, AFDC benefits have declined 51 percent (in inflation-adjusted terms) since 1970.
- In 1970, when the poverty line for a family of four was \$3,968, the Illinois benefit for a family of four with no other income was \$3,384 a year — or 92 percent of the poverty line. By 1985, the poverty line is projected to be \$11,000 for a family of four (the upward adjustment since 1970 reflects the impact of inflation). However, the AFDC benefit in Illinois stands at just \$4,620 today. As a result, the Illinois benefit level fell from 92 percent of poverty in 1970 to 42 percent of the poverty line in 1985.

### Supplemental Security Income benefits

While benefits for the elderly and disabled poor in the Supplemental Security Income (SSI) program are higher than in the AFDC program, SSI benefits still fall below the poverty line in most states.

- The maximum federal SSI benefit for an elderly or disabled individual (\$325 a month, or \$3,900 a year) now equals just 71 percent of the poverty line. For an elderly or disabled couple, the maximum federal benefit level (which is \$488 a month, or \$5,856 a year) equals 84 percent of the poverty line.

- A number of states supplement the federal SSI benefit for some or all SSI recipients with an additional benefit from state funds. However, SSI state supplements are not automatically adjusted for inflation — and since 1974 when the SSI program was instituted, the value of the state supplements has fallen over 20 percent in inflation-adjusted terms.

In addition, SSI does not reach indigent persons in the 60 to 65 age bracket.

- While some other federal programs use age 60 or 62 to determine elderly status, persons who are not blind or disabled must be at least 65 to qualify for SSI. Indigent individuals or couples between 60 and 65 years of age are automatically ineligible for SSI. They consequently are ineligible for Medicaid as well in most areas (Medicaid eligibility for the elderly is generally linked to SSI eligibility).
- In some jurisdictions, there is no cash assistance or health coverage of any sort provided to low income persons in the 60 to 65 age group, regardless of how indigent they are.

### Benefit levels in the food stamp and energy assistance programs

Food stamp benefits are more broadly available to the poor without restrictions on age or family type. However, food stamp benefits are quite modest.

- The average food stamp benefit is now 49 cents per person per meal. The maximum benefit—available only to families so poor they have no income left after meeting certain other basic necessities— is 73 cents per person per meal.
- U.S. Department of Agriculture surveys show that most families whose food expenditures equal the maximum food stamp benefit do not get adequate diets. Only about one-tenth of families whose food spending is at this level obtain the U.S. recommended daily allowances for the basic nutrients, the surveys show. To deal with this problem, many low income families on food stamps dig into their limited budgets to spend more for food, in an effort to get enough to eat. However, as their incomes have been squeezed further from reductions in other assistance programs, this has become harder to do.

The low income energy assistance program was created in the late 1970's at a time when federal policy decisions to decontrol oil prices, coupled with severe OPEC oil price increases, were sharply increasing household energy bills. The program was intended to defray large increases in fuel bills being faced by low income households.

- Due to budget pressures, however, the program never attained the size originally envisioned by the Carter Administration. Low income energy assistance benefits now offset only a small fraction of the steep increases in the heating and other energy bills of poor families.
- In fact, studies done for the Department of Energy indicate that the energy assistance program offsets only about one-third of the increase just from 1977 to 1980 in the low income population's fuel bills.
- An April 1984 study by the National Consumer Law Center found that during the winter of 1984, low income elderly persons living alone in 35 states had less than \$50 a week left from their SSI checks for rent, food, clothes and other needs, after paying their heating bills.

### Large numbers of eligible persons left outside the programs

Not only are benefit levels modest in these programs, but the programs actually fail to reach millions of low income persons who are eligible for benefits.

- About 10 million persons eligible for food stamps (at least one-third of those eligible) do not receive them. Food stamp participation is now at its lowest level since early 1980, despite the fact that millions more Americans live below the poverty line than in 1980.

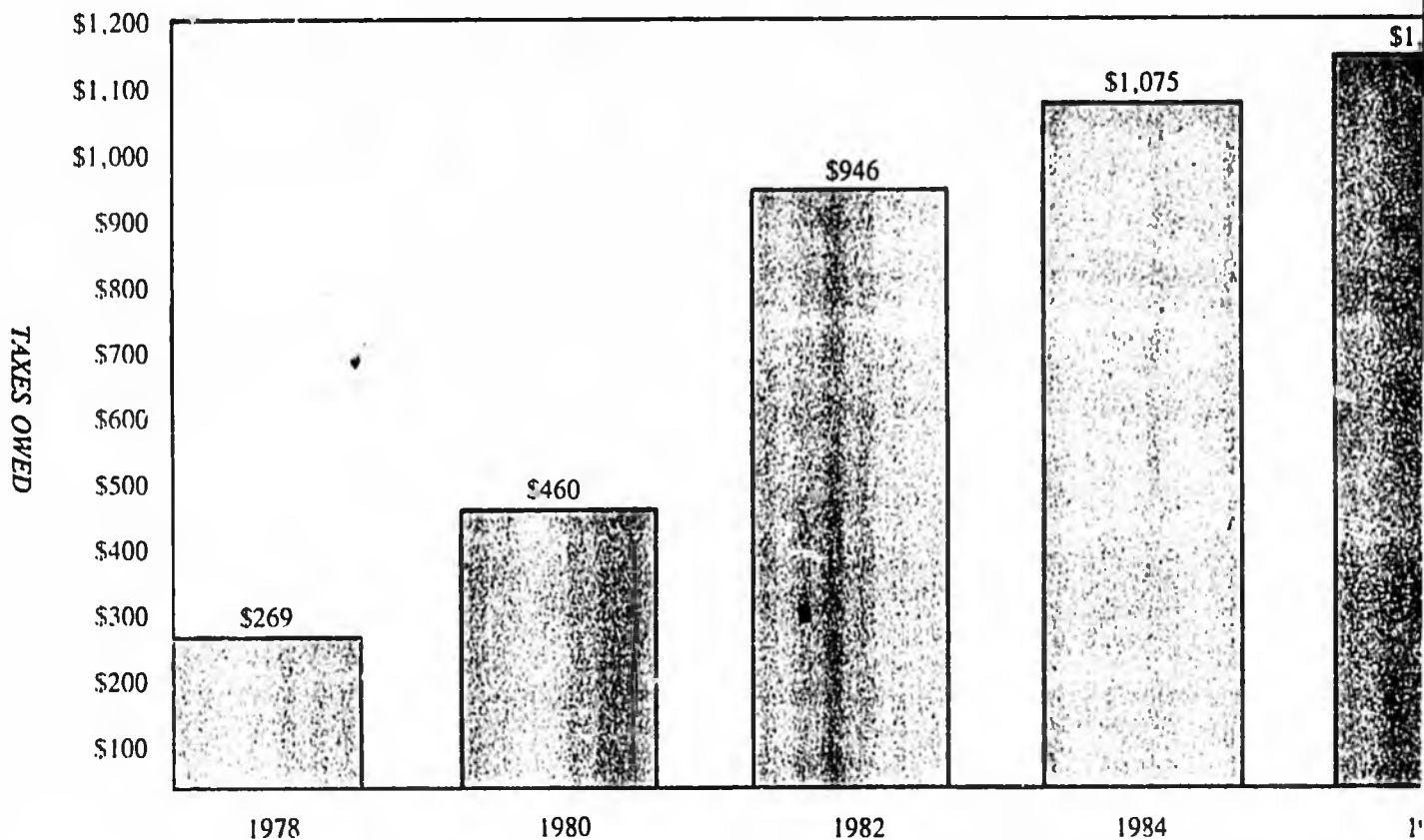
- Approximately 35 percent of the elderly eligible for SSI do not receive SSI benefits, including more than one million eligible elderly persons living below the poverty line.
- AFDC participation rates have been dropping in recent years. According to the Urban Institute, 22 percent of those eligible for AFDC—over 2 million persons—do not receive AFDC benefits. Most of these persons are poor children.
- In addition, in many other low income programs (programs which are not "entitlements"), funding is limited—and there is room for only a fraction of those eligible.
  - The Special Supplemental Food Program for Women, Infants, and Children (the WIC program) reaches less than half of the low income pregnant women, infants, and children at nutritional risk who qualify.
  - In the typical state, low income energy assistance benefits reach slightly over a quarter of the eligible households.
  - The highly acclaimed Headstart program reaches less than one-fifth of low income children.
  - There are waits of months or years in many cities for public or subsidized housing assistance.

#### Severe contraction of the unemployment insurance system

As noted earlier in this report, the protection provided by the unemployment insurance has eroded greatly in the past several years. Probably no other program has diminished in scope so much as unemployment insurance.

- A far smaller proportion of the unemployed receive unemployment insurance than ever before. In October 1985, the percentage of jobless workers receiving benefits fell to an all-time record low. Three-fourths of all unemployed workers received no benefits that month.
- Many states with unemployment rates well above the national average in October were among those with the lowest percentage of jobless workers receiving benefits. For example, in Michigan, where the unemployment rate was 10.3 percent in October, only 17 percent of the unemployed (one in six) received unemployment benefits. 344,000 jobless workers in Michigan received no benefits last month.
- In Texas, where the unemployment rate was 8.1 percent, only 16 percent of the unemployed received benefits, leaving over one-half million jobless workers without benefits.
- In Ohio and Illinois, states where unemployment exceeded 9 percent in October, only 21 percent and 22 percent, respectively, of unemployed workers received benefits, leaving about 400,000 without benefits in each state.
- On a nationwide basis, the number of jobless workers without benefits in October stood at 5.9 million—as many as at the bottom of the recession in November 1982, when the unemployment rate was 10.7 percent.
- In addition, for those who do receive unemployment benefits, the level of benefits has not kept pace with inflation. Nationally, the average weekly unemployment benefit amount has declined by 11 percent since 1970, after adjusting for inflation.

# Increasing Tax Burden of Families At The Poverty Line



This chart shows the Federal payroll and income taxes owed by a two-parent family of four at the poverty line for

Source: Joint Committee on Taxation, U.S. Congress; U.S. Department of Treasury, Internal Revenue Service.

## VI. RISING EXPENDITURES FACED BY LOW AND MODERATE INCOME FAMILIES

At a time when poverty has increased and federal support programs have been reduced, those with low and moderate incomes have had to face still another burden — rapidly rising costs for basic necessities. In addition, those low and moderate income families who work have also had their taxes raised.

### Housing Costs

Housing costs for low and moderate income families and elderly persons have escalated sharply, due in large part to growing shortages of low-rent housing. Recent studies by the Census Bureau and the General Accounting Office show how acute the problem has become.

- The most recent Annual Housing Survey conducted by the Census Bureau (which is for 1983) found that 55 percent of all renters with incomes below \$7,000 a year are spending more than 60 percent of their incomes on rent and utilities.
- Eighty percent of these renters with incomes under \$7,000 pay more than 35 percent of their income on rent and utilities.
- This problem has rapidly been growing worse in recent years. The General Accounting Office found that among lower income households, the number paying more than half their income for rent and utilities increased from 3.7 million in 1975 to 6.3 million in 1983.

### Energy Costs

The sharp rises in rents have been aggravated by severe increases since the early 1970s in home energy costs. The massive increases in heating and other home energy bills have hit low income households much harder than the rest of the population.

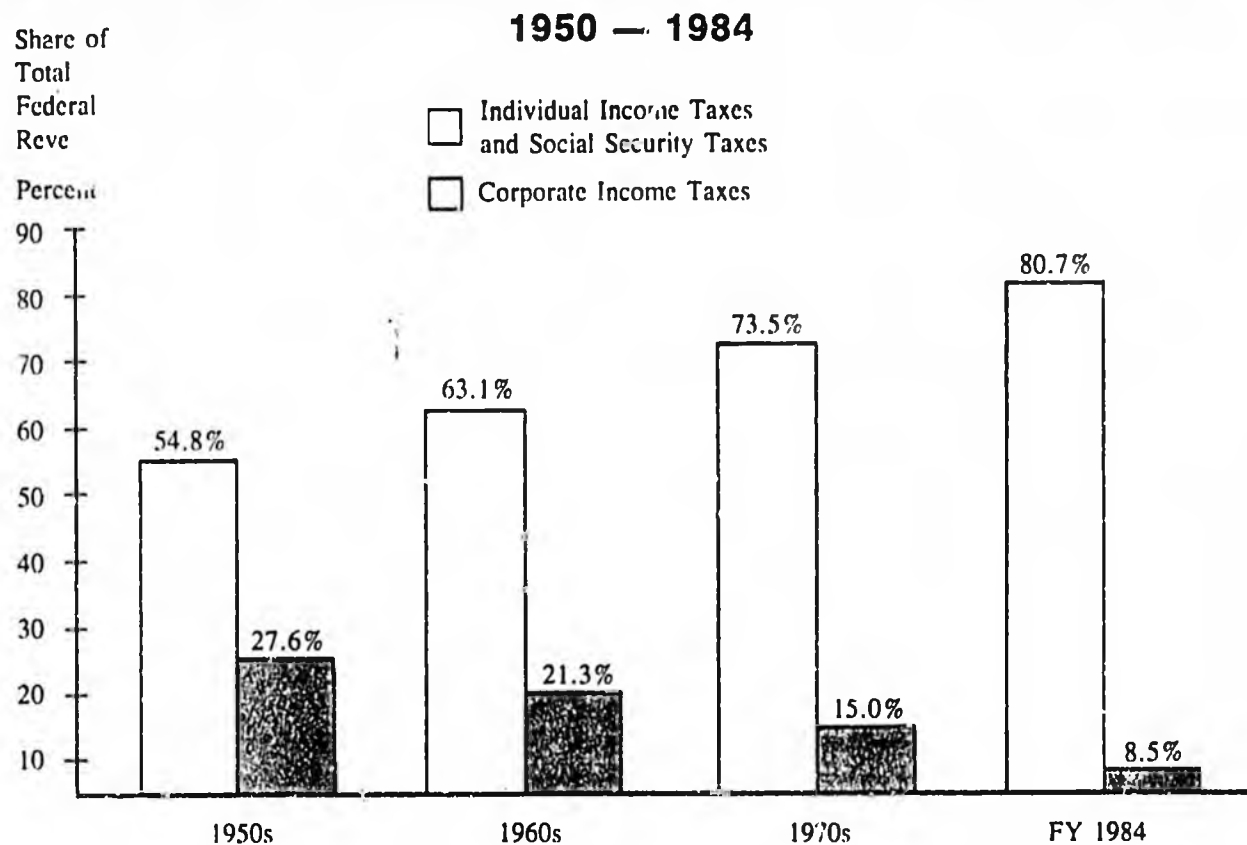
- Between 1972 (just prior to the Arab oil embargo) and 1984, the cost of home heating oil increased by almost 450 percent, according to a study by the National Consumer Law Center. The study also reported that in the same time period, the cost of heating with natural gas increased five-fold and residential electric prices increased three-fold.
- While rising fuel bills have affected all Americans, Department of Energy data show that the increases in these costs ate up a far larger percentage of the income of low and moderate income families than of more affluent families.
- The National Consumer Law Center, in another study, found that in 1984, average annual home energy costs for the poor exceeded \$1,000 in 21 states.
- As a result of these steeply increasing energy costs, larger numbers of households have also had their heating gas supply disconnected because of inability to pay their energy bills. A nationwide survey of utilities, done by the National Consumer Law Center, projected that in 1984, over 1.8 million households would lose their natural gas service due to delinquent payments.

### Increased Tax Burdens Borne by Low and Moderate Income Working Families

For low and moderate income Americans who work, one other expense has increased greatly as well — their taxes.

- Since 1978, federal tax burdens for the working poor have soared. A two-parent family of four with earnings at the poverty line paid \$269 in federal income and payroll tax in 1978, \$460 in 1980, and \$1,147 in 1985.
- Measured as a percentage of income, this family's federal taxes have jumped from 4 percent of income in 1978 and 5.5 percent in 1980 to 10.4 percent in 1985.

# Shift in Federal Tax Burdens From Corporations to Individuals



Sources: Joint Committee on Taxation, *Tax Policy and Capital Formation* (April 1977); and Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1986-1990*.

- Families with gross incomes *below* the poverty line have also been heavily affected. In the late 1970s, most families below the poverty line did not pay federal income tax. Today a family of four with gross income \$1,500 below the poverty line must pay income tax. A family of six with gross earnings \$4,300 below the poverty line must pay federal income tax.
- As a result, Census data show that in the four years from 1979 to 1983 (the latest year for which Census has issued these data), the number of households below the poverty line who had to pay federal income tax *more than tripled*. Census data also show that the total amount of federal income taxes paid by households below the poverty line rose 204 percent from 1979 to 1983, after adjustment for inflation.\*
- These data show that the federal government is taxing away an increasing share of income from those households who, by its own definition, do not have enough to live on.
- On top of these increases in federal tax burdens, low and moderate income families have faced increases in state and local taxes as well. State and local taxes as a whole tend to be more regressive than the federal income tax (i.e., they take a larger percentage of income from poor and moderate income persons than from more affluent ones). With cutbacks in federal funding for many services provided by state and local governments, as well as budget pressures at state and local levels, state and local taxes have been raised in many areas in recent years — and these increases, too, have disproportionately affected those who work but have low incomes.
- The number of households with incomes below the poverty line who had to pay state income taxes increased 30 percent from 1980 to 1983 (these data are not available for years before 1980). The amount that these households paid in state income taxes jumped 37 percent during this period, after adjusting for inflation.

These tax increases effectively pushed more families into poverty.

- The Census data also show that there were 2.9 million person in 1983 who lived in households with gross incomes above the poverty line, but who were pushed below the poverty line when federal and state income and payroll taxes were taken out of their paychecks.\*\*
- This represented a sharp increase from 1979, when 1.9 million persons — or one million fewer — were pushed into poverty by taxes.

The causes of these striking increases in the federal tax burdens of low income working families lie largely in federal policy decisions made in recent years.

- The roots of the rise in low income tax burdens lie, in significant part, in the 1981 tax act. Until 1981, a basic pattern had developed in tax legislation — every few years Congress would adjust income taxes to offset some or all of the effects of inflation on income tax burdens. As part of these earlier pieces of tax legislation, Congress regularly raised the standard deduction or the personal exemption, both of which have a much larger impact on the tax burdens of low income working families than does the basic tax rate schedule.
- In addition, in the 1975 and 1978 tax acts, Congress established and then enlarged the “earned income tax credit,” which was designed to help shield poor families from income taxes and to offset some of the increases in Social Security payroll taxes on low income working families.

\*These figures do not reflect the “refundable” portion of the earned income tax credit (EITC). If a low income family’s federal income tax liability is less than the earned income tax credit which the household is due, the Internal Revenue Service sends the family a check for the difference. The amount of such a check constitutes the “refundable” portion of the earned income tax credit.

\*\*These figures do not reflect the impact of the “refundable” portion of the earned income tax credit. If this is taken into account, the number of persons effectively dropped into poverty after paying taxes was 2.6 million in 1983. No similar figure (i.e., a figure taking the refundable portion of the earned income tax credit into account) is available for 1979.

- In 1981, however, this pattern ended. After a period of particularly high inflation, the Congress and the Administration adopted a tax bill that provided no adjustment in the standard deduction or personal exemption until 1985 and no adjustment whatsoever in the earned income tax credit.\* The major tax increases borne by low and moderate income working families are in significant part a consequence of this decision.
- While the 1981 tax act thus allowed tax burdens for low income working families to rise rapidly, it nevertheless provided large tax reductions for affluent taxpayers and large corporations. The 1981 act substantially reduced the top tax rate on investments and other unearned income, which affected families with incomes of over \$85,000 a year. It roughly halved the federal estate tax in a manner benefiting the wealthiest three percent of U.S. families.
- Moreover, a study by the Congressional Joint Committee on Taxation found that the wealthiest 5.6 percent of all taxpayers received more than 35 percent of the tax benefits provided by the across-the-board rate cuts in the 1981 Act.
- The 1981 Act also reduced tax rates on profits from capital gains, which disproportionately accrue to wealthy investors. The maximum rate of tax that affluent investors pay on capital gains profits is actually *lower* today than the combined marginal income and payroll tax now paid by a working family of four earning just \$12,000 a year.
- In addition, the 1981 Act reduced taxes on corporations. While the scope of the corporate tax breaks was reduced by subsequent legislation, the net result has still been a major tax reduction for many large companies. While corporate income taxes contributed 25 percent of all federal revenues in the 1950s and early 1960s and 12.5 percent of federal revenues in 1980, corporate taxes contributed just 8.5 percent of federal revenues in 1984.

In short, there has been a shift in tax burdens. Tax burdens have been shifted away from corporations, and from more affluent individuals to those with low and moderate incomes. This shift has contributed to the widening gaps between lower and upper income families in the United States.

- The Urban Institute has found that the average overall tax burden on American families (including state and local taxes) was the same in 1984 as in 1980 — but that some groups of families paid more while others paid less.
- Nor surprisingly, the division occurred along income lines. "The bottom 40 percent of families are paying proportionately more of their income in taxes [than in 1980]," the Urban Institute reported, "with most of the increased burden falling on the poorest 20 percent of families." Affluent families, by contrast, are paying less of their incomes in taxes than in the past.

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\*Congress later made a small adjustment in the earned income tax credit (EITC) in 1984, but this adjustment offsets less than one-fifth of what the EITC has lost to inflation since 1979.

## VII. CONCLUSION

The data presented here on the economic status of low and moderate income Americans indicate that we are now witnessing a rather ominous series of developments. The gaps between lower and upper income families are widening, poverty rates have increased, disproportionate reductions have been made in programs for the less well-off, benefit levels have declined and program coverage has contracted in many of the most basic assistance programs, rent burdens for those of limited means are increasing, and federal tax burdens imposed on the growing numbers of those who work but are still poor have soared.

These developments should be matters of concern to all Americans, not just to those whose incomes are low. With one of every four Americans falling into poverty at some point during each decade — and with economic dislocations making more families vulnerable to job loss at a time when the safety net has been weakened — the conditions described here will eventually affect many millions of Americans whose incomes are not low today.

The nation faces many tough choices in the years ahead, including choices on how to reduce the federal deficit and restore a better trade balance. But one of the most fundamental decisions facing the society is whether to allow the trends described in this report to continue and to permit the further deterioration of the economic status of low and moderate income Americans. This question deserves to be given as much attention and accorded as high a priority in the years ahead as any other issue before our nation.

## APPENDIX

### THE DEBATE OVER THE POVERTY COUNT

In recent years, a debate has developed over the definition of poverty. Some critics have argued that the value of non-cash benefits (such as food stamps, Medicaid and Medicare) should be counted as income when poverty is measured — and that if this were done, significantly fewer Americans would be classified as poor.

While there are legitimate criticisms of the current way of measuring poverty, this issue is far more complex than some of the critics have portrayed it. Indeed, the issue is sufficiently complex that it is not clear whether a careful redefinition of poverty would show a decrease or an increase in the number of Americans who are considered poor.

#### Background: The Definition of Poverty

Poverty was first officially defined by the U.S. government in the 1960s. A federal "poverty line" was established, and households whose gross cash incomes fell below this level were considered poor.

The "poverty line" was set by multiplying by three the cost of the U.S. Department of Agriculture's "economy food plan." (The economy food plan was the lowest cost food plan the government had devised. \*) Data from this period showed that low income families spent approximately one-third of their incomes for food. Accordingly, it was reasoned that a household needed an income three times the cost of the economy plan in order to afford the foods in the plan. Any household having less income than needed to purchase the foods in the government's lowest cost food plan was considered poor.

Since the 1960s, this initial poverty line has been updated each year by adjusting it to cover inflation.

#### Current Criticisms of the Poverty Count

In recent years, some critics (including some Administration officials) have contended that use of the official poverty definition exaggerates the true extent of poverty in the U.S. These critics note that under the official poverty definition, only cash income is counted — ignoring food stamps, Medicare, Medicaid, subsidized housing, and other benefits not provided in a cash form. If these non-cash benefits were counted, the critics observe, the number of persons considered to be living in poverty would be smaller.

This criticism has some validity. Food stamps, for example, obviously do increase families' purchasing power and standard of living. Nevertheless, there are problems with this critique of the official poverty definition. Those who make this criticism often ignore other shortcomings in the official poverty definition — shortcomings that result in an *understatement* of the number of those considered to be poor (and that, if addressed, would be likely to lead to an increase in the poverty count.)

#### The Other Shortcomings in the Official Poverty Definition

##### A. The Issue of Taxes

In determining whether households are poor, households' gross incomes *before taxes* are counted. This means that the portion of a household's earnings that is withheld for taxes, and that never even passes through the household's hands, is counted in full as though it were available to be spent.

If critics wish to argue that non-cash benefits such as food stamps can be used to purchase household necessities — and therefore should be counted in determining whether a household has enough resources to rise above the poverty line — then it stands to reason that earnings that are withheld for taxes, and that cannot be used for any household needs, should not be counted.

This matter is of no small significance. If the poverty definition were based (as it should be) on *after-tax* incomes, the number of persons considered to be poor would increase by two and one half to three million. A substantial number of families whose gross incomes place them above the poverty line — and who currently are not counted as poor — would be considered to be below the poverty line if after-tax incomes were used as the basis for the poverty determination.

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\*The economy food plan was later refined slightly and renamed the "thrifty food plan." In its current incarnation as the thrifty food plan, it serves as the basis for the benefit levels provided in the food stamp program.

## B. Is the Poverty Line Set Too Low?

Another weakness in the current poverty definition concerns the appropriateness of the dollar thresholds used as the "poverty line." In the years since the poverty definition was established in the early 1960s, the prices of items such as home heating and health care have risen much faster than food prices. As a result, these other necessities now comprise a larger share of family budgets than they did 20 years ago, while food costs comprise a smaller share. Food costs now appear to comprise less than one-third of family budgets.

This fact is significant. It means that to afford the economy food plan (which has since been refined and renamed the "thrifty food plan") while still meeting other basic necessities, households may now need a level of income that is more than three times the cost of the food plan. If the concept behind the original poverty line is to be maintained — namely, that the poverty line is to reflect the income needed to purchase this minimum diet plan — then the cost of the food plan may need to be multiplied by a factor larger than three when the poverty line is computed. This change may be necessary to have a poverty line that accurately reflects current household expenditure patterns.

If this adjustment in the poverty line computation were made, the poverty line would be fixed at a higher level than it currently is. The number of Americans with incomes below the poverty line would increase.

In short, there are several legitimate criticisms of the current poverty definition — and the fact that non-cash benefits are not counted is only one of these criticisms. To be sure, counting non-cash benefits would lower the poverty count, but remedying the other shortcomings would raise the poverty count. If all these issues were resolved together, the net result might well be an overall increase in the official poverty count.\*

### Overstating the Value of Non-cash Benefits

A final issue concerns how to assign dollar values to non-cash benefits. If a decision is made to count non-cash benefits as income, a difficult decision would still remain as to how to determine how much these benefits are worth. For example, how much should be added to a family's cash income to reflect that it has Medicaid or Medicare coverage?

Some who favor counting the non-cash benefits have suggested use of a method for valuing these benefits that places a very high dollar value on the benefits (the "market value" approach). A number of other economists and poverty analysts do not favor this approach, however, because they believe it overstates the benefits' value. For example, under this approach, Medicaid and Medicare are given so high a dollar value that some elderly persons who have no cash income are considered to be above the poverty line simply because they have a Medicaid card. In other words, for some elderly persons, a Medicaid card is considered to have a monetary value greater than the poverty line — so that some elderly persons with Medicaid coverage are considered not to be poor, even if they are destitute and have no funds to purchase basic necessities. Such a definition of poverty seems to defy common sense. However, this is the definition most commonly used when the argument is made that the official poverty count substantially exaggerates the number of Americans who should be considered poor.

### Poverty Trends in Recent Years

Finally, it should be noted that poverty rates have risen as fast or faster in recent years under measures of poverty that include non-cash benefits as under the official definition of poverty.

Using the official poverty rate, poverty increased 23 percent between 1979 and 1984, while the number of poor persons rose by 7.6 million.

Under the various non-cash definitions of poverty the Census Bureau employs, however, the poverty rate rose 29 percent to 43 percent during this period, and the number of poor persons increased by 7.3 to 8.6 million. The larger increase in poverty if non-cash benefits are counted appears to reflect the impact of budget reductions in non-cash benefit programs.

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\*One recent analysis by the Census Bureau found that, if food stamps and housing were counted as income but after-tax rather than pre-tax income were used, the number of persons considered to be below the poverty line would remain essentially unchanged.

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## Social factors related to psychiatric disorder: the Yale Epidemiologic Catchment Area Study\*

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**Summary.** Results are reported from the first wave of the Yale Epidemiologic Catchment (ECA) Project, a large community survey conducted in South-central Connecticut, USA. The NIMH-Diagnostic Interview Schedule (DIS) was employed in the study to generate DSM III diagnoses. The 6-month prevalence rate from the unweighted data are reported. Factors associated with having had a recent DSM III diagnosis are examined. The need to take the age and sex of respondents into account when interpreting these relationships is emphasized.

This paper presents our initial attempt to identify social correlates of psychiatric disorders in a sample of residents from a US urban community. This study was conducted as part of a multisite epidemiologic study, the Epidemiologic Catchment Area (ECA) Project. The paper describes the social correlates of DSM-III psychiatric disorders in the community and examines some of the complex interactions that

exist to produce relationships between social risk factors and psychiatric disorders.

There is a rich body of data describing the relationship to mental disorders of social factors such as social class, social supports, and social stress (Greenblatt et al. 1982; Brugha et al. 1982; Henderson et al. 1977, 1978, 1980; Brown et al. 1972). Equally impressive is the literature on problems involved in understanding the meaning of the relationships that have been identified (Wheaton 1983; Kessler 1982; Cleary and Kessler 1982; Tennant and Bebbington 1978). However, the focus of most of the research dealing with the existence of mental health or illness in the community has been on psychiatric symptoms, psychological distress, or impairment rather than on specific psychiatric disorders (Weissman and Klerman 1978; Mechanic 1982).

The reliance on symptom scales is characteristic of psychiatric epidemiology in the US from World War II up to the recent past. Most community surveys in the US utilized undifferentiated severity measures assessing only a narrow range of psychiatric disorders (Myers et al. 1971; Warheit et al. 1973; Dohrenwend and Dohrenwend 1969; Comstock and Helsing 1976). While the use of these scales represented an attempt to deal with the problem of reliability, the results from these scales obscured the underlying heterogeneity of psychiatric disorders (Weissman et al., in press). This use of impairment scales in the US was in sharp contrast to the approach to epidemiologic surveys taken in Europe (Jablonsky, in press). Although the use of semi-structured interviews has been a common practice in Scandinavian epidemiologic studies (Hagnell 1966), it is only within the last 8 years that we have seen a shift in the United States in psychiatric epidemiology from the assessment of symptoms and impairment to standardized psychiatric interviews related to specific

\* An earlier version of this paper was presented at the World Congress of Psychiatry, Vienna, Austria, July 1983.

The Epidemiologic Catchment Area Program is a series of five epidemiologic research studies performed by independent research teams in collaboration with staff of the Division of Biometry and Epidemiology (DBE) of the National Institute of Mental Health (NIMH). The NIMH Principal Collaborators are Darrel A. Regier, Ben Z. Locke, and Jay Burke; the NIMH Project Officer is Carl A. Taube. The Principal Investigators and Co-Investigators from the five sites are: Yale University, U01 MH 34224, - Jerome K. Myers, Myrna M. Weissman, and Gary L. Tischler; Johns Hopkins University, U01 MH 33870, - Morton Kramer, Ernest Gruenberg, and Sam Shapiro; Washington University, St. Louis, U01 MH 33883, - Lee N. Robins and John Helzer; Duke University, U01 MH 35386, - Dan Blazer and Linda George; University of California, Los Angeles, U01 MH 35865, - Richard L. Hough, Marvin Kamo, Javier I. Escobar, M. Audrey Burnam, and Dianne M. Timbers.

ic diagnostic criteria. These efforts have resulted in a considerable improvement in the reliability and validity of psychiatric diagnoses.

In the US, the recent development of the DSM-III criteria (APA 1980) has led many researchers to reassess the existing level of knowledge concerning psychiatric disorders and the correlates of these disorders. For the first time it appears as though diagnostic criteria used by clinicians have been specified in sufficient detail that instruments can be developed for application in large-scale multisite community studies.

Three diagnostic instruments have received particular attention in the United States: the Schedule for Affective Disorders and Schizophrenia (SADS) and the Research Diagnostic Criteria (RDC), developed by Spitzer and his colleagues (1975a, 1975b, 1978); the Renard, developed by Robins and others at Washington University (Helzer et al. 1981; Feighner et al. 1972); and the Present State Examination (PSE) developed in England by Wing et al. (1974).

