

ALABAMA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3506

HLAB

HB 466

333

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
Race:	
White	17.1
Black	17.7
Hispanic	28.6
Other	17.3
Number of people in household:	
1	16.8
2	15.4
3	20.6
4	19.3
5+	16.2
Live with children age 5 and under:	
Yes	19.2
No	17.1
Death of parent or guardian as a child:	
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 ^a
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

^acontrolling 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

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

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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.

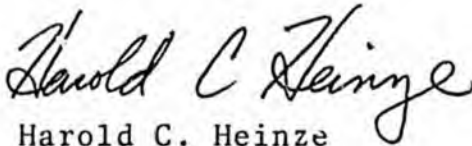
Honorable Marco A. Pignalberi
Page 2
December 23, 1985

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 LEGISLATIVE 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						
TOTAL OPERATING	0	331.9	337.7	354.7	354.9	359.9

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

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

FUNDING : (Thousands of Dollars)

GENERAL FUND		331.9	337.7	354.7	354.9	359.9
FEDERAL FUNDS						
OTHER						
TOTAL	0	331.9	337.7	354.7	354.9	359.9

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 Phone : 465-2720
 Division : Administrative Services Date : 02/06/86
 Approved by Commissioner : Jim Robison Date : 02/06/86
 Agency : Labor

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 Labor Economist II		No. of Positions	Range/Step 16/1	Range/Unit 60	Gov.	Approv.	Usage
Line Status PFI	Staff Months 12.0	RP Number		Location Juneau	Election District	Leg.	
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:							
<ol style="list-style-type: none"> 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.							
Type of Expenditure		Amount					
1	2	3					
Salary	33,660						
Benefits	10,779						
Premium Pay							
Other							
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. E. Match 1003					
		General Funds 1004		54,039			
		I A Receipts 1005					
		Program Receipts 1028					
		CIP Receipts 1061					
		Other					
For H&M Use Only							
Key Number							

**Request For
New Position**

Agency Labor
 BRU Administrative Services
 Component Special Services

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 Revised Date

FY 87

Position Title Statistical Clerk		No. of Positions 2	Range/Step GS	Unit GGG	Gov	Approv.	Deapp
Time Status PFT	Staff Months 12.0	RP Number		Location Juneau	Election District	Tag	
Justification							
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:							
<ol style="list-style-type: none"> 1. Update tables of economic information by resident status. 2. Load information into spreadsheets to show occupational displacement of residents by non-residents. 3. Assist in the quality control of the occupational displacement of residents by nonresident workers. 							
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:							
<ol style="list-style-type: none"> 1. Review detailed edit listings. 2. Update edit data files. 3. Call employers for clarification when necessary. 4. Correct occupational titles. 5. Prepare computer summaries of results. 							
Contractual costs for these positions include phone, training, equipment lease and maintenance and other miscellaneous items.							
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			
		FA Receipts 1005					
		Program Receipts 1028					
		CIP Receipts 1061					
		Other					
For B&M Use Only							
Key Number							

**Request For
New Position**

Agency Labor
 BRU Administrative Services
 Component Special Services

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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

