



June 11, 2012

Office of Information and Regulatory Affairs
Office of Management and Budget
Attn: Mabel Echols
NEOB, Room 10202
725 17th Street, NW
Washington, D.C. 20503

Re: Docket ID OMB-2010-0008

To Whom It May Concern,

The American Forest & Paper Association (AF&PA) welcomes the opportunity to submit comments to OIRA regarding whether and how federal agencies should evaluate employment changes when analyzing the costs and benefits of major regulations. For reasons cited below, AF&PA strongly urges that government agencies make every effort to consider job displacement caused by regulation when estimating the costs and benefits of federal regulations.

U.S. manufacturers must compete in a global marketplace with the highest corporate tax rates in the world and very high regulatory costs. Therefore, it is vital that regulations be balanced and truly cost-effective in order to help keep U.S. manufacturing competitive and to preserve and create jobs.

AF&PA is the national trade association of the forest products industry, representing pulp, paper, packaging and wood products manufacturers, and forest landowners. Our companies make products essential for everyday life from renewable and recyclable resources that sustain the environment. AF&PA strongly believes that true long-term sustainability rests on three interdependent pillars: economic, social, and environmental. Each pillar influences or is dependent upon the others, and business practices that support them often address more than one, often all three. While each of the three pillars of sustainability is important and interdependent, economic sustainability, including the preservation of jobs in local communities, is absolutely essential to the successful pursuit of overall sustainability.

The forest products industry accounts for approximately 5 percent of the total U.S. manufacturing GDP. Industry companies produce about \$190 billion in products annually and employ nearly 900,000 men and women, exceeding employment levels in the automotive, chemicals and plastics industries. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 47 states.

Research by the Economic Policy Institute¹ indicates that for every 100 jobs in the paper industry, 325 additional jobs are supported in supplier industries and in local communities due to the re-spending of wages. The research also shows that 100 wood products industry jobs supports 225 jobs outside the industry.

Unfortunately, these important contributions are challenged by the wave of regulatory proposals that cumulatively could cause crippling economic impacts just as our industry and the national economy are struggling to recover from the recession. Since 2006 when the housing downturn began, the forest products industry has lost about one-third of its workforce – some 420,000 good paying jobs, largely in small rural communities that can least afford to lose them.

The forest products industry is just one case in point. With more than 12 million Americans currently unemployed and the U.S. unemployment rate hovering above 8% for an extended period of time, it is imperative that the full economic, health and other costs associated with unemployment be factored into benefit-cost analyses for economically major regulations.

Job losses result in a host of costs to both workers and society. For individual workers and their families, these costs include lost wages, the deterioration of jobs skills, relocation expenses, the costs of job retraining, and potentially higher health care costs due to increased illness and/or reduced psychological well-being.

Recent research indicates that the financial impacts of job losses are much larger than previously thought. For example, a paper by Professors Masur and Posner notes that “an average worker who loses his job in a mass layoff will suffer earnings losses of more than \$100,000 over the rest his life, plus a host of non-monetary costs such as increased mortality and unhappiness.”²

Another research paper prepared by Steven Davis and Till von Wachter found that the present value of future earnings is reduced by an average of 11% for men with three or more years on the job who are terminated as part of a mass layoff.³ If the layoff occurs during a recession, future earnings are reduced by a daunting 19%, or about three years of earnings at the pre-layoff level.

¹ See “Updated Employment Multipliers for the U.S. Economy,” Josh Bivens, Economic Policy Institute, August 2003.

² “Regulation, Unemployment, and Cost-Benefit Analysis” by Jonathan S. Masur and Eric A. Posner, John M. Olin Law & Economics Working Paper No. 571 (2d Series), Public Law and Legal Theory Working Paper No. 359, The University of Chicago Law School, August 2011.

³ “Recessions and the Costs of Job Loss,” Steven J. Davis, Chicago Booth School of Business; Till von Wachter, Columbia University, September 12, 2011 (paper prepared for the Brookings Papers on Economic Activity).

Recent research on the adverse health impacts associated with unemployment also reach striking conclusions. For example, a paper in the *Journal of Social Science & Medicine* found that the risk of death for unemployed people was 63% higher than for employed persons.⁴ Other research has concluded that symptoms of depression and anxiety were significantly greater in the unemployed than the employed. Moreover, unemployed men took more medications and visited physicians significantly more often than their employed counterparts did.⁵ Adverse vascular changes also have been documented in individuals who lose their jobs late in their careers but prior to voluntary retirement.⁶

The Masur-Posner paper shows that accounting for the costs of job displacement by regulation can change the outcome of benefit-cost analyses. For example, they examine air and water standards for the paper industry under EPA's "Cluster Rule," which appeared to be well justified under EPA's BCA. However, those regulations failed to pass muster under benefit-cost analysis after the costs of job displacement were factored in.

In light of these considerations, we offer the following recommendations:

- Benefit-cost analyses for major rules should analyze the job displacement effects of economically significant rules, monetize those impacts to the extent feasible, and incorporate them into the BCA.
- The distributional impacts of job displacement by regulations, while outside the traditional benefit-cost framework, should be described in the Regulatory Impact Analysis and considered by the relevant policy-making officials along with the costs of job displacement.
- Analyses of the job displacement effects of regulations should be performed by an independent governmental entity (perhaps housed at the Commerce Department's Office of Manufacturing and Services) rather than by the agency developing the regulations. Having the analysis conducted by an independent entity will foster impartiality and promote the development of expertise in state-of-art methodologies

⁴ See David J. Roelfs, et al., *Social Science & Medicine*, Volume 72, Issue 6, March 2011.

⁵ "Effects of Unemployment on Mental and Physical Health, Margaret W. Linn, et al., *American Journal of Public Health*, 1985.

⁶ W.T. Gallo et al., "The Impact of Late Career Job Loss on Myocardial Infarction and Stroke: A 10 Year Follow Up Using the Health and Retirement Survey", 63 *Occupational & Env'tl. Med.* 683, 683 (2006)

for conducting the analyses. The independent entity also could build a public data base/suite of models to facilitate the job impact analyses and promote transparency.

- OMB should prepare, and take public comment on, best practices for conducting employment impact analyses relating to regulations. As an alternative to the government producing the information, OMB should allow affected industries to supply their own data and analyses for the government to use.
- Employment displacement costs should be calculated in as transparent a manner as possible. In particular, they should not be based on models or data to which the public will be denied access to or the right to comment. Models and data used to perform job impact analyses should be as up-to-date as possible so that the findings are consistent with current economic realities.
- For highly regulated industries, consideration should be given to the cumulative impact of all regulations that have been imposed or materially altered during the past ten years.
- Additional analytical efforts and fact finding (including collection of up-to-date data) should be devoted to analyzing the potential job displacement in disproportionately impacted industries, such as industries facing foreign competition from nations with lower regulatory compliance costs. Here, it is critical that the analysis be done using data relevant to *that particular industry*, not an aggregation of data from disparate industries that bears little or no relevance to the industry at issue.⁷

Thank you for taking the time to consider these recommendations.

Best regards,

Paul R. Noe
Vice President for Public Policy

⁷ See, e.g., Masur and Posner, "Regulation, Unemployment, and Cost-Benefit Analysis," at 10-11.