One of these instruments, the SADS, was piloted in a community study of about 500 persons in New Haven, Connecticut, in 1975-76 (Weissman et al. 1978). Since the SADS required judgements on the part of the interviewer, highly trained interviewers were required with at least a master's level clinical education. This presented an interesting dilemma to those interested in studying psychiatric disorders in as diverse a country as the US. Although considerable progress had been made in the development of structured psychiatric instruments, the instruments were evolving in a direction that was making it less and less feasible to use them in large multisite epidemiologic investigations.

The study reported in this paper represents the first attempt to utilize DSM-III diagnostic criteria in a community survey. The purpose of this paper is to examine the ways in which individuals who have met criteria for a subset of DSM-III diagnoses during a 6-month period of time differ from those who have not met the criteria. We recognize that we may be identifying a heterogeneous group of consequences, correlates, and causal factors. Thus, this report represents only the start of an endeavor that will increasingly come to rely on the longitudinal nature of this data base.

## Methods

### *The Epidemiologic Catchment Area program (ECA)*

With the development of structured diagnostic assessments, the demonstration of their feasibility in community surveys, and the need for accurate infor-

mation on rates of specific psychiatric disorders, the National Institute of Mental Health began in 1978 to organize the Epidemiologic Catchment Area (ECA) program as a multisite collaborative study (Regier et al., 1984, in press). Yale University in New Haven, Connecticut, was the first site selected, followed by Johns Hopkins in Baltimore, Maryland, and Washington University in St. Louis, Missouri. Duke University in Durham, North Carolina, and the University of California in Los Angeles were later added to the project.

Each site collects the same basic core material concerning symptoms, impairment, utilization of health and mental health services and sociodemographic characteristics of respondents.

The primary objectives of the multisite longitudinal study is to provide the following information:

1. The prevalence and incidence of specific mental disorders in the community by means of surveys of single-family households, multiple dwelling units, and group quarters, as well as in institutional settings such as nursing homes, homes for aged, prisons, schools, and mental institutions.
2. A description of the relationship between having a psychiatric disorder and receiving treatment for that disorder.
3. A description of the factors associated with or causative of specific psychiatric disorders and the consequences of these disorders for social functioning.

The ECA project is based on a panel design with coordinated surveys of adult institutional and household resident populations living within specific well-defined geographic areas. To this end, the ECA project represents the first large psychiatric epidemiologic survey conducted in the United States since World War II that focuses on both community and institutional residents of an area. The study involves either three (Yale) or two (other sites) in-person interviews conducted during a 1-year time period for community residents and a 1-year follow-up study of individuals residing in nursing homes, psychiatric facilities, prisons, and other institutions.

### *Sample*

Data presented in this paper are from the first wave of the community component of the Yale ECA Project. Interviews were collected from 3,058 individuals 18 years of age or older, representing an overall response rate of 76%. The Yale ECA study covers a 13-town area of south-central Connecticut, corresponding to the catchment area of the Connecticut Mental Health Center and approximating the New Haven-West Haven Standard Metropolitan Statistical

**Table 1.** Characteristics of respondents: New Haven Epidemiologic Catchment Area (unweighted data)

	Number	Percent
<b>Sex</b>		
Male	1291	42.2
Female	1767	57.8
<b>Age (years)</b>		
18-29	423	13.8
30-44	1234	40.4
45-64	790	25.8
65+	611	20.0
<b>Race<sup>a</sup></b>		
White	2592	85.2
Black	334	11.0
Hispanic	63	2.1
Other	52	1.7
<b>Education<sup>a</sup></b>		
0-8	388	12.7
9-12	1345	44.1
13 or more	1320	43.2
<b>Marital Status<sup>a</sup></b>		
Married	1622	53.1
Widowed	366	12.0
Separated	120	3.9
Divorced	287	9.4
Single	661	21.6
<b>Household Income<sup>a</sup></b>		
Less than \$ 5,000	282	10.3
5-9,999	434	15.8
10-19,999	818	29.7
20-34,999	820	29.8
\$35,000 or more	397	14.4

<sup>a</sup> Total is less than 3058 due to missing values

Area. In 1980, the area had a total population of 420,000 persons living in 150,000 housing units. Of these, 300,000 were aged 18 or older and not institutionalized. The area includes two general hospitals, a large community mental health center, a major medical school, a Veterans' Administration hospital, and a small private psychiatric hospital.

As Table 1 indicates, 57.8% of our respondents were female, over half of the subjects were married, and over 85% of the sample were white. The median age of our sample was 41. Half of the respondents had a household income of US \$20,000 or more. Almost three-quarters of the respondents had completed high school and 49% were working full-time at the time of the interview.

#### *Diagnostic Interview Schedule (DIS)*

The interview used in this study included version 2 of the NIMH Diagnostic Interview Schedule (DIS) (Robins et al. 1980) and questions concerning general health, functional disability, sociodemographic

**Table 2.** DSM-III diagnoses from DIS

Alcohol abuse or dependence
Anorexia nervosa
Antisocial personality
Drug abuse or dependence
Manic episode
Major depressive episode
Obsessive compulsive
Panic
Agoraphobia
Simple phobia
Schizophrenia or schizophreniform
Somatization
Cognitive impairment <sup>a</sup> ("organicity")

<sup>a</sup> Based on Mini-Mental Status Exam

characteristics, barriers to care, role performance, and utilization of general medical, mental health, and human service facilities. All interviewing was conducted in the field by trained lay interviewers. The entire interview took approximately 1 h to complete.

Briefly, the DIS is a highly structured interview that was designed for use by lay interviewers in epidemiologic studies and is capable of generating a set of computer diagnoses according to DSM-III, Feighner, or Research Diagnostic Criteria (Robins et al. 1981a). The DSM-III diagnostic equivalents generated by version 2 of the DIS are presented in Table 2. It is possible to utilize the three different sets of diagnostic criteria with a single interview because the three systems share a common heritage to the degree that they address diagnoses from a descriptive rather than an etiologic perspective (Robins et al. 1981b). For the purposes of this paper, we will be referring to anyone meeting DSM-III criteria for one of the disorders included in Table 1 as having a DSM-III diagnosis.

The DIS elicits the elements of a diagnosis, including severity, frequency, distribution over time of symptoms, and whether or not they can be explained by physical illness, drug or alcohol use, or another psychiatric diagnosis. The instrument contains structured questions and probes and is precoded so that after editing, answers can be entered directly into the computer. Diagnoses can be generated to cover a range of time periods: within the last 2 weeks, 1 month, 6 months, 1 year, or lifetime. The major innovation included in the DIS is its use of specific impairment criteria in generating diagnostic equivalents and its ability to disregard symptoms caused by drugs, alcohol, medication, or physical illness. Finally, the DIS allows analysis at the levels of symptom, syndrome, and disorder, thus making it possible to compare data from the DIS with that collected from other diagnostic interviews and symptom scales.

### Cognitive impairment

In the DIS, cognitive functioning was assessed by the Mini-Mental State Exam (MMS) developed by Folstein et al. (1975) to provide a short clinical screen for the presence of dementia or related disorders producing impairment of cognitive function. The MMS is a scored form of a cognitive mental status examination requiring 5-10 min to administer. The maximum score is 30, with a score of 0-17 indicative of severe cognitive impairment (Holzer et al., in press).

### Social factors

The DIS elicits information concerning the sex, age, race, and marital status of respondents. At the Yale site, the DIS was supplemented with a series of questions concerning educational attainment, work history, size and composition of household, personal and household income, social contacts and satisfaction with social contacts, and death of parents or guardians. Subsequent waves of interviews obtain more detailed information concerning occupational mobility, as well as additional information on social networks and social supports.

### Statistical analysis

In pursuing our investigation of social correlates of psychiatric disorder, we first identified factors that

were related to the presence of a recent disorder by analyzing two-way contingency tables. Although this represents an initial investigation of correlates of psychiatric disorder, we felt that many social factors would be related to the age and/or sex of the respondent and that we would want to control for this in our analyses. Thus, after investigating the zero-order relationship between a social factor and psychiatric disorder, we also determined the extent to which a relationship continued to exist when age and sex were controlled. In order to accomplish this we utilized procedures for analyzing categorical data that allow for the testing of higher-order effects and interactions (Grizzle et al. 1969; SAS 1982).

## Results

### Six-Month Prevalence Rates

In this paper we examine the characteristics of those respondents who either scored 17 or lower on the MMS or who met criteria for one of the DSM-III disorders assessed by the DIS, focusing our attention on the characteristics of those individuals who met criteria for a disorder within 6 months of being interviewed. Since our goal is to identify correlates of psychiatric disorder in those people for whom we have DIS diagnoses, and not to generate prevalence rates, the data utilized in the analyses presented in this paper were not weighted in any manner. As a result, the reports of overall and specific prevalence rates contained in this paper differ slightly from those utilizing data that have been adjusted to take into account the effects of study design and nonresponse (Myers et al. 1984, in press).

Although we will be focusing our attention on factors related to having a disorder, a knowledge of the relative frequency of specific disorders in our sample will aid in the interpretation of subsequent analyses. Table 3 presents the 6-month prevalence rates of specific disorders as identified by the DIS. Simple phobias represent the most common disorder among our respondents with over one-quarter of those meeting criteria for any disorder having a simple phobia. Alcohol abuse or dependence and major

Table 3. Current 6 month prevalence of specific psychiatric disorders: New Haven SMSA (unweighted)

	Rates/100
Simple phobia	4.9
Alcohol dependence/abuse	4.7
Major depressive episode	4.4
Agoraphobia	2.9
Drug abuse/dependence	1.8
Obsessive-compulsive disorder	1.4
Schizophrenia/schizophreniform	1.2
Manic episode	0.9
Panic	0.9
Antisocial	0.6
Somatization	0.2
Severe cognitive impairment <sup>a</sup>	1.3

<sup>a</sup> Mini-Mental score 17 or fewer correct

Table 4. Current 6 month prevalence of any diagnosis: number of cases and rate of disorder by age and sex (unweighted data)

Age (years)	Males		Females		Total	
	Number	Rate/100	Number	Rate/100	Number	Rate/100
18-44	147	20.5	216	23.0	363	21.9
45 or more	75	13.1	94	11.4	169	12.1
All ages	222	17.2	310	17.5	552	17.4

depressive episodes are also relatively common. At the other end of the continuum, somatization is infrequent in our sample. Within 6 months of the study interview, 17.4% of all respondents met the criteria for any of the disorders assessed by the DIS.

#### *Social risk factors and recent psychiatric disorders*

Table 4 shows the age- and sex-specific rates of recent disorders. Although there is a small difference between the overall rates for males and females (17.2 vs 17.5/100), this difference is not statistically significant ( $X^2=0.06$ ;  $df=1$ ; NS). There is an important age effect, with younger respondents having almost twice the rate of disorder as older respondents (21.9 vs 12.1/100).

Because of the strong age effect in our data and the relationship between sex and disorder found in previous studies, we felt that it was important to look at the simultaneous effect of age and sex. When age and sex were both incorporated into a statistical model there was still no significant sex effect ( $X^2=0.00$ ;  $df=1$ ;  $P=NS$ ). The age effect remained, with those in the younger age group (18-44) having significantly higher rates than older respondents (45+) ( $X^2=45.66$ ;  $df=1$ ;  $P<0.0001$ ). There was no age-by-sex interaction; older males and older females manifested a lower level of disorder than younger individuals of the same sex.

Table 5 presents the 6-month prevalence rates of disorder for different social factors. The rates were calculated by using the basic two-way table of social factor by disorder. None of the variables in Table 5 (race, number of people in household, living with a child age 5 or under, or the childhood loss of a parent or guardian) were related to having a recent psychiatric disorder. This lack of relationship held, regardless of whether or not age and sex were controlled for in the analyses and sex.

Table 6 presents the 6-month prevalence rates for factors found to be related to the rates of disorder. In addition, Table 6 presents the level of significance resulting from the basic  $X^2$  test of significance for the two-way table and the results from the GSK models used to control for the effects of age and sex. All of the variables presented in Table 6 were related to disorder both before and after age and sex were controlled for.

As indicated earlier, being young is strongly related to having had a recent disorder. Factors related to socioeconomic status, education, and income are also strongly related to disorder, with rates varying from 13.7/100 in individuals having incomes of US \$20,000 or more to 20.4/100 in individuals earning less than US \$5,000. As one might expect, individu-

Table 5. Social factors not significantly related to 6 month prevalence rates for any disorder

Risk factors	Six month prevalence any diagnosis rates/100
<b>Race:</b>	
White	17.1
Black	17.7
Hispanic	28.6
Other	17.3
<b>Number of people in household:</b>	
1	16.8
2	15.4
3	20.6
4	19.3
5+	16.2
<b>Live with children age 5 and under:</b>	
Yes	19.2
No	17.1
<b>Death of parent or guardian as a child:</b>	
Yes	19.0
No	17.1

als who were working full-time at the time of the interview had lower rates than those who were not employed full-time.

Indicators of social support and social contact are strongly related to rates of disorder. Respondents having no contact with friends during the 2 weeks prior to being interviewed were much more likely to have had a recent disorder than those having some contact with friends. Interestingly, individuals with moderate levels of contact appear to have the lowest rates of disorder. The respondent's satisfaction with contact with friends was also strongly related to having experienced a recent disorder, with respondents dissatisfied with their contact having almost twice the rate as those who were satisfied with their contact (30.4 vs 16.1/100). Respondents reporting that they had friends nearby with whom they could talk about their most personal problems were less likely to have had a recent disorder than those who did not have friends of this type (16.2 vs 19.8/100).

The strongest relationship in Table 6 has to do with relations with one's spouse. Individuals reporting that they did not get along very well with their spouses during the 2 weeks prior to being interviewed had a rate more than four times that of those who got along very well with their spouses. Respondents reporting that they were seldom or never able to confide in their spouses during the 2 weeks prior to being interviewed had a rate of disorder more than twice that of those who often had been able to confide in their spouses (28.8 vs 12.5/100). Finally, individuals living in households containing nonrelatives

Table 6. Social factors significantly related to 6-month prevalence rates for any disorder

Risk factors	Six-month prevalence any diagnosis rates/100	Significance two way Table (P)	Significance controlling for age and sex
Age (years):			
18-24	25.1		
25-44	20.8		
45-64	12.0		
65+	12.1	<0.0001	<0.0001 <sup>a</sup>
Marital status:			
Married	14.1		
Widowed	14.8		
Separated	26.7		
Divorced	25.8		
Single	21.5	<0.0001	<0.0001
Education in years:			
0-8	18.0		
9-12	19.1		
13+	15.4	<0.001	<0.01
Personal income:			
0-4,900	20.4		
5-9,900	17.9		
10-19,900	15.0		
20,000+	13.7	<0.003	<0.002
Currently employed:			
No or never	18.4		
Yes	16.3	<0.04	<0.0001
Contact with friends (days per last 2 weeks):			
0	24.8		
1-7	14.8		
8-14	18.1	<0.02	<0.0001
Friends nearby who can help:			
Yes	16.2		
No	19.8	<0.02	<0.001
Satisfied with friendships and relatives:			
Dissatisfied	30.4		
Ambivalent	28.7		
Satisfied	16.1	<0.0001	<0.002
Getting along with spouse:			
Not well	51.2		
Fairly well	20.1		
Very well	12.0	<0.0001	<0.0001
Can confide in spouse:			
Seldom	28.8		
Sometimes	18.1		
Often	12.5	<0.0001	<0.0001
Living with non-relatives:			
Yes	27.6		
No	16.6	<0.0002	<0.01

<sup>a</sup>controlling only for sex

were more likely to have had a recent disorder than individuals who resided by themselves or with relatives.

In order to understand the relationships that exist between social factors and mental disorder, it is sometimes necessary either to control for factors

such as age or to include higher order effects in statistical models. The data in Table 7 indicate that certain relationships are found only if we fail to control for the age of the respondent in the analysis. Thus the relationship between having fewer children and having a recent disorder and the relationship be-

**Table 7.** Social factors significantly related to 6-month prevalence rate for any current diagnoses only when age and sex are not controlled

Risk factors	Six month prevalence any diagnosis rates/100	Significance two-way table ( <i>P</i> )	Significance controlling for age and sex ( <i>P</i> )
Number of children:			
0-2	18.5		
3+	14.8	<0.01	<0.13
Lives with children ages 6-18:			
Yes	19.2		
No	16.2	<0.02	<0.59

**Table 8.** Relationship between 6-month prevalence rates of any disorder and marital status: rates per 100

	Males	Females
Married	12.6	9.5
Widowed/separated/divorced	30.4	17.7
Single	21.6	21.4

**Table 9.** Relationship between education and 6-month prevalence rates of disorder: rates per 100

Education	Age	
	18-44	45 or more
0-8	20.4	17.7
9-12	27.1	10.3
13+	18.0	9.8

**Table 10.** Relationship between the number of days in the past 2 weeks with contacts with friends and 6-month prevalence rates of any psychiatric disorder: rates per 100

Days having contact with friends	Males	Females
0	21.7	28.8
1-7	11.2	18.0
8-14	21.4	16.1

tween living with children 6-18 years of age and having a recent disorder are found to be spurious when one controls for the fact that younger individuals are more likely to be found in both of these situations.

The next three tables explore the higher-order relationships that exist in the data we have just described. Table 8 indicates that although higher rates of disorders are associated with marital status, there also exists an interaction when both marital status and the sex of the respondent are considered ( $X^2 = 9.58$ ;  $df = 2$ ;  $P < 0.01$ ). Thus, men who are widowed, separated, or divorced have a higher rate of disorder (30.4/100) than other men (12.6/100 for

married; 21.6/100 for single men), while single women have a higher rate of disorder (21.4/100) than other women (9.5/100 for married; 17.7 for widowed, separated, or divorced).

In a similar fashion, Table 9 shows the higher-order interaction effect between education and age on psychiatric disorder ( $X^2 = 7.19$ ;  $df = 2$ ;  $P < 0.03$ ). In our study we find that among older individuals, education appears to have a protective feature, with those with the least education (0-8 years) reporting the highest rates of disorder. In our younger age group, we find that it is those with 9-12 years of education who have the highest rates of disorder.

Table 10 shows that the number of contacts with friends is related to disorder in a linear fashion in women but not in men ( $X^2 = 17.32$ ;  $df = 2$ ;  $P < 0.0002$ ). Thus, women have higher rates of disorder than men at lower levels of contact and lower rates at higher levels of contact. These findings suggest that the relationship between social risk factors and psychiatric disorder may be very complex and that studies that fail to control for basic sociodemographic characteristics may produce misleading results.

## Discussion

We have presented initial findings from a large and complex epidemiologic survey. These are the first results from the Yale ECA examining risk factors for psychiatric disorders. When we looked at the distribution of psychiatric diagnoses in our respondents, we found the 6-month prevalence rate of any current psychiatric disorders, including severe cognitive impairment, to be 17.4%. Phobia, alcohol abuse or dependence, and affective disorders are the most prevalent disorders in our sample. We need to stress that these rates have not been weighted to take into account the effects of the study design or nonresponse.

The factors related to having any current psychiatric diagnosis include being young, poor, and socially isolated. These findings are in agreement with

much of the earlier research. Interestingly, race, sex, early childhood loss of a parent or guardian, and presence of young children in the household did not differentially increase the risk of psychiatric disorder.

There is a certain degree of ambiguity in the literature concerning the relationship between social factors and mental illness. A recent survey of 1,536 residents in three communities in Upper Bavaria by psychiatrists using a semistandardized interview found that females had a higher rate of psychiatric disorder than males (Von Zerssen and Weyerer 1982). Bebbington et al. (1981) also report a higher rate of disorder among females, although only for specific age groups. On the other hand, in their survey of Canberra, Australia, Henderson et al. (1979) found no sex differences in either GHQ scores, PSE, or probability of caseness.

We are uncertain whether differences between our findings and those from other studies reflect differences in the communities studied, differences resulting from the specific instruments used, or differences in the criteria used in making diagnoses. Although the range of disorders assessed may have an effect on the sex differences identified since males tend to have higher rates of some disorders and females higher rates of other disorders (Dohrenwend et al. 1980), sex effects may vary even when the same instrument is administered in different communities. Myers et al. (1982 in press) found that at the first three ECA sites, males experienced higher rates of disorder in St. Louis, females experienced higher rates in Baltimore, and no significant difference was found among respondents in New Haven.

This study suggests that some of the relationships found between mental illness and social risk factors in earlier studies might disappear if sex and or age were controlled for in the analyses. On the other hand, we have again found that socioeconomic status appears to be strongly related to mental illness. In spite of the frequency with which this relationship has been found, we seem to know little about the underlying processes at work. Our data suggest that education may play a different role in younger and older persons. If the relationship between education and mental illness is changing, this has important implications for subsequent research, since education is an important component of most indices of socioeconomic status. It appears from our initial analysis that education may not be working as a protective factor in the same way as previously thought.

We also found that the effects of both marital status and contact with friends depends on the sex of the respondent. Being widowed, separated, or divorced seems to have more of a detrimental effect for

men than for women. Although single men and women manifest comparable rates of disorder, for women this is the highest risk group while for men this represents a moderate risk group.

As Weissman and Klerman (1978) have noted, it is crucial that we expand our analysis from studies of overall levels of impairment to the study of levels of specific psychiatric disorder. The longitudinal nature of the study and the possibility for future interviews will allow for the necessary prospective study of social risk factors. We will also begin to explore the factors that are related to the incidence as well as the prevalence of specific psychiatric disorders.

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A M E N D M E N T

Offered in the HOUSE

By Pignalberi

TO: HB 466

Page 3, lines 17 - 18, delete "public works"

Page 5, line 18, delete "and"

Page 5, line 26, delete "." and insert "; and"

Page 5, after line 26, insert a new paragraph to read:

"(3) an oil or gas lease, a unitization agreement, or any renegotiation of a lease or agreement if the state is a party to the lease or agreement and the project is performed in whole or in part on state land."

To: Red Boucher  
From: Ron Loverson  
Date: 2/5/86

Suggested Amendments to draft SS HB 466 (2/3/86)

1. The bill, in various places, provides for a preference for eligible and available residents. Shouldn't the preference extend to "eligible, qualified, and available" residents?
2. P.2, 1.25, after "department", add: "and is either not employed or is engaged in employment that does not utilize the skills acquired in the job-training program."
3. The preferences established under the bill (secs. 150, 160, and 170) are to remain in effect for a period of three fiscal years after the commissioner of labor's determination. From the standpoint of being able to justify it legally, this seems to be too long a period. I would recommend a two year period as a maximum, although even that may not be defensible without development of findings that show the need for a two year period
4. Sec. 150(b)(1) provides for a triggering mechanism to put the preference created under sec.150 into effect when unemployment in the affected area is higher than the national unemployment rate. From a legal standpoint, I would be more comfortable defending this preference if the trigger only clicked "on" when local unemployment is substantially higher (whatever that means...) than the national average(e.g. two percent higher (?)). As presently set up, the preference would click "on" if the area rate is 9.9 per cent and the national average is 9.8 per cent.
5. Sec.170(b)(5) calls for the commissioner of labor to make a determination of past economic discrimination against the civilian minority population of the area. This may not always be possible (or advisable) factually, legally, or politically. I would suggest that the requirement for this finding be deleted (strike subpar.(5)) and that it be included with subpar.(2) as an alternate finding. In other words, the commissioner either finds that minority unemployment is at least two times nonminority unemployment or that the minority population has suffered past economic discrimination.
6. P.4, 1.13;p.5, 1.3; and p.5, 1.22. Change "social problems" to "social or economic problems in the area."
7. I do not understand why Sec.12 of the bill would delay the effective date of Sec. 4 of the bill until after a final court judgment that one or more provisions of this bill are

unconstitutional. Why not make it effective with the rest of the bill?

8. Sec. 13 of the bill would delay the effectiveness of the provisions of this bill if we decide to seek review of the Francis decision by the U.S. Supreme Court. I would recommend that this bill take effect immediately, whether or not we seek review of Francis. Otherwise there would be no local hire enforcement possible until after the U.S. Supreme Court has done its thing. What should be delayed pending finality in Francis, is the repeal of AS 36.10.010 by Sec. 11 of the bill.

# Alaska State Legislature

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CHAIRMAN  
Special Committee on  
Telecommunications

MEMBER  
Labor and Commerce  
State Affairs  
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

## MEMORANDUM

To: Rep. Mike Navarre, Member  
House Labor and Commerce Committee

From: Rep. H.A. "Red" Boucher, Chair  
House Labor and Commerce Committee

Date: February 5, 1986

Subject: Expert Witnesses for testimony on HB 466 at Feb. 6  
Committee Hearings

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The Alaska Supreme Court decision in the Francis case two weeks ago indicated that unemployment alone is not sufficient grounds for an Alaskan hire law to exist. After conversation last Thursday with Ron Lorenson, Deputy Attorney General, it was established that we need to provide for the legislative committee record findings of information and fact that demonstrate a critical causal link exists between unemployment and various social problems or social ills.

Among the social ills Lorenson pinpointed were alcoholism, suicide, violent crimes, poverty, broken families, and insolvencies/bankruptcies. For the record then, we need to obtain testimony from expert witnesses who can give us insight into the linkages that exist. We have been contacting people we think can shed light on this area, and have asked them to make brief overview presentations of about 5 minutes each, giving an overview of the connection between unemployment and the area they are familiar with and expert in.

We asked them to make reference to specific written documents or publications they are familiar with, on both the federal level and the state level where it exists, and asked them to send that material to us as it becomes available. Some of it will be here in time to include in the record; but if not, we asked them to send it anyway so it could be included later.

Attached, therefore, is a list of expert witnesses that we have contacted and would like to be allowed to present testimony first for the House Labor and Commerce Committee Hearings on Thursday, February 6, 1986 from 1:15 to 2:45 via statewide teleconference.

In a few cases, they requested that they be allowed to testify first because of scheduling conflicts--and we have indicated those. Also, a few of them cannot attend the hearing or a teleconference site because of work conflicts, but are available on a teleconference bridge call. When we are ready for them, please just indicate, and we can take about 30 seconds to call them, and have them dial back into the bridge and hook up to the teleconference for their testimony.

LIST OF EXPERT WITNESSES

1. John Tabor Director, Division of Public Assistance, Dept. of H & SS, 465-3347. Linking unemployment to poverty. Will be here live; wants to go first due to testimony at 1:45 in another Committee.
2. Michael Price Director, Division of Family and Youth Services, Dept. of H & SS, 465-3170. Links unemployment to sexual abuse, domestic violence. Wishes to testify early due to a 2:00 Committee hearing. Will be here live.
3. Matt Felix Coordinator, Office of Alcoholism and Drug Abuse, Dept. of H & SS, 586-6201. Links to alcoholism. Will be here live.
4. Dr. Joseph Cuterichi Clinical psychologist & head counselor, Vietnam Veteran Center, Anchorage, phone 563-6966. Would like to testify early if possible, around 1:30-2:00. Links to mental health.
5. Dr. Aaron Wolf Director, Langdon Clinic, Anchorage. Will be calling on a bridge from Kotzebue when we are ready for him. Is also Chief Medical Consultant for Voc. Rehab. Links to mental health.
6. Cecilia Kleinkauf Social Work Dept. Faculty, U. of Alaska-Anchorage, phone 786-1725. Would like to testify from her office when we are ready for her. Links to broad range of social problems.
7. Dr. Norma Forbes Acting Director, Division of Mental Health, Dept. of H & SS, will be in Anchorage for meetings and would like to have us call her when ready. Links to suicide, and also studies that show unemployment is a key indicator.

Additional people we have contacted who have not yet committed; but may be able to by Committee meeting time:

8. Cominco Representative --Lisa Parker, the AA to the President of the Company, may have someone lined up to speak; they have the most liberal policy on Alaskan hire of any company in the state, its even better than any of our past or future state laws; and they have also done some detailed studies linking unemployment to various problems in both Canada and Alaska.

9. Willis Kirkpatrick -- Dir., Division of Banking, Securities & Corporations, Dept. of Commerce, Links to insolvency and bankruptcy.

10. Shirley Green -- Trying to arrange for someone else from the Women's Resource Center in Anchorage to testify in Heather Flynn's absence on links to sexual abuse and assault, etc.

11. Dr. Kelso                   Center for Alcoholism and Addiction Studies, U. of A.-Anchorage.



SOHIO ALASKA PETROLEUM COMPANY

900 EAST BENSON BOULEVARD  
ANCHORAGE, ALASKA

TELEPHONE (907) 564-5423

P.O. BOX 6612  
ANCHORAGE, ALASKA 99502-0612

G. N. NELSON  
PRESIDENT

December 23, 1985

The Honorable Marco A. Pignalberi  
Alaska State House of Representatives  
6901 Tudor Road  
Anchorage, Alaska 99504

Dear Representative Pignalberi:

I must apologize for not having responded sooner to your letter of December 5. This delay was due primarily to my travel schedule, and the press of year end business.

I am pleased to know of your opposition to HB 353 which would dramatically increase the tax burden on Alaska's oil and gas industry. Sohio also shares your belief that direct taxation is not the only way the oil industry can benefit Alaska. Sohio's actions over the years have shown our commitment to our State, and this commitment will continue into the future.

Sohio is also committed to the concept of hiring local residents and contractors when they are qualified and competitive. You may already know that approximately 94 percent of Sohio Alaska Petroleum Company employees live in the state of Alaska.

As I understand it, your real concern lies in the area of construction contracts, and I share your concern in this area as well. I would be pleased to meet with you, either in Anchorage or in Juneau, to discuss this public policy problem and to let you know what Sohio has done and is doing in this area.

Bob Straub or Jim Palmer of our Government Affairs department will be in contact with you to arrange a date and time for such a meeting.

I look forward to a positive and fruitful discussion of this matter.

Sincerely

G. N. Nelson

ARCO Alaska, Inc.  
Post Office Box 100360  
Anchorage, Alaska 99510  
Telephone 907 265 6511



Harold C. Heinze  
President

December 23, 1985

The Honorable Marco Pignalberi  
Alaska State Legislature  
Pouch V  
State Capitol  
Juneau, Alaska 99811

Dear Representative Pignalberi:

I appreciate your letter of December 5 expressing your concerns about oil taxation and Alaska hire. Your continued opposition to additional oil taxes is essential to preserving Alaska's economy and jobs.

ARCO Alaska has long supported the concept of Alaska hire. We believe that oil development should be of benefit to all Alaskans. Examples of our commitment are the facts that we are headquartered in Anchorage and that the Department of Labor has reported over 98% of our 2200 employees are Alaska residents.

I accept your suggestion of trying to improve our contractor achievement. I have asked my key managers to review our contracting practices with regard to Alaska hire and search for new approaches. As an immediate step we are re-communicating our concern to contractors, and informing them we intend to publish their commitment to hiring Alaskans in our bid award press releases. I am pleased that the recipient of our last two maintenance contract awards, VECO and Peak, committed themselves to 90-95% Alaska hire (see attachments). We are hopeful these successful bid awards noting Alaska hire percentages will encourage other contractors bidding on our jobs to increase their level of Alaska hire. We recognize that our unionized contractors, whom are very important to us, have less flexibility in meeting our goals (attached letter).

A quick review of ARCO's drilling operations indicates that we currently utilize 8 of the 9 existing Alaska drilling contractors. These drilling contractors report Alaska hire percentages varying between 50% and 90%. We will explore ways to see what improvements may be possible.

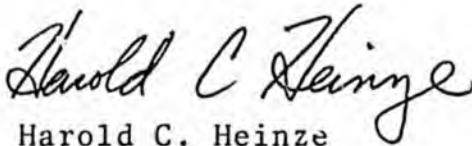
Honorable Marco A. Pignalberi  
Page 2  
December 23, 1985

If "Alaska hire" becomes an essential item of the legislative agenda, I would urge your support of an incentive approach, rather than the punitive/regulatory style of earlier proposals. The idea of tax credits to employers of Alaskans seems the most effective and workable of various suggestions.

You can be assured that ARCO Alaska will work even harder with our contractors to encourage and add improvements in their Alaska and local hire. We intend to publicize their commitment and correct the misinformation that appears to exist.

Thank you for expressing your concerns. As we formulate other new approaches, I would like to discuss them with you.

Sincerely,



Harold C. Heinze

cc:

J. W. Bass, Kuparuk Project Manager  
H. J. Foster, Jr., Vice-President, Engineering  
J. W. Hart, Prudhoe Operations Manager  
M. L. Hazelwood, Vice-President, Finance, Planning  
& Control  
D. A. Heatwole, Vice President, External Affairs  
R. H. Murtland, Contracts Formation & Admin. Manager  
L. R. Nunn, Alaska Construction Manager  
B. L. Odom, Sr. Vice President, Operations  
R. A. Ruedrich, Drilling Manager  
J. D. Weeks, Kuparuk Operations Manager

## Arco awards contracts

Associated Press

Two Anchorage companies have won multimillion dollar contracts from Arco Alaska Inc. for construction work on the North Slope.

