

Opinion

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OUR VIEW

PERS cost makes recovery harder

Oregonians don't need reminding how much worse slipping into a recession can be when they are loaded up with debt. It's a bad combination we wouldn't wish on anybody.

But Oregon's state government has brought just that sort of combination on to the state's taxpayers because of the state's \$24 billion Public Employees Retirement System debt.

The COVID-19 pandemic is not something legislators or Gov. Kate Brown anticipated. They can hardly be blamed for that. When they are making the difficult choices to cope with COVID-19, though, those choices will be tougher because of that \$24 billion hanging over the state.

Let's be clear. PERS does provide a valuable service to the state. Since 1945, it's been providing retirement benefits to state workers. They deserve good retirement benefits. Contrary to what you might have heard, the average annual benefit is about \$31,000 a year and most beneficiaries receive \$3,000 a month or less. Yes there are some crazy payouts of more than \$9,000 a month to some recipients — about 1,600 people. And we'd also rather see pension benefits work more like a 401(k) than some parts of the state retirement system.

The \$24 billion debt isn't exactly like a credit card debt. It's the money the state will have to have to meet its pension obligations in the future that it doesn't anticipate having.

That unfunded liability is covered in two ways, essentially. The first are payments from employers with PERS employees. For instance, the Bend-La Pine Schools makes payments to cover the PERS benefits of its employees. Employers are paying a contribution rate of about 25% of payroll or about 18% of payroll because of money they are earning off side accounts.

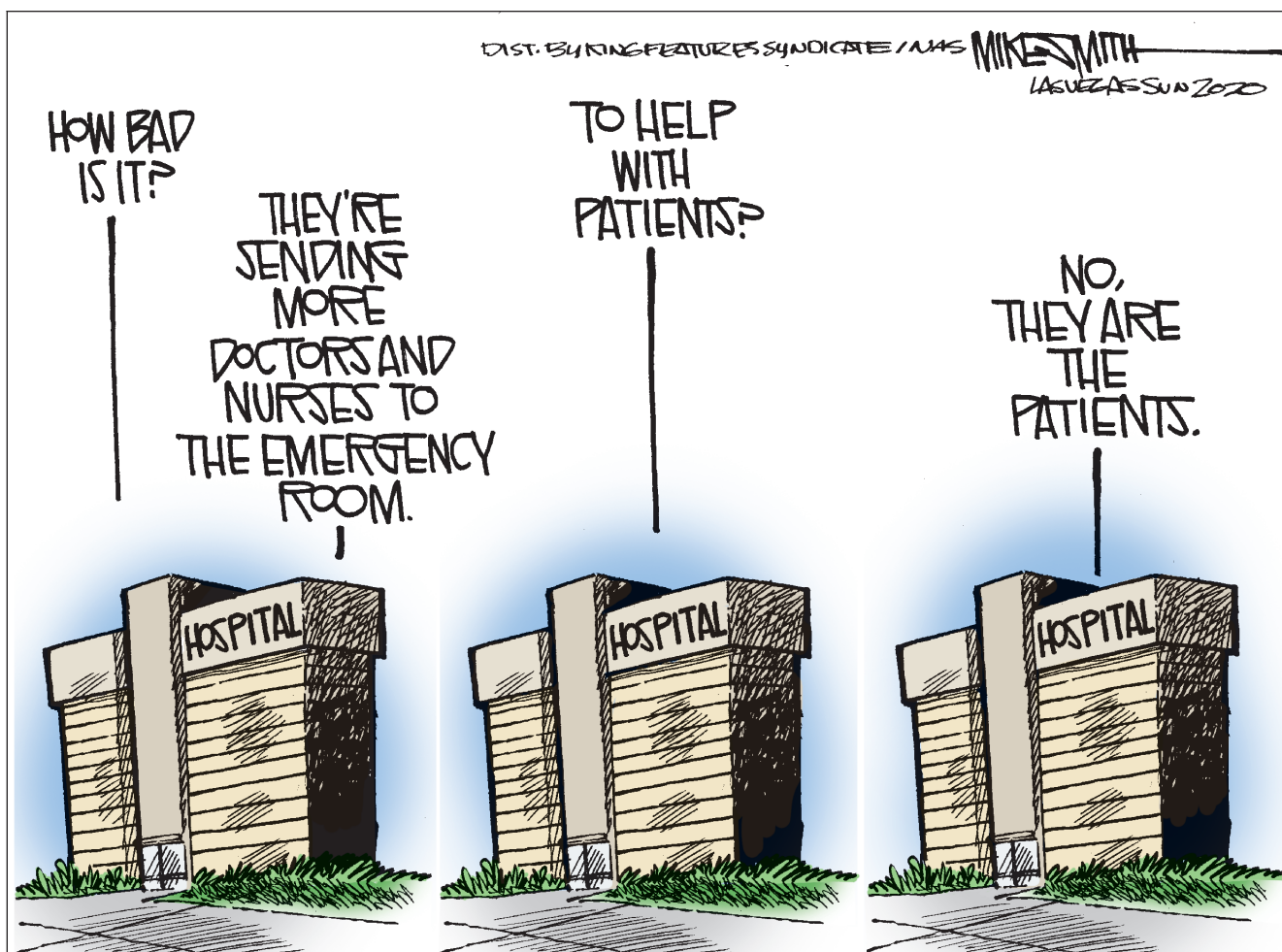
That's a big chunk of money and it may well get bigger. That's because the other way that unfunded liability is covered is from the performance of state investments. Investment returns provide about 75% of the money to pay PERS benefits. What just happened to the stock market? It plummeted. The PERS board had assumed the rate of return on its investments would be 7.2%.

