

“Unintended Consequences: Is Government Effectively Addressing the Unemployment Crisis?”

*Testimony of
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D/B/A
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**Before the
Committee on Oversight and Government Reform –
Subcommittee on Economic Growth, Job Creation,
and Regulatory Affairs**

United States House of Representatives

The Honorable Jim Jordan, Chairman

The Honorable Matt Cartwright, Ranking Member

Chairman Jim Jordan and Ranking Member Rep Matt Cartwright, thank you for inviting me to testify today. My name is Stacey Reece; I am Co-owner of Gainey-Reece Associates, Inc. d/b/a Spherion Staffing and Professional Recruiting. Spherion Corporation is a national staffing and professional recruiting franchisor. Our exclusive geographical market is Northeastern Georgia and Western North Carolina. Our main office is in Gainesville, Georgia located one hour north of Atlanta and just a few miles south of the Appalachian Mountains. You might say we have the best of both worlds being located so close to one of the nation's largest cities and at the foothills of nature's most beautiful mountains full of fishing streams, hunting, hiking, and folks that are making this country one of the best in the world.

What We Provide for Our Employees –

Spherion is a company that specializes in recruiting professionals and providing temporary staffing. We cover a large arena of recruiting. Today we currently have three branches and two onsite locations. At Spherion, the employees we provide to our clients may not meet their internal hiring criteria; therefore, we provide the employee an opportunity to work for an “employer of choice” to demonstrate that they are capable of meeting the

employer's hiring criteria. Our clients provide us basic criteria and standards to hire from that are typically less stringent than their own standards. They will then utilize the Spherion employee for the next 90 – 180 days to measure their abilities.

Clients like this arrangement because it gives them the ability to see an employee's work ethic, ability to learn, and gage their overall performance. Our clients hire us to manage a labor intensive process that allows them to focus on their core goals of delivering their product/services. Some clients that are very high volume employers invite us to establish an onsite office at their business to manage their staffing needs exclusively.

We are an Economic Barometer –

The staffing industry is one of the first business sectors to “feel” an economic downturn brewing on the horizon and one of the first to see the economy recover. We started to see the downturn in our economy as early as mid-2007 with the slowing of job orders across most all segments.

Prior to the recession we had six branches and seven onsite locations. Pre-recession, in 2006 we billed out 2.3 million staffing

hours and averaged an FTE of 1150 employees working in the field on a daily basis. During 2012 we averaged an FTE of 450 temporaries.

Clients that were hiring temporaries permanently were now keeping them temporary. Next, the clients suspended the hiring of temporary workers to replace those temporaries being hired permanently. It then escalated to waves of layoffs for temporary employees. That was followed by clients no longer needing temporaries and finally clients began the layoff of permanent workers.

Our industry was devastated much like the banking industry, the automobile industry, and the housing industry. The staffing industry did not receive any form of federal assistance during this time.

We have fourteen full-time staff members. That number is down from a high of thirty-two pre-recession. We experienced multiple rounds of layoffs with our internal staff. Most all of those laid off were able to secure some other form of employment and avoided unemployment in most all situations.

Then after reducing remaining salaries by 20%, the final round came and we were able to do a temporary layoff where one group of staff would work one week and then have the other half work the

next week. As the economy improved all of those individuals were restored to fulltime employment and eventually all salaries were restored to their original amount.

The Unintended Consequences –

Today, I would like to focus on the temporary staffing portion of our business and offer you some insight into the almost daily obstacle that our staff deals with regarding the state of crisis we find our unemployment insurance program. Let me state for the record that my testimony is not against providing a safety net for any unemployed American Citizen. What I want to share with you is the impact we see our current unemployment system having on qualified and employable job applicants.

In late 2009 when we began to see some glimmer of hiring returning to the economy; however, we were hit head on with a hurdle we did not anticipate. We had applicants applying for jobs, but only to protect their status for unemployment insurance. Applicants would use the unemployment regulations related to the reasonable percent (%) of prior pay rate vs. the lower pay rate the job opportunity offered to turn it down. The reasonable distance to travel to work was also a factor utilized to turn down a job offer. Our staff first believed that these applicants were maybe unskilled or

maybe even unemployable to begin with. As we examined more closely, we found that most of the applicants were very skilled, capable, and had been on prior jobs for several years before being laid off.

Reality –

Prior to the recession when the inventory for entry level workers was scarce, clients were willing and able to pay wages that were above the prevailing market. We have found that the unemployed who are holding out and choosing to stay on unemployment now face the reality that jobs no longer pay today what they had earned pre-2008. The unemployed will look our recruiters in the eyes and state, *[Quote] “...well I’ll just stay on unemployment...” [Un-quote]*

One of our client’s that has multiple manufacturing, assembly, and distribution facilities across the United States and employees 1000’s of employees provided the following examples:

[Quote] “We’ve actually had applicants say that they had done the math and that they were not willing to work for \$10 per hour because their unemployment check coupled with gas savings, lunch and uniforms made it more attractive to stay home. The way they saw it,

they would be working for \$2.50 per hour above what they could get on unemployment so they'd rather stay home. We also interviewed a purchasing professional recently and I asked him what he had been doing since he was laid off from his previous job and just laughed and said "nothing, I'm a 99 weeker!" We didn't hire him." [Un-quote]

And, we have heard from applicants, as well as, our clients' state that applicants have told them, [Quote] "...I have no interest in getting a job because I can live off my spouse's income until the full unemployment benefits run out..." [Un-quote]

I believe these individuals honestly have faith in that the economy will rebound and they will once again earn the higher wage that they once enjoyed.