The oil company announced Monday that Veco Inc. has received a contract for more than \$5 million. Veco will provide warehousing and material control service to support the Prudhoe Bay and Lisburne oil fields. Arco said Veco has promised that more than 90 percent of its employees on the job will be

Alaskans and more than 8 percent will be Alaska natives.

The other company, Peak Maintenance and Equipment Co., won a contract to maintain construction equipment and facilities used in putting together the new Lisburne oil field. Arco said the contract value could go over \$10 million, depending on the level of construction activity next year. Arco said Peak has pledged a goal of hiring more than 95 percent Alaska residents and more than 15 percent Alaska natives.

## Arco awards contracts for North Slope services

Arco Alaska Inc. has awarded a new contract and extended another contract — together totaling \$16 million — to Universal Services Inc. International for catering and housekeeping services on the North Slope.

Under the new contract, Universal Services, an independent contractor based in Anchorage, will begin work for Prudhoe Bay and Lisburne projects Jan. 1. Universal expects to hire locally 90 percent of its workforce.

The award could exceed \$10 million, Arco said, depending on the size of the camp population.

The award was made on the basis of competitive bidding, Arco said.

Additionally, Universal's contract for catering services for Arco's construction camp at the Kuparuk River oil field has been extended another year.

The \$6 million contract will provide jobs for 30 to 40 Universal workers.



AK CONST. MGR

McDONALD INDUSTRIES ALASKA, INC.

7260 Homer Drive  
Anchorage, Alaska 99518  
(907) 344-9662

DEC 15 '85

December 12, 1985

<input checked="" type="checkbox"/> Bus. Mgr.	<input type="checkbox"/> Secretary
<input type="checkbox"/> Engng Mgr.	<input type="checkbox"/> File
<input checked="" type="checkbox"/> RCN	<input type="checkbox"/> File Handle
<input checked="" type="checkbox"/> HCH	<input type="checkbox"/> File Discuss
<input checked="" type="checkbox"/> DAH	<input checked="" type="checkbox"/> [unclear]

Mr. Lee Nunn  
ARCO Alaska, Inc.  
700 "G" Street  
Anchorage, Alaska 99510

RECEIVED

DEC 17 1985

HAROLD C. HEINZE

Dear Lee:

I would like you to consider this as my personal assurance to you of our commitment to Alaska hire of the Peak Maintenance work and all our business operations in Alaska.

As you may know, McDonald Industries Alaska is an Alaska corporation and employs only Alaska residents in its retail equipment activities. McDonald Industries Alaska has been in the equipment business in Alaska over 15 years and now employs over 80 full time Alaska resident employees. Although McDonald Industries Alaska, Peak Maintenance, Summit Equipment, and Brooks Range Supply are our primary businesses in Alaska, with assets in excess of \$30 million, we are also affiliated with other large Alaska resident employers such as Spenard Builders Supply, Pelican Seafoods, Royal Highway Tours, and Sundance Cruises. Moreover, our growth trends are favorably oriented toward a continuing investment in the State.

The joint venture partnership of McDonald Industries Alaska and Cook Inlet Region Inc. have competed for equipment maintenance contracts with ARCO which resulted in significant Alaska hire. For example, the Peak Maintenance contract at Kuparuk is over 90% Alaska residents and the Summit Equipment contract at Prudhoe Bay is over 85% Alaska residents. These percentages do not include the Anchorage home office staff and general manager who are all Alaska residents.

Peak Maintenance will increase the Alaska resident employment above 5% of the workforce on the upcoming equipment and facilities maintenance contract at Prudhoe Bay. This will be accomplished because there is more flexibility in hiring under the non-union makeup of Peak Maintenance as contrasted with the current contract, where hiring control is limited by dispatching from the unions.

As delineated in the Peak Maintenance proposal, our Alaska hire program will aggressively reach out to specifically include employment of North Slope Borough residents, our partner Cook Inlet Region Inc.'s family of shareholders, and then other available Alaskans. The management of Peak Maintenance, in addition to the management of the related Alaska companies mentioned earlier, will meet its responsibility to Alaskan employees and Alaska employment.

I would be glad to visit with you to discuss our Alaska hire policy and record further, or to answer any questions you may have on this important issue.

Sincerely,

*Kirby McDonald*  
Kirby McDonald



# Alaska State Legislature

## House

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

Mr. George Nelson  
President  
Sohio Alaska Petroleum Company  
P.O. Box 296612  
Anchorage, Alaska 99519 - 6612

December 5, 1985

Dear George,

We've read press reports that indicate 1986 will be the year of greatest manpower requirements since the startup of Prudhoe Bay. The reports also indicate that a sharp decrease is expected in 1987 and thereafter because there are no further commitments for large construction projects. This expected low level of activity coincides with a significant downturn in state spending. The combined effect of decreased spending by your industry, the federal government and the state government will make difficult personal circumstances for many Alaskans. As public officials we are concerned about this and we are trying to find ways to alleviate the situation.

One suggestion is to increase state revenue by returning to the separate accounting method of taxation. HB 353 has been put forward to accomplish this. Many of us do not favor additional taxation at this time. The accounting methodology issue is many faceted and it is complicated by the White House initiative to adopt a uniform national standard. We will learn much in the public hearing process although we confess a bias at this time against the separate accounting bill.

Other than paying higher taxes, there is another option you have that could be of greater assistance to the people of Alaska than the added tax revenue. We believe that a commitment to hire Alaskan contractors and Alaskan workers in this final phase of Prudhoe Bay construction will have a significant, positive effect on the state's economy. We are alarmed at recent contract awards for drilling, security, engineering, construction, etc., to outside firms that have not worked on the slope before. So many of these kinds of companies are already here and badly need the work. Their employees need job security. The people of Alaska are entitled to the same stability in their economic milieu that you are trying to achieve for your corporation. Therefore, we would like to ask you to make a concrete, measurable commitment that qualified Alaskans will be given first

opportunity for the work you have in Alaska. We will be glad to offer our assistance and the legislative resources at our disposal to resolve any questions you may have about this. Certainly, direct taxation is not the only way the oil industry can help Alaska. We would like to look at this indirect method of assisting our people as an alternative.

Yours truly,

Rep. Marco A. Pignatelli  
Rep. Fritz Pettijohn  
Rep. Walt Furnace  
Rep. Virginia Collins

Rep. Randy Phillips  
Rep. Bruce Pearce  
Rep. Myce Hanley

c.c. Mr. Alton W. Whitehouse  
Midland Building  
101 Prospect Av.  
Cleveland, Ohio 44115

STATE OF ALABAMA 1986 REGULAR SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SS HB 466  
 Title : " An Act relating to Ataskan  
 resident emplo. ient preference..."  
 Sponsor : Boucher, Szymanski, Et al  
 Requestor : Labor & Commerce  
 Date of Request : 02/05/86

**FISCAL DETAIL**

Agency Affected : Labor  
 BRU : Administrative Services  
 Components : Special Services

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		108.5	108.5	108.5	108.5	108.5
TRAVEL						
CONTRACTUAL		218.2	227.2	244.2	244.4	249.4
SUPPLIES		1.2	1.2	1.2	1.2	1.2
EQUIPMENT		4.0	8	8	8	8
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>331.9</b>	<b>337.7</b>	<b>354.7</b>	<b>354.9</b>	<b>359.9</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		331.9	337.7	354.7	354.9	359.9
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0</b>	<b>331.9</b>	<b>337.7</b>	<b>354.7</b>	<b>354.9</b>	<b>359.9</b>

**POSITIONS :**

FULL-TIME	0	3.0	3.0	3.0	3.0	3.0
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : Judy Knight, Director  
 Division : Administrative Services  
 Approved by Commissioner : Jim Robison  
 Agency : Labor

Phone : 465-2720  
 Date : 02/06/86  
 Date : 02/06/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# OFFICE OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SS HB 466

This legislation requires an annual resident hire report and other economic information for this department to make the determinations required by various sections of this bill. The assumptions are as follows:

1. An annual resident hire report would be completed by January 31 each year beginning in 1987.
2. On-going collection of occupational titles from employers, and subsequent computer matching to determine residency status.
3. Occupational information would be a primary feature of the annual report beginning in 1988, permitting more specific identification of the effect of nonresident employment on resident unemployment in Alaska. The provision of occupational titles assumes the department will continue to receive funding at the FY 86 level to provide core occupational information programs.
4. The collection of occupational titles from firms will be phased in over a three year period. Industries identified as having the highest dollar payments to nonresidents in 1984 would be targeted first:

First Year-construction, oil and gas mining, and food processing;

Second Year-all first year industries plus business services, local government miscellaneous services, eating and drinking places, air transportation, and state government; and

Third Year-all industries.

5. In addition to the occupational information, reporting of the residency status by industry and area would be necessary.
6. Section 36.10.170 (b)(3) would require special extraction of ZIP codes for all applicants of the Permanent Fund Dividend. We assume that the Department of Labor will be able to obtain that information from the Department of Revenue for further computer matching and conversion to census areas.
7. The department will be unable to obtain access to voter registration files.
8. No survey will be conducted to obtain information on a broader definition of unemployment by census area because the costs would be extremely high. This would mean no substantiation of 36.10.005 (f).
9. Substate average family income (36.10.160 (b)(1)) is not available except from each decennial census. No attempt to prepare these estimates has been included into this fiscal note.
10. All minority demographic and economic information, except that required from contractors on state funded construction projects, will be derived from the decennial census. No costs are included for this in the fiscal note.

Location Title <b>Labor Economist II</b>		No. of Positions	Range/Step	Range/Unit	Gov.	Approv.	Usage																																							
Line Status <b>PFI</b>	Staff Months <b>12.0</b>	RP Number		Location <b>Juneau</b>	Election District	Leg.																																								
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**Justification**  
This position will have primary responsibility for the analysis of data and preparation of the annual resident hire report. Specifically the duties would include:

1. Coordinate the collection and monitor the validity of relevant resident hire related statistics from other agencies including the Department of Revenue and the Division of Labor Standards and Safety.
2. Coordinate the updating and crossmatching of resident hire related data files on the main-frame computer with the analyst programmer.
3. Analyze microcomputer resident hire data base to generate resident hire related tables and reports. The reports will include data relating to occupational displacement of nonresidents by census area and other related economic statistics associated with issue of resident hire.
4. Supervise the Statistical Clerk that will prepare the basic resident hire data tables for the report.
5. Prepare the annual resident hire report.

Contractual services costs include phone, training, equipment lease and maintenance, and other miscellaneous items.

Request For  
New Position

Agency Labor  
 BRU Administrative Services  
 Component Special Services

Page      of       
 Revised Date     

FY 87

Position Title <b>Statistical Clerk</b>		No. of Positions <b>2</b>	Range/Step <b>GS</b>	Unit <b>GGG</b>	Gov.	Approv.	Deapp.
Time Status <b>PFT</b>	Staff Months <b>12.0</b>	RP Number		Location <b>Juneau</b>	Election District	Tag.	
<p><b>Justification</b></p> <p>One position will support a labor economist to prepare an annual report on the effect of nonresident employment on Alaskans. Secondly this position would assist on the quality control of occupational titles which would be submitted by employers each quarter. Specifically the duties would be:</p> <ol style="list-style-type: none"> <li>1. Update tables of economic information by resident status.</li> <li>2. Load information into spreadsheets to show occupational displacement of residents by non-residents.</li> <li>3. Assist in the quality control of the occupational displacement of residents by nonresident workers.</li> </ol> <p>The other position will work on the quality control of occupational titles which would be submitted by employers each quarter. Specifically the duties would be:</p> <ol style="list-style-type: none"> <li>1. Review detailed edit listings.</li> <li>2. Update edit data files.</li> <li>3. Call employers for clarification when necessary.</li> <li>4. Correct occupational titles.</li> <li>5. Prepare computer summaries of results.</li> </ol> <p>Contractual costs for these positions include phone, training, equipment lease and maintenance and other miscellaneous items.</p>							
Type of Expenditure		Amount					
1	2	3					
Salary	23,580 X 2	47,160					
Benefits		16,916					
Premium Pay							
Other							
Total Personal Services		64,076					
Travel							
Contractual		16,000					
Commodities		800					
Equipment		2,800					
Other							
Total Cost		83,676					
Receipt Code		Funding Source					
		Federal Receipts 1002					
		G. F. Match 1003					
		General Funds 1004		83,676			
		I A Receipts 1005					
		Program Receipts 1028					
		CIP Receipts 1061					
		Other					
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**Request For  
New Position**

Agency Labor  
 BRU Administrative Services  
 Component Special Services

Page      of       
 Revised Date     

**FY 87**

SOME HEALTH ASPECTS OF UNEMPLOYMENT

Remarks of Dr. Louis A. Ferman  
The University of Michigan

House Budget Committee  
Task Force on Education and Employment

March 10, 1983

## SOME HEALTH ASPECTS OF UNEMPLOYMENT

Louis A. Ferman  
The University of Michigan

The economic facts of the current crisis in unemployment have been well established and need no extensive review. According to the U.S. Bureau of Labor Statistics, currently we have a national unemployment rate of 10.2 percent with slightly more than 10 million people designated officially as being out of work. There is little doubt that before this year is out we will have double-digit unemployment. Ironically, while the number of unemployed is high, we have more workers working today than at any time in our history--130 million. Michigan is particularly hard hit--about 10 percent of all unemployed Americans live in this state and eight out of the ten high unemployment cities in the country are in this state. Consider also that in 1980, Michigan spent 2 billion dollars on income maintenance programs for the unemployed!

We should also note that certain factors have combined to impact negatively on unemployment in this state. The first is the increasing prevalence of recessions since World War II. There have been eight recessions (1947, 1954, 1958, 1960, 1970, 1975, 1980 and 1981-82). Each recession has meant a decline and disruption in consumer spending. Given our dependence on automobile purchases, a recession hurts us harder than it does other states. An old saying is that when the national economy catches a cold, Michigan gets pneumonia. A second disturbing factor is that technological change (particularly the use of robots) is sweeping heavy industry and the end result is that the auto plants need far fewer workers than before. Consequently, 100,000 workers employed in the auto industry in 1978 will

never see the inside of an auto plant again. Finally, there is the factor of foreign competition in the automobile trade. In 1950, foreign cars made up less than three percent of auto sales in this country. Currently, foreign companies, particularly the Japanese, have 36 percent of the American market. In other words, one out of every three cars sold is not an American car. These factors have combined to squeeze the American job market and produce large numbers of "unwanted workers" who have little or no opportunity to regain the quality jobs that have been lost.

#### The Noneconomic Consequences of Unemployment.

We know a good deal about the economic consequences of unemployment. Considerably less has been said about the noneconomic consequences. We are becoming aware of costs to society that go beyond the loss of personal income and the loss of tax revenues. In work done under the auspices of the Congress' Joint Economic Committee, M. Harvey Brenner contends that, for each one percent increase in joblessness in the national economy the following events result:

38,886 more deaths

22,240 more cardiovascular failures

494 more cases of death from cirrhosis of the liver attendant upon alcoholism

920 more suicides

648 additional homicides

3,340 more admissions to state prisons

4,227 more admissions to mental hospitals

While these contentions, as well as those found in Brenner's earlier study, Mental Illness and the Economy have been questioned, no doubt remains

that his fundamental hypothesis--that there is an association between macro-economic changes and changes in the aggregate measures of social pathology--has been validated. There is absolutely no debate about the fact that unemployment either provokes or uncovers physical and mental illness.

Recent research highlights several important issues. Job displacement is a stressful experience and some persons can cope with that stress while others cannot. The groups most vulnerable to adverse outcomes--those more at risk--are those at the bottom of the socioeconomic ladder, those for whom this is the second or third time around for unemployment. Not only is the unemployed individual at risk but his family, friends and members of his personal network are under stress as well because they must respond with help, assistance and support to the needs of the person without work. Sometimes the balance of a family is so disturbed by the role disruption that is caused by joblessness that a vulnerable individual in that family--not always the unemployed individual him/herself--is in some sense "nominated" to be the sick person. Behind every individual pathology which is observed is the iceberg of the family suffering from the initial experiences of job separation, consequent struggles to adjust to the loss of resources and the subsequent negative outcomes--mental and physical illnesses.

Recent research also highlights the role of social support, a concept developed to encompass those formal and informal helping mechanisms available to those impacted by unemployment. These range from unemployment insurance, SUB benefits, formal counseling, retraining, income available from family members who re-enter the work force or enter it for the first time, and all the instrumental and moral support that family and friends can offer. Social support is expensive, and income maintenance of some sort is the social

support that is most necessary. All of the services required are costly as well. Such items in the social overhead of job displacement are recognized. Less obvious are the costs involved for a family when all of its members must bend their efforts to assist unemployed family members.

Another research emphasis, again concerned with the processes that occur after the loss of work, suggest that unemployment, particularly repeated episodes, can cause people to become unemployable. The onset of illness, whether physical or emotional, can impair the future potential to perform in the labor market. The frequent necessity to take new jobs with less income and skill after repeated episodes of unemployment can begin a downward spiral that can end with a diminished potential for employment. In both cases, there is the danger of developing "unemployment careers" that can last a substantial part of one's life.

We come to the question of services for the displaced workers. Income maintenance programs are essential but they must be orchestrated and coordinated with other service programs to intervene at critical stress points following job loss. These programs include: counseling; family casework therapy, training, job search and placement, medical service, job creation and economic development. Not all the unemployed will require these services but for some they are essential. Two considerations would govern service-giving. The first is to rethink some notions of service delivery and to breakdown parochial and overspecialized roles of service-givers to permit new service options as well as combinations of options. The second is to identify the critical stress points in the cycle of job loss and to make the services organic and relevant to these situations.

In the current national crisis, we can see that we have a large number of structurally unemployed individuals and a vast number of cyclically

unemployed individuals, some of whom may have already embarked on unemployment careers and who are at risk for both physical and mental health. Several other factors are operating at this time also. Plants are closing and some will never reopen. Plants are closing that may reopen but the workers at these plants have already endured considerable hardship and uncertainty about future employment. Past studies of plant shutdowns have shown that in this type of unemployment there is less self-blame, less stigma, and consequently less stress. However, most of those plant shutdowns occurred at times and places where the condition of the macroeconomy was much better, or where there was reason to believe that the crisis was confined to one industry which would recover in time, or where other opportunities were available, or thought to be available. Clearly the current crisis has all the worst elements present, to an extent unprecedented since the Great Depression.

#### Health Themes in the Study of Unemployed Workers

At the University of Michigan we have been concerned for 25 years with the study of unemployed workers and how they cope with the loss of a job. Our interest has been in economic adjustments but also in health aspects of unemployment. A particular concern has been how a recession impacts on health and health services. There are ten general propositions that we have developed from our work.

1. Not everyone who becomes unemployed develops health problems--mental or physical. The group most susceptible to health problems are workers who were at risk for health problems even before unemployment. Workers who smoked more than one pack of cigarettes per day, who were overweight and who had high blood pressure readings before unemployment were more likely to develop physical health problems than others. Workers who drank excessively

and had a history of multiple life crises (e.g., divorce or death in the family) were more likely than others to develop emotional problems. It is not that unemployment causes these problems but rather that the stress of unemployment is "the straw that breaks the camel's back" and uncovers these problems.

2. The unemployed with few social supports (e.g., few friendship networks) were more likely than others to develop illness symptoms. Social support acts as some insulator against negative health states in a manner that we know little about. Of particular importance is social support from the immediate family and particularly spouse support. Friendship groups and neighbors have some impact but far less than the family.

3. Among the unemployed there is a tendency to defer medical care, particularly when health insurance runs out. Most often deferred is dental care, followed by annual physicals for adults, elective surgery for adults, and annual checkups for children. Care for children in periods of illness is rarely deferred. What this suggests is that minor health problems may be neglected until they emerge full-blown as catastrophic or crisis illness. Preventive care all but disappears. Health care may become costly or of a crisis nature because basic care has been deferred.

4. Soon after unemployment begins, there may be an increase in health problems that demand clinical and/or hospital care. Such problems decrease in frequency over time. We do not know whether health problems are more frequent in the early period of unemployment and then decrease or whether extensive use is made of health care facilities before the health insurance runs out.

5. During this recession, Dr. Ezra Davidson of the UCLA Medical Center reports that there has been an increase in miscarriages, an increase in pre-natal health problems and complications and an increase in mortality rates in his health services pediatric units. In addition to this, there has been a sharp drop in the number of pre-natal visits per expectant mother. The miscarriages and health complications may stem from two causes. Lack of money may predispose clients to cut back on pre-natal care and checkups leaving them vulnerable. Or it may be the stresses of unemployment predispose clients to drug, alcoholic and cigarette usage; all of which create a poor pre-natal care environment.

6. Recessions may produce instances of illness behavior that are all but absent in a full employment period. For example, in the Boston City Hospital instances of lead poisoning among young children who had assuaged their hunger by eating painted wallpaper had all but vanished in the 1960's and 1970's. In the current recessionary period, the hospital service treated 18 such cases in the first half of 1982. Increasing numbers of children with severe nutritional problems have also been in evidence. It is no coincidence that such health problems are occurring at a time when eligibility for food stamps is being severely curtailed and restricted.

7. There is some suggestive evidence that among unemployed families, even children under three years of age, are more prone to health problems than children in employed families. Such children suffer more digestive upsets, more instances of diarrhea and more irritability. We speculate that such problems may result from lack of medical care, low parental nurturance or stress reactions to household instability. Whether these problems are short-term or whether they will leave long-term scars we do not know at the

present time but studies of adults who were children in the Great Depression indicate that early health problems result in adult emotional scars.

8. Although women are becoming increasingly represented among the unemployed most of what we assume to be unemployment-related health problems of female workers have been drawn from the research on male unemployed. There is a serious information gap here and one that I know your Dr. Gallin is interested in. Among the small number of unemployed women that we have studied, we see a higher than average number of urinary tract infection cases while male unemployed are more characterized by gastrointestinal and hypertensive problems.

9. The most often cited need among the unemployed is for some form of health insurance. In our society such insurance is tied to the job and joblessness means a reduction in access to health care.

10. Personal bankruptcies, increasing in number, impact most negatively on health organizations--hospitals and clinics. The latter are the greatest financial losers because health service payments among the unemployed are the most frequently deferred. Thus, some health organizations are subject to considerable financial instability in recessionary periods.

#### The Adjustment Cycle in Job Displacement

A central difficulty in developing plant shutdown policies is the tendency to view worker problems in piecemeal fashion rather than as part of a total process following shutdown. The failure to view the displaced workers as an individual with decisions to make over an extended period of time breeds simplified solutions that are time-bound and not geared to the complexities of the adjustments that the worker is required to make. We do not know all

there is to know about this adjustment process but some knowledge of this process and different programs and services are needed at each stage.

The Job Loss Period. This is the period in which job separation takes place. For some workers, usually the young marrieds with children under six, it is a period of considerable stress. These young workers are vulnerable on a number of counts: low seniority, little experience and training, high levels of needs in the family. Medical insurance for the unemployed is repeatedly stated as a top-priority need. During this period, there may be a mobilization of community resources to help the displaced worker but this effort lasts at the most for six weeks. There is a need by some workers for counseling, job-seeking services and possibly mental health therapy. We are also beginning to understand that worker anxieties and depression may begin even before separation when there is anticipation of job loss. Thus, it would be desirable to make services available before the actual separation from work.

The Exhaustion of Benefits Period. The real crisis for the displaced worker may begin with the exhaustion of benefits. The family is affected in the first stage but the crisis really comes home with the end of transfer payments. There may have to be a realignment of family income-gathering roles. The spouse may go to work. One or more children may have to leave school, or defer educational opportunities, to help support the family. This is a period characterized by great interpersonal stress within the family. Divorce and separation are frequent outcomes.

The Intensive Job-seeking Period. Whereas job seeking may be casual during the first period, it becomes intensive in this period. We have found this period frequently to be the most traumatic in the post-employment period.

The worker is now forced to come to grips with the fact that a good job is hard to find and that his/her human capital assets (education, training and experience) may not be worth very much. In a sense, the worker faces a moment of truth that may be hard to take. Frequently, the result is emotional distress of a high order.

Some Dropping out of the Labor Market. Following the intensive job search, some workers may choose to leave the labor market and terminate their search for employment. We can identify three groups of workers who adopt this solution:

The discouraged worker. These are the workers who have "given up" on the job-seeking process because it has not yielded any satisfactory results. We know very little about the social and psychological profiles of these workers but the reality is that workers capable of many more years of productive work "disappear" from the official statistics of the unemployed and employed workers. Some of these workers are impaired by illness, psychosomatic or organic, while others are healthy but have no motivation for the job search. Many pass up themselves from odd jobs, welfare or the largesse of friends and relatives. Since they are difficult to locate, it is almost impossible to develop and implement programs to aid them.

The early retiree. Some workers cannot or will not put up with the label of "unemployed" and prefer the more acceptable label of "retired." These workers, usually older, plan to get by on odd jobs and early retirement benefits until they are eligible for full retirement.

The irregular-economy worker. Other workers withdraw from the official labor market and work in the irregular economy. They engage in "off-the-books" economic transactions as suppliers of goods or services. These transactions are not monitored so that no income tax is paid. The work is episodic and can range from skilled work (plumbing, electrical repair) to minimal unskilled work (yardwork). These workers also have a cloak of employment invisibility about them; thus program aid is almost impossible.

The Adjustment of the New Job. There is the need to adjust to a new work situation with new work companions and new bosses. We know that in at least one-half of the cases these jobs pay less and are of lower status with fewer

benefits. Thus, there is also the need to adjust to a new lifestyle.

Any programmatic and policy decisions should be formulated with this scenario in mind. The workers' needs should dictate the program, not the program the needs. Without such a framework for reference, programs and policies surely will miss the mark.

#### Suggestions for Programs and Practices in Job Displacement

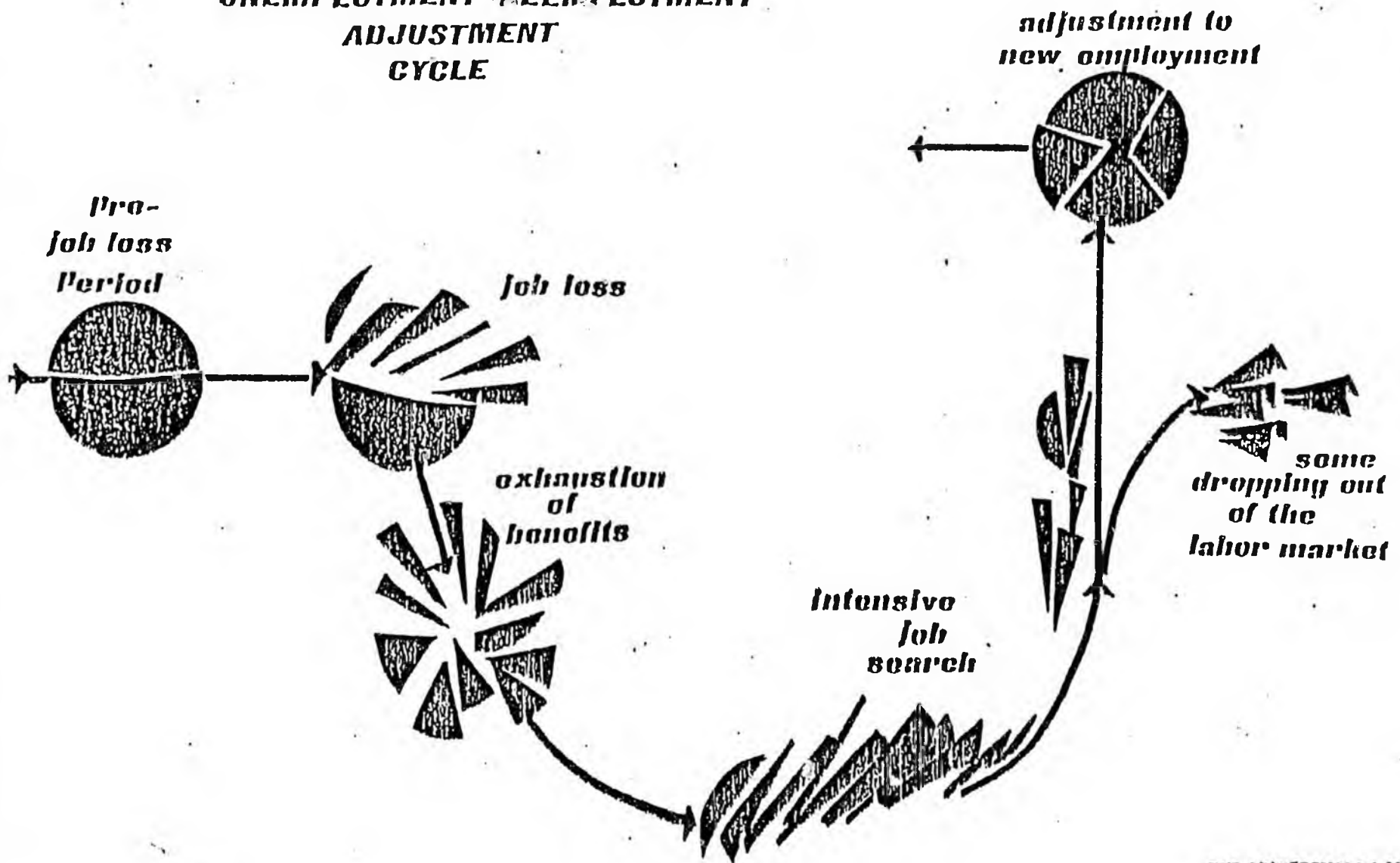
There is a need for greater coordination of services. We must begin to think about what the unemployed person needs at different points in the adjustment cycle instead of what specialized services already exist in place. Inevitably this means a breakdown of narrow professional and parochial roles.

We must begin to focus not only on the displaced but also on workers left behind on the job. The latter group have very high anxieties in an unstable economic environment--more absenteeism, more morale problems, more drinking and drug abuse. This situation is not only destructive to the individual and his family but also to the employer because it means lower productivity. This is a problem that cannot be solved in the community but requires that the services be brought into the plant. In turn, this requires a high degree of cooperation among company personnel, union officials and agency practitioners.

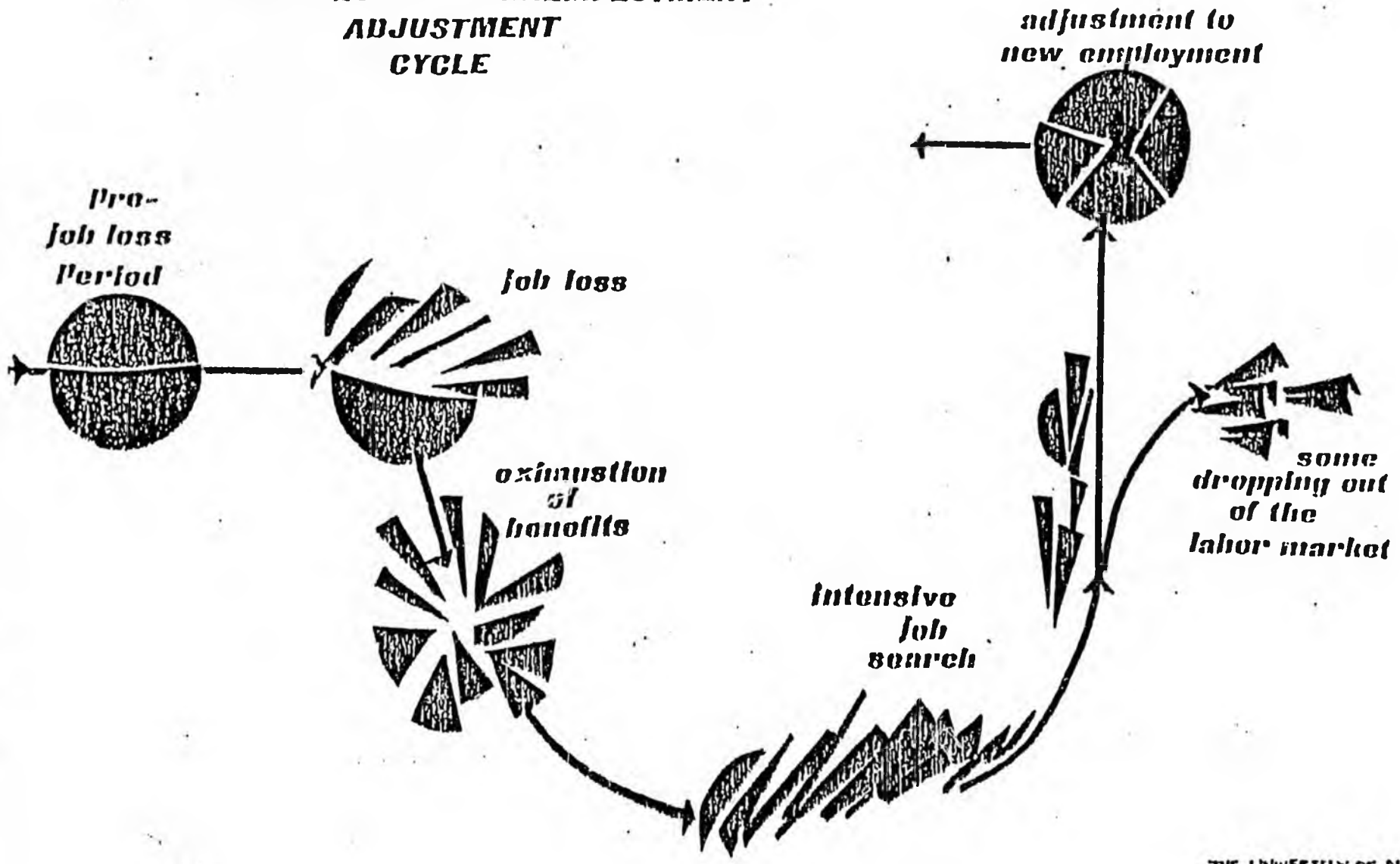
The health of workers should be recognized as a component of economic development and productivity, just as new work methods and machinery are recognized. Upgrading the quality of the work force and its productivity may indeed mean first upgrading its mental health.