Will the market come rushing back up? Let's hope so. Because if investment returns are low that \$24 billion unfunded future liability, will grow. School districts, local governments and state governments will have to pay even higher percentages of payroll just to cover PERS benefits. And that will mean less money for school supplies and computers, less money to pave roads and — less money to pay state expenses from the COVID-19 pandemic.

The PERS reforms passed by the Legislature and signed by Gov. Brown in 2019 were a step in the right direction. Those reforms, though, achieved most of their savings by putting off when the PERS debt would be paid.

How bad do things have to get before legislators do more to address the PERS debt? To put the state on better financial footing to handle a crisis? We know Gov. Brown and lawmakers have a more immediate emergency to deal with now. That \$24 billion just makes it harder.

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Flexible work could continue

COVID-19 has, to put it mildly, altered our way of life. Most of these changes — like only leaving the house for essential reasons and staying at least 6 feet away from nonfamily members — will quickly dissipate.

But some changes could stick around, at least in part, for the better. Hopefully we'll all wash our hands more regularly than we did before. Some people will probably stick with their daily walks outside, or keep checking in on elderly neighbors.

And there's one other potential benefit to many workers: a shift toward more flexible work schedules and increased telework.

Most businesses have been forced to close their doors and limit their operations to what can be done remotely.

This is obviously easier for some businesses than others. But many businesses and individuals, as part of a services-dominant economy that has experienced rapid growth in technology, have been able to continue working remotely, at least in part, even amid citywide and statewide shutdowns.

Prior to COVID-19, remote work and increased workplace flexibility were already on the rise in the U.S. This was due in part to improvements in technology that make such arrangements possible.

But worker demand was also a driving force. According to a survey by Zenefits, 77% of workers say flexible work is a major consideration in their job searches, and a FlexJobs survey showed that 30% of workers have left a job because it didn't provide flexible work options.

And 51% of people who enjoy the flexibility of freelance work (including the self-employed, contractors, gig workers and other independent workers) say that no amount of money would definitely cause them to give up freelancing for traditional employment.

Parents especially value workplace flexibility and work-family balance —

RACHEL GRESZLER

even more than salary and benefits — with over 80% of parents listing these as their most important factors in a potential job.

And as an increasing number of workers find themselves caring for aging baby boomer parents, they too want increased workplace flexibility. According to 2019 Freelancing in America Report, 10.5 million workers (18% of all freelancers) say they freelance because their family obligations prevent them from working for a traditional employer.

Flexibility is also extremely important — often essential — for individuals with health issues or disabilities. According to the same Freelancing report, 11.4 million workers (20% of those who freelance) say that their health condition prevents them from working for a traditional employer. But they are able to perform flexible freelancing jobs.

Fortunately, employers are responding to workers' desires. According to a 2019 Survey of hiring managers by USA Today and LinkedIn, offering more flexible work schedules was the most common way employers were competing to attract workers amid the then-record-low 3.5% unemployment rate.

Yet many employers remain skeptical of flexible and remote work for a number of reasons.

For starters, there's innate value in face-to-face interactions with co-workers, and that's not going to change. If anything, the current situation has clarified the difficulty of performing certain functions remotely, and the value of personal interaction.

It can also be hard for certain employers to monitor workers' productivity when they don't see them in the office or know when they are working. Some workers are more productive

with flexible and remote options, while others do better with structure, which can make it hard, particularly for large employers, to make flexibility and telework uniformly available.

Today's forced telework experience provides an opportunity for workers to prove if they can maintain their productivity and responsiveness from home, and an opportunity for employers to learn what type of work can be done remotely, and what is still difficult or impossible.

In many cases, what was difficult or impossible before is now possible because businesses have been forced to adapt and implement new technologies.

Some of those changes will stick, and some won't. But one benefit of forced remote work could be an increase in workplace flexibility and teleworking options.

There will be some costs for employers of implementing such policies, yet the benefits could be significant. And not just for individuals and employers — but for the entire economy, because it can mean more individuals participating in the labor force.

That's a triple-positive-whammy for the economy because it means more output, higher incomes and that workers can keep more of what they earn because fewer taxes are needed to support government safety net programs.

COVID-19 has brought tragic losses of lives and enormous economic disruptions. But it will likely also result in life-saving and life-improving changes in medicine and lifestyle.

A potential silver lining could be increased workplace flexibility that could help many Americans — particularly individuals with disabilities and caregivers — better manage, and enjoy, both their work and personal lives.

Rachel Greszler is a research fellow in economics at The Heritage Foundation (heritage.org).

OTHER VIEWS

Editorial from The San Diego Union-Tribune:

Of course, scammers are trying to take advantage of the coronavirus pandemic, but common sense is a powerful tool to avoid getting ripped off. If something sounds too good to be true, it probably is.

A Tuesday story in Business Insider warned about people getting social media requests from official-sounding senders to provide personal information, purportedly to allow them to quickly get the up to \$1,200 that is being given to eligible Americans in coming weeks under a recently

enacted economic stimulus law. The story also reported some people were being mailed fake stimulus checks that they were told would only be valid if they called a specified number and provided personal information.

A Wednesday story in The San Diego Union-Tribune explained how texts purporting to be from Costco "offer" its members "freebies," a "stimulus check" or a "stimulus package" if they click on a hyperlink that the FBI says may lead to ransomware, malware or other fraudulent methods to steal identity, financial or personal information.

In another example, a Wednesday story in the Washington Post revealed how con artists are using email, phone calls and the internet to sell bogus remedies for coronavirus, including "special toothpaste." There are no over-the-counter or mail-order products available to treat or cure the virus now. If and when there are, that will be huge news.

Everyone should be leery of these scams and warn family members and friends about their prevalence. Shame on anyone using an emergency of this magnitude to exploit scared, vulnerable people.

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Oregon Legislature: Legislative documents and information are available online at www.leg.state.or.us.