The Impact –

The continuous extensions of unemployment have enabled people that are extremely talented and capable to work to continue to remain unemployed. These applicants are often bitter and irritated that they cannot simply go back to the pre 2008 times. Again, they are largely individuals that had advanced well in their trades during better times. In our markets, these individuals are typically in a pay range of \$9.00 – 12.00 per hour.

Once an employee is offered permanent work with our client their pay rate usually increase on the average of 8% - 10% plus benefits, paid time off, and a progression/training program all paid by the new employer. It is not only a win for the employee and employer – but a major win for our economy!

Solution –

Stop the extensions! Implement a strict graduated system that would pay full benefits up to 12 weeks and then gradually drop down every four weeks until the benefits are exhausted. At that point, if the individual is still unemployed there are other viable federal programs that could support them at that point. This would remove the cost from the employer over to other appropriate federal agencies.

Summary –

My Grandfather was a business owner when the Great Depression hit and his small general merchandise store survived although most of his cash on hand was in a bank that didn't make it. My dad labored as a manager of a full service gas station for 35 years and the final 10 years of his career as a small business owner. I have

invested almost 16 years as a small business owner. The true question today is what do I inspire my 20 year old son and my 17 year old daughter that they pursue? Do I recommend business ownership in the environment that we are currently experiencing? It may still be a few years before I can honestly answer the question from my children.

Our free enterprise market system was not based on a workforce that believed that it should be rewarded for not working or entitled to be maintained by the government. Our current state of economic affairs does not dictate that we ask our government to sustain our standard of living. It dictates that we as American Citizens reexamine our values, our wants, and our desires to realize that we must face the reality of today and adjust our life styles accordingly. I look forward to the committee members questions.

Respectfully,
Stacey G Reece
Business Owner

Profile Information

Stacey G Reece

Gainesville, GA

Stacey Reece is a 15 year veteran of the professional recruiting and staffing industry. He is co-owner of Spherion, a national professional recruiting and staffing franchise. Reece's franchised market is located in Northeast Georgia and Western North Carolina. Spherion specializes in long-term facility staffing and has an extensive track record of providing temporary employment opportunities that lead to permanent employment. The business is a member of four local chambers of commerce. Reece is also co-owner of PeopleCheck, Inc. a pre-employment screening business and Gainey-Reece Management Group, Inc. a business consulting firm.

A native of Dawsonville, GA, Reece has lived in the Gainesville, GA community since 1984. He is a 1987 graduate of the University of North Georgia with a degree in Business Management and a 1992 graduate of the University of Georgia Banking School. He served as a Vice President of the First National bank of Gainesville (NKA: Regions Bank) for almost 15 years prior to entering the staffing industry.

Realizing the importance of giving back to your community, Reece has held numerous leadership positions in various community organizations over the past twenty five years including, Board of Trustees for both Gainesville State College and Lanier Technical College; Georgia Department of Labor Employer Committee; and various other groups. He currently is a member of Gainesville Kiwanis Club and serves as Vice-Chairman of Choices Pregnancy Care Center.

Reece served two terms in the Georgia House of Representatives where he served on committees such as Health and Human Services, Industrial Relations, Economic Development, and Appropriations and held various leadership positions within the Republican Caucus. Reece was the 2005 House sponsor of the Georgia Clean Air Act that had 75 bipartisan cosponsors and passed the House Chamber overwhelming.

Reece's wife Dr. Mandy Reece, PharmD is an Assistant Professor of Pharmacy Practice with Philadelphia College of Osteopathic Medicine Georgia Campus School of Pharmacy. He has two children; son, Andrew, age 20 and a junior at the University of West Georgia majoring in accounting, and daughter, Morgan a junior at Gainesville High School and a Women's Varsity Golf stand out. The family is active members of Lakewood Baptist Church in Gainesville where Reece serves as a Deacon and has served on the Finance Committee and chaired several capital campaign drives.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

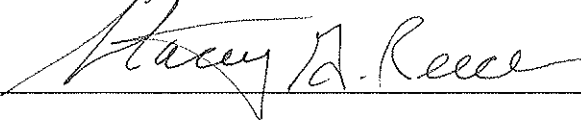
Gainey-Reece Associates, Inc D/B/A Spherion Staffing and Professional Recruiting. I am Co-owner; Vice-President and Secretary.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE

I certify that the above information is true and correct.

Signature:



Date:

2-12-2013