

Making Policy for People

by Tanya Collier

I am an economic development lay person. My perspective on economic development comes from an unfortunate childhood in which my father was often unemployed because he lacked education or a vocation, or just a lucky break. I managed to graduate from high school and, after having two kids, earned a B.S. in political science and a master's degree in public administration. I have worked my entire life, starting with picking berries and beans when I was 11 years old. More recently, I have served in elective office for 11 years—seven on the Metro Council and four on the Multnomah County Commission. This personal history is part of the foundation for what follows.

I probably never would have given a great deal of in-depth study to the subject of economic development except for a for-



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titious opportunity that came my way two years ago: the Strategic Investment Program (S.I.P.). The program was designed to stimulate growth in capital-intensive industries such as semiconductors. The Legislature authorized a tax-abatement program to be implemented through counties. Each county that had this opportunity handled it in a different way. In Multnomah County we created very strict policies under which we would consider giving abatements. This entailed many lively (an understatement) discussions with economic development experts and policy makers all along the political spectrum. Also impacting these discussions was the public outcry and outrage against what they perceived as "corporate welfare".

My way of looking at economic development flows from both my background and my involvement with the S.I.P. I am referring to the marriage of economic development and social services. Tax incentives can be exchanged for contracts that promote good public policy. For example, in exchange for a tax abatement a company will agree to create a significant number of full-time, career-tracked jobs with health benefits and continuing education opportunities.

Historically we have used tax incentives to promote economic public policy. In the case of negotiations with Fujitsu and LSI Logic microelectronics companies, we used the tax abatement to promote social as well as economic public policy. The Board of County Commissioners insisted on receiving a clear public benefit in exchange for the abatement. We were willing to reward companies for committing to hire a narrowly targeted population that included welfare recipients, the unemployed, the under-employed, and school-to-work students. We wanted companies to take the long-term view and invest in our local people. Our goal was to put at-risk families to work in good jobs in order to reduce their reliance on social services and break the cycle of poverty. We had to have contractual guarantees not only because of the public's skepticism but because we had to be able to rely on the

contract while putting the necessary workforce readiness building blocks in place.

A number of barriers have traditionally prevented our targeted population from obtaining or keeping jobs. People can't go without income while they are being trained. Most people need help with housing, child care, and transportation until they get settled. Additionally, many of our targeted population need encouragement and confidence to get started.

Although guaranteed, full-time, career-tracked jobs with health benefits was our number one goal, there are other benefits that make strategic investment contracts attractive—such as strong environmental requirements, local procurement of goods and services, and continuing educational opportunities. Public benefit can be in accordance with the values, needs or desires of a specific community.

"The economy has plenty of jobs." We heard this repeatedly during public testimony. An *Oregonian* editorial addressed it most succinctly:

There's a politician giving a speech at a banquet... and here's the waiter serving one of the attendees. The politician says: "The current recovery has created over 7.8 millions jobs." The waiter says: "And I've got three of them."

Numbers of jobs are simply not the issue; quality jobs are the issue. We wanted to use tax incentives to develop a workforce that could be sustained and, in turn, sustain companies' ability to grow as well as ride the ups and downs natural in any economy.

In 1984 we had a recession and in 1997, prosperity. The question is: how do we keep a healthy economy instead of just reacting to an unhealthy one? The answer is, we have to continually build toward prosperity through investment in both our human and business resources.

As I began to put this philosophical direction together with my own childhood circumstances, it became clear to me that it wasn't necessary to make a large wage, but it was necessary to make a steady wage with the ability to move up if you chose to

work hard. Our family could have budgeted if we could have counted on 40 hours a week; if we could have had some help retraining my step-father when he cut off three fingers in an industrial accident; if someone could have cared for my two sisters and me so my mom could have gone to work; if education or vocational training would have been a possibility or priority for my mother and father's parents. Unfortunately, three decades later we are still struggling with some of these same issues.

Numbers of jobs are simply not the issue

The public's opposition to tax dollars being used for economic development came through loud and clear during the recent city/county meetings. When participants were asked where the cuts mandated by Ballot Measure 47 should be made, economic development was their first choice. Government must do a better job of demonstrating to citizens the benefits of their investment. Cutting economic development when it is finally beginning to pay off is very short-sighted. The economy must be able to "ride the waves". A changing economy is something we should take for granted. We need to learn from our recent experience: the timber industry is out. The need to lessen our dependence on timber should have been evident and acknowledged long before the industry was in crisis. Microelectronics are in for the time being. Even if the semi-conductor industry does not turn out to be permanent, it is certainly a good transition industry and well worth maintaining at a yet-to-be-determined level. It is also our opportunity to put a workforce readiness infrastructure in place so we can begin to "grow our own" world-class work force.

Although we need an ongoing commitment to economic development, we also need to improve our skills at matching the existing and potential workforce to job opportunities. In the past we have given people welfare, health cards, and food stamps. What we have never done is to treat the range of social service programs as only a temporary solution, while matching individuals to a continuum of opportunities. If we get people

ready to work and give them the opportunity to work in accordance with the principles outlined in this article, they will gladly work. Tax incentives provide a real-world test for the theories about the unemployed, the underemployed, and welfare-to-work programs.

The use of tax abatements as business incentives for capital-intensive industries is still new. Two years ago Multnomah County negotiated back-to-back abatements with Fujitsu Microelectronics and

targeted population (such as child care, housing and transportation), good wages and benefits, environmental protections, and local procurement.

A downturn in the microelectronics industry delayed the first wave of hirings at both companies. The County readily agreed to the temporary delays for practical reasons. LSI Logic is now back on track, but Fujitsu has decided that it wants out of the agreement. I am currently negotiating an end to the contract with Fujitsu.

The Board of Commissioners needs to meet several goals before this can happen. First, the experiment must be cost-neutral to taxpayers. Second, the use of tax incentives as a public-policy tool must not be jeopardized. Third, we must maintain the environmental protections and continue to develop an aggressive local procurement program. Fujitsu and the county are pleased both with the success of the child care, transportation, and housing programs.

Can one 15-year agreement in Multnomah County carry the whole weight of marrying social services and economic development? We won't know until LSI Logic opens its plant late this fall and the first wave of new hires are evaluated.

I understand why the public is critical of tax incentives. Government has not done a good job of communicating economic development policies to the public. There appears to be no link between the collective mind of the taxpayer and the idea that tax incentives for companies are supposed to result in benefits to employees and their families. Government needs the latitude to try new public/private approaches to keep the economy steady. Tax incentives used judi-



quality jobs are the issue

LSI Logic. As chief negotiator, I insisted on tight, state-of-the-art contracts that captured the Board of Commissioners' policies regarding hiring from a targeted population for a guaranteed number of jobs, removal of traditional barriers to the

ciously to further public policy are a good public/private endeavor as well as a wise use of tax dollars.