

Is state jobs program luring employers?

Some say they're being paid for hires they'd already planned to make.

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Lt. Gov. David Dewhurst is crisscrossing the state to promote his plan that pays employers with state tax dollars to hire unemployed Texans.

He touts it as a way for the state to save money by getting people off unemployment and jump-starting a Texas economy that many fear could be in a long, slow recovery.

"We've got to grow this locomotive called the Texas economy," Dewhurst said in February as he kicked off the \$15 million program. He already is talking about extending the nascent program during next year's legislative session, and the Texas Workforce Commission is trying to persuade federal officials to give it \$50 million in stimulus money to triple the program's size.

The program pays employers \$2,000 for each unemployed person they hire and retain for at least four months. As of Friday, 682 Texans had been hired by 421 employers statewide. In many instances, however, employers say the state is paying them to do what they would be doing anyway: filling crucial vacancies, expanding only when business conditions warrant or, in the case of high-turnover industries such as call centers, filling their constant roster of openings.

"No one has said that to me," said Dewhurst, who has made a half-dozen appearances with employers around the state promoting the program. "They've all said they wouldn't have hired the employees without the program."

The Texas Back to Work program targets low-wage workers (less than \$15 an hour) who are drawing unemployment or have exhausted their jobless claims. Dewhurst said the money is intended to be "a push" for reluctant employers to hire, not a subsidy for jobs they would be filling anyway.

"If they are going to hire a person anyway," Dewhurst said, "I don't think their application (for the money) fits."

That's not how the program appears to be working in many instances.

Robert Funk, who manages two call centers for Aegis Communications in Irving, appeared with Dewhurst at a recent Dallas event promoting the program. He said he expects to hire 2,000 employees this year.

The jobs won't be new. His business isn't expanding. The call centers are hiring in an industry in which annual turnover runs 100 to 150 percent, Funk said.

The program, however, is changing whom Funk hires. In the past, he said, he typically hired younger workers who were switching jobs. By hiring the unemployed, Funk said, he is getting an older — and he hopes a more reliable — work force.

"I like that we get some money back for hiring folks," