

# MAKING TENNESSEE COMPETITIVE: JOBS PRIORITIES AND THE IMPORTANCE OF WORKERS' COMP REFORM

**We're finding it harder and harder to compete with neighboring states where workers' comp costs are, in most cases, much lower.**

**by Governor Phil Bredesen**

**There are a few everyday practices in the business world that can help encourage economic development if we apply them properly.**

*Speech given on January 15, 2004, to the Tennessee Industrial Development Council (TDIC)*

**I**t's a pleasure to join you today. A strong business community and network of economic-development professionals really are at the heart of the efforts to make Tennessee a great place to live, work, and raise a family. The Tennessee Chamber and the TDIC are linchpins in our success.

About this time last March, I was standing before many of you just 18 hours after presenting my first budget to the General Assembly. We were in the middle of a budget crisis. We had to make cuts that were uncomfortable and, in some cases, even painful.

But at a time when many states found themselves gridlocked in drawn-out debates over taxes, we ended up putting our budget to bed without much controversy. It was a testament to strong cooperation between the executive and legislative branches.

Fast-forward to the present: We still face serious issues on the horizon. But I'm proud to say that, working with the General Assembly, we're making enormous progress moving the state toward sound fiscal footing.

We're working to maintain a stable business environment by keeping the state's fiscal house in order. And we're renewing last year's focus on teacher pay because we know education is the key to building the skilled workforce that we need to create more jobs.

This year, I'm looking forward to working

with both speakers, Governor Wilder, Speaker Naifeh, and the entire General Assembly to continue down a path of progress.

As many of you know, I've always been convinced that the real remedy to our budget issues lies in the economy. It all boils down to simple math.

When we recruit new businesses and new jobs, we gain more resources at the state level. When employers thrive, working families get a better shot at affordable health care. That helps them get off programs like TennCare. And the list goes on.

So today I want to talk about jobs. And I want to talk about what we can do to create more jobs across Tennessee in 2004. There are a few everyday practices in the business world that can help encourage economic development if we apply them properly. Let me take them one at a time. Then I'd like to talk about what changes we can make to encourage new investment.

First, we've got to take a constant inventory of our economic assets and make smart decisions that play to our strengths.

Last year our state fought back against mass layoffs by creating more than 26,000 new jobs. By the end of 2003, job creation actually outpaced job losses by about 4,600 positions. That may not seem huge. But considering that we ended the previous two years in negative territory, it certainly represents progress. It's also a real accomplishment when you look at how

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other states around the country finished last year with net losses.

I'm optimistic our trend will continue this year. As the broader economy begins shifting in the right direction, we're fully focused on taking advantage of it. Now is the time to build and expand and recruit. To do it, we've got to be responsive. That brings me to my second point—making sure government is providing top-notch customer service.

Government, just like a business, has its customers. Our customers are the taxpayers, both citizens and businesses. We need to do everything in our power to help businesses create more jobs for our citizens.

We're trying to address these issues through efforts like FastTrack, a new initiative aimed at cutting red tape for potential investors. We're also offering custom job-training programs. And we're taking a more streamlined approach to infrastructure grants. In terms of general customer service, we're tackling small and medium-sized projects with the same gusto as the large ones. And we're not going to forget existing businesses.

Still, all the talk about inventory and customer service doesn't mean a thing if we're not able to back it up with meaningful policy decisions—which brings me to the most important point I want to make today.

We need to get serious about cultivating a climate that encourages—not discourages—business investment. Specifically, I'm talking

about workers' compensation. And I'm talking about making sure that we're truly competitive with our neighboring states.

Over the years, we've all heard the horror stories about Tennessee's workers' comp system. Studies show our per-worker costs are among the highest in the region. Not only that, but it takes far longer for our injured workers to get paid.

Last year, the nonprofit Workers' Compensation Research Institute in Cambridge said our system is, and I quote, "unlike any other system" they have ever studied. And they didn't mean it in a good way. We're the only state in the Southeast that doesn't require some form of an administrative review of workers' comp claims. We've got a confusing and inconsistent method for determining disability benefits. We've got no medical fee schedule to help contain costs. And the list goes on and on.

Businesses say workers' comp is hurting their bottom line. As a result, it's also hurting our efforts to recruit and retain jobs. We're finding it harder and harder to compete with neighboring states where workers' comp costs are, in most cases, much lower.