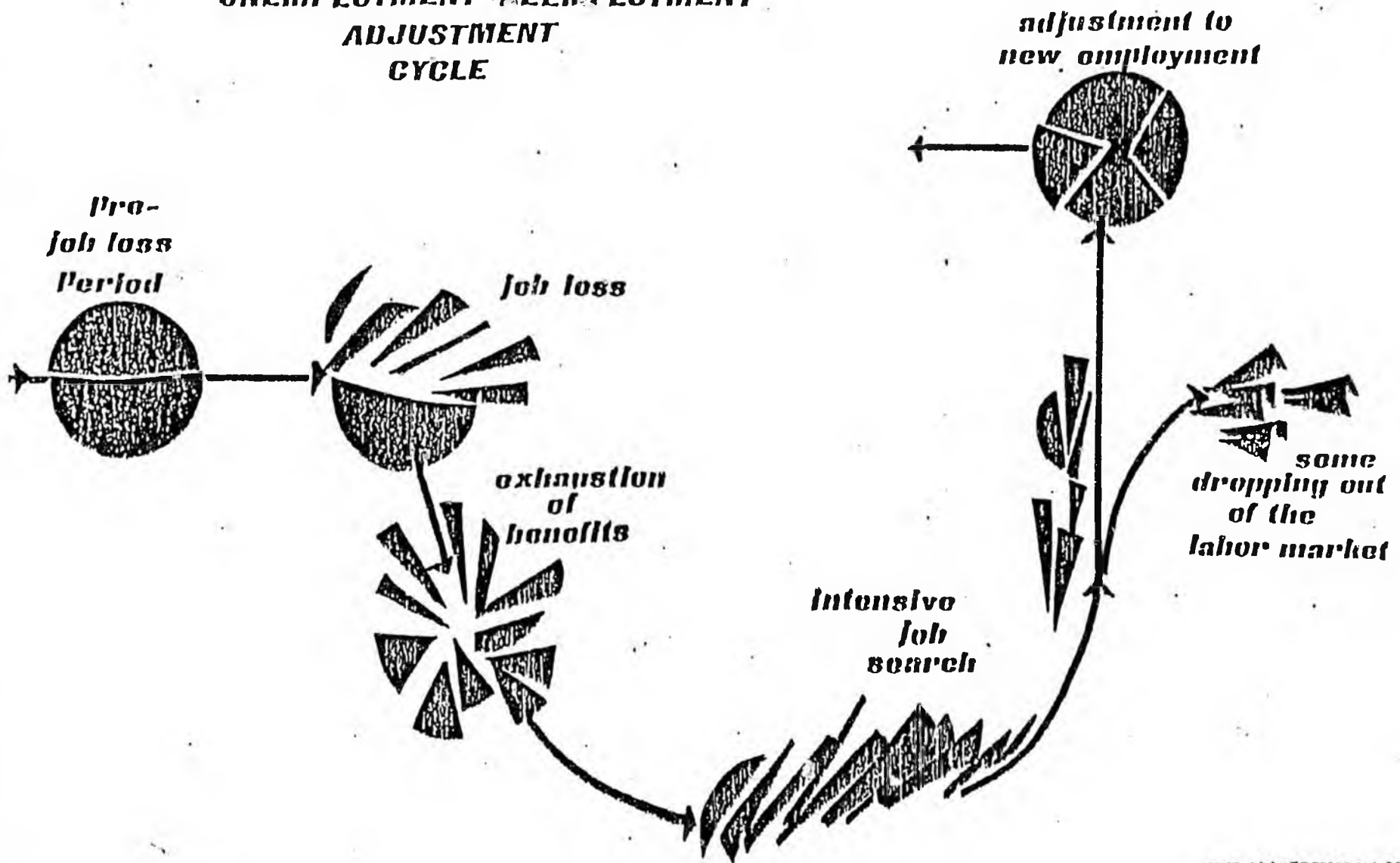
There is a need for greater coordination of services. We must begin to think about what the unemployed person needs at different points in the adjustment cycle instead of what specialized services already exist in place. Inevitably this means a breakdown of narrow professional and parochial roles.

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.