We must pay more attention to prevention of illness rather than amelioration. This means that we must not continue to view plant shutdowns as instances where the horse has been stolen. Rather, we can view an impending shutdown as an opportunity to try to protect the barn against theft.

**THE  
UNEMPLOYMENT-REEMPLOYMENT  
ADJUSTMENT  
CYCLE**



**THE  
UNEMPLOYMENT-REEMPLOYMENT  
ADJUSTMENT  
CYCLE**



STATEMENT  
OF  
NATIONAL ASSOCIATION OF STATE ALCOHOL AND DRUG ABUSE DIRECTORS

PRESENTED BY  
KENNETH EATON  
CHAIRMAN, NATIONAL LEGISLATIVE COMMITTEE  
AND  
ADMINISTRATOR, MICHIGAN OFFICE OF SUBSTANCE ABUSE SERVICES

BEFORE THE  
EDUCATION AND EMPLOYMENT TASK FORCE  
COMMITTEE ON THE BUDGET  
U.S. HOUSE OF REPRESENTATIVES

MAR 10, 1983

Mr. Chairman and members of the Task Force on Education and Employment:

The National Association of State Alcohol and Drug Abuse Directors (NASADAD) is pleased to have this opportunity to present a statement on the impact of the present, longterm structural unemployment on the current and expected future demand for alcohol and drug abuse services. As Chairman of the NASADAD Legislative Committee, I am here today to urge members of Congress to support those health and social service programs which will affect the social costs of unemployment.

First, I would like to provide some information on the role and responsibilities of the State alcohol and drug abuse agencies.

The State Alcoholism Authorities and the Single State Agencies for Drug Abuse Prevention were created by the States in response to Congressional action in the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 and the Drug Abuse Office and Treatment Act of 1972, respectively, to have sole responsibility in the State to plan and administer a Statewide alcoholism and/or drug abuse prevention and treatment network. Under the Omnibus Reconciliation Act of 1981, which created the Alcohol, Drug Abuse and Mental Health (ADM) block grant and significantly revised the purpose of NIAAA and NIDA, the mandate for these State structures was repealed. However, I am pleased to inform you that each State has chosen to retain this State structure to coordinate State alcohol and drug treatment and prevention services and a portion of the Federal ADM block grant.

In my current position as Director of the Michigan Office of Substance Abuse Services, I am very much aware of the negative social costs of the current high unemployment. Though I know it does not need repeating, I would like to briefly review some of the most recent national level data on

the current state of the economy. Over 11 million people in the country today are currently unemployed; although the national unemployment rate has reached 10.4 percent, many States whose economy has been based on such industries as automobile manufacturing and steel production have unemployment rates reaching almost 18 percent. Business failures, particularly small and medium-sized businesses are up almost 50 percent from last year's level. The unemployment rate for our nation's youth (16 to 19 years of age) is more than double the national unemployment rate with black youth's rate of unemployment reaching 46 percent.

The social and monetary effects on unemployment are far-reaching and quite severe in terms of physical and mental health. It has been documented by several noted researchers, including Dr. Harvey Brenner, Johns Hopkins University, that during a serious recession and period of high unemployment, individuals who are unemployed and their families, those who are underemployed or working for a company which is struggling to survive and where the workers are unsure of their job stability, are all living or working in situations of chronic stress that accumulate through time and have an effect on illness and mortality rates. The effects of the chronic stress may not always be immediately felt and often the situation causing the stress - high unemployment rates - does not disappear for several years after the country has come out of the recession. In turn, the mental and physical health problems which were triggered or started by the stressful situation may not manifest themselves for several years after the recession is over. Therefore, although a recession may only last one year, the effects of that recession may be felt by health and social service providers for at least the next decade.

While previous recessions have been cyclical in nature, the current recession has resulted in structural unemployment, with major industries

closing and laying off workers which often do not have the appropriate job skills to seek employment in a different industry. Therefore, the current unemployment situation appears to be even more stressful for these individuals due to their lack of hope for obtaining work for which they are trained. In addition, these same individuals who have been labeled "discouraged workers" are losing their health insurance benefits which were previously paid for or through a group health plan. It is ironic that at the same time that these individuals will value their health insurance the most and will need the services which are financially accessible through health insurance plans, they will no longer have the financial means to purchase these services. Illnesses will go untreated for extended periods of time, until they become so severe that the individuals have to be hospitalized and will need more expensive, acute care services.

In order to reduce the high levels of anxiety and stress which accompany high levels of unemployment, individuals will seek means to reduce their frustration. Not only will the discouraged workers seek ways to lower their level of mental anguish, but also will the worker's family members and significant others, and those individuals who have been able to keep their jobs but who are now working in an extremely stressful situation, not sure whether the company they are currently working for will be able to survive the recession or whether they have a job next week, or even next month. Many of these individuals are already well on the way to developing problems related to their increased alcohol and drug use.

Evidence of the increased dependence on alcohol and drugs by these discouraged individuals is already beginning to be seen across the country. Following is a brief summary of the indicators of the problem being seen in a few States.

In the State of Missouri, the impact of the current economic recession on mental health programs has been examined in a study conducted by Paul R. Ahr, Ph.D., M.P.A., and others. The study found significant positive correlations between the monthly State unemployment statistics and the number of unemployed clients seeking a first admission to inpatient treatment that are stronger than the correlations between unemployment and the total population of first admissions. Also, a strong positive relationship between the number of clients seeking readmission to these programs has also been correlated with the State unemployment rate. Out-patient readmissions in eight State operated facilities, including five hospitals and three community mental health centers, increased 57 percent in a one-year period; inpatient readmissions increased 58 percent.

This study also reveals a common thread which is occurring within all treatment programs across the United States - clients who have successfully completed treatment are unable to find employment. As a result frustration and anxiety build and threaten the individual's ability to cope and regain self-esteem. Unable to return to the mainstream population - the basic goal of any treatment program - the individual often returns to the treatment setting or his/her previous alcohol or drug taking behavior.

In my State of Michigan, we have seen the largest increase in client admissions coming from the category of those "unemployed and in the workforce" meaning those recently laid off, looking for work, and registered with the Michigan Employment Security Commission. While these people represented 24 percent of our clients three years ago, today they represent more than 40 percent of those receiving treatment. Overall, 63 percent of the 75,600 clients admitted to publicly funded substance abuse programs last fiscal year were unemployed - an increase of more than 10,000 from FY 1978-79.

Although we are admitting over 6,500 clients each month, hundreds of others are being forced to wait for services. Unfortunately, there are no additional State resources available to support the increased demand for treatment.

In order to make up for revenues shortfalls and the reduction in public funds available to support an ever growing treatment population, the State of New Jersey implemented a cost-sharing program on July 1, 1981. Under the program, all clients, except those on welfare, are responsible for at least part of their treatment costs. Four months after implementation of the cost-sharing program, the number of admissions to these programs dropped 20 percent; twelve months later, when an additional increase in costs was attached, an additional 40 percent drop in admissions was reported. This reduction in client admissions is not due to a sudden decrease in the incidence and prevalence of alcohol and drug problems in the State of New Jersey, but is rather due to a lack of the client's ability to pay for services which has been attributed to the current economic recession. As a result, these individuals, many of whom are already having serious health and social problems as a result of their use of alcohol and/or drugs will not enter treatment. Their health problems will eventually become so severe that they will have to be admitted to a general hospital for acute care or will die from cirrhosis of the liver or a drug overdose.

Recognizing the increased need for treatment services for those individuals who have recently become unemployed, the Pennsylvania Office of Drug and Alcohol Programs, in an attempt to focus on the efficient utilization of limited State dollars, has awarded a project grant to five counties to provide services to newly unemployed families. Families who are experiencing high levels of unemployment, anxiety, and alcohol and drug problems. Unfortunately, the amount of support - \$50,000 - is very

small, but will assist those counties in attempting to meet the identified increased need for services by this target population. Participating in the project, is West Moreland County which is experiencing a high rate of unemployment due to layoffs in the steel industry. Also of interest are the results of a joint Blue Cross/Blue Shield and AFL-CIO study of hospital utilization rates in southeastern Pennsylvania. The report reveals demands for hospital based alcohol and drug services is at an all time high. Individuals seeking treatment include the unemployed, who have been able to retain their health insurance benefits, and those who are employed, but under great stress due to uncertainty about their job futures.

Another ironic situation has developed in the current recession due to the fact that many of the "discouraged workers" after paying Federal and State taxes for many years are deemed ineligible to receive many forms of public assistance. Although they may have lost their health insurance coverage, they are often ineligible to participate in Medicaid or other social programs since prior to losing their job they had garnered enough income to make them ineligible for public assistance. In addition, the demands currently being placed on what public assistance programs they may be eligible to participate in, limit the amount of that assistance which is often targeted for the most severely disabled or those most in need of that assistance. It does not appear that these "discouraged workers" would fit into the category of "truly needy" although they and their families are in great need.

In the State of Illinois, alcoholism treatment programs, many of which are reporting an increased demand for treatment services, are having to allocate treatment dollars to support the purchase of medication for their clients to treat illnesses not related to the alcoholism; medication which was previously covered by the general medical assistance program. The

medical assistance program due to budgetary constraints, has had to limit reimbursement to only those medications which are required to treat life-threatening conditions. In this particular case, the medication was required for the treatment of pneumonia, which often becomes a life-threatening condition.

A residential alcoholism treatment program in Peoria, which traditionally treats clients who are unemployed and who are unable to purchase the more expensive hospital-based services, has noted a 17 increase in the number of clients admitted who are unemployed (from 75 percent to 92 percent). An increase in the number of clients who have recently become unemployed - within the previous three to six months-- is also reported, as well as reports that the clients are being admitted with more numerous and severe problems than before and that the client population has become much younger. Individuals in their early twenties are being admitted with chronic alcoholism normally seen in clients 20 years older.

It is interesting to note that during the period from 1980 to the 1982, when the recession was building and unemployment rates were rising, Federal support for alcohol and drug services was reduced by almost 35 percent. It is during this period when Federal support should have been increased by 35 percent, not decreased.

The current economic conditions are unique. The social problems which are resulting from the recession and which will continue to be felt over the next decade or two, however, are not new problems. Special programs to meet the needs of these discouraged individuals must be developed and implemented, but they cannot be accomplished without increased Federal support.

The increased demand for treatment will not relent for many years after the economy has once again reached pre-recession levels. Even now, those individuals who are successfully completing treatment, are now returning

due to frustrations which develops when they are unable to obtain gainful employment, to support their families, to regain their self-esteem.

It is also crucial that increased prevention and early intervention efforts be undertaken to identify those individuals who may be most at risk for developing serious alcohol and drug problems.

The House Budget Committee must reevaluate their level of support for social and health programs which assist in reducing the social costs of unemployment. Federal support for the treatment and prevention of alcohol and drug abuse problems can be increased through your passage of a budget resolution which recognizes the severity of these problems and requests an appropriation of the full amount authorized for the Alcohol, Drug Abuse and Mental Health block grant in FY 1984 - \$532 million. Support for these efforts must continue for many years to come as the effects of the current recession will be with us for many years to come. It will take many years to treat the despair and high levels of anxiety which are being caused by the current economic conditions.

Thank you for the opportunity to present this statement.

3/5/83

3/1/83 Recd from Claude Keede

Jim 0-51 11 00

Nancy  
This may  
be relevant to Ken's  
testimony on March 10th  
it mentions Michigan's  
employment correlation with  
Bremer's problem  
Bill

HEALTH REPORT

# Congress Weighing Plight of People Out of Work, Out of Health Insurance

The cost could be high if Congress decides to go to the aid of the almost 1.1 million family members who lost their job-based insurance when they lost their jobs.

BY LINDA E. DEMKOVICH

In October 1981, Judy Duperry lost her job at the General Motors Corp. assembly plant in Bristol, Conn. Last May, her unemployment insurance ran out. The part-time work she has found since then has renewed her eligibility for unemployment benefits, which should help pay the rent and put groceries on the table for a little while longer.

But one of her biggest worries, Duperry told the House Energy and Commerce Subcommittee on Health and the Environment late last month, "is not being able to provide my family with adequate health care."

Duperry, a divorced mother of two sons, said that the health insurance she received through GM was terminated Nov. 1. "I keep on hoping that no one in my family gets really sick," she said. "I just don't know what we would do then."

The recession has made Duperry's plight commonplace. Of the 12 million jobless in December, 5.3 million had lost their employment-related health insurance. Congressional Budget Office (CBO) director Alice M. Rivlin said at the Jan. 24 hearing. When dependents of the unemployed are included, Rivlin said, the number jumped to 10.7 million. Nearly 90 per cent of non-farm workers receive health benefits paid in part or in full by their employer.

Unless the government comes to the rescue of the unemployed—a step that the CBO estimates could cost as much as \$6 billion—they have very few options.

Most people who are recently out of work have enough assets and cash from unemployment benefits and perhaps part-time jobs and savings to make them ineligible for Medicaid, the federal-state health insurance program for the poor.

On the other hand, they do not often have enough money to pay for costlier

individual policies. Even if a plan offering minimum coverage at special group rates could be designed, the United Auto Workers (UAW) estimates, the cost would be at least \$100 a month—well above the means of most unemployed families.

A lucky few like Duperry may be able to continue under an employer-paid plan for an extra year, but they are a minority. Fully 50 per cent of the unemployed lose coverage within a month of being laid off, according to Labor Department statistics, and only 20 per cent can expect their coverage to continue for three months or more.

In some two-earner families, an unemployed spouse can switch to the other spouse's plan, but that, too, is the exception. Only 42 per cent of working families have two wage earners, the CBO said, and only a fourth of those would have uninterrupted insurance coverage if one of the workers was laid off.

The only options the unemployed have left are to pay for essential medical care out of their own pockets—if they can, making arrangements with their doctors to pay over a period of time—and to defer non-emergency care until they are working again.

The second option is worrisome to health and social welfare experts. The uncertainties and stress of being out of work, they say, can trigger physical and mental problems that should be treated promptly. Putting off care, they warn, will cost individuals and the government more in the long run.

## BLUEPRINT FOR CHANGE

If Congress decides it wants to act quickly in addressing the health insurance needs of the unemployed, it has a blueprint for change already at its disposal. On Jan. 31, Sen. Donald W. Riegle Jr., D-Mich., introduced legislation

(S 307) aimed at helping those who are laid off or are about to be, as well as active workers who will lose their jobs later.

In Michigan, which had a 17.3 per cent unemployment rate last December, an estimated 400,000 workers—or 60 per cent of all unemployed workers in the state—have lost health insurance. Many of them are auto workers who, depending on their seniority, were able to get up to a year of extended health benefits after being laid off.

For millions of unemployed workers, Riegle said in introducing the bill, even a brief hospital stay or a minor medical emergency "can mean financial disaster." And even after they find a job, he said, the "entry lag," during which they must wait to qualify for benefits, is often three months or longer.

The bill would establish a mechanism to provide continuing health insurance coverage for laid-off workers. It would encourage each state to establish a pool of money to cover unemployed workers; in states that refused to comply, insurance companies could establish the pool, and if that failed, the Health and Human Services Department could step in.

To meet the immediate emergency, the bill would provide substantial federal aid for persons who were "involuntarily severed" from their jobs during the 12 months before its enactment. These workers would be covered for up to 12 months under a program patterned after Medicare and financed 80 per cent by the federal government and 20 per cent by the individuals.

The total federal cost, according to preliminary estimates, would be between \$1.3 billion and \$3 billion. Federal administration of the emergency program would give way to state administration as the states set up their insurance pools for uninsured, unemployed workers.

For persons who lost their jobs after the bill's enactment, Riegle would use the tax code to pressure employers to pay for an extra 18 months of health insurance coverage. Employers would be expected both to maintain health insurance benefits for laid-off workers for six months and to contribute to the pool of funds that would be used to provide another 12 months of coverage for the unemployed. Employers that refused to participate would no longer be allowed a tax deduction for contributions to their own employees' health insurance.

Riegle made an exception for states with sustained high unemployment, where he feared that the burden his bill would place on employers could trigger more layoffs or plant shutdowns. When the national unemployment rate was at least 7.5 per cent and a state's rate was at least 10 per cent greater than the national rate for six months, the federal government would pay 40 per cent of that state's cost of providing coverage to persons in the unemployed worker pool.

Although there would still be gaps in coverage—chronically unemployed individuals, for example—and although the duration of coverage would be finite, the bulk of jobless workers would be protected under the bill, said a Riegle aide. "We don't want this to be construed as anything but what it is: temporary help for the unemployed. This is not national health insurance."

At this point, however, there is no consensus in Congress and among the interest groups on how, or even whether, to proceed, particularly with regard to the immediate problems of currently idled workers.

Cost is the overriding concern. Congress is trying assiduously to avoid adding to the federal deficit and will almost certainly balk at any plan to expand the federal government's role in health insurance—especially a plan that uses the \$53 billion medicare program as its model.

For the longer term, the spotlight will be on the states and the private sector. Several states, for example, have already created insurance pools of the kind Riegle's bill envisions. Many others have adopted continuation and conversion laws, under which individuals who lose their jobs can get uninterrupted insurance, although generally at a higher individual rate.

In the current economic climate, the states are beginning to consider other

mechanisms to protect jobless workers from health costs. A bill before the Pennsylvania legislature, for example, would allow unemployed individuals to buy insurance at group rates using state-subsidized unemployment benefits to pay part of the premium costs. The George Washington University's Intergovernmental Health Policy Project is closely watching such activities to keep state officials apprised of promising solutions.

But long-range solutions offer little solace to the millions who are suffering the dual loss of a job and their health insurance and for whom the prospects of being rehired are dim.

UAW president Douglas A. Fraser said the size of the problem is understated. If discouraged workers and those working part time because they can't find full-time jobs are counted, Fraser told the



Sen. Donald W. Riegle Jr. has introduced legislation to address the health insurance needs of the unemployed and those who are about to be laid off.

House subcommittee, the "truly unemployed" total over 17 million people. And if their dependents are counted, he said, closer to 25 million people have lost their health insurance to the recession.

Fraser used the opportunity to renew the call for a national health plan that would cover the uninsured unemployed and the millions more who, for other reasons, have no health insurance. "I do not suggest that such a program would be cheap," he said, "but the price of neglect and anxiety is much costlier."

#### SIDE EFFECTS

Those costs are already becoming evident, public health officials say. They reflect what Louis A. Ferman, research director of the University of Michigan's Institute of Labor and Industrial Relations, calls the "pink slip syndrome."

Unemployed people, Ferman said in an interview, tend to put off getting medical services—dental care first and then annual checkups and elective surgery. "The least likely thing to be deferred," he said, "is emergency care for children."

Ferman cited statistics from Michigan's public health department showing the first increase since World War II in the state's infant mortality rate, from 12.8 deaths per 1,000 live births in 1980 to 13.8 in 1981. In addition to poor nutrition, he said, the increase is likely related to drops in prenatal care and follow-up doctor visits after the child has been born. He also noted an increase in the number of miscarriages.

The most appropriate solution, Ferman said, would be a health plan that would cover everyone in need of insurance. At a minimum, he said, there should be a plan that would provide for the children of the unemployed.

In 1976, M. Harvey Brenner, a public health professor at the Johns Hopkins University, presented the Joint Economic Committee with some startling statistics on the effects of unemployment. When the unemployment rate increases, Brenner found, so do the number of suicides and the admissions rates to state mental hospitals and prisons. Likewise, the incidence of diseases such as alcoholism and heart disorders rises as more people are out of work. Family conflicts, particularly child and spouse abuse, also become more common, he reported.

Last August, Brenner appeared before the House Banking, Finance and Urban Affairs Subcommittee on Domestic Monetary Policy to update his findings. "The effects of unemployment in the current recession," he said, "are likely to be more serious than those in previous post-World War II recessions" because of structural unemployment and the low probability that workers will get reemployment or retraining as well as the loss of health insurance.

Meanwhile, Brenner said, "illnesses become chronic, poor nutrition and lack of care exacerbate them, built-up frustrations lead to aggression inside and outside the family and increased mortality creates new losses."

Even the prospect of unemployment can be devastating, he said, as a source of stress. "The effects of this long spiral of disruption of lives, of illness and death," he said, "will be with us for years after the economy reaches a trough."

98th Congress  
2d Session

JOINT COMMITTEE PRINT

S. PR.  
98-198

**ESTIMATING THE EFFECTS OF ECONOMIC  
CHANGE ON NATIONAL HEALTH AND  
SOCIAL WELL-BEING**

---

**A STUDY**

PREPARED FOR THE USE OF THE

**SUBCOMMITTEE ON ECONOMIC GOALS AND  
INTERGOVERNMENTAL POLICY**

OF THE

**JOINT ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES**



JUNE 15, 1984

Printed for the use of the Joint Economic Committee

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U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1984

29-726 O

ECONOMIC CHANGE, PHYSICAL ILLNESS,  
MENTAL ILLNESS, AND SOCIAL DEVIANCE

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RESIDENT HIRE ACTIVITIES  
July 1, 1985 - January 15, 1986

Companies which employed nonresidents on public construction projects:

Dawson Construction	Ketchikan Drywall
Kiewit Construction	Jaff Construction
Stephan & Sons	Griffard Steel
Kiewit Pacific	Jack Wiggins Construction
Alcan Hill	Transco Pacific
Alaska Sign	G.T.M. Mechanical
Todd Builders	Hermanson Corporation
Coral Construction	Western Marine Construction
KRK Glass	Alaska Fence
F. T. Crowe	The Brower Company
Industrial Roofing	Red Samm Construction
Seeley, Inc.	B & B Asphalt
Wick Construction	Wilder Construction
Asphalt Marking Company	Western Pacific Construction
Kluane Construction	Pioneer General
Stephen-Northern J/V	Engel Mechanical Contractors
ARD Commercial Services	Cave Electric
Coluccio Construction	Pride & Suther
Phoenix Logging	Allied Sheetmetal
Warmold Fire Systems	RP Richards Company
M P & M Company	Hardriver Company
Husky Asphalt	Redi Electric
Jenson & Reynolds Company	Veretecs, Inc.
Hayor Land Company	Engineers & Contractors Company
Burree Drilling	Kodiak Contractors
City Electric	The Kastac Company
Superior Fire Protection	Metcalf Grimm Mechanical Contractors
Alaska Coastal Electric	Northern Timber Corporation
Energy Insulation Systems	Associated Sand & Gravel
Washington Accoustical	A C & S, Inc.
Alaska Unlimited	Barricades & Safety Company
E J Bartell's	Bethel Mechanical Contractors
Melin & Sons, Inc.	Rascal/Rasmussum
Anchorage Steel	Hoffman Construction
D & G Mechanical	South Coast, Inc.
Western Electric, Inc.	Beacon Construction & Engineering
Cascade Tile	Felton Construction
Brown Construction	Power Construction
Underwater Construction	Telon Electric
The Caspee Company	Fox Automatic Sprinkler
P & G Landscaping	Kinel of California
Travers PAC	Northway Development
Berkley Structures	Molt's Stripping
Quality Asphalt & Paving	Prime Construction
Indoor Temperature Systems	Northern Construction, Inc.
General Construction Company	Hegdal Construction
Q Trucking	Clearwater Fence
Baugh Construction	Ocean Technology

Hayden & Hayes	American Landscaping
Ted Forsi & Associates	Bush Landscaping
B C Excavating	Willow Cache Company
Mark Rite Line Company	S & S Welding
Murphy Construction	Hank's Excavations
Pioneer Excavating	Quorum Construction
Chuck's Backhoe	McKinley Landscaping
All Steel Construction	Sanford Construction
Cypee Construction	Brice, Inc.
Barrow Utilities	Rogers & Babler
Alaska Unlimited	Sunair Sheetmetal
Atlantic-Gulf Construction	Long's Painting Company
Coogan Construction	Auburn Mechanical
Fred Willey Construction	Cascade Insulation
Tim's Landscaping	Foster Construction
B & B Paving	ORR Construction
Glen Dar Enterprises	Gordy's Construction
Humphrey Company	Busch Concrete
Arctic Glazing	McLane & Associates
Johnson Sand & Gravel	AWC
Stirritt Johnsen, Inc.	Acme Fence
3-Way Electric	W G & Associates
Jackson Construction	Commercial Builders
M B Construction	K Star Enterprises
McIntyre, Inc.	Increst Roofing
Anchorage Golf Company J/V	The CecoCo
Vanco	O'Connor Tile
Haslett Construction	Alaska International Construction
Superior Air Handling	O & S Construction
Doyon Corporation	Watkin's Electric
Copper Valley Construction	Lydig Construction
Keifer Pool Equipment	

TOTAL nonresidents identified on public construction contracts: 1,784

TOTAL dollars earned by nonresidents identified: \$2,300,518.53

Contractors performing work on the North Slope who employed nonresidents:

Anadrill/Schlumberger	Parker Drilling
Bell/Lanvin	Nabor's Drilling
Nordic Well Servicing	Gilbert/Commonwealth
Alaska Welding, Inc.	Aber Company
Noralco	Northline Electric
Boatell, Inc.	VECO
Dowell/Schlumberger	Northern Oilfield Services
Brown & Root	Gregory & Cook
Tanko	Nowscu
Crowley/Mukluk	Holmes/Narver
Summit Equipment	Peak Equipment
J R Oilfield Services	

TELECOPY COVER SHEET

\*\*FAIRBANKS\*\* INFORMATION OFFICE

TO: JMO

1 copy to Each member of House Labor & Commerce

FOR: REPS Newarre, Davis, Deucher, Kogonen, Pearce, Collins, Hanley  
copy to: + Sen Coghill & Rep Shultz

PHONE: \_\_\_\_\_

FROM: Bob Lizardi, Delta Jet PHONE: 895-4062

INSTRUCTIONS: Testimony For 1/30 House L&C telecon. on  
HR 466 Resident Hike. (did not get to speak)

DATE/TIME SENT: 1/30 4:30 SENT BY: PL

PLEASE ACK. RECEIPT: X HOLD FOR PICK-UP: \_\_\_\_\_

NUMBER OF PAGES: 3 (NOT COUNTING COVER SHEET)

Bob Lizardi

895-4062

Box 167

Delta Jct., AK 99737

testimony for 1/30

House L&C Telecon HB4

I am a union laborer. I have been out of work for almost 3 yrs. Also I'm very skilled in the build<sup>ing</sup> trade skills of my craft. And pipe work. This expertise has been obtained through 15 yrs experience as a resident worker. I also happen to be unemployed almost 3 yrs. This <sup>is</sup> very embarrassing embarrassing to me so as I relate it to you. For the past 3 yrs. I have been working at building a home in Delta Jct. I made certain commitments to the state of Alaska for some loan. ~~to do~~ out of the security for the loan was my projected ability to repay these loans from the farm income and if that didn't suffice I could draw on my trade. As you know farming has not paid off yet and like I have mentioned I cannot ~~be~~ able to apply my trade either. This has caused myself many sleepless nights, dispairing and worried. My wife has had to work in order to try and keep us going. We live a ~~sub~~ standard life style. We still do not have indoor plumbing. My truck is broken down and I have to hitch hike to make calls at the Union Hall in Fairbanks. My wife drives a <sup>old</sup> car ~~with out~~ <sup>without</sup> ~~me~~ <sup>me</sup> that car she goes to work every day and takes our daughter to school. Because of these

and other hardships my wife and I  
haven't been getting along. As of a week  
ago we were about to dissolve our  
marriage. Thank God that at the moment  
we filled the paper we were able to  
realize that our family bond and love is  
strong enough to overcome these difficulties. I  
have had to watch my wife suffer with  
severe over the past 3 yrs. Severe back aches  
stomach ailments, even such as from  
infection, depression, irritability, slipped up  
alcohol consumption. Found looking  
out your window and finding your daughter  
at the out house completely naked at 20 or  
so doing her BM. I ran at and found  
out what the matter was, she didn't  
want to exit her coat, she was afraid  
it would fall in the hole. It is comical  
but not funny. I haven't had any sleep  
for a nearly 20 yrs. But the thought has  
occurred to me. I am not crying. I know  
I am ultimately responsible for the condition  
I'm in. ~~But~~ I have over 10 yrs invested  
in a retirement program with the address  
and it is in jeopardy. I've lost these benefits  
over before. 2 yrs ago I had to send  
my wife outside to have a <sup>urinary</sup> such operation  
and I couldn't accompany her and provide

for her. My dad is 73 yrs old and he  
lives in Puerto Rico. I haven't seen him  
in 10 yrs and he's not doing well. I am  
one person who can account for almost  
every dollar spent and made and I can  
assure you that none of it has been  
mispent. I'd like to see him.

It always makes me angry this year  
when a contractor came to my food  
Delta get me sought his labor force  
from Seattle and left me and my wife  
out of work that we were well qualified  
in need of and willing to do. My  
boots have huge holes in them. I had  
to stay in the store and pay my hotel  
bill doing work at what was today  
for instance in shoveling side walk free  
of snow. While doing this two men  
came up to me and asked me for  
money. In all my years here this  
has never happened to me. In New York  
city you get not here.

I hope my revelations to you  
are not in vain.

Yours love

Thanky you for

Occupational Information from the UI Wage File  
and its Relationship to HB 466

What would be done

1) Employers, subject to unemployment insurance coverage, would be required to submit occupational titles for the last position worked, by each of their employees each quarter. Quarterly reports would be phased in over a three year period, based upon the industry of the employer. Industries identified as having the highest dollar payments to nonresidents in 1984 would be targeted first as follows:

First Year construction, oil and gas mining, and food processing;

Second year all first year industries plus, business services, local government, miscellaneous services, eating and drinking places, air transportation, and state government;

Third year all industries.

2) A program would be written to match the occupational titles, used by employers, to standard occupational classification codes.

3) Statistical clerks, working under the supervision of labor economists who specialize in occupational information, would correct all edit rejections. Corrections would be either to the file of occupational titles, or to the individual entries.

4) Extensive computer matching would be performed which would yield resident status of employees, wages, workers receiving unemployment insurance benefits, the amount of those benefits; by occupation, industry, and area.

5) Comparisons of employed nonresidents and residents receiving unemployment insurance, in the same quarters, would be made by occupation and area to show displacement. Additionally comparisons would be made to indicate those occupations with significant nonresident employment, and low resident labor force.

6) For those occupations showing significant resident hiring problems surveys would be done to determine why.

7) The above information would be merged with other occupational information already collected by this department to determine: wage rates, projected employment, hiring practices, working conditions, skill requirements, and training requirements for occupations identified as having resident hiring problems.

8) Comparisons between years would be made after the second year of occupational titles data was collected from employers.

9) All of this information would be included in an annual report to be completed by January 31 each year.

Relationship to HB 466

Although HB 466 is would trigger resident hiring preferences in State funded construction only, those triggers are based upon the entire economy of each area. This was probably necessary to have a chance in the courts.

This department would have the responsibility to determine when employment of nonresidents was a contributing cause of the unemployment of residents of an area. In the recent Supreme Court decision regarding Title 36, the court indicated that high unemployment alone was not sufficient to prove displacement of residents as the unemployment could be related to: "climatic extremes, the absence of construction activities in rural areas, and the lack of training prevalent among rural Alaskans."

To determine this requires collection and analysis of detailed occupational information by area, industry, and resident status.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 28, 1986

SUBJECT: Alaskan resident employment preference  
(SSHB 466)

TO: Representative Red Boucher

FROM: Teresa B. Cramer *BC*  
Legislative Counsel

Enclosed is the draft Sponsor Substitute you requested. The draft does not amend AS 36.10.040 since that section would apply to contracts under the proposed AS 36.10.150 - 36.10.170 without additional language. The statute states

Sec. 36.10.040. APPLICATION TO CONTRACTS INVOLVING FEDERAL FUNDS. In a contract involving expenditure of federal aid funds, this chapter may not be enforced in a manner that conflicts with federal statutes giving preference to veterans or prohibiting other preferences or discriminations among United States citizens.

