

OCE Response to

Economic Analysis of Oregon Corrections Enterprises

ECONorthwest

January 2018

This report was commissioned by Oregon Corrections Enterprises (OCE) in 2016 and used data from 2015. The report has three main sections: 1) Executive Summary, 2) Economic Impacts of OCE on Oregon's Economy, and 2) Labor Market Outcomes Analysis. Section 2 looks at the direct, indirect, and induced impacts by exploring three scenarios: a) no crowding effect, b) partial crowding effect, and c) total crowding effect. Section 3 compares those who participate in OCE programs to those who do not by using statistical and multiple linear regression analysis.

Section 1 and 2:

The primary conclusion of the Executive Summary concerning the economic impacts of OCE on Oregon's economy is that "OCE has a net positive effect on the economy. This net positive impact is due to a high share of local production and supply chain purchases that occur in Oregon....OCE's net positive short-run impact in Oregon's economy are due, in part, to the high share of Oregon businesses and labor supported by OCE supply-chain purchases. We also find that the potential job displacement is small or offset by purchases in OCE's supply chain that support local jobs."

2018 OCE Response: OCE's purchasing philosophy is to purchase locally first. If an Oregon manufacturer is not available, then OCE looks next at Oregon distributors. Finally, OCE looks outside the borders of the state, focusing on American companies before looking outside the borders of the country.

In the analysis (the body of the report) of the economic impact of OCE on Oregon's economy concludes that "Scenario 2: Partial in-state crowding out" is the most likely of the three scenarios.

- In this scenario, the purchasing practices of OCE are compared to that of the private sector. The report states, "If OCE operations were to cease, some of that production would be replaced by in-state businesses...while the rest would be imported to Oregon to meet the demand for those services. Those imports represent direct-impact economic leakages – economic activity that is lost to Oregon." The analysis estimates the leakage would be equivalent to 40 percent of the value of OCE production for 2015, or approximately \$7.8 million.
- The report notes that most of OCE production stays within the state of Oregon. Because the majority of OCE products are sold locally, the report concludes that **"For every million dollars produced by OCE, \$690,800 is re-spent along the supply chains in the state, compared to \$346,500 for private sector counterparts in the competitive scenario."**
- **"OCE production results in higher private sector employment (up to 81 jobs).** OCE direct employees are primarily management and executive-level jobs, while the private sector includes low-skill and high-skill labor. In total, OCE pays more in total wages, which has a net positive induced effect on Oregon's economy."

Section 1 and 3:

The primary conclusion of the Executive Summary concerning the labor market outcomes analysis states the “the analysis calculated labor market outcomes for inmates released from prison between 2005 and 2011....OCE participants are entering prison with higher education and also improving their education at higher rates. Still, accounting for the higher entry and exit levels of education for OCE participants, we find that OCE increases post-incarceration earnings by \$155 to \$180 per quarter, or \$620 to \$720 per year.” The report also concludes, “Although labor force participation does not always equal employment, it is indicative of higher likely employment rates for program participants.”

2018 OCE Response: In an effort to support DOC education programs and increase participants’ successful completion rates, OCE Certification Program qualification criteria includes possessing or actively pursuing a high school diploma or General Education Degree. This may account for the higher rates of improving education by OCE participants.

In the analysis (the body of the report) of the labor market outcomes, the data collected from the Oregon Employment Department showed the top five industry codes for the previously incarcerated workers were as follows:

- Temporary Employment Services
- Restaurants
- Automotive Repair and Maintenance
- Gasoline Stations
- Foundation, Structure, and Building Exterior Contractors.

2018 OCE Response: The OCE Offender Services Manager was assigned a task to analyze labor market forecasts (provided by the Oregon Employment Department) and identify the jobs with the highest labor market demand. OCE will then explore ways to train to those jobs if it isn’t already doing so.

The analysis acknowledges missing data from the Oregon Employment Department (OED) meaning the (OED) had no data on certain previously incarcerated workers for specific time periods. This could be due to several factors not tracked by the OED:

- Unemployment (not tracked by OED unless someone filed for unemployment)
- Attending school instead
- Self-employment
- Employed by family

The report concludes, “there is a lower probability of \$0 earned in a quarter for OCE participants, which is most likely indicative of higher employment rates for program participants.”