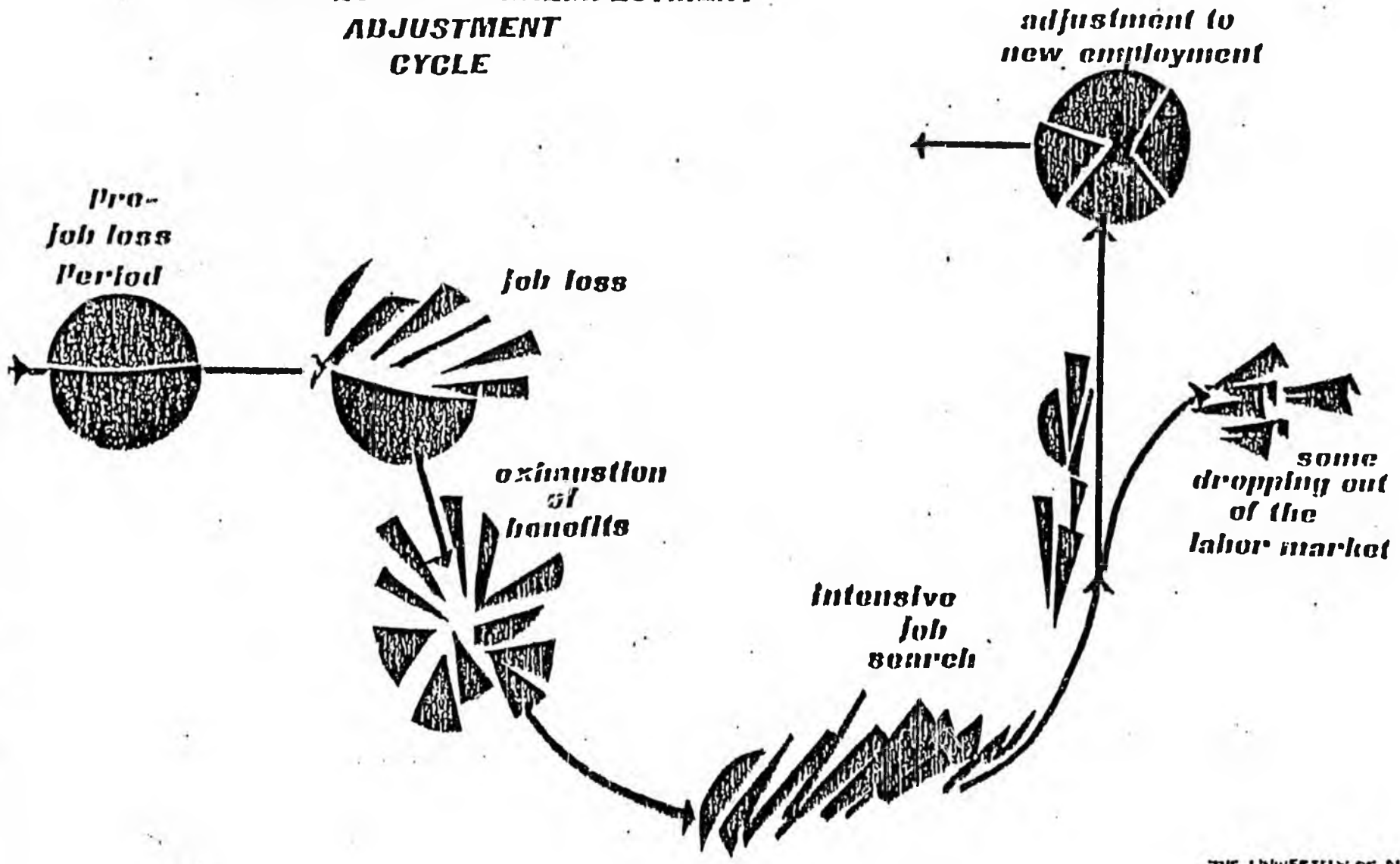
The health of workers should be recognized as a component of economic development and productivity, just as new work methods and machinery are recognized. Upgrading the quality of the work force and its productivity may indeed mean first upgrading its mental health.

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 05/11/83

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 11 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

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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

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1984

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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^{ing} 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 ^{is} 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 ~~then~~ ^{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 subsstandard 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 an ^{old} car ~~with out~~ ^{without} ~~that~~ ^{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 seen 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 date
sickness over the past 3 yrs. She has had
stomach ailments, even such as
function, 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 ^{urinary} 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 wall 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 36.10.160 - 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

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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

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	Not	419.66
Part-Time	Available	Available	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.

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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.

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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

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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						
TOTAL OPERATING	0	331.9	337.7	354.7	354.9	359.9

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		331.9	337.7	354.7	354.9	359.9
FEDERAL FUNDS						
OTHER						
TOTAL	0	331.9	337.7	354.7	354.9	359.9

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 Phone : 465-2720
 Division : Administrative Services Date : 1/29/86

Approved by Commissioner : Jim Robison Date : 1/29/86
 Agency : Labor

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.