If I may be of further assistance, please advise.

TC:mkr  
M2:094

Enclosure

1 IN THE HOUSE

BY BOUCHER, SZYMANSKI, GRUENBERG,  
PIGNALBERI, HURLEY, MARROU, SUND,  
GRUSSENDORF, TAYLOR AND KOPONEN

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 466

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to Alaskan resident employment  
7 preference; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. PURPOSE. The legislature recognizes that the state has a  
10 significant unemployment problem. This Act is intended to better fulfill  
11 the state's duty of loyalty to its citizens, reduce unemployment among  
12 residents of the state, remedy social harms resulting from chronic  
13 unemployment, and assist economically and socially disadvantaged residents.  
14 If the courts find that a portion of AS 36.10 is unconstitutional, the  
15 public interest requires that the remaining portions be implemented as  
16 fully as possible.

17 \* Sec. 2. AS 36.10.005 is amended by adding new subsections to read:

18 (c) The legislature further finds that the ratio between the  
19 employees on a certified payroll who did not apply for or were refused  
20 a permanent fund dividend under AS 43.23 to those employees who were  
21 found eligible to receive a dividend is an adequate but not exclusive  
22 indicator of the ratio on a project of nonresident to resident em-  
23 ployees.

24 (d) The commissioner may consider information gathered from site  
25 surveys of construction projects including individual interviews,  
26 comparison of the state in which vehicles owned or operated by employ-  
27 ees are registered, and other information acquired from inspection of  
28 certified payrolls when determining the ratio of nonresident to resi-  
29 dent employees working on a public works project.

1 (e) The legislature finds that the following factors are reason-  
2 able but not exclusive indicators of the ratio of nonresident to  
3 resident employees in the state:

4 (1) the ratio between applicants for unemployment insurance  
5 claims who list an out-of-state residence compared to those applicants  
6 who list residences in the state;

7 (2) the ratio between applicants for unemployment compen-  
8 sation who did not apply for or were denied a permanent fund dividend  
9 to those applicants who were found eligible for a dividend.

10 (f) The legislature finds that

11 (1) the number of state residents who are unable to find  
12 work is considerably higher than is reflected by unemployment rates  
13 based on nationally accepted measures;

14 (2) rural areas in the state have proportionately more  
15 resident workers who are unable to find work but who are not reflected  
16 in the unemployment rates based on nationally accepted measures than  
17 do nonrural areas of the state;

18 (3) many rural state residents who wish to work do not seek  
19 employment as frequently as necessary to meet federal definitions of  
20 unemployment because of continuing lack of employment opportunities in  
21 rural areas of the state.

22 (g) The legislature further finds that given the expense and  
23 difficulty of gathering and preparing information on those seeking  
24 employment in the state, it is reasonable, absent substantial evidence  
25 to the contrary, for the commissioner of labor to rely on information  
26 and projections to indicate trends and to implement remedies to prob-  
27 lems based on those trends.

28 \* Sec. 3. AS 36.10.070 is repealed and reenacted to read:

29 Sec. 36.10.070. UNAVAILABILITY OF PREFERRED WORKERS. (a) An

1 employer subject to hiring requirements under this chapter may request  
2 the Department of Labor to assist in locating eligible employees  
3 After receiving a request for assistance, the department shall refer  
4 eligible, available residents to the employer to fill the employer's  
5 hiring needs. The employer shall cooperate with the department.

6 (b) If the department is unable to refer a sufficient number of  
7 eligible, available residents able to perform the work, the commis-  
8 sioner of labor may approve the hiring of residents who are not eligi-  
9 ble for preference and nonresidents for the balance of the request.

10 \* Sec. 4. AS 36.10.075 is amended by adding a new subsection to read:

11 (b) The commissioner of labor shall adopt regulations to encour-  
12 age and require the hiring of residents to the maximum extent permit-  
13 ted by law.

14 \* Sec. 5. AS 36.10 is amended by adding new sections to read:

15 Sec. 36.10.130. RESIDENT HIRE REPORT. The attorney general and  
16 the commissioner of labor shall report biennially to the legislature  
17 and the governor on the status of employment in the state, the effect  
18 of nonresident employment on the employment of residents in the state,  
19 and methods to increase resident hire. The report shall be submitted  
20 at least 30 days before the first day of the first session of a legis-  
21 lature.

22 Sec. 36.10.140. ELIGIBILITY FOR PREFERENCE. (a) To be eligible  
23 for an employment preference under this chapter, a person must  
24 register as a resident as required by the Department of Labor. The  
25 department may permit registration through a local hiring hall.

26 (b) The Department of Labor shall certify a person as eligible  
27 for a hiring preference under this chapter if the person registers  
28 under (a) of this section, is a resident, and

29 (1) is receiving unemployment benefits under AS 23.20 or

1 would be eligible to receive benefits but has exhausted them;

2 (2) is not employed and has registered to find work with  
3 public or private employment agency or a local hiring hall;

4 (3) is underemployed or marginally employed as determined  
5 under regulations adopted by the department; or

6 (4) has completed a job-training program approved by the  
7 department.

8 Sec. 36.10.150. DETERMINATION OF UNDEREMPLOYED AREA. (a)  
9 During the three fiscal years following a calendar year in which the  
10 commissioner of labor determines that an economic region of the state  
11 is an underemployed area or that the state as a whole is an underem-  
12 ployed area, residents of the area who are eligible under AS 36.10.140  
13 shall be given preference for work on each project under AS 36.10.180  
14 that is wholly or partially sited within the area.

15 (b) The commissioner shall determine that an economic region of  
16 the state or the state as a whole is an underemployed area if the  
17 commissioner finds that

18 (1) the rate of unemployment within the area is higher than  
19 the national rate of unemployment;

20 (2) a substantial number of residents in the area desire  
21 work in occupations that would be employed on a public works project;

22 (3) the hiring preference under (a) of this section will  
23 alleviate the social ills caused by lack of employment opportunities  
24 in the area; and

25 (4) employment of workers who are not residents of the area  
26 is a peculiar source of the unemployment of residents of the area.

27 Sec. 36.10.160. PREFERENCE FOR RESIDENTS OF ECONOMICALLY DIS-  
28 TRESSED AREAS. (a) During the three fiscal years following a calen-  
29 dar year in which the commissioner determines that an economic region

1 of the state is an economically distressed area, residents of the area  
2 who are eligible under AS 36.10.140 shall be given preference for at  
3 least 50 percent of employment on each project under AS 36.10.180 that  
4 is wholly or partially sited within the economically distressed area.  
5 The preference applies to worker hours on a craft-by-craft basis.

6 (b) The commissioner shall determine that an area is an econom-  
7 ically distressed area if the commissioner finds that

8 (1) the average annual family income of residents of the  
9 area is below the adjusted poverty guidelines of the federal Depart-  
10 ment of Health and Human Services or that the unemployment rate in the  
11 area exceeds the national rate of unemployment by at least five per-  
12 centage points;

13 (2) the hiring preference under (a) of this section will  
14 alleviate the social ills caused by lack of employment opportunities  
15 in the area; and

16 (3) employment of workers who are not residents of the area  
17 is a contributing cause of unemployment of residents of the area.

18 Sec. 36.10.170. PREFERENCE FOR ECONOMICALLY DISADVANTAGED MINOR-  
19 ITY RESIDENTS. (a) During the three fiscal years following a calen-  
20 dar year in which the commissioner determines that the minority resi-  
21 dents of an economic region are economically disadvantaged, minority  
22 residents of the area who are eligible under AS 36.10.140 shall be  
23 given preference for at least 25 percent of employment on each project  
24 under AS 36.10.180 that is wholly or partially sited within the census  
25 area or census subarea. The preference applies to worker hours on a  
26 craft-by-craft basis.

27 (b) The commissioner shall determine that minority residents of  
28 a census area are economically disadvantaged if the commissioner finds  
29 that

1 (1) the minority population of the census area exceeds the  
2 average minority population for the state;

3 (2) the percent of unemployment of minority residents of  
4 the area is at least two times the percent of unemployment of non-  
5 minority residents of the area;

6 (3) the hiring preference under (a) of this section will  
7 alleviate the social ills caused by the economic disadvantage of  
8 minority residents of the area; and

9 (4) employment of workers who are not residents of the area  
10 is a contributing cause of unemployment of minority residents of the  
11 area.

12 (c) In this section, a person is considered a member of a minor-  
13 ity if the person is a member of a racial or ethnic minority group  
14 recognized by the federal Bureau of the Census.

15 Sec. 36.10.180. PROJECTS SUBJECT TO PREFERENCE. (a) The pref-  
16 erences established in AS 36.10.170 - 36.10.170 apply to

17 (1) the performance of contracts let by a municipality for  
18 construction, repair, preliminary surveys, engineering studies, con-  
19 sulting, maintenance work, or any other retention of services neces-  
20 sary to complete a given project; and

21 (2) a construction project that is partly or wholly funded  
22 by state money and to which the state or an agency of the state, a  
23 department, office, agency, state board, commission, regional school  
24 board with respect to an educational facility under AS 14.11.020,  
25 public corporation, or other organizational unit of or created under  
26 the executive, legislative or judicial branch of state government,  
27 including the University of Alaska and the Alaska Railroad Corpo-  
28 ration, is a signatory to the construction contract;

29 (3) work performed on a public works project under a grant

1 to a municipality under AS 37.05.315;

2 (4) work performed on a public works project under a grant  
3 to a named recipient under AS 37.05.316; and

4 (5) work performed on a public works project under a grant  
5 to an unincorporated community under AS 37.05.317.

6 (b) If the governor has declared an area to be an area impacted  
7 by an economic disaster under AS 44.33.285, then the preference for  
8 residents of the area established under AS 44.33.285 - 44.33.310  
9 supercedes the preference under AS 36.10.150 and 36.10.160 for con-  
10 tracts awarded by the state.

11 Sec. 36.10.900. EFFECT OF JUDICIAL DECISIONS. If a provision of  
12 this chapter, or the application of a provision to a person or circum-  
13 stance, is held invalid, the remainder of this chapter and the appli-  
14 cation to other persons or circumstances shall not be affected by the  
15 holding. The remainder shall be enforced to the greatest extent  
16 constitutionally permissible under the constitutions of the United  
17 States and the State of Alaska.

18 \* Sec. 6. AS 36.95.010 is amended by adding a new paragraph to read:

19 (9) "craft" means a recognized construction trade.

20 \* Sec. 7. AS 37.05.315 is amended by adding a new subsection to read:

21 (e) The Department of Labor may require a municipality awarded a  
22 grant under (a) of this section to comply with the hiring preferences  
23 under AS 36.10.150 - 36.10.170 for employment generated by the grant.

24 \* Sec. 8. AS 37.05.316 is amended by adding a new subsection to read:

25 (b) The Department of Labor may require a grant recipient under  
26 (a) of this section to comply with the hiring preferences under  
27 AS 36.10.150 - 36.10.170 in employment generated by the grant.

28 \* Sec. 9. AS 37.05.317 is amended by adding a new subsection to read:

29 (b) The Department of Labor may require the qualified

1 incorporated entity awarded a grant or agents or contractors with whom  
2 the Department of Community and Regional Affairs contracts under (a)  
3 of this section to comply with the requirements of AS 36.10.150 -  
4 36.10.170 for employment generated by the grant.

5 \* Sec. 10. The provisions of this Act do not apply to a contract en-  
6 tered into before the effective date of this Act.

7 \* Sec. 11. AS 36.10.010 is repealed.

8 \* Sec. 12. Section 4 of this Act takes effect on the date of the final  
9 judgment of a court of competent jurisdiction that any provision of this  
10 Act is unconstitutional, or if that decision is accepted for review by an  
11 appellate court, on the date of a final decision of the highest appellate  
12 court reviewing that decision that any provision of this Act is unconstitu-  
13 tional.

14 \* Sec. 13. Sections 1 - 3 and 5 - 11 of this Act take effect  
15 February 16, 1986, or immediately, in accordance with AS 01.10.070(c),  
16 whichever is later, if the final decision of the Alaska Supreme Court in  
17 Robison v. Francis, File No. S-493, Opinion No. 3011, January 17, 1986, is  
18 not submitted for review to the United States Supreme Court. If the de-  
19 cision is submitted for review but the United State Supreme Court declines  
20 to accept review, then this Act takes effect on the date of the order of  
21 the United States Supreme Court declining to accept review. If the United  
22 States Supreme Court accepts review, then this Act takes effect on the date  
23 of a final decision of the United States Supreme Court affirming the de-  
24 cision of the Alaska Supreme Court.

SOHIO ALASKA PETROLEUM COMPANY

CONTRACTING ACTIVITIES

◦ CONTRACT COMMITMENTS

	1984-1985 (\$MM)		<u>Total</u>
	<u>Alaskan Contractors</u> *	<u>Outside Contractors</u>	
Drilling	235 (99%)	3 ( 1%)	238
Production/Operations	167 (99%)	2 ( 1%)	169
Construction	330 (80%)	83 (20%)	413
Engineering/Administrative	<u>17 (11%)</u>	<u>132 (89%)</u>	<u>149</u>
TOTAL	749 (77%)	220 (23%)	969

\* Alaskan Contractors are defined as those contractors operating in Alaska who have established significant assets/resources and continue to re-invest earnings in the State.

◦ ALASKAN CONTRACTOR/RESIDENT HIRE INFORMATION

◦ DRILLING

All rig contracts awarded over the last three years have been committed to contractors with long established Alaskan operations. Four drilling rig contracts to meet Prudhoe Bay Unit requirements for the next two years are currently active on the North Slope. Contractors report rig crews comprising over 90% Alaskan residents. The two major rig contracts for the Endicott Field have commitments from the Contractors to utilize 100% Alaskan resident crews. Overall these six rig contracts represented future expenditures in excess of \$200MM. In addition, Sohio is presently soliciting bids from Alaskan firms for a workover rig. All bidders have been advised that Alaskan hire plans will be a significant factor in the evaluation of the proposals.

Well Service Contracts (wirelining, cementing, logging, etc.) totaled over \$100MM during 1984-1985. With the exception of cementing services, all contractors report over 95% Alaskan resident hire. An implementation plan has been developed to improve the resident hire performance of our cementing contractors.

• PRODUCTION/OPERATIONS

Statistics noted above demonstrate that Production/Operations oriented services (labor, maintenance, catering, security, etc.) have been awarded to asset-based Alaskan firms, many in conjunction with joint ventures among Alaskan Native corporation at Sohio's urging.

Future requirements over the next two years will be handled utilizing several multi-year contracts. Current bid exercises strongly encourage the use of Alaskan resident hire (See Attachment A) and bidders are advised that it will be a significant factor in the evaluation of their proposals. Additionally, local hire clauses are being included in the actual Contract (See Attachment B) and contractors are required to periodically report results.

• CONSTRUCTION

Essentially all construction contracts awarded to date for Prudhoe Bay Unit work employed union contractors in conjunction with the Prudhoe Bay Project Labor Agreements. Hiring practices among all contractors have been as required by union call-out practices.

For 1986-1987, Sohio has committed to award 700,000 manhours of Prudhoe Bay construction to two union contractors in conjunction with the sale of Sohio Construction Company. Both contractors have strong Native corporation associations through joint ventures or partnerships.

The balance of the projected Prudhoe Bay manhours (beyond 700,000) will be bid on a merit-shop basis with provisions in the Bidding Documents to encourage Alaskan-hire policies among contractors. Contractors will be required to report results on a regular basis.

On Endicott, all contracts continue to be bid on a merit shop basis. To date, Contractors report that 87% of all employees are Alaskan residents. Additionally, work bid and awarded in conjunction with North Slope module installation and pipelines will contain similar clauses to those shown on Attachments A and B regarding local hire.

• ENGINEERING/ADMINISTRATIVE SERVICES

Engineering services in the past have been performed predominately in the Lower 48 based on the availability of resources and economics. In the future Sohio intends to perform more local engineering.

### 3. Bidding Conditions

In addition to examination of the Bid Documents, each prospective bidder shall make whatever other arrangements are necessary to become fully informed regarding all existing and expected conditions and matters which might in any way affect the cost or the performance of the work. Any failure to fully investigate such conditions and matters shall not relieve the bidder from responsibility for estimating properly the difficulty or cost of successfully performing the work.

### 4. Bidder's Modification and Withdrawal of Bids

A bidder may, by written request without prejudice to itself, modify or withdraw its Bid provided that the request is received by Sohio prior to the Bid Due Date at the address to which bids were to be submitted. Provided further, that in case of a telegraph request, a written confirmation thereof over the authorized signature of the bidder be received by Sohio at the address to which original bids were to be submitted within three (3) calendar days after the Bid Due Date. Following withdrawal of its Bid, the bidder may submit a new Bid, providing it is resubmitted prior to the Bid Due Date.

### 5. Award of Contract

The successful bidder will be notified of the award of the work in writing and will be expected to properly and promptly execute a contract, the form of which will incorporate the form as attached hereto as Sample Contract. The execution of the contract by the awardee shall take place not later than ten (10) days after receipt of said contract, but in any event prior to the commencement of the work. Additionally, the Contractor will be required to submit the certificates of insurance at the time the contract is executed. Failure of the Contractor to execute the contract and submit the above insurance certificates will cause Sohio to suffer damage, the amount of which is difficult, if not impossible, to ascertain, and Sohio shall therefore be entitled to declare a material breach of the contract by such Contractor, and to award the contract to another bidder in accordance with the provisions of the contract documents.

### 6. North Slope Labor Utilization

Sohio Alaska Petroleum Company is committed to the use of local residents of the North Slope whenever possible. Therefore, the contractor shall prepare and submit a detailed narrative describing how Alaskan and, more specifically, North Slope resident labor would be recruited and employed. Your response to this clause is considered important and as such will be a factor in the evaluation of your proposal.

17. Direct Wage

Contractor shall not change the direct wage paid to its employees provided hereunder, nor the billable rates, without prior written consent of Operator's Administrative Representative via Amendment to this Agreement.

18. Local Hire

Sohio Alaska Petroleum Company is committed to the use of local residents of Alaska, and more specifically the North Slope, whenever possible. Therefore, Contractor shall make every reasonable effort to recruit and employ North Slope resident labor under this Agreement. If North Slope residents are not available, Contractor will nevertheless make every effort to provide employees who are Alaskan residents. Contractor will be required to report, on a periodic basis, the results of these efforts.

II. COMPENSATION

As total consideration for all work performed and for services rendered hereunder, Contractor agrees to invoice Operator and Operator agrees to pay Contractor in accordance with the following:

1. Payment Schedule

All work performed and/or services rendered hereunder shall be in accordance with the Rate Schedule set forth in Attachment 6 hereto.

NO PAYMENT SHALL BE MADE FOR ANY SERVICES RENDERED WHERE SAID SERVICES ARE NOT SPECIFICALLY INCLUDED IN ATTACHMENT 6.

2. Limitation of Cost

Nothing in this Agreement shall obligate Contractor to take any action which will cause the amount for which Operator will be obligated hereunder to exceed the sum of \$\_\_\_\_\_ and Operator shall not be obligated to pay Contractor on account of any services furnished hereunder any amount in excess of such sum provided, however, that this sum may be increased by Operator solely at its discretion by amending this Agreement. Contractor shall advise Operator in writing when costs incurred under this Agreement are equal to 75% of the aforementioned sum.

# DAVID ARTHUR DONLEY

ATTORNEY AT LAW  
1303 WEST 43rd AVENUE  
ANCHORAGE, ALASKA 99503  
(907) 561-8234

## M E M O R A N D U M

To: Rep. H.A. "Red" Boucher, Chair  
House Special Committee on Telecommunications

From: Dave Donley, Legislative Aide  
and Attorney at Law

Date: January 20, 1986

Subject: Alaskan Resident Employment Preference Legislation:  
HB 466

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During the 1985 Legislative Session, efforts for a constitutional Alaska Hire law were limited by the pending challenge to AS 36.10.010 (the 1983 Alaska Hire law). Last year's HB 294 adopted basic findings of fact to strengthen the constitutional basis of that existing residence preference or any future law.

Now that the Alaska Supreme Court, in the Francis v. Robison case, has found AS 36.10.010 unconstitutional, passage of a new substantive law is appropriate.

HB 466 is designed to replace our recently struck down Alaska Hire law (AS 36.10.010), which provided a preference to Alaska residents on 95% of the jobs on public works projects.

The bill incorporates guidance provided by the Alaska Supreme Court in the Francis v. Robison case and by other judicial decisions since the old law was passed. It relies heavily on the criteria adopted by the U.S. Supreme Court in the Camden case and Wyoming Supreme Court in its 1985 Antonich decision (upholding Wyoming's local hire law).

The key to the constitutionality of any resident preference legislation is the availability of proof that such a preference is reasonable. HB 466, unlike any previous legislation, makes the resident preferences provided contingent on the presence of factual circumstances constitutionally adequate to justify such preferences. This legislation for the first time bases resident employment preferences on factually established causes and needs. The crucial threshold fact that must be found is that the unemployment among residents, displaced by non-residents, has

resulted in one or more economic and/or social ills that the proposed legislation seeks to address.

Hb 466 adds additional findings of fact to those of 1985's HB 294, and together with the new Department of Labor study they hopefully provide the necessary constitutional factual foundation. HB 466 makes clear that the intent of the legislature is to adopt the strongest law constitutionally possible, and says that the courts should not reject the whole law if only one part of it is found unconstitutional.

This legislation is drafted in such a way that most of its sections stand on their own and may be deleted, if found not to be necessary, without requiring changes in other sections.

The bill includes three types of employment preferences for residents, which for the first time provide alternative constitutional justifications for local hire. First, a statewide employment preference for residents is placed in effect when Alaska's unemployment rates exceeds the national average, and other justifying factors exist.

Secondly, regional employment preferences for local residents may also be involved in areas of Alaska suffering from economic distress. Thirdly, the bill also includes protections for Alaskans living in areas suffering from economic discrimination because of cultural and ethnic factors. These regional preferences will place qualified, economically needy members of a community, in which a public project takes place, first in line for at least a portion of those jobs.

The preferences would work as follows: if a contractor on a project subject to any of the three preferences cannot locate qualified eligible Alaskan, he must consult a list of qualified residents approved by the Department of Labor and hire all qualified Alaskans on that list before hiring any non-residents. The Commissioner of Labor may place the three preferences into effect jointly or individually depending on the relevant facts. If two or all three of the preferences were in effect at the same time, a single employee could satisfy more than one of the preference quotas (i.e.: a qualified unemployed Alaskan Native who is a local resident).

These three preferences are contingent on the Commissioner of Labor finding, among other things, that employment of non-resident workers is a contributing cause of resident unemployment. If properly based in fact, this finding, together with other appropriate facts, should be sufficient to sustain a constitutional challenge based on the Privileges and Immunities clause of the U.S. Constitution (Article XIV, Section 1). That clause prohibits a state from enforcing any law that abridges the privileges or immunities of citizens of the United States, including the right to travel.

Preferences for residents over non-residents are constitutional only if 1) there is a substantial reason for the discrimination, 2) the degree of discrimination bears a close relation to the reasons, and 3) non-residents can be shown "to constitute a peculiar source of the evil at which the statute is arrived," (United Building and Construction Trades Council v. Camden, 104 Supreme Court 1020, 79 L. Ed 2d, 52 LW 4187 at 4191, 1984). If the Commissioner of Labor bases his findings on factual information sufficient to meet this test, the preferences should withstand a constitutional challenge.

The employment preference for disadvantaged minority residents is the most difficult to constitutionally defend. In addition to challenges on Privileges and Immunities clause grounds, it may also be subject to Equal Protection Clause challenges. Its constitutionality will depend on the reasonableness of criteria used to establish the target group and whether the remedy is appropriately tailored to address the problem the state is seeking to solve.

ALASKA DEPARTMENT OF LABOR STATISTICS

<u>Labor Force</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	211,000	230,000	240,000
<u>Employment</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	190,000	206,000	215,000
<u>Unemployment</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	21,000	24,000	25,000

WORKERS' COMPENSATION DIVISION (Jacque McClintock, Director #465-2790)

<u>Number of reported claims</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	24,322	28,488	30,171

<u>Contested claims scheduled for hearing before the board</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	848	863	855

<u>Prehearings held to resolve issues</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	Not Available	746	1,297

<u>Cases heard before the Workers' Compensation Board</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	498	536	389

<u>Employees Statewide</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Full-Time	41	43	46
Part-Time	3	1	1

LABOR STANDARDS AND SAFETY DIVISION (Bob Bacolas, Director #465-4870)

	<u>1982</u>	<u>1983</u>	<u>1984</u>
OSH Safety Inspections	683	667	843
OSH Industrial Hygienist	77	131	168
Voluntary Inspections	247	328	300
Elevator Inspections	286	288	379
Electrical Inspections	1,753	685	1,862
Plumbing Inspections	1,827	726	873
Pressure Vessel Inspections	3,711	4,354	4,609
Wage Claims Title 23	1,011	905	1,175
Payrolls Audited Title 36	15,575	29,381	27,363
Enforcement Action Title 36	263	490	804
OSH BRU employees	32	32	34
Mechanical employees	19	19	21
Wage & Hour employees	19	19	25
UI Investigations employees	11	10	10
Total LS&S Employees	81	80	90

EMPLOYMENT SECURITY DIVISION (Jack Shay, Director #465-2712)Total Job Referrals (Statewide)

	<u>1982</u>	<u>1983</u>	<u>1984</u>
	87,416	105,553	116,413

Openings Received

	<u>1982</u>	<u>1983</u>	<u>1984</u>
	42,593	51,197	58,019

Openings Filled

	<u>1982</u>	<u>1983</u>	<u>1984</u>
	33,357	39,010	42,779

Unemployment Claims

	<u>1982</u>	<u>1983</u>	<u>1984</u>
	21,000	24,000	25,000

ESD Employees Statewide

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Full-Time	Not Available	Not Available	419.66
Part-Time			5

George Danner, III / Peter Templeton  
7502 Glacier Highway  
Juneau, AK 99801  
(907)789-3435 or 789-1398

January 29, 1986

Honorable Alaska State Senators  
Honorable Alaska State Representatives  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Members of the Alaska State Legislature:

The State of Alaska seems to have a conflict between the Governor's intent to keep Alaskans working and his administration's day-to-day policy. The Alaska Marine Highway System is an excellent example.

The Alaskan ferry workers are very concerned about their loss of opportunities in both work jurisdiction and career advancement. Currently, Alaskans are being laid off and held back from promotion in favor of out-of-state workers. Historically, the engineering crews have performed a large portion of the annual overhaul work of the Alaska vessels. Now, these crews are being laid off and out-of-state sub-contractors are being hired to perform the same jobs. This is happening at an inflated expense to the state in both unemployment claims and higher labor costs.

We are presently compiling the necessary information to substantiate our claims of excessive expenditures for overhaul by out-of-state firms.

The problem of discrimination in the advancement of licensed engineers has turned into a rather complex issue. In order to familiarize you, one must go back to the Marine Engineer's Beneficial Association (M.E.B.A) state contract of 1982-85. In it was a clause (3:02) which clearly stated that engine room employees who earned a U.S.C.G. engineer's license and had three years' experience aboard the state's vessels would be granted preferential hire as engineers.

We feel that we have been discriminated against by the state ignoring their responsibility for enforcement of this clause. They based their inability to enforce that contract because of M.E.B.A.'s insistence that the registration "books" were "closed." This closed shop policy was neither questioned by DOT officials nor did they seek an opinion from the Attorney General's Office.

Members of the Alaska Fourteenth Legislature  
January 29, 1986  
Page 2

We feel that with this inaction, the state gave away their right to control hiring of engineers aboard the Alaska Marine Highway System (AMHS). This effectively discontinued the traditional in-house advancement of Alaskans as engineers. Also while under the 82-85 contract, approximately 250 opportunities for work were dispatched to people from out-of-state. We were available and qualified for the above positions but we were denied them due to nonenforcement of that existing contract.

The money that went out of state for the transportation, benefits and wages of these people is considerable!

During October 1984, M.E.B.A. "opened" their "books" for one-half hour to admit students from their school. By November and December, five of these new members were being flown to Alaska at state expense to work as engineers aboard the state ferries.

We expressed our feelings on this matter of being denied advancement many times with DOT officials and their personnel officers. We were assured by them that the M.E.B.A./state contract would be amended in 1985 to "correct" these problems.

This "new" contract was signed on November 15, 1985. The wording to protect our upward mobility has been changed dramatically! Although it allows for an Alaska hiring hall, it still favors national M.E.B.A. (out-of-state) members by requiring greater qualifying criteria for new (Alaska) M.E.B.A. members for AMHS dispatch. This and other discriminatory criteria for us has led to our filing an unfair labor practice complaint (No. U.L.P.C. 85-5) in July 1985 with the State Labor Relations Agency (SLRA).

After our filing, the state drew up a letter of agreement with M.E.B.A. concerning hiring procedures. In it is Item No. 4 which allows the state to tender the defense of any proceeding challenging the legality of M.E.B.A.'s membership, hiring hall, or facility requirements. The state tendered the defense of all our claims to M.E.B.A. on the same day they signed the main contract (November 15, 1985).

We have included documents for your review. We regret this information is not totally complete, but the respondents (State DOT/PF and M.E.B.A.) have refused to provide the requested data to the S.L.R.A. At any rate, we think you can see what steps we've taken to resolve this issue.

Our hearing is presently scheduled for January 12th and 13th in Juneau at the Alaska State Office Building.

Members of the Alaska Fourteenth Legislature  
January 29, 1986  
Page 3

We sincerely thank you for taking your time to read this and we firmly believe the material enclosed will illustrate the seriousness of this issue.

Respectfully,

George Danner, III  
Peter Templeton

Bill No. House Bill No. 466

Rec'd  
1/30

Date January 30, 1986

Title "An Act relating to Alaskan resident employment preference; providing for an effective date".

Contact: Bob Landau  
465-2700  
Chuck Caldwell  
465-4500

House Bill 466 establishes three new types of resident employment preferences on public construction projects to replace the current resident employment preference in AS 36.10.010 which has been found unconstitutional by the Alaska Supreme Court.

As the state agency charged with the administration and enforcement of resident hire preferences, the Department of Labor strongly supports the creation of these new employment preferences. The Department believes that because the new resident hire preferences are much more narrowly focused than existing law, they stand a much better chance of being factually and legally supported in the event of a challenge. The preferences are specifically designed to benefit only those unemployed and disadvantaged Alaskans who are most in need of employment.

Under this bill, the Department of Labor would have substantial research and enforcement responsibilities. In order to provide the necessary factual foundation for the various resident hire preferences, the Department would have a continuing obligation to research and compile economic and statistical data on various aspects of employment and unemployment in Alaska. Because many of the findings contained in the present draft of the bill cannot be substantiated with current information, the Department's Research section will have to go well beyond the bounds of its recent study on nonresidents working in Alaska. This effort will require considerable resources, as will be explained by the Department's Chief of Research.

The Department offers the following additional comments concerning specific sections of the bill:

AS 36.10.005(d). This section should also mention the use of employee questionnaires to determine residency. This has been the primary method used by the Department under the current statute. The questionnaire covers a variety of residency indicators, such as location of family, voter registration, drivers license, vehicle registration, location of assets, and so forth.

AS 36.10.005(g). As will be explained by the Department's Chief of Research. Economic trends and projections themselves must be based on verifiable data in order to be reliable and defensible. Statistical information will have to be organized by industry groups, occupational classifications, geographic areas of the state, and other relevant classifications.

AS 36.10.130. The Department assumes that the annual resident hire report would cover not just the public construction sector but all industry groups, occupational classifications, and geographical areas in the state.

AS 36.10.140. The registration requirement would make enforcement of the resident hire preferences somewhat easier, by allowing the Department to make residency determinations at the time of registration rather than after the work has been performed. However, it is not clear whether the registration

**POSITION PAPER/Department of Labor**

requirement would be a continuing obligation for eligible persons or whether it would be triggered only by the Commissioner of Labor's determination that one or more of the resident employment preferences are in effect. It may be advisable to require registration only upon a determination by the Commissioner that one or more of the preferences are in effect. In addition, because the registration process is the logical opportunity for determining residency, it should be conducted exclusively by the Department of Labor or, alternatively, there should be a mechanism for requiring union hiring halls to send registration information to the Department for auditing and enforcement purposes. Furthermore, it may be advisable to explicitly state that when one or more of the three preferences are in effect, employers on public construction projects may hire only registered residents up to the required statutory percentage.

AS 36.10.150(a). The term "economic region of the state" should be defined in the definitions section of this chapter, AS 36.95.010.

✓ AS 36.10.150(b)(1). The recent decision of the Alaska Supreme Court in Robison v. Francis suggests that an unemployment rate trigger based on the national rate of unemployment may be constitutionally invalid. See slip opinion at pp. 20-21.