The situation is particularly acute in the manufacturing sector—part of the lifeblood of Tennessee's economy, especially in rural areas. In many of our state's smaller communities, manufacturing provides the jobs that offer the highest wages, the best health benefits, and the best retirement options. It provides the jobs that keep people working closer to home.

Unfortunately, that lifeblood has been thinning over the past several years. The National

Association of Manufacturers says Tennessee has lost 77,000 manufacturing jobs, a 16 percent decline, since the summer of 2000. Most of those losses were in rural areas. And most of those jobs are gone for good.

Clearly, some of this loss is part of the overall shift in our economy as certain jobs move overseas. But there are other sectors of manufacturing that are poised on the brink of reinvestment and recovery.

When I talk to manufacturers around the state, many of them are optimistic about the possibility of expanding the job base in Tennessee. But there's still one common theme we hear over and over again: something has got to be done about workers' comp.

In Tennessee, the examples of missed opportunities are compelling. Over the past few years, automotive supplier Dana Corp. has added 3,000 new jobs in Kentucky but none in Tennessee. Not a single job. Dana officials place the blame squarely on our worker's comp system.

Last year alone, Dana said, per-man-hour costs at its West Tennessee site were nearly 10 times higher than they were in Kentucky, even though the West Tennessee facilities employ about the same number of people, use the same manufacturing process, and have nearly the same accident frequency rates. Dana isn't alone.

Last spring East Tennessee made the short list for a Z. F. Lemforder plant that would have employed more than 100 Tennesseans. But in the final analysis, Z. F., another top parts supplier, instead chose to go to a neighboring state. Again workers' comp was cited as a leading factor.

In middle Tennessee, American Seating says it's under-utilizing the capacity in its Winchester plant, in part because workers' comp costs there are four times higher than they are at the company's Michigan facilities. The list goes on and on and on.

That's why today I'm issuing a "call to action" to tackle Tennessee's workers' comp issue. We need to do something about it this year.

For starters, I'm asking Governor Wilder and Speaker Naifeh for their help. Today, I'm calling on them to mobilize the General Assembly's ad hoc committee on workers' compensation. This panel has been instrumental in shaping the workers' comp debate in the past. Moving forward, it will be critical.

In keeping with our efforts to cooperate on a whole range of issues, I'm also asking the speakers to bring in key members of my team to consult with the committee in a special advisory capacity. Those cabinet members are Commissioners Kisber, Neeley, Flowers, and Goetz.

Let me be clear: I don't want this to be just

another blue-ribbon panel. This is an issue that I want addressed in short order this year. If we're serious about creating jobs, we need to act on something by the end of this legislative session. Bottom line: let's sign a bill into law this year.

This effort is also going to require innovative thinking and commitment from the business community. Today, I'd like to challenge each person in this room to go back to your organization or to your business and begin the process of making your own case in favor of workers' comp reform.

If we're going to achieve meaningful reform, you have to be willing to step forward with hard data and real numbers, not anecdotal information. You will have to make your case to the General Assembly and to the workers of Tennessee.

Finally, it's my hope and expectation that any dialogue on workers' comp will be a civil debate. I don't want to see this turned into an ideological issue. I have supporters in labor who know that I am absolutely committed to maintaining good working conditions in our factories, warehouses, and offices across Tennessee. These are sensible people who realize that we can't afford to be too far out of step with our competitors.

At the end of the day, they know this is not about big business versus labor. It's also not about insurance companies versus trial lawyers. And, most certainly, it's not about Democrats versus Republicans. This is about jobs, pure and simple. If we're serious about staying competitive with our neighboring states, we need to at least be in the same ballpark when it comes to workers' comp. I'm absolutely convinced of this.

In the year since I took office, I've given a lot of speeches. Whenever I talk about the economy, there's one thing that I always try to emphasize: the wealth of our state is not in our State Capitol. It's in the hardworking Tennesseans who have good-paying jobs with good futures. And it's in the businesses that employ them.

I want you to know we're staying focused on better management of state government. And we're staying focused on jobs. As the economy bounces back, I feel confident we'll have the resources it takes to educate and to protect and to help those who are less fortunate.

Please know that you always have access to me and my team. And know that we're working as hard as we did the day I took office last year. You have my word: we'll keep working hard until the day we leave.

I appreciate the opportunity to join you today. I look forward to working with all of you to make this great state even greater in the months and years to come. Thank you. ■

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