✓ AS 36.10.150(b)(2). The term "substantial unemployment" needs to be defined or clarified.

AS 36.10.150(b)(3). To justify a resident hire preference, the courts have insisted on a factual showing that non-residents are a "peculiar source of the evil" of unemployment (emphasis added). Thus it may be advisable to substitute the term "significant contributing cause" into this provision of the bill as well as in AS 36.10.160(b)(2) and AS 36.10.170(b)(3).

AS 36.10.160(a). It may be overbroad to provide that the resident employment preferences will be in effect for three fiscal years following the required determination by the Commissioner of Labor. A more defensible approach would be to have the preference remain in effect for only as long as the Commissioner determines that the economic conditions triggering the preference exist. This comment also applies to AS 36.10.150(a) and AS 36.10.170(a).


AS 36.10.170. Minority hire preferences and set-asides exist in many states and have been found to be constitutional by the U.S. Supreme Court in Fullilove v. Klutznick, 448 U.S. 448(1980). To be legally defensible, however, courts have required factually supported findings establishing past discrimination against minorities in the area in question, and that such preferences extend no further than necessary. Accordingly, the findings which would trigger a minority resident preference should include a determination of past discrimination.

AS 36.10.170(b)(1). It is not clear how this finding is relevant to establishing high unemployment for minorities or past discrimination against minorities. In addition, the term "minority resident" should be defined.

AS 36.10.180(a). As drafted, this section would not appear to apply to State grants to non-profit corporations or unincorporated communities for public works purposes.

A fiscal note is attached.

APPROVED:

  
for Jim Robison, Commissioner  
Department of Labor

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : HB 466  
 Title : "An Act relating to Alaskan  
 resident employment preference..."  
 Sponsor : Boucher, Szymanski, etc.  
 Requestor : Labor & Commerce  
 Date of Request : 1/20/86

**FISCAL DETAIL**

Agency Affected : Labor  
 BRU : Administrative Services  
 Components : Special Services

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		108.5	108.5	108.5	108.5	108.5
TRAVEL						
CONTRACTUAL		218.2	227.2	244.2	244.4	249.4
SUPPLIES		1.2	1.2	1.2	1.2	1.2
EQUIPMENT		4.0	.8	.8	18	.8
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>331.9</b>	<b>337.7</b>	<b>354.7</b>	<b>354.9</b>	<b>359.9</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		331.9	337.7	354.7	354.9	359.9
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0</b>	<b>331.9</b>	<b>337.7</b>	<b>354.7</b>	<b>354.9</b>	<b>359.9</b>

**POSITIONS :**

FULL-TIME	0	3.0	3.0	3.0	3.0	3.0
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : Judy Knight  
Judy Knight, Director  
 Division : Administrative Services  
 Phone : 465-2720  
 Date : 1/29/86

Approved by Commissioner : Jim Robison  
 Agency : Labor  
 Date : 1/29/86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

This legislation requires an annual resident hire report and other economic information for this department to make the determinations required by various sections of this bill. The assumptions are as follows:

1. An annual resident hire report would be completed by January 31 each year beginning in 1987.
2. On-going collection of occupational titles from employers, and subsequent computer matching to determine residency status.
3. Occupational information would be a primary feature of the annual report beginning in 1988, permitting more specific identification of the effect of nonresident employment on resident unemployment in Alaska. The provision of occupational titles assumes the department will continue to receive funding at the FY 86 level to provide core occupational information programs.
4. The collection of occupational titles from firms will be phased in over a three year period. Industries identified as having the highest dollar payments to nonresidents in 1984 would be targeted first:

First Year-construction, oil and gas mining, and food processing;

Second Year-all first year industries plus business services, local government, miscellaneous services, eating and drinking places, air transportation, and state government; and

Third Year-all industries.

5. In addition to the occupational information, reporting of the residency status by industry and area would be necessary.
6. Section 36.10.170 (b)(3) would require special extraction of ZIP codes for all applicants of the Permanent Fund Dividend. We assume that the Department of Labor will be able to obtain that information from the Department of Revenue for further computer matching and conversion to census areas.
7. The department will be unable to obtain access to voter registration files.
8. No survey will be conducted to obtain information on a broader definition of unemployment by census area because the costs would be extremely high. This would mean no substantiation of 36.10.005 (f).
9. Substate average family income (36.10.160 (b)(1)) is not available except from each decennial census. No attempt to prepare these estimates has been included into this fiscal note.
10. All minority demographic and economic information, except that required from contractors on state funded construction projects, will be derived from the decennial census. No costs are included for this in the fiscal note.

Position Title <b>Labor Economist II</b>			No. of Positions 16A	Range/Step BAGG	Unit Unit	Gov.	Approval	Design
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau	Election District		Leg.		
Type of Expenditure			Justification					
			This position will have primary responsibility for the analysis of data and preparation of the annual resident hire report. Specifically the duties would include:					
Amount			1. Coordinate the collection and monitor the validity of relevant resident hire related statistics from other agencies including the Department of Revenue and the Division of Labor Standards and Safety.					
1	2	3	2. Coordinate the updating and crossmatching of resident hire related data files on the main-frame computer with the analyst programmer.					
Salary	33,660		3. Analyze microcomputer resident hire data base to generate resident hire related tables and reports. The reports will include data relating to occupational displacement of nonresidents by census area and other related economic statistics associated with issue of resident hire.					
Benefits	10,779		4. Supervise the Statistical Clerk that will prepare the basic resident hire data tables for the report.					
Premium Pay			5. Prepare the annual resident hire report.					
Other			Contractual services costs include phone, training, equipment lease and maintenance, and other miscellaneous items.					
Total Personal Services		44,439						
Travel								
Contractual			8,000					
Commodities			400					
Equipment			1,200					
Other								
Total Cost		54,039						
Receipt Code			Funding Source					
			Federal Receipts 1002					
			G. F. Match 1003					
			General Funds 1004					
			I-A Receipts 1005					
			Program Receipts 1028					
			CIP Receipts 1061					
			Other					
			54,039					
For B&M Use Only								
Key Number								

**Request For  
New Position**

Agency Labor  
 BRU Administrative Services  
 Component Special Services

Page      of       
 Revised Date     

**FY 87**

Position Title <b>Statistical Clerk</b>			No. of Positions <b>2</b>	Range/Step <b>8B</b>	Leg. Unit <b>GGU</b>	Gov. <input type="checkbox"/>	Approv. <input type="checkbox"/>	Chapp. <input type="checkbox"/>																																							
Time Status <b>PFT</b>	Staff Months <b>12.0</b>	RP Number	Location <b>Juneau</b>	Election District		Leg. <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																							
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2">Type of Expenditure</th> <th>Amount</th> </tr> <tr> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td><b>23,580 X 2</b></td> <td><b>47,160</b></td> </tr> <tr> <td>Benefits</td> <td></td> <td><b>16,916</b></td> </tr> <tr> <td>Premium Pay</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Total Personal Services</td> <td><b>64,076</b></td> </tr> <tr> <td colspan="2">Travel</td> <td></td> </tr> <tr> <td colspan="2">Contractual</td> <td><b>16,000</b></td> </tr> <tr> <td colspan="2">Commodities</td> <td><b>800</b></td> </tr> <tr> <td colspan="2">Equipment</td> <td><b>2,800</b></td> </tr> <tr> <td colspan="2">Other</td> <td></td> </tr> <tr> <td colspan="2">Total Cost</td> <td><b>83,676</b></td> </tr> </tbody> </table>			Type of Expenditure		Amount	1	2	3	Salary	<b>23,580 X 2</b>	<b>47,160</b>	Benefits		<b>16,916</b>	Premium Pay			Other			Total Personal Services		<b>64,076</b>	Travel			Contractual		<b>16,000</b>	Commodities		<b>800</b>	Equipment		<b>2,800</b>	Other			Total Cost		<b>83,676</b>	<p><b>Justification</b></p> <p>One position will support a labor economist to prepare an annual report on the effect of nonresident employment on Alaskans. Secondly this position would assist on the quality control of occupational titles which would be submitted by employers each quarter. Specifically the duties would be:</p> <ol style="list-style-type: none"> <li>1. Update tables of economic information by resident status.</li> <li>2. Load information into spreadsheets to show occupational displacement of residents by non-residents.</li> <li>3. Assist in the quality control of the occupational displacement of residents by nonresident workers.</li> </ol> <p>The other position will work on the quality control of occupational titles which would be submitted by employers each quarter. Specifically the duties would be:</p> <ol style="list-style-type: none"> <li>1. Review detailed edit listings.</li> <li>2. Update edit data files.</li> <li>3. Call employers for clarification when necessary.</li> <li>4. Correct occupational titles.</li> <li>5. Prepare computer summaries of results.</li> </ol> <p>Contractual costs for these positions include phone, training, equipment lease and maintenance and other miscellaneous items.</p>					
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## Request For New Position

Agency Labor

BRU Administrative Services

Component Special Services

Page      of       
 Revised Date

## FY 87

To: Mike Navarre  
Fr: SKB  
Dt: 1/18/86  
Re: HB 466 local hire sectional analysis

Sec. 1=Purpose. loyalty to residents, reduce resident unemployment, assist economically and socially disadvantaged residents. If any part fails constitutional muster, other parts stand. (saving clause)

Sec. 2=Amends AS36.10.005 by adding:

- (c) Adequate but not exclusive indicators of ratio between resident and nonresident (R&NR) employees on public works projects are:
- (1) Ratio between eligible permanent fund employees and noneligible or nonapplicants.
  - (2) Ratio between Alaskan registered voters and Out of state registered voters. (note this does not include the large numbers of employees who are not registered in any state.)
  - (d) commissioner may take job site surveys.
  - (e) reasonable indicators of the ratio of R to NR employees in state are:
    - (1) Unemployment insurance (UI) applicants with out of state addresses to those with Alaska addresses
    - (2) UI applicants eligible for permanent fund to those who aren't eligible or did not apply.
  - (f)
    - (1) R unemployment is higher than national average.
    - (2) rural areas have higher unemployment rates which are not reflected in the national statistics than urban areas (probably because of the seasonal employment characteristics of rural areas)
    - (3) rural residents do not look for jobs as frequently as required to fit national standards because of the continuing lack of employment opportunities.
  - (g) Since it is hard to get info on unemployment in Alaska, it is reasonable for the commissioner of labor to rely on information and projections to indicate trends and try to remedy unemployment based on these trends.

Sec. 3= AS36.10 is amended by adding:

- 36.10.130 Resident hire report, wherein the AG and Comm'r of Labor are required to submit yearly reports on the status of unemployment in Alaska and methods to increase resident hire. Reports must be submitted at least 30 days before legislative session begins.
- 36.10.140 Registration required, wherein to be eligible for preference one must register with the DOL or local hiring hall.
- 36.10.150 Determination of underemployed area, wherein if the Comm'r determines an area is underemployed, any public works project shall require 95% of its employees be Residents. The whole state can be held an underemployed area. The determination is effective for 3 fiscal

years. The public works project can be wholly or partially situated within the area. The determination is made in worker hours on a craft-by-craft basis. (so what affects plumbers may not affect carpenters)

(b) What is an underemployed area: The Comm'r must find that:

- (1) The rate of unemployment is higher than the national average. (What about the seasonal employment factor?)
- (2) there is substantial unemployment in the area among the people who would be working on a public works project AND
- (3) employed NRs are contributing to the unemployment of Rs in the area.

SEC. 36.10.160 Preference for Rs in an Economically Distressed area.

(a) For the 3 fiscal years following a finding by the Comm'r that an area is econ. dist., at least 50% of employment under 36.10.180 projects sited wholly or partially within the affected area will be of area Rs. Determination made in worker hours on craft-by-craft basis.

(b) What is an economically distressed area:

- (1) average annual family income of area Rs is below fed. poverty level, or unemployment rate in area exceed national average by at least 5% And
- (2) Employed NR. are contributing to unemployment of area Rs. (Problem with this is that statistics would not be reasonable when applied to bush areas where most of the families are subsistence level, employment is seasonal)

Sec. 36.10.170 Preference for economically disadvantaged minority residents, wherein (a) for 3 fiscal years following the comm'r's determination that area minorities are disadvantaged, at least 25% of the employees hired on 36.10.180 projects shall be minority Rs. Again determined on worker hours and craft-by-craft basis.

(b) What is an economically disadvantaged minority:

- (1) minority population of area exceeds state average;
  - (2) minority Rs unemployment percentage is at least two times greater than nonminority Rs. and
  - (3) employed NRs are contributing to unemp. of minority Rs. (problem with this whole concept is its relevance. I think it violates the equal protection rights of nonminority Rs by 'creating them differently than minority Rs. It's like a miniature of the first local hire law, held unconstitutional)
- (c) for purposes of this section, minorities are those determined minority by the fed. census bureau.

Sec. 36.10.180=Scope of preference (what jobs this law applies to)

- (1) contracts let by a municipality for construction, repair, preliminary surveys, engineering studies, consulting, maintenance work, or any other retention of services necessary to complete a given project; and
  - (2) a construction project involving state money in any way and to which the state or an agency of the state is a signatory.
- (b) If governor declares an area affected by economic disaster under AS 44.33.285, the preferences established in 44.33.285 - 44.33.310 supercede those established in 36.10.150 and .160 for contracts awarded by the state.

Sec. 36.10.900 Effect of Judicial decisions. Saves any constitutional part of this law if any part is found unconstitutional and allows for the sound parts to be implemented as well as possible.

SEC 4 This act is not retroactively applicable

SEC 5 Repeals 36.10.010

SEC 6 This act is effective when AS36.10.010 is found unconstitutional

Addenda: Note how in an Underemployed area in 36.10.150 95% of employees must be R. Compare with 36.10.160 Economically distressed area, where only 50% of employees must be Rs. The definitions for the two indicate that a distressed situation is more severe than an underemployed situation, yet 45% fewer Rs need be hired in the distressed situation.

The Wyoming case mentioned that a saving factor of the Wyo. statute was the fact that it required only that QUALIFIED residents be hired. This bill broadly uses the term Resident, which subjects it to the question, DO I NEED TO HIRE ANY RESIDENT WHO IS FROM THE AREA BEFORE A NON RESIDENT QUALIFIED APPLICANT?

# Alaska State Legislature

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CHAIRMAN  
Special Committee on  
Telecommunications

MEMBER  
Labor and Commerce  
State Affairs  
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

DATE: January 17, 1986  
TO: All Members, Alaska State House of Representatives  
FROM: Rep. H.A. "Red" Boucher  
SUBJECT: Supreme Court Decision on Resident Hire Law

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This decision by the Alaska Supreme Court concerning our resident hire law has just been received in my office and I am distributing it for your information. It looks like we have our work cut out for us, but I see a ray of hope.

NOTICE: This opinion is subject to formal correction before publication in the Pacific Reporter. Readers are requested to bring typographical or other formal errors to the attention of the Clerk of the Appellate Courts, 303 K Street, Anchorage, Alaska 99501, in order that corrections may be made prior to permanent publication.

THE SUPREME COURT OF THE STATE OF ALASKA

JAMES ROBISON, Commissioner of )  
Labor; ROBERT BACOLAS, Director, )  
Division of Labor Standards and )  
Safety; DONALD WILSON, Deputy )  
Director of the Division of Labor )  
Standards and Safety; JAMES R. )  
CARR, Supervisor of the Wage and )  
Hour Administration; the )  
DEPARTMENT OF LABOR OF THE STATE )  
OF ALASKA, and the STATE OF )  
ALASKA, and the INTERNATIONAL )  
ASSOCIATION OF BRIDGE, STRUCTURAL )  
AND ORNAMENTAL IRONWORKERS, )  
LOCAL 751, )

Appellants, )

v. )

JAMES N. FRANCIS, )

Appellee. )

File No. S-493

O P I N I O N

[No. 3011 - January 17, 1986]

---

INTERNATIONAL ASSOCIATION OF )  
BRIDGE, STRUCTURAL AND ORNAMENTAL )  
IRONWORKERS, LOCAL 751, )

Appellant, )

v. )

JAMES N. FRANCIS, )

Appellee. )

---

File No. S-510



We hold in this case that Alaska's local hire law, AS 36.10.010,<sup>1</sup> which requires that work on public construction

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1. AS 36.10.010 provides:

(a) In the performance of contracts let by a municipality for construction, repair, preliminary surveys, engineering studies, consulting, maintenance work or any other retention of services necessary to complete any given project, 95 percent residents shall be employed where they are available and qualified. If 10 or fewer persons are employed under the contract, then 90 percent residents shall be employed where they are available and qualified. In all cases of public works projects, preference shall be given to residents. In an area which has been designated as an area impacted by an economic disaster, residents of that area shall be given employment preference as provided in AS 44.33.290, followed by other residents of the state.

(b) When a construction project is partly or wholly funded by state money and the state or an agency of the state, a department, office, agency, state board, commission, regional school board with respect to an educational facility under AS 14.11.020, public corporation or other organizational unit of or created under the executive, legislative or judicial branch of state government, including the University of Alaska, is a signatory to the construction contract, the contract shall require that the worker hours on a craft-by-craft basis shall be performed at least 95 percent by bona fide state residents. If 10 or fewer persons are employed under the contract, then 90 percent residents shall be employed where they are available and qualified. In an area which has been designated as an area impacted by an economic disaster, residents of that area shall be given employment preference as

(Footnote Continued)

projects be performed almost entirely by Alaska residents, violates the privileges and immunities clause of article IV, § 2 of the United States Constitution.

### I. FACTUAL AND PROCEDURAL SETTING

James Francis, a Montana resident, was employed in 1983 as an ironworker by Regan Steel & Supply, a sub-contractor on a North Pole High School project. When the Department of Labor discovered that Regan Steel had a work force of more than five percent non-residents on the project, it sent an enforcement notice to the company. As a result, the company discharged Francis.

Francis sued the state and various state officials,<sup>2</sup> seeking a declaration that the local hire law is unconstitutional under the privileges and immunities and the equal protection clauses of the United States Constitution and under the equal rights clause of the Alaska Constitution. In addition, injunctive relief and damages under 42 U.S.C. § 1983 were sought.

Following a non-jury trial, the superior court entered a partial final judgment declaring that the statute violated the

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(Footnote Continued)

provided in AS 44.33.290, followed by other residents of the state.

2. The International Association of Bridge, Structural and Ornamental Ironworkers, Local 751 intervened as a defendant.

privileges and immunities clause. In support of its decision, the court filed detailed findings of fact, including the following:

Between April, 1980, and July, 1982, the population of Alaska has grown by nearly fifteen percent (15%).

The population of Alaska has increased in the recent past more rapidly than at any other time in its history, and the State is growing more rapidly than other states in the union.

Property values in Alaska have been increasing over the last five years.

Alaska is not a depressed area as that term is used in the economics profession.

All sectors of the Alaska economy are expanding and Alaska has experienced very rapid economic growth since 1980.

Employment in Alaska in 1983 was at record levels, and the rate of increase was the best since the days of the Alaska Pipeline in 1974-1975.

In 1983, the construction industry was the strongest sector in the state's economy, and it has had the greatest impact on the Alaska economy since the Alaska Pipeline years.

The construction industry in Alaska was exceptionally strong in both the public and private sectors during 1983.

The major factor affecting the level of employment in Alaska in the construction industry is climatic changes as a result of extreme temperature differentials in the winter and summer months. Construction declines to substantially lower levels during the winter months, and increases, peaking out in August and September, during the latter summer months. During the peak periods of construction activity, the state experiences its lowest rate of unemployment.

The expenditure of state funds are a major factor affecting the level of employment in Alaska generally, and the construction industry in particular. The state expenditure for public works projects accounts for approximately sixty to seventy percent (60% to 70%) or more of the total annual construction dollar outlay within the state.

Private investment has a lesser effect on the level of construction activity from year to year in the State of Alaska, and such effect, from time to time, is affected by interest rates.

Unemployment is substantially greater in the rural areas than in the urban areas. The unemployment rate in Anchorage is less than the national average, while in the rural areas, it is greater than the national average and greater than the average within the State of Alaska.

The construction activity is greater within the urban area than within the rural areas. Unemployment is less within the urban areas than within the rural areas.

Rural Alaskans lack the training that urban Alaskans have access to in construction work.

In-migration in the State of Alaska is a factor affecting unemployment in the construction industry in Alaska.

Reasonable inferences from the evidence support a finding that most of the job seekers coming to Alaska intend to become residents upon their entry into the state, thus contributing to the rapid population growth within the state.

\* There is not sufficient evidence to support a finding that nonresident construction workers are a peculiar source of unemployment in the construction industry in Alaska any more than they would be in any other state. The only inference that can be drawn from the record is that nonresident construction workers come to Alaska to work during peak construction

periods of time, during which there are more jobs available and less unemployment resulting.

Among the court's conclusions of law were:

\* The right to obtain employment in any state is a fundamental right and is a privilege which shall be immune from any burden unless the State of Alaska can show a legitimate purpose for such burden. In this case, the State has failed to establish by a preponderance of the evidence such a legitimate purpose.

The defendants and intervenor have failed to prove by a preponderance of the evidence that nonresident construction workers constitute a peculiar source of unemployment in the State of Alaska.

Serious factors affecting unemployment within the State of Alaska are the extreme climatic conditions, the change in the legislative appropriation for public works construction projects, the extreme rapid growth of population experienced by Alaska, and the wildly fluctuating interest rates which have a direct effect on the private sector construction spending.

Statistics over the last several years demonstrate that Alaska's unemployment rate has increased at a rate lesser than the nationwide average. Whereas Alaska's unemployment rate for several years was substantially greater than the nationwide rate, it now stands much closer to the national average, further supporting the conclusion that nonresident employment is not a serious factor in the unemployment rate in Alaska.

The State and the intervenor have failed to prove by a preponderance of the evidence that there is a substantial reason to discriminate against employment of citizens of other states on public works construction projects within the State of Alaska.

3011

The State and intervenor have failed to prove by a preponderance of the evidence that the preference granted Alaska residents is closely tailored to alleviate unemployment in the construction industry in the State of Alaska.

## II. PURPOSE OF THE PRIVILEGES AND IMMUNITIES CLAUSE

The privileges and immunities clause of section 2, article IV of the United States Constitution provides:

The citizens of each state shall be entitled to all privileges and immunities of citizens in the several states.<sup>3</sup>

The primary purpose of this clause is to prevent states from enacting measures which discriminate against non-residents for reasons of economic protectionism. Supreme Court of New Hampshire v. Piper, \_\_\_ U.S. \_\_\_, 53 U.S.L.W. 4238, 4240 n.18 (1985). Historically, it was meant to:

[h]elp fuse into one Nation a collection of independent, sovereign States. It was designed to insure to a citizen of State A who ventures into State B the same privileges which the citizens of State B enjoy. For protection of such equality the citizen of State A was not to be restricted to the uncertain remedies afforded by diplomatic processes and official retaliation. "Indeed, without some provision of the kind removing from the citizens of each State the disabilities of alienage in the other States, and giving them equality of privilege with citizens of those States, the Republic would have

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3. The terms "citizen" and "resident" are essentially interchangeable for the purpose of review under the privileges and immunities clause. Ricklin v. Orbeck, 437 U.S. 518, 524, 57 L.Ed.2d 397, 403, n.8 (1978).

constituted little more than a league of States; it would not have constituted the Union which now exists."

In line with this underlying purpose, it was long ago decided that one of the privileges which the clause guarantees to citizens of State A is that of doing business in State B on terms of substantial equality with the citizens of that State.

Toomer v. Witsell, 334 U.S. 385, 395-96, 92 L.Ed. 1460, 1471 (1948) (footnote omitted, citations omitted). In brief, the clause was meant "to prevent discrimination against non-residents, to further the concept of federalism, and to create a national economic unit." Sheley v. Alaska Bar Association, 620 P.2d 640, 642 (Alaska 1980) (citations omitted).

### III. FRAMEWORK FOR ANALYSIS OF PRIVILEGES AND IMMUNITIES CLAIMS

#### A. Nature of the Right.

The privileges and immunities clause does not protect non-residents against all forms of discrimination. Its reach is limited to "fundamental rights" - rights involving "basic and essential activities, interference with which would frustrate the purposes of the formation of the union." Baldwin v. Montana Fish and Game Commission, 436 U.S. 371, 387, 56 L.Ed.2d 354, 367-68 (1978).

#### B. Substantial Justification.

If the threshold fundamental rights requirement is met, discrimination is only permitted where there is a substantial

reason which justifies it. Toomer, 334 U.S. at 396, 92 L.Ed. at 1471. "No 'substantial reason' will be found absent some showing that nonresidents are 'a peculiar source of the evil' which the state's action is meant to remedy." Noll v. Alaska Bar Association, 649 P.2d 241, 243 (Alaska 1982) quoting Hicklin v. Orbeck, 437 U.S. 518, 526-27, 57 L.Ed.2d 377, 405 (1978).

C. Close Relationship Between Perceived Problem and Statutory Solution.

Moreover, the presence of a substantial reason for discrimination does not alone suffice. The means employed by the challenged statute must be closely related to the interests served by the statute. Toomer, 334 U.S. at 396, 92 L.Ed. at 1471; Hicklin, 437 U.S. at 527, 57 L.Ed.2d at 405. "In deciding whether the discrimination bears a close or substantial relationship to the state's objective . . . the availability of less restrictive means" is relevant. New Hampshire v. Piper, \_\_\_\_\_ U.S. at \_\_\_\_\_, 53 U.S.L.W. at 4241.

D. Market Regulator - Market Participant Distinction.

This method of analysis applies both when the state is acting as a sovereign - a market regulator - and as an owner - a market participant.<sup>4</sup> United Building & Construction Trades v.

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4. When the state acts as an employer, a lender, a landlord, a buyer, a seller, or an owner of natural resources, it may be regarded as a market participant and for some purposes will be treated differently than when it acts solely as a

(Footnote Continued)

Mayor and Council of the City of Camden, \_\_\_ U.S. \_\_\_ 79 L.Ed.2d 249, 259-61 (1984); Hicklin, 437 U.S. at 528-29, 57 L.Ed.2d at 406. However, more leeway is granted the state in its perception of "local evils and in prescribing appropriate cures" when it is acting in a proprietary capacity, as where it "is merely setting conditions on the expenditures of funds it controls." Camden, \_\_\_ U.S. at \_\_\_, 79 L.Ed.2d at 261 (citations omitted).

This analytical framework, except for the deference given to the state as a market participant, is quite similar to what has come to be called the level of intermediate scrutiny under the federal equal protection clause. Classifications may be made only for "important" purposes, and the means used to accomplish them must be "fairly and substantially related" to the achievement of those purposes. State v. Ostrosky, 667 P.2d 1184, 1192 (Alaska 1983) (citations omitted).<sup>5</sup>

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(Footnote Continued)

sovereign body regulating the conduct of others within its jurisdiction. See generally Wells and Hellerstein, The Governmental Proprietary Distinction in Constitutional Law, 66 Va. L. Rev. 1073 (1980).

5. The coverage of the two clauses is overlapping but not identical. The privileges and immunities clause does not apply to corporations, or to aliens, while the equal protection clause does, and the equal protection clause applies to many classifications, while the privileges and immunities clause applies only to those based on residence. L. Tribe, American Constitutional Law § 6-33 at 411-12. Alienage classifications involving non-U.S. citizens are subject to at least an intermediate level of review under federal equal protection doctrine. Tribe, supra § 16-31 at 1089-90; Sugarman v. Dougall,

(Footnote Continued)

The amount of deference due a state when acting as a market participant is not clear from federal cases. The state suggests, and we believe, that a variable standard must be employed. Thus, where the discrimination is far-reaching and exclusive in nature, and extends to the fringes of the state's proprietary interests, the state is entitled to little deference. On the other hand, where the discrimination is narrow in scope and involves a direct relationship between the state and affected individuals, greater deference is called for.

The "Alaska Hire" statute struck down in Hicklin, which covered all employment which was the "result" of state oil and gas leases, which excluded all non-residents from employment so long as qualified Alaskans were available, and which required private employers to discriminate, including those who had no direct dealings with the state, is an example of a case in which the proprietary interest of the state was entitled to little or no deference. An example where more leeway is due might be a case in which a state law requires residency as a qualification for important non-elective public offices. Cf. Sugarman v. Dougall, 413 U.S. 634, 647-49, 37 L.Ed.2d 853, 862-64 (1973).

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(Footnote Continued)

413 U.S. 634, 642, 37 L.Ed.2d 853, 860 (1973). The removal of the "disabilities of alienage" in the sense of discrimination based on residency in another state of the United States is central to the privileges and immunities clause. Paul v. Virginia, 75 U.S. 168, 180, 19 L.Ed. 357, 360 (1868).

#### IV. ANALYSIS

##### A. The Nature of the Right.

For purposes of privileges and immunities analysis employment in the construction industry must be considered to be a fundamental right entitled to the protection of the privileges and immunities clause. That conclusion was implied in Hicklin, 437 U.S. at 524-25, 57 L.Ed.2d at 404 (1978) and was made explicit in Camden, \_\_\_ U.S. at \_\_\_, 79 L.Ed.2d at 260-61.

##### B. The State's Justification.

The justification proffered for the discrimination inherent in the local hire law is Alaska's historically high unemployment rate. For each year between 1970 and 1983, except 1975, unemployment in Alaska was higher than the national average.<sup>6</sup>

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6. A table prepared by the state's expert witness shows the following:

Unemployment Rates U.S., Alaska 1970 - 1983		
	U.S.	Alaska
1970	4.9%	7.1%
1971	5.9	8.3
1972	5.6	8.3
1973	4.9	8.5
1974	5.6	7.9
1975	8.5	6.9
1976	7.7	8.5
1977	7.0	9.3
1978	6.0	11.0
1979	5.8	9.3

(Footnote Continued)

Unemployment in the construction industry is a substantial factor in the overall rate of unemployment. Non-resident construction workers contribute to unemployment in the construction industry because, according to the state, they "take jobs which otherwise would go to Alaskan residents. As such non-resident construction workers are a peculiar source of the unemployment problem in Alaska because they take those construction jobs which otherwise could be filled by unemployed Alaskans." In essence, the state's justification for the local hire law is that it tends to reduce unemployment in Alaska by eliminating non-residents from public works construction projects.

C. Degree of Deference Due The State As A Market Participant.

The scope of the discrimination mandated by the local hire law is extensive. All municipal projects and all projects funded by the state, in whole or in part, are covered. This amounts to some 60 to 70% of all commercial construction in the state. As to those projects covered by the law, non-residents are almost entirely excluded. For example, on Francis's construction crew of 26 workers, 25 of them had to be residents. For crews of fewer than 10 workers all non-residents are

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(Footnote Continued)

1980	7.1	9.6
1981	7.1	9.2
1982	9.7	10.0
1983	9.6	10.4

excluded. The statute applies to subcontractors who have no direct contractual relationship with the state, and it seeks to pressure private employers to discriminate in their hiring practices. However, it is limited to employment on public works projects, and as such does not extend, as did the Alaska Hire Act struck down in Hicklin, to activity in which the state has no proprietary interest.

The pervasiveness and intensity of the discrimination mandated by the act indicate that review should be conducted untempered by consideration of the state's status as a market participant in public works projects. The fact that the act does not extend to activities in which the state's proprietary interest is lacking, taken alone, would suggest a less rigorous standard of review. However, this cannot be conclusive in light of the scope and magnitude of the discrimination. On balance we conclude that review approaching that of the intermediate level of scrutiny is called for.

D. Substantiality Of The Justification As A Factual Matter.

There is no doubt that Alaska has an unemployment rate which is higher than the national average and that this constitutes a serious problem. What is lacking is a showing that non-residents are a "peculiar source of the evil" of unemployment. This is in the first instance a factual question. Camden,

\_\_\_\_ U.S. at \_\_\_\_\_, 79 L.Ed.2d at 262; Hicklin, 437 U.S. at 526-27, 57 L.Ed.2d at 405.

The trial court found that "there is not sufficient evidence to support a finding that non-resident construction workers are a peculiar source of unemployment in the construction industry in Alaska anymore than they would be in any other state." Instead, the trial court detailed other causes of unemployment in the construction industry, including climatic extremes, the absence of construction activities in rural areas, and the lack of training prevalent among rural Alaskans. These findings, which are similar to those noted by the United States Supreme Court in Hicklin, 437 U.S. at 526-27, 57 L.Ed.2d at 405, are supported by the record.<sup>7</sup> As such they are not clearly erroneous and may not be disturbed on appeal. Civil Rule 52(a).

E. Substantiality Of The Justification As A Matter Of Law.

As noted, the purpose of the local hire law is to exclude non-residents from public construction jobs so that more jobs will be available to Alaskans. In our view this is not a permissible justification for discrimination under the privileges

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7. In State v. Wylie, 516 P.2d 142 (1973), we struck on equal protection grounds a statute giving a preference in state employment to persons who had resided in the state for one year. We referred to evidence "which indicates that the state's unemployment problems stem from inadequate education and vocational training and from insufficient job opportunities in remote areas of the state." Id. at 149 (footnote omitted).

and immunities clause. To state the same conclusion in conventional privileges and immunities terms, the justification is not "substantial."

A related point recently was made by the United States Supreme Court in New Hampshire v. Piper, \_\_\_ U.S. at \_\_\_, 53 U.S.L.W. at 4241 n.18. One reason suggested for New Hampshire's law prohibiting non-resident lawyers from becoming members of the bar was the protection of its own lawyers from professional competition. The court dismissed this suggestion: "[T]his reason is not 'substantial'. The privileges and immunities clause was designed primarily to prevent such economic protectionism."

Discrimination for the purpose of benefiting local residents economically was recognized by us as improper in Lynden Transport, Inc. v. State, 532 P.2d 700 (Alaska 1975) which involved a statute granting grandfather rights to resident trucking companies but not to non-resident trucking companies. We struck down the statute stating:

A discrimination between residents and non-residents based solely on the object of assisting the one class over the other economically can not be upheld under either the privileges and immunities or equal protection clauses. . . .

Benefiting economic interests of residents over non-residents is not a purpose which may constitutionally vindicate legislation. . . .

Id. at 710-11.

Other authorities which suggest that a state may not discriminate against non-residents in order to benefit residents economically include:

- Hicklin, 437 U.S. at 526, 57 L.Ed.2d at 405. The court observed that for a state to attempt to eliminate its unemployment problem by requiring private employers within the state to discriminate against non-residents was a policy which was "at least dubious."

- Toomer v. Witsell, 334 U.S. 385, 92 L.Ed. 1460 (1948). South Carolina was precluded from excluding non-resident shrimp fishermen in order to create a commercial monopoly which benefited resident fishermen.

- Ward v. Maryland, 12 Wall 418, 20 L.Ed. 449 (1871). Maryland was precluded from discriminating against non-resident salesmen so that resident merchants might reap greater economic benefits.

- Metropolitan Life Insurance Co. v. Ward, \_\_\_ U.S. \_\_\_, 105 S. Ct. 1676 (1985). The Court struck an Alabama law discriminating against out-of-state insurance companies as violative of the equal protection clause. The purpose of the law was to promote domestic industry. The Court held that this purpose was not a legitimate justification for discriminatory treatment: "[P]romotion of domestic business within a state, by discriminating against foreign corporations that wish to compete by doing

business there, is not a legitimate state purpose." \_\_\_\_\_ U.S. at \_\_\_\_\_, 105 S.Ct. at 1683.<sup>8</sup>

These cases reflect the view that our constitution protects non-residents from economic discrimination so that our nation can function as an economic unit. Justice Brennan expressed this theme in his concurring opinion in Allied Stores of Ohio v. Bowers, 358 U.S. 522, 533, 3 L.Ed.2d 480, 488 (1959) cited with approval by the Court in Metropolitan Life, \_\_\_\_\_ U.S. at \_\_\_\_\_, 105 S.Ct. at 1682, stating:

Wheeling [Steel Corp v. Glander 337 U.S. 562] teaches that a distinction which burdens . . . nonresidents but not . . . residents is outside the constitutional pale. But this is not because no rational ground can be conceived for a classification which

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8. This case was decided on equal protection rather than privileges and immunities grounds. The difference, however, is not significant in the present context because the method of analysis is similar and the privileges and immunities clause provides non-resident individuals with more stringent protection against economic discrimination than does the equal protection clause in cases where the basis for the challenged classification is non-residence. L. Tribe, American Constitutional Law § 6-33, at 411-12.

In United Building and Trades Council of Camden County and Vicinity v. Mayor and Council of the City of Camden, \_\_\_\_\_ U.S. \_\_\_\_\_, 79 L.Ed.2d 249 (1984), the United States Supreme Court neither rejected nor approved a city program involving discrimination against non-city residents on public works projects. That case is discussed more fully on pages 24 through 25, infra. The fact that the program was not rejected in the face of a justification of grave economic and social ills may mean that local or state governments may foster discrimination in order to stave off an economic or social collapse, a goal broader than, but related to, that of benefiting local residents economically.

discriminates against nonresidents solely because they are nonresidents: could not such a ground be found in the State's benign and beneficent desire to favor its own residents, to increase their prosperity at the expense of outlanders, to protect them from, and give them an advantage over, "foreign" competition? These bases of legislative distinction are adopted in the national policies of too many countries, including from time to time our own, to say that, absolutely considered, they are arbitrary or irrational. The proper analysis, it seems to me is that Wheeling applied the Equal Protection Clause to give effect to its role to protect our federalism by denying Ohio the power constitutionally to discriminate in favor of its own residents against the residents of other state members of our federation.

Restricting entry by non-residents into a job market will make more positions available to residents. It is not difficult to make a case to a sympathetic legislature, whose members are accountable only to residents, that residents are deserving of protection because some of them are unemployed. But the universality of this condition is itself a reason why it is impermissible as a justification in privileges and immunities analysis. If every state could exclude or severely limit non-resident workers because some of its residents were unemployed our country would be "little more than a league of states" rather than "the Union which now exists." Paul v. Virginia, 75 U.S. 168, 180, 19 L.Ed. 357, 360 (1869). Such a result would run strongly counter to the policy of national economic unity on which the privileges and immunities clause is based. The result would not be much better if the power to exclude non-resident

workers were limited to those states with above average unemployment. Many states fit that category and many of the others, no doubt, have particular industries in which a case for protection can be made.

F. Relationship Between the Statute and its Purpose.

The preferential hire statute involved in Hicklin was struck down because, among other reasons, the statute was too broad. It applied not only to unemployed residents or residents enrolled in job training programs, but to all residents whether employed or unemployed, well trained or poorly trained. The Court observed that less restrictive alternatives were available:

A highly skilled and educated resident who has never been unemployed is entitled to precisely the same preferential treatment as the unskilled, habitually unemployed Arctic Eskimo enrolled in a job-training program. If Alaska is to attempt to ease its unemployment problem by forcing employers within the state to discriminate against non-residents - again, a policy which may present serious constitutional questions - the means by which it does so must be more closely tailored to aid the unemployed the Act is intended to benefit. Even if a statute granting an employment preference to unemployed residents or to residents enrolled in job-training programs might be permissible, Alaska Hire's across-the-board grant of a job preference to all Alaskan residents clearly is not.

Hicklin, 437 U.S. at 527-28, 57 L.Ed.2d at 406.

By giving preferential treatment to residents who do not need it, the present statute suffers from the same vice as that struck down by the United States Supreme Court in Hicklin.<sup>9</sup>

V. PRIOR DECISIONS CONCERNING PREFERENTIAL HIRE STATUTES

In general, preferential hire systems have not fared well in the courts. The leading case is Hicklin, where the United States Supreme Court struck down the Alaska Hire statute.

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9. We made similar observations in State v. Wylie, 516 P.2d 142, 149 (Alaska 1973) (one year residency preference in state employment violates equal protection):

It does not appear, however, that the employment preference furthers the purpose of reducing unemployment except by deterring the in-migration of persons from other states. The personnel rules in question do not increase the number of available state employment opportunities, but simply limit the universe of persons who may compete for them. To the extent that the personnel rules "lower unemployment" by fencing out competition from other states, the rules impermissibly discriminate against persons who have recently traveled to the state. . . . The personnel rules creating an employment preference are poorly "tailored" to achieve the objective of lower state unemployment. There are certainly available to the state other means for lower unemployment which impose a lesser burden on the constitutionally protected right to interstate travel.

We suggested in a footnote to this statement that "[j]ob training programs, for example, may reduce unemployment without imposing a burden on the right of interstate travel." Id., n.14.

Following Hicklin, the courts of several states have held preferential hire statutes concerning state public works invalid on privileges and immunities grounds. Massachusetts Council of Construction Employers, Inc. v. Mavor of Boston, 425 N.E.2d 346 (Mass. 1981) rev'd on other grounds, White v. Massachusetts Council of Construction Employers, 460 U.S. 204, 75 L.Ed.2d 1 (1983); Neshaminy Constructors, Inc. v. Krause, 437 A.2d 733 (N.J. Super. Ct. Ch. Div. 1981), aff'd 453 A.2d 1359 (N.J. Super. Ct. App. Div. 1982); Salla v. County of Monroe, 399 N.E.2d 909, 423 N.Y.S. 2d 878 (N.Y. 1979), cert. denied, 446 U.S. 909, 64 L.Ed.2d 262 (1980); Laborers Local Union No. 374 v. Felton Construction Co., 654 P.2d 67 (Wash. 1982).

The Supreme Court of Wyoming took a different view in Wyoming v. Antonich, 694 P.2d 60 (Wyo. 1984). It rejected a privileges and immunities challenge to a statute giving an employment preference to Wyoming residents on public works projects. In doing so it relied heavily on the recent case of United Building & Construction Trades Council of Camden County and Vicinity v. Mavor and Council of the City of Camden, \_\_\_ U.S. \_\_\_, 79 L.Ed.2d 249 (1984).<sup>10</sup>

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10. Camden involved a municipal ordinance of the City of Camden, New Jersey, which established as a "goal" with which contractors must make a good faith effort to comply that at least forty percent of the employees of contractors and subcontractors working on city construction projects be Camden residents. The

(Footnote Continued)

We do not read Camden as casting much new light on the present case. The primary issue in Camden, and certainly the most controversial, was whether a municipal ordinance which discriminated against in-state residents as well as out-of-state residents was subject to privileges and immunities scrutiny. Id. at \_\_\_\_\_, 79 L.Ed.2d at 262 (Blackmun, J., dissenting). The Court did not rule on the question of whether the discrimination was justified by conditions in Camden, or whether the remedy contained in the ordinance was sufficiently closely directed to curing those conditions. It would thus be unwarranted to conclude that the Court approved of Camden's system of discrimination.

Furthermore, the differences between the local hire act here and the ordinance in Camden are noteworthy. As the findings of the trial court indicate, the Alaskan economy is a dynamic and

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(Footnote Continued)

New Jersey Supreme Court had sustained the ordinance against a privilege and immunities challenge because it was not aimed primarily at out of state residents; instead it discriminated against all non-residents of the city, regardless of their state of residence. 443 A.2d 148 (N.J. 1982). The United States Supreme Court reversed the New Jersey court on this point, and went on to hold that a non-resident's interest in public works employment was "fundamental," thus subject to protection under the privilege and immunities clause. \_\_\_\_\_ U.S. at \_\_\_\_\_, 79 L.Ed.2d at 259-61. The City also contended that the ordinance was justified in order to cure high unemployment and arrest a sharp decline in population. The Court found it impossible to evaluate these justifications as no trial had been held. The case was therefore remanded to the New Jersey courts for further action. \_\_\_\_\_ U.S. at \_\_\_\_\_, 79 L.Ed.2d at 261-62.

growing one, property values are increasing, and Alaska's population is expanding rapidly. In contrast, in Camden the city claimed that it was in a condition of decay, with property values eroding, population sharply declining, and unemployment "spiraling." Id. at \_\_\_\_, 79 L.Ed.2d at 261. While Alaska's unemployment is chronically high due in large part to unique conditions in rural areas, the economy of the state does not seem remotely comparable to the picture of "grave economic and social ills" suggested in Camden. In addition, it appears that the discrimination effected by the Alaska statute is greater than that in Camden. Public works account for the majority of commercial construction activity in Alaska. While the opinion does not indicate whether the same is true in Camden, the exclusion mandated by our statute - 90% to 100% resident workers required - is far more absolute than that in the Camden ordinance. As presented to the Court, the ordinance contained only a goal, not a requirement, that 40% of workers on public works construction projects be residents. For these reasons, unlike the Wyoming Supreme Court in Antonich, we do not regard Camden as precedent supporting approval of our local hire law.

One other case is instructive. It is Sugarman v. Dougall, 413 U.S. 634, 37 L.Ed.2d 853 (1973), which involved a New York statute which precluded non-citizens of the United

States from holding competitive civil service positions.<sup>11</sup> The court held the statute invalid under the equal protection clause of the 14th Amendment.<sup>12</sup> One justification offered for the statute was an economic benefits theory which is similar to the reduction in unemployment rationale, and is relevant to the factor of market participation as well.<sup>13</sup> The argument was that the state had a "special public interest" in confining public employment to its citizens, based on its interest in using state resources for the advancement and profit of members of the state. Id. at 643-44, 37 L.Ed.2d at 860-61. The Court rejected this argument, finding that it was rooted in the discredited concept that constitutional rights turn on whether a government benefit is characterized as a "right" or "privilege." Id.

In the final section of the Sugarman opinion the Court suggested the kinds of discriminatory practices against aliens

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11. The competitive class included all positions for which it was practicable to determine merit and fitness by a competitive examination and included "nearly the full range of the work tasks, that is, all the way from the menial to the policy making." 413 U.S. at 640, 37 L.Ed.2d at 858.

12. See Tribe, supra n.8.

13. In a case following Sugarman, C.D.R. Enterprises v. Board of Education of the City of New York, 412 F. Supp. 1164 (1967), summarily aff'd sub nom. Lefkowitz v. C.D.R. Enterprises Limited, 429 U.S. 1031, 50 L.Ed.2d 742 (1977), the reduction in unemployment rationale was expressly rejected as insufficient as a justification for discrimination against resident aliens and U.S. citizens who had not been residents of New York for at least 12 months.

which are permissible. Id. at 646-50, 37 L.Ed.2d 862-64. The Court did not distinguish between alienage in the non-state resident or non-United States citizen senses, and referred to authorities which concerned alienage only of non-state residents. The Court noted that alienage could be a bar to public employment if the statute was based on legitimate state interests relating "to qualifications for a particular position or to the characteristics of the employee."<sup>14</sup> Id. at 646-47, 37 L.Ed.2d at 862.

Sugarman lends support to the conclusion we have reached in the present case for two reasons. The first is that

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14. The Court also stated that "in an appropriately defined class of positions" citizenship could be required as a qualification for office.

"[E]ach state has the power to prescribe the qualifications of its officers and the manner in which they shall be chosen." Such power inheres in the State by virtue of its obligation, already noted above, "to preserve the basic conception of a political community." And this power and responsibility of the State applies, not only to the qualifications of voters, but also to persons holding state elective or important nonelective executive, legislative, and judicial positions, for officers who participate directly in the formulation, execution, or review of broad public policy perform functions that go to the heart of representative government. There . . . is "where citizenship bears some rational relationship to the special demands of the particular position."

Id. at 647, 37 L.Ed.2d at 862-63 (citations omitted).

it rejects the argument that the state's interest in restricting the resources of the state for the advancement and profit of the members of the state entitles the state to discriminate regarding the employment of aliens. The second is that it suggests that the state may restrict the employment of aliens only for reasons which are much narrower than those used in the present case.

#### VI. MISCELLANEOUS ISSUES

The appellees also argue that Francis lacks standing because he did not prove that he was dismissed because he was a non-resident. The evidence on this point, although circumstantial, is adequate to sustain the trial court's finding that Francis lost his job because he was not a resident. The appellees also argue that Francis is a resident in fact. This point is frivolous. Not ~~does~~ does the evidence support a finding of non-residency, the state admitted non-residency in its answer. Appellees further contend that Francis lacks standing because injunctive relief will do him no good. This point, too, is frivolous, for it ignores his claim for damages and for declaratory relief.

In view of our decision, it is unnecessary to address Francis's further arguments that the local hire statute violates the equal rights clause of article I, section 1 of the Alaska Constitution and the equal protection and privileges and

immunities clauses of the Fourteenth Amendment to the United States Constitution.

#### VII. CONCLUSION

Our federal constitution contains a number of provisions designed to protect legally those who lack the power or influence to protect themselves politically. It also manifests a strong commitment to free trade and an aversion to economic protectionism. The privileges and immunities clause combines both of these themes and the local hire act is in substantial conflict with them. For the reasons stated we AFFIRM the judgment of the superior court declaring that the act violates the privileges and immunities clause of article IV, § 2 of the United States Constitution.

BURKE, Justice, concurring.

I concur in the determination that Alaska's "local hire" law<sup>1</sup> violates the Privileges and Immunities Clause of the Constitution of the United States,<sup>2</sup> for the reasons stated in the opinion of the court, authored by Justice Matthews. In my judgment, however, we should decide this case on an independent ground. Thus, as Francis urges us to do in one of his alternative arguments, I would hold the local hire law invalid upon the ground that it violates the clear and unambiguous language of article I, section 1 of the Alaska Constitution.<sup>3</sup>

When called upon to determine the constitutionality of an Alaska statute under both the state and federal constitutions, it is my belief that this court should consider first the requirements of the Alaska Constitution. Shafer v. Vest, 680 P.2d 1169, 1172 (Alaska 1984) (Burke, C.J., concurring). Although this approach has been criticized by some, it is the one favored by a number of respected judges and legal commentators, whose reasons appear far more persuasive to me than do those of the persons in the opposite camp. See R.F. Utter, Freedom and

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1. AS 36.10.

2. U.S. Const. art. IV, § 2.

3. Article I, section 1 of the Alaska Constitution provides, in part, "that all persons are equal and entitled to equal rights, opportunities, and protection under the law."

Diversity in the Federal System: Perspectives on State Constitutions and the Washington Declaration of Rights, 7 U. Puget Sound L. Rev. 491 (1984). In any event, it is the approach that I would employ in the case at bar, for the following reasons.

A decision by this court that the local hire law violates the Alaska Constitution would bring this case to an immediate end, since it has long been held that it is beyond the power of the United States Supreme Court to review a state court's interpretation of its state constitution, "as long as the state ground is independent of any federal ground and is adequate to support the judgment." Id. at 505, citing Michigan v. Long, 463 U.S. 1032, 77 L.Ed.2d 1201, 103 S.Ct. 3469 (1983) and Fox Film Corp. v. Miller, 296 U.S. 207, 80 L.Ed. 158, 56 S.Ct. 183 (1935). The majority opinion, however, leaves the final result still uncertain.

Given the understandable popularity of local hire measures in Alaska, it is a foregone conclusion that state officials will be under considerable pressure to seek review of our determination of the federal question by the final arbiter of such disputes, the United States Supreme Court. Should the advocates of local hire prevail in that forum, it will still be necessary for this court to decide whether the present statute

violates the Alaska Constitution. Thus, the ultimate outcome could remain unsettled until there is a second decision by this court. Rather than expose the parties and the people of this state to such uncertainty, and the added cost of future litigation, I think we should decide this critical issue of state law here and now.

Another reason for us to examine the requirements of the Alaska Constitution is the almost certain fact that the state legislature will be asked to enact new local hire legislation, after the announcement of our decision. The main difficulty that the legislature faces, as I see it, is the clear and unambiguous statement contained in our state constitution, "that all persons are equal and entitled to equal rights [and] opportunities." Alaska Const. art. I, § 1 (emphasis added). The fact that it may be possible to draft a statute that would satisfy the requirement of the United States Constitution does not mean that the same statute will pass muster under this or some other provision of the Alaska Constitution. It is important, I think, to make this clear to the people of this state and their elected representatives.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y · STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 20, 1986

SUBJECT: Sectional analysis of HB 466  
TO: Representative Red Boucher  
FROM: Teresa B. Cramer *TBC*  
Legislative Counsel

You have requested a sectional analysis of HB 466, relating to Alaskan resident employment preferences.

Section 1 sets out the legislature's purpose for the bill.

Section 2 adds several subsections to the findings of fact that already exist in statute concerning the need for resident preference in employment. Subsection (c) addresses how to determine the ratio between residents and nonresidents on a public works project. Subsection (d) permits the commissioner to consider information gathered from the job site. Subsection (e) addresses how to determine the ratio between residents and nonresidents working in the state as a whole. Subsection (f) addresses the need for resident preferences. Subsection (g) permits the commissioner of labor to base remedies to the unemployment problem on information gathered from projections and trends.

Section 3 adds new sections to the chapter on employment preferences.

Sec. 36.10.130 requires the attorney general and the commissioner of labor to report annually on unemployment in the state and to recommend methods to increase resident hire.

Sec. 36.10.140 requires registration before a person is eligible for a resident hiring preference.

Secs. 36.10.150 - 36.10.170 establish various preferences. In all three, the preferences last for three years and apply

to worker hours on a craft-by-craft basis on projects included in AS 36.10.180.

As noted in my memorandum of December 31, 1985, these preferences raise constitutional issues. Under the Privileges and Immunities Clause of the United States Constitution, nonresident workers on public works projects would have to be shown as a significant contributor to the unemployment of residents. The preference created by this bill would also have to be shown to be an effective solution to the problem and one that limited the rights of nonresidents as little as possible.

The Alaska Supreme Court held in State v. Francis, Opinion no. 3011, January 17, 1986, that the preference created in AS 36.10.010 is unconstitutional under the federal Privileges and Immunities Clause. In its discussion of the factual basis for the preference, the court upheld the trial court finding that the State had failed to establish that nonresidents constituted a "peculiar source of the evil." Id at 15. The trial court found that unemployment resulted from "climatic extremes, the absence of construction activities in rural areas, and the lack of training prevalent among rural Alaskans." Id at 16. The constitutionality of the preferences created in this bill depend on mustering sufficient facts to show that nonresident workers are the source of the unemployment problem and that the preferences impose as little as possible on the rights of nonresidents in solving that problem. If the problem is the high unemployment rate in the state, it would help the constitutionality of the bill to limit the preference to unemployed or underemployed residents.

The preference for minority residents also raises equal protection questions. The state would need to demonstrate that it was acting reasonably in defining the group as the bill does and that the preference would be an effective solution that infringed on the rights of others as little as possible.

Sec. 36.10.150 establishes a resident hiring preference for underemployed areas of the state. The preference requires that 95 percent of the worker hours on a public works project wholly or partially sited within the area be performed by residents of the area. Subsection (b) sets the criteria that an economic region must meet to be considered an underemployed area.

Representative Red Boucher

Page 3

January 20, 1986

Sec. 36.10.160 establishes a hiring preference for economically distressed areas of the state. The preference requires that 50 percent of the employment on a project wholly or partially sited within the area be performed by residents of the area. Subsection (b) sets the criteria that an area must meet to be considered an economically distressed area.

Sec. 36.10.170 establishes a preference for economically disadvantaged minority residents. The preference requires that 25 percent of the employment on a project wholly or partially sited within the area be performed by minority residents of the area. Subsection (b) sets the criteria for the preference. It applies to census areas where the minority population exceeds the average minority population for the state, minority resident unemployment is twice as high as nonminority unemployment in the census area, and workers who are not residents of the area are a contributing cause of unemployment in the area. Subsection (c) defines who is considered a member of a minority.

Sec. 36.10.180 defines the scope of projects to which the preferences under AS 36.10.150 - 36.10.170 apply. Subsection (a) applies the preference to the same kinds of projects now covered by AS 36.10.010. Subsection (b) establishes that the preferences established under AS 44.33.285 for residents of an area affected by an economic disaster supercede the preferences under secs. 36.10.150 and 36.10.160.

Sec. 36.10.900 is consistent with general state severability clause at AS 01.10.030 and requires that if a portion of the chapter is held invalid, then the rest of the chapter remains in force.

Section 4 applies the Act to contracts entered on or after the effective date of the Act.

Section 5 repeals the current resident preference law.

Section 6 makes the Act effective on the date the current resident preference law is held unconstitutional.

If I may be of further assistance, please advise.

TC:mkr  
M2:041

To: Rep. Navarre, ch. House L&C  
Fr: Sid Billingslea, comm. aide  
Dt: 1/18/86  
Re: Brief of Robison v. Francis, S-493

#### FACTS

Francis is a nonresident (hereinafter NR) ironworker who got fired from his public works job because he was a NR. AS 36.10.010 required 95% of the employees on a public works project be residents (hereinafter R). Figures changed to 90% on projects hiring 10 or fewer employees.

#### ISSUE

Does AS 36.10.010 violate Francis's federal Privileges & Immunities clause right to travel, his Equal Protection right, and his State equal rights under the Alaska Constitution's equal rights clause?

#### HOLDING

AS 36.10.010 violates Francis's Privileges and Immunities right.

#### RULE

Privileges and Immunities (hereinafter P&I) protects fundamental rights. The Court's level of scrutiny is INTERMEDIATE REVIEW, which means:

The State must have an IMPORTANT PURPOSE and the means (AS 36.10.010) must be FAIRLY AND SUBSTANTIALLY RELATED to the ends (R employment) (at 11)

The state must have substantial justification for its action. Here, NRs must be a "peculiar source of evil" which the state seeks to remedy. (at 10)

The means must be the least onerous to the discriminated group (NRs).

#### MARKET REGULATOR VS. MARKET PARTICIPANT DISTINCTION

Where the state is acting only as a sovereign (regulator) it is afforded little deference in its discriminatory actions, using the "variable standard" (at 12)

In a market participant (e.g. public works project) capacity more leeway is given. Here, the state as market participant used a broad scope of discrimination and extends it to "the fringes of the state's proprietary interests" (at 12). Therefore, little deference is given.

The "broad scope" referred to is the fact the 60-70% of all commercial construction in Alaska was affected by AS 36.01.010.

#### THE STATE'S JUSTIFICATION

a) Facts: Alaska has higher than national average unemployment, but the state failed to show that NRs were the "peculiar source of evil" other factors could be climate, lack of training in Rs, lack of construction projects in rural areas. (at 16)

b) Law: Rationale that excluding NRs lets more Rs work\* not a "substantial justification" under P&I. The purposes of P&I are to prevent Rs from discriminating against NRs for economic protectionism. (at 8); to further the concept of federalism and create a national economic unit. (at 9).

#### RELATION OF MEANS TO ENDS

a) Too broad scope: See Hicklin, which required any R, regardless of qualifications be hired over an NR. (at 22) Need less onerous means.

b) See Wyoming case, which upheld a local hire law

c) Sugarman i) rejects under Equal Protection the argument that states interest in restricting resources for the advancement and profit of Rs entitles state to discriminate against aliens for employment purposes. ii) State can restrict employment for aliens, but on a much narrower scope. (at 28)

#### JUSTICE BURKE'S CONCURRING OPINION

Justice Burke would address the Alaska Const's equal rights provision first because it would preclude further review unless as substantial federal question was left unresolved.

# Alaska State Legislature

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Special Committee on  
Telecommunications

MEMBER  
Labor and Commerce  
State Affairs  
Finance—Subcommittee Administration

## Representative H. A. "Red" Boucher

FOR IMMEDIATE RELEASE  
January 21, 1986

FOR MORE INFORMATION, CALL:  
465-4931

### HOUSE LABOR AND COMMERCE COMMITTEE HEARING ON HB 466

THE MOST IMPORTANT PIECE OF ALASKA RESIDENT HIRE LEGISLATION YET DEVELOPED, HB 466, WAS PREFILED THIS SESSION BY REPRESENTATIVE H.A. "Red" BOUCHER (D-ANCHORAGE). A PRELIMINARY HEARING WILL BE HELD ON IT TODAY IN THE HOUSE LABOR AND COMMERCE COMMITTEE. THIS BILL SUBSTANTIALLY INCREASES THE FACTUAL EVIDENCE THAT HAS BEEN REQUIRED BY THE COURTS IN RECENT RESIDENT HIRE CASES. IT WILL ALSO ESTABLISH THE BASIS FOR A RESIDENT HIRE LAW FOR THE STATE OF ALASKA THAT SHOULD STAND UP TO A CONSTITUTIONAL CHALLENGE.

LAST FRIDAY, THE ALASKA SUPREME COURT CAME OUT WITH IT'S LONG AWAITED DECISION IN THE FRANCIS CASE. THAT CASE CHALLENGED THE ORIGINAL ALASKA HIRE STATUTES THAT WERE ON THE BOOK, AND IN EFFECT DECLARED THEM UNCONSTITUTIONAL, DUE IN LARGE PART TO LACK OF SUPPORTING DATA. HOWEVER, THAT CASE WAS BASED ON THE OLD LAW, WHICH HAS SINCE BEEN CHANGED BY HOUSE BILL 294. THAT BILL WAS SUBMITTED LAST YEAR BY REP. BOUCHER, PASSED BOTH HOUSES, AND WAS SIGNED INTO LAW.

HB 294 LAID THE GROUNDWORK FOR FUTURE RESIDENT HIRE ISSUES IN ALASKA BY SPELLING OUT MORE SPECIFIC AREAS WHERE DATA WOULD AND SHOULD BE COLLECTED TO SUPPORT THE STATE'S CASE FOR RESIDENT HIRE. IN KEEPING WITH THE INTENT OF HB 294, THE DEPARTMENT OF LABOR SPENT THE PAST 6 MONTHS COLLECTING DETAILED STATISTICAL DATA SHOWING THAT NON-RESIDENTS ARE TAKING JOBS THAT SHOULD BE GOING TO DESERVING AND QUALIFIED ALASKANS.

THE BILL SPONSORED BY REP. BOUCHER THIS YEAR, HB 466, GOES INTO MUCH MORE DETAIL SPELLING OUT WAYS AND MEANS BY WHICH MORE EVIDENCE CAN BE COLLECTED. MORE IMPORTANTLY, THIS BILL WAS DESIGNED IN SUCH A WAY THAT IT ANTICIPATED THE COURT DECISION IN MANY WAYS, AND THUS IT SPEAKS DIRECTLY TO ALMOST EVERY CONCERN THAT WAS MENTIONED IN LAST FRIDAY'S COURT DECISION.

"THE COURT DECISION BASICALLY STRUCK DOWN A LAW THAT HAS SINCE BEEN CHANGED, FIRST BY HB 294 LAST YEAR, AND EVEN MORE BY HB 466 WHEN IT IS PASSED THIS YEAR," OBSERVED BOUCHER. "FAR FROM BEING DEALT A CRIPPLING BLOW, THE ALASKA HIRE LAWS ARE MOVING SUBSTANTIALLY CLOSER TO THE DAY WHEN THEY WILL WITHSTAND A CONSTITUTIONAL CHALLENGE, AND HB 466 WILL BE AN IMPORTANT BUILDING BLOCK IN THAT PROCESS."



# THE ALLIANCE

P.O. Box 100100 / Anchorage, Alaska 99510 / (907) 562-0100

August 30, 1985

*File - Local Hire*

William F. Webb — President  
Arctic Hosts, Inc.

Ann M. Curtis — Vice President  
Crowley Maritime Corporation

Chuck Becker — Vice President  
Brown & Root, U.S.A., Inc.

William D. Bennett — Secretary  
Perkins, Coie, Stone,  
Olsen & Williams

Val Molyneux — Treasurer  
Veco, Inc.

Bill Bettes — Director  
Pingo Corporation

Milton Byrd — Director  
Charter College

Tom Dow — Director  
NANA Development

Craig Duncan — Director  
Price Waterhouse

Randy Goodrich — Director  
Executive Travel Service

Scott Hawkins — Director  
Alaska Pacific Bancorporation

Roger Haxby — Director  
Waukesha Alaska Corporation

Larry Holmstrom — Director  
Holder, Mackney & Holmstrom

Joe Mathis — Director  
Universal Services, Int'l, Inc.

Chuck McClain — Director  
Calista Construction

Patrick Rumley — Director  
Smith, Robinson & Gruening

Lowell Shinn — Director  
Rainier Bank of Alaska

Jack Thompson — Director  
Air Van Lines, Inc.

Larry Walker — Director  
Frontier Companies of Alaska

Michelle Fleming  
Executive Director

Kathie Tuttle  
Administrative Assistant

Commissioner Jim Robison  
State of Alaska  
Department of Labor  
P.O. Box 1149  
Juneau, Alaska 99802

Dear Commissioner Robison:

On behalf of the Alliance, I want to thank you for joining us to discuss issues and initiatives relating to "local hire"; reauthorization of alternative methods of overtime compensation and the "good faith" defense amendment to Alaska labor law.

Although the Public Policy Committee of the Alliance has not yet had the opportunity to debate the issues raised in your presentation, some observations can be made within the scope of our adopted policy statements on the issues. Our members will be presented with a synopsis of the discussion and will be asked for input before we get back to you with any potential revisions to our current position or new directions. As you know, our members feel strongly that an effective participatory process leading to state policy on these issues is essential. We want to work with whomever the Governor has tasked with the assignment and are prepared to provide substantive contributions to the development process. Your invitation for the Alliance to participate in the Title 36 Resident Hire Committee might prove to be that avenue. We are anxious to learn more about it, so please do provide us with specifics on the group.

Meanwhile, we offer the following observations:

- o We are concerned that the survey undertaken to delineate the scope of the "local hire" problem is both misdirected and flawed in its design;
- o We are concerned that an incentive system to promote employment of Alaska residents is not under consideration;
- o More basically, we are concerned that a broadly-based participatory process has not been established in order to define the problem, to recommend policy and to develop goals, objectives and strategies to resolve the problem.

Page Two  
Commissioner Jim Robison  
August 30, 1985

### SURVEY

You described the "local hire issue" as Governor Sheffiled's "highest priority". Yet you indicated that the survey had to be restricted in scope due to the unavailability of funds with which to conduct a more comprehensive survey of Alaska's industry. We believe that the Governor's highest priority ought to be able to garner sufficient support in the Legislature to be able to conduct a survey considered to be optimum in scope. Given the relatively modest cost required to conduct a comprehensive survey, we think the Governor has sufficient executive authority to allocate resources to the study from already appropriated funds.

Keying in on the oil industry and its support contractors due to the higher paying jobs available in those industries, plays into the hands of those who would fault the State on the local hire issue. As you know, employment opportunities for Alaskans are spread throughout all industries in Alaska, perhaps none more so than government. Our research reveals that State government alone accounts for 18-20 percent of all payroll earnings in Alaska. When a conservative multiplier is applied, we find that an estimated 40-45 percent of Alaska's economy is driven by State government. More revealing is the total influence of government including military on the Alaska economy. Fully two-thirds of our payroll earnings is dependent on the economic stimulation attributable to the public sector. In reconstructing the survey as currently conceived, we must urge that all industries in Alaska and all levels of government be assessed as to employment opportunities and practices.

Going beyond the academic, we are persuaded that a survey of industry employment opportunities and practices will not define the essential problem which demands resolution, i.e. unemployed Alaskans. We are convinced that the very real social and economic problem demanding attention within the catch phrase of "local hire" is the Alaskan resident who is looking for work and can find none. Without dwelling on the societal distress generated by the unemployed, nothing can be of higher priority than actions to ameliorate this situation. And nothing can be more important than to immediately launch an all out effort to study the scope of the problem of unemployment in Alaska; to determine the extent of those unemployed due to the cyclical nature of their chosen field of work; to determine the extent of structural imbalances driving unemployment which may define needs for programs to retrain workers caught in that trap; to identify paths for industrial development initiatives within a comprehensive,

Page Three  
Commissioner Jim Robison  
August 30, 1985

statewide economic development program. This, we submit, is the direction required of studies by the State as we deal with the problem of "local hire".

#### INCENTIVES v. PENALTIES

You indicated that two members of the Senate have approached the administration with requests for assistance in devising an incentive system which would make attractive to employers in Alaska the employment of Alaska residents. On the other hand, there are those in the legislature who appear wedded to the "stick" approach to spurring employment of state residents - an approach routinely found to be unconstitutional in our courts and one which is clearly counterproductive to establishing in Alaska a fertile environment designed to generate new and expanded business opportunities.

The Alliance strongly recommends that the Administration embark on a reordered path designed to achieve employment of Alaskans; a path underpinned with incentives for employers to hire Alaskans and to promote the reality that "Alaskans are good business; hire them". After all, the spirit of independence, of self-sufficiency and of self-motivation prevades the Alaskan workforce unlike any other. An employer cannot put a better worker to work than an Alaskan. Your department ought to advertise that fact; the Alliance is prepared to help.

#### PLANNING PROCESS

For several months now, the Governor has been on a campaign to achieve "local hire" in Alaska. Again, you have stressed that the issue is his highest priority. Yet, until you invited the Alliance to participate on the Title 36 Resident Hire Committee last week, Alliance members have not been asked to help in resolving the problem.

It is imperative that a truly participatory process be established around this priority of the Governor, tasked with the responsibility of defining the problem, recommending to the Governor policy options for dealing with it and, once he has selected a recommended option, setting goals, objectives and strategies designed to resolve the problem. Moreover, given the priority of the issue with the Governor, the task force must have sufficient authority and resources available to it to achieve its defined goals expeditiously and promptly.

As we mentioned earlier, the Alliance is prepared to play a major role in resolving the problem. We trust that these

Page Four  
Commissioner Jim Robison  
August 30, 1985

preliminary observations will be accepted in the constructive manner in which they are intended.

LABOR LAW MODIFICATIONS

Finally, we all were pleased to hear that your Department is prepared to pursue reauthorization of alternative methods for overtime compensation and authorization of a "good faith" defense in Alaska's labor law to a successful conclusion during the forthcoming session of the Legislature. As you know, the Alliance has worked with leaders of Alaska's key labor organizations and your Department to forge an acceptable compromise on the issue, resulting in Senator Zharoff's introduction of the agreed to language in the late part of the last session.

With your help, we all look forward to enactment of this important measure.

Once again, Commissioner, thank you for meeting with us and for engaging our members and guests in productive dialogue. I can only reiterate the sentiments echoed by the group, that the State Department of Labor, under your guidance, has been scrupulously evenhanded in dealing with these sensitive issues. You and your staff are to be commended.

Sincerely,



William F. Webb  
President

# Alaska State Legislature

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CHAIRMAN  
Special Committee on  
Telecommunications

MEMBER  
Labor and Commerce  
State Affairs  
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

## MEMORANDUM

To: Rep. Red Boucher, Chair  
House Special Committee on Telecommunications

From: Dave Donley, Legislative Aide  
and Attorney at Law

Date: January 16, 1986

Subject: Alaskan Resident Employment Preference Legislation:  
HB 466

-----

Unlike HB 294, which you sponsored and which became law in 1985, HB 466 goes beyond the limits imposed on the legislature last year by the existence of pending litigation in the Alaska Supreme Court: (the Francis case).

HB 466 is designed to replace the current Alaska Hire law (AS 36.10.020), which provides a preference to Alaska residents on public works projects for up to 95% of these jobs, should the current law be found unconstitutional.

The bill incorporates guidance provided by judicial decisions since the current law was passed in 1983. It relies heavily on the criteria adopted by the U.S. Supreme Court in the Camden case and the Wyoming Supreme Court in its 1985 Antonich decision (upholding Wyoming's local hire law).

The key to the constitutionality of any resident preference legislation is the availability of proof that such a preference is reasonable. HB 466, unlike any previous legislation, makes the resident preferences provided contingent on the presence of factual circumstances constitutionally adequate to justify such preferences. This legislation for the first time bases resident employment preferences on factually established causes and needs.

The legislation adds additional findings of fact to those of 1985's HB 294, and together they provide the necessary constitutional factual foundation. It makes clear that the intent of the legislature is to adopt the strongest law constitutionally possible, and says that the courts should not

reject the whole law if only one part of it is found unconstitutional.

This legislation is drafted in such a way that most of its sections stand on their own and may be deleted, if found not to be necessary, without requiring changes in other sections.

The bill includes three types of employment preferences for residents, which for the first time provide alternative constitutional justifications for local hire. First, a statewide employment preference for residents is placed in effect when Alaska's unemployment rate exceeds the national average, and other justifying factors exist.

Secondly, regional employment preferences for local residents may also be involved in areas of Alaska suffering from economic distress. Thirdly, the bill also includes protections for Alaskans living in areas suffering from economic discrimination because of cultural and ethnic factors. These regional preferences will place qualified, economically needy members of a community, in which a public project takes place, first in line for at least a portion of those jobs.

These three preferences are contingent on the Commissioner of Labor finding, among other things, that employment of non-resident workers is a contributing cause of resident unemployment. If properly based in fact, this finding, together with other appropriate facts, should be sufficient to sustain a constitutional challenge based on the Privileges and Immunities clause of the U.S. Constitution (Article XIV, Section 1). That clause prohibits a state from enforcing any law that abridges the privileges or immunities of citizens of the United States, including the right to travel.

Preferences for residents over non-residents are constitutional only if 1) there is a substantial reason for the discrimination, 2) the degree of discrimination bears a close relation to the reasons, and 3) non-residents can be shown "to constitute a peculiar source of the evil at which the statute is arrived," (United Building and Construction Trades Council v. Camden, 104 Supreme Court 1020, 79 L. Ed 2d 249, 52 LW 4187 at 4191, 1984). If the Commissioner of Labor bases his findings on factual information sufficient to meet this test, the preferences should withstand a constitutional challenge.

The employment preference for disadvantaged minority residents is the most difficult to constitutionally defend. In addition to challenges on Privilege and Immunities clause grounds, it may also be subject to Equal Protection Clause challenges. Its constitutionality will depend on the reasonableness of the group given preference and whether the remedy is appropriately tailored to address the problem the state is seeking to solve.

This legislation is drafted such that any of the three preferences, if not needed, may be deleted from the bill with no, or only slight, changes being necessary. Depending on the final decision in the State Supreme Court Francis case, such fine tuning may or may not be advisable.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 31, 1985

JAN 10 1986

SUBJECT: Resident Employment Preference  
(Work Order No. 14-1472)

TO: Representative Red Boucher

FROM: Teresa B. Cramer *ABC*  
Legislative Counsel

Enclosed is a draft of the work order you requested. It raises several constitutional issues of which you should be aware.

The draft creates three new employment preferences. Sec. 36.10.150 creates a preference for residents of an underemployed area. Sec. 36.10.160 creates a preference for residents of an economically distressed area, and sec. 36.10.170 creates a preference for economically disadvantaged minority residents. All three preferences are implemented through the mechanism established in AS 36.10.180 and based on AS 36.10.010. All three also extend the preference for three years following a determination by the commissioner of labor that the area meets the necessary criteria.

The preferences in the three sections apply if the commissioner finds, among other things, that employment of nonresident workers is a contributing cause of the unemployment of residents. This finding may be sufficient to overcome a challenge to implementation of the preference based on the Privileges and Immunities Clause which prohibits a state from enforcing any law that abridges the privileges or immunities of citizens of the United States. Constitution of the United States, Article XIV, Section 1.

The United States Supreme Court permits statutes that discriminate against nonresidents to stand only when there is a substantial reason for the discrimination, the degree of discrimination bears a close relation to the reasons, and

Representative Red Boucher  
Page 2  
December 31, 1985

if nonresidents are shown to "constitute a peculiar source of the evil at which the statute is aimed." United Building and Construction Trades Council v. Camden, 104 S.Ct. 1020, 79 L.Ed. 2d 249, 52 LW 4187 at 4191 (1984), (citations omitted). If the factual information used by the commissioner of labor to impose a preference under this chapter meets this test, then the preference should withstand a challenge.

The preference for minority residents under AS 36.10.170 may also raise equal protection challenges based on the reasonableness of the group given preference and whether the remedy is appropriately tailored to the problem the state is seeking to solve.

If I may be of further assistance, please advise.

TC:mkr  
M2:002

Enclosure

Introduced: 3/15/85  
Referred: Labor & Commerce,  
Judiciary and Finance

BY BOUCHER, DAVIS, HURLEY, SUND, KOPONEN,  
GOLL, CATG, CLOCKSIN, COTTEN, DUNCAN,  
FRANK, GRUENBERG, GRUSSENDORF, HANLEY,  
JENKINS, LARSON, M.M. MILLER, NAVARRE,  
PEARCE, PIGNALBERI, FOURCHOT, SHULTZ,  
SZYMANSKI, TAYLOR, THOMPSON, UEHLING,  
MARTIN, BINKLEY, COLLINS, MARROU, ADAMS,  
PETTYJOHN, M.W. MILLER AND PHILLIPS

1 IN THE HOUSE

2

HOUSE BILL NO. 294

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to preferential hire of Alaskans;  
7 and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 36.10 is amended by adding new sections to read:

10 Sec. 36.10.005. LEGISLATIVE FINDINGS. (a) The legislature  
11 finds that

12 (1) because of its unique climate and its distance from the  
13 contiguous states, the state has historically suffered from unique  
14 social, seasonal, geographic, and economic conditions that result in  
15 an unstable economy;

16 (2) the unstable economy is a hardship on the residents of  
17 the state and is aggravated by the large numbers of seasonal and  
18 transient nonresident workers;

19 (3) the rate of unemployment among residents of the state  
20 is one of the highest in the nation;

21 (4) the state has one of the highest ratios of nonresident  
22 to resident workers in the nation;

23 (5) the state has a compelling interest in reducing the  
24 level of unemployment among its residents;

25 (6) the construction industry in the state accounts for a  
26 substantial percentage of the available employment;

27 (7) construction workers receive a greater percentage of  
28 all unemployment benefits paid by the state than is typical of other  
29 states;

1 (8) historically, the rate of unemployment in the construc-  
2 tion industry in the state is higher than the rate of unemployment in  
3 other industries in the state;

4 (9) it is appropriate for the state to consider the welfare  
5 of its residents when it funds construction activity;

6 (10) it is in the public interest for the state to allocate  
7 public funds for capital projects in order to reduce unemployment  
8 among its resident construction workers;

9 (11) in-migration of nonresident construction workers con-  
10 tributes to or causes the high unemployment rate among resident con-  
11 struction workers because nonresident workers compete with residents  
12 for the limited number of available construction jobs;

13 (12) nonresident workers displace a substantial number of  
14 qualified, available, and unemployed Alaska workers on jobs on state  
15 funded public works projects;

16 (13) the state has a special interest in seeing that the  
17 benefits of state construction spending accrue to its residents;

18 (14) the natural resources of land owned by the state belong  
19 to the citizens of the state;

20 (15) Alaskans have chosen to use the majority of the roy-  
21 alties derived from the state's natural resources to fund state gov-  
22 ernment;

23 (16) the vast majority of the state's revenue is derived  
24 from these royalties rather than from other forms of taxation;

25 (17) because the state has no personal income tax or sales  
26 tax, nonresident workers use services provided by the state but do not  
27 contribute fairly to the costs of those services; and

28 (18) Alaskans, more than the residents of other states,  
29 suffer economically when nonresidents displace qualified residents

1 since resident workers contribute local taxes as well as their share  
2 of the royalties from natural resources.

3 (b) The legislature further finds that

4 (1) the state and its political subdivisions, when acting  
5 as a market participant in funding public works projects, should give  
6 Alaska residents an employment preference to promote a more stable  
7 economy;

8 (2) the state and its political subdivisions have a duty of  
9 loyalty to their citizens and should fulfill this duty by giving resi-  
10 dents preference for employment on public works projects they fund;

11 (3) there is a legitimate and compelling governmental  
12 interest and that the public health and welfare will suffer if state  
13 residents are not afforded employment preference in state-funded  
14 construction-related work.

15 Sec. 36.10.006. STATEMENT OF PURPOSE. The legislature adopted  
16 AS 36.10.010 in response to problems and concerns identified by the  
17 findings of facts in AS 36.10.005 to

18 (1) ensure that qualified resident workers do not remain  
19 unemployed while nonresident workers are employed on construction  
20 projects funded by the state or a political subdivision of the state  
21 if the purpose of the project includes reducing the unemployment of  
22 residents;

23 (2) ensure that qualified resident workers do not remain  
24 unemployed while nonresident workers are employed on construction  
25 projects funded by the state or a political subdivision of the state;

26 (3) reduce the level of unemployment among residents of the  
27 state.

28 Sec. 36.10.007. STATE POLICY. It is the policy of this state  
29 that, to fulfill the duty of loyalty owed to its citizens and to

1       remedy social or economic problems, the state will grant an employment  
2       preference to residents when the state is acting as a market partici-  
3       pant.

4       \* Sec. 2. Section 1 of this Act is retroactive to July 16, 1983.

5       \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
6       10.070(c).

My name is Gary Brooks & I am President of VALUE (The Valley Alliance of Labor & Union Employees) which is comprised of 9 Labor Unions and Associations, having approximately 3500 members which reside here in the Mat-Su Valley. I am here to speak in support of SSB 466. The figures recently released by the State D.O.L. certainly support the need, as well as identify the problem concerning resident hire and resident unemployment issues. VALUE ~~bold heartly~~ totally supports legislation which addresses the opportunity for our local work force to secure employment prior to those jobs going to people who reside outside our state & who would be more prone to spend monies earned in Alaska in local states other than our own. I am also an officer of the IBEW C.U. 1547 and know full well the lack of

employment opportunity on my own  
union brothers & sisters, many of  
who for the first time in many,  
many years have had to resort  
to traveling to other states in order  
to secure employment allowing  
them to remain home owners  
here in Alaska. I urge your  
committee's support for strong  
resident hire legislation &  
appreciate the opportunity to have  
input to your committee.

Thank you

Gary Beards  
BRB Box 7516  
Palmer 99645  
745-3394

file -  
local hire

HIGHLIGHTS OF BRIEFING  
NONRESIDENTS WORKING IN ALASKA

At least 16,000 nonresidents were working in every month of 1984 (page 26)  
At least 19,000 residents were unemployed in every month of 1984 (page 26)  
71,000 nonresidents earned about \$677 million (pages 6, 12,16)

INDUSTRIES WITH THE HIGHEST NONRESIDENT WAGES (pages 8-12)

1.	Heavy construction	\$105,154,362
2.	Oil and Gas mining	71,585,450
3.	Food processing	58,079,179
4.	Special trades	51,095,513
5.	Building construction	45,438,783

INDUSTRIES WITH THE HIGHEST PERCENTAGE OF NONRESIDENT WAGES (pages 8-12)

1.	Food processing	53%
2.	Nonclassifiable	31%
3.	Heavy construction	29%
4.	Miscellaneous repair	29%

INDUSTRIES WITH THE HIGHEST NUMBERS OF NONRESIDENT WORKERS (pages 13-16)

1.	Food processing	12,068
2.	Eating and drinking places	7,473
3.	Special trades construction <sup>1)</sup>	4,572
4.	Heavy construction	4,094
5.	Business services <sup>2)</sup>	3,990
6.	Building construction	3,976

NONRESIDENT VERSUS RESIDENT EARNINGS AND EMPLOYEES

Nonresidents averaged 48% as much annual earning as residents (pages 17-19)  
Non residents worked in significantly fewer quarters than residents (pages 6-7)  
Nonresidents were more than three times as likely as residents to work in only one quarter.  
Nonresidents were only about one-fifth as likely as nonresidents to work in all four quarters.

AREAS WITH THE HIGHEST PERCENTAGE OF NONRESIDENT WORKERS AND WAGES (pages 20-25)

- Bristol Bay Borough
- Aleutian Islands
- Dillingham
- North Slope Borough

Footnotes

- 1) Such as plumbing, heating, painting, electrical, insulation, flooring, roofing, and excavating.
- 2) Such as advertising, consumer credit, commercial art, word processing, building cleaning, temporary help, data processing, consulting, leasing, commercial testing, and other miscellaneous services to business.

AREAS WITH THE HIGHEST TOTAL NONRESIDENT EARNINGS (pages 20-25)

Anchorage  
Fairbanks  
North Slope Borough  
Kenai Borough

UNEMPLOYMENT

Alaska had the fifth highest unemployment rate of all states in 1984 (page 40)

More than \$20 million in unemployment benefits was paid to nonresidents in 1984 (page 44)

Alaska had the highest percentage of interstate liable unemployment payments of the states (page 46)

WORKERS ON STATE FUNDED CONSTRUCTION (page 52)

11,800 worked on public construction projects at some time during 1984.  
18.3% of all construction wages were paid to workers on State funded construction

NONRESIDENTS EMPLOYED IN CONSTRUCTION

Total construction 29%  
State funded construction 17.9%

# DAVID ARTHUR DONLEY

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## M E M O R A N D U M

DATE: January 27, 1986  
TO: Representative H.A. "Red" Boucher  
FROM: Dave Donley, Attorney at Law  
SUBJECT: HB 466 (a bill creating an Alaskan worker employment preference) and the effect of the recent Alaska Supreme Court decision on Alaska Hire (Francis v. Robinson)

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### GENERAL COMMENTS

#### ANALYSIS OF THE IMPACT OF FRANCIS v. ROBINSON ON HB 466

- I. The Supreme Court accepted without comment the Superior Court's findings of fact.
  - A. Testimony on HB 294 (1985) and HCR 20 (1985) clearly contradicts these 1984 findings by the Superior Court.
  - B. The decision ignores existence of HB 294 -- makes no comment at all on its significance and effect or lack of it.
  - C. HB 294's backup and the recent DOL study appear to provide part of the factual basis the court says is necessary in the Francis decision. Additional findings based on evidence of social ills caused by resident unemployment need to be included in HB 466.
  - D. Additionally HB 466 adds new findings (page 1, sec. 2) which are designed to assist and guide the Commissioner of Labor and reviewing courts in making future fact findings.
  - E. Sec. 2 of HB 466 also helps identify the special employment problems of rural Alaska.
- II. Resident preference law must have a substantial reason which justifies it.

A. Reason for any state mandated employment preference for residents can not be only to provide an economic advantage for residents over non-residents. Reason must be to correct a social ill or ills that result from resident unemployment.

B. Francis decision requires "some showing that nonresidents are 'a peculiar source of evil' which state action is meant to remedy," and the Supreme Court finds this 'findings of fact' evidence lacking in the Superior Court.

C. The Supreme Court uses "clearly erroneous" standard for review of facts established by Superior Court. This very high standard prevented modification of these fact findings which, given newly available data, appear very erroneous.

D. HB 466 incorporates the "peculiar source of evil" standard as a threshold finding that must be made by Commissioner of Labor before any preference for residents goes into effect.

E. The new DOL study, HB 294 (1985), new findings of fact in HB 466 (sec.2), together with evidence of resulting social ills from resident unemployment, will create a new constitutional fact basis for the resident employment preference in HB 466.

F. Legislative public hearings are needed to carefully document evidence by testimony of specific examples of non-residents displacing residents and resulting social ills.

III. The means employed by the challenged statute must be closely related to the interests served by the statute.

A. In deciding whether discrimination bears a close or substantial relationship to the state's objective . . . the availability of less restrictive means is relevant.

B. This means the justification for legislation must not be just to give Alaskans jobs before outsiders. The reason for legislation must be something else other than to benefit residents economically.

C. The U.S. Supreme Court, in it's Camden recognized one possible justification for resident employment preference is to stave off grave economic and social ills.

D. High unemployment alone is not enough: HB 466 answers this issue through findings of fact (sec. 2) but possibly needs strengthening to address the strong emphasis on this concern by the court by making clear that the purpose of the legislation is to address articulated economic or social ill(s).

E. "Closely related" means the State needs to limit preference to those Alaskans who really need it.

F. HB 466 does limit preference by requiring those Alaskans who desire the preference to register as unemployed, underemployed or as recently completing job training. HB 466 also adopts a method to target unemployment preference to those geographical areas and social groups who need it the most: preference for residents of economically distressed areas; and preference for economically disadvantaged minority residents.

#### IV. Market Regulator vs. Market Participant Distinction

- A. More leeway is granted states in their perception of "local evils and in prescribing appropriate cures" when they are acting in a proprietary capacity, as where it is merely setting conditions on the expenditures of funds it controls.
- B. The Alaska Supreme Court in Francis adopts a sliding scale as to amount of deference appropriate to the state as a market participant little deference is appropriate when state action (discrimination against non-residents) is far reaching and greater deference is appropriate when state action is narrow in focus.
- C. This implies that percentages or scope of preference may be important. HB 466 handles this by incorporating Rep. Gruenberg's proposal for a "judicial decisions effect" savings clause.
- D. This distinction also implies that it is important to separate contracts where there the state is a signatory vs. others. HB 466 does this by including a separate severable section to cover expenditures by grantees and subcontractors.

#### V. Level of Scrutiny: "Low, intermediate and high"

An "intermediate level" of scrutiny is adopted under the facts found by the Superior Court. At this intermediate level of scrutiny classification/discrimination in favor of residents may be made only for "important" purposes and the means used to accomplish them must be "fairly and substantially related" to achievement of those purposes.

#### VI. Miscellaneous

- A. Distinguishes the U.S. Supreme Court's Camden decision -- Alaska economy growing while New Jersey's was not.
- B. Disagrees with Wyoming's Supreme Court's Antonich decision reasoning which upheld Wyoming's resident preference law.
- C. The Court says Alaskan unemployment is a rural and not an urban problem (HB 466 takes this into account in economic distressed area preference and disadvantaged minority preference.)

VII. The Concurring Opinion by Justice Burke

- A. Justice Burke's solo concurring opinion cites the Alaska Constitution, Art. I, Sec. 1: "that all persons are equal and entitled to equal rights, opportunities, and protection under the law" as prohibiting a resident employment preference.
- B. I necessary an amendment to the Alaskan Constitution can be designed to answer their concern.

CONCLUSIONS

- 1) The Francis case decision offers some guidance to preparation of a new Alaska Hire law but not directly -- it must be carefully extracted from implication, logic and reasoning.
- 2) HB 466 already directly addresses almost every fault the court found with the old law. With some careful fine tuning, HB 466 can cover every concern of the court except that raised by the concurring opinion regarding the Alaska Constitution.
- 3) A careful legislative process is needed to do this form of legislation correctly. Findings of fact must be substantiated on the record by testimony and/or evidence.
- 4) Additional severable sections may be added to HB 466 to cover jobs on state-owned lands based on the courts reasoning.

FEB 11 1986

House Labor & Commerce Committee Hearing HB 466  
Soldotna, Alaska February 6, 1986

I am Joan Bennett Schrader, P.O. Box 1264, Kenai and a resident of this Borough. I am a member of Teamsters Local 959.

Page 2, lines 10-12 (#2)

"the ratio between applicants for unemployment compensation who did not apply for, or, who were denied a permanent fund dividend to those applicants who were found eligible for a dividend."

I support this as a reliable indicator of residency. The permanent fund application approval is a careful, legal method of determining who is qualified. It further may punish anyone who fraudulently applies <sup>for</sup> and accepts the permanent fund cheque.

Page 2, lines 14-16

"the actual rate of unemployment among residents of the state is considerably higher than is reflected by unemployment rates based on nationally accepted measures."

Example: In November 1985 the Kenai Peninsula Borough had a 14.7% unemployment rate. I have been unemployed since February, 1985. In September, 1985, my extended benefits (~~was~~) were pulled. (mine along with many other Alaskan's) Because I no longer was qualified for an extended benefit cheque I was no longer listed as unemployed and seeking work. Weekly, or monthly written notification to the employment office and or weekly or monthly physical visits to the employment office would not get me back on their list as unemployed. The October rate of unemployed on the Kenai Peninsula Borough will not find me listed. Nor will you find me in the November 14.7% unemployed. I am not counted

during December when the Kenai Peninsula Borough had 16.5% unemployed. I should now be counted as the employment office in Kenai notified me in January to re-sign for extended benefits.

Why was I one of the many workers in this State who were not counted as unemployed in part of September, all of October, November and December? I don't know, do you?

We were out of work; willing to work; able to work but were not considered unemployed. Who 's trying to fool who?

The Salvation Army does not publically comment at hearings. The following figures are from Lt. John Ptack, Salvation Army, P.O. Box 5024, Kenai, Alaska 99611.

People seeking shelter (emergency) from the churches, etc. on the central area of the Kenai Peninsula Borough in FY 84-85.

Out of 800 applications

562 (70%) were local residents  
164 (21%) were Alaska state residents  
74 ( 9%) were out of state residents

These figures are documented by "Concerned Citizens for the Central Peninsula", an Ad Hoc group of various churches, the Salvation Army, Viet Nam Vetrans and concerned community members. There is no public shelter in this area. Neither the Kenai Peninsula Borough nor the cities of Kenai or Soldotna have social service programs to assist down and out people. The need is desperate and growing. Unemployed people must sleep on the floors of churches when possible and women and children at the Battered Women's Shelter when possible.

Lt. Ptack states there has been a 50% increase in requests for emergency shelter in 1985 and the projection for 1986 is even higher. People with jobs rent or own houses. Unemployed people must ask for assistance.

The Department of Public Assistance has a schedule of 3 weeks wait for a appointment for aid interviews in Homer. In Kenai/Soldotna it is 2 and 1/2 weeks. This interview only tells you if you qualify for public assistance. The Kenai Peninsula Borough has approximately 40,000 population. The open case-load at the public assistance office is 1650 cases. I have no way of knowing howmany are involved in each case that is open. Those figures would be available to you, as a serving department of the government. Because of confidentiality community members must estimate. If each open case involves 2 adults and 2 children then we take 1650 and multiply by 4 and come up with 6600 residents of this Borough who are in need of aid. If my figures are correct that is over 17% of our population. I have no figures for the amount of applications that have been denied aid.

The Department of Health and Social Services, Division of Family and Youth Services are able to document the negative effects of loss of employment on families, and individuals.

There are two docks projected for the Kenai Peninsula Borough. One, across from Kenai at Granite Point, is the coal dock. The other at Bradley Lake. I hope that these docks will use local men and materials, unlike the Ketchikan drydock that is joint ventured by Alaska Bridge and Dock of Anchorage and Samsung of Korea. The Ketchikan drydock will be built in Korea and barged to Ketchikan for installation. If every dollar invested in a community multiplies 5 - 7 times, then you can see the haemorrhaging loss Ketchikan and Alaska are taking on that drydock contract.

On "SOUND OFF" a radio call in show on K.S.R.M. today, February 6, Sen. Mitch Abood, District G, and chairman of the State Affairs Committee, commented on Subsistance via telephone. Sen Abood then spoke fleetingly about local hire. Sen. Abood felt the oil companies were being mistreated. He spoke of his cabin in the Soldotna area and wished he could move down here to live, but he would need to be able to earn his living, in this area. I commiserate with Sen. Abood and can understand his perplexity. It is hard to earn a living here, many of us have that problem. I request the Labor & Commerce Committee send Sen. Abood a transscript of these hearings on resident local hire. It might make him less sensitive to the Oil companies and more sensitive to the working people of Alaska; especially those of us who are unemployed.

I support HB466 as a first step in your effort to stabilize our communities. We must start somewhere. Contract workers being brought into the canneries, out of state workers landing jobs in place of local workers and construction money pouring into foreign nations to add to our national deficit only weaken this nation more. The Constitution of the United States of America does not mandate the State of Alaska or the Congress of the United States to ignore rights and needs of the governed.

Thank you, this ends my testimony.

*Joan Bennett Schrader*  
Joan Bennett Schrader

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA LOCAL UNION # 2162  
P.O. Box 967 (Suite 204 Tony's Building) Kodiak AK 99615 (907) 486-3331

02-12-86

TO: Jim Robison, Commissioner  
Department of Labor  
P.O. Box 1149  
Juneau AK 99802

RE: Local Hire Legislation

Dear Sir:

I have been following the Teleconference Hearings on HB 466 with great interest. The major question I have concerns Sec.36.10.140, which is also essentially the same in SB 367.

In short, what exactly are the "resident requirements" for registration with the Department of Labor?

I was elighted to see that registration with a local hiring hall is also permitted, however there are variances on a craft by craft basis as to what a resident actually is.

For example, Carpenters South of 63 Degrees North - Article 3 Sec (E) - define a resident as one who has "maintained a domicile in this jurisdictional area for not less than six (6) months prior to referral". In addition, Article 4 Sec (B) defines "geographic area priority of hire" which provides for 75% of those called to work on any given project to be residents as defined previously.

Unfortunately I would have questions as to the validity of such a requirement should it ever be challenged in spite of the fact that everyone concerned has agreed to this as a definition and a ratio to be maintained on any given project.

The aim and purpose of such definitions is two fold: to afford a certain protection to a resident of the State over a qualified applicant from out of state (as in the keeping of A, B, and C Lists) and also for a resident of a particular locality over a qualified applicant from another region within the State.

Without some similar and quite particular guidelines set forth by the Department of Labor - that would necessarily fly in court - some problems could be anticipated in the future. For example, would there be any difference in someone registering in Kodiak who is from Montana as compared to Sitka, or would both individuals be in the same boat with such things as domicile or voter registration as equal conditions to be met?

Perhaps it was never the intention of any of the forms of local hire legislation considered so far to broach the subject of distinctions between "in state" and "out of state", but rather merely to address the

question concerning a particular locality. This is a question which needs to be addressed as it is one of great concern to at least the members of the construction industry.

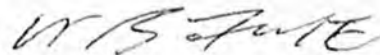
A concrete example would be if I were to clear into the hiring hall in Juneau while maintaining a domicile in Kodiak, how could I compete against a cab over camper with Idaho plates and a G. D. or numbered P. O. Box which would seem to indicate Juneau residency?

Thus, as I understand things at present, the Department of Labor has or will set up procedures and qualifications for "resident registration" which will function as a caveat to these bills under consideration, and there remains a real concern among individuals as well as Organized labor as to exactly what this would entail.

This concern revolves around the question of whether this is really the legislation which will best speak to the issue, or perhaps backfire somewhere down the road. In order to truly examine these bills and participate in the democratic process, a clear delineation of this "resident registration" procedure would seem a very basic place to start.

Your timely response will be appreciated in order that things might not progress at too great a rate within the Legislature prior to a consideration and addressing of these concerns.

Sincerely,



W. Bruce Finke  
Business Representative

cc: Bill Sheffield, Governor

Fred Zharoff, Chairman  
Senate Labor and Commerce

Mike Navarre, Chairman  
House Labor and Commerce



# RECORDS CERTIFICATION



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James O. Smith  
Signature of Camera Operator

9/5/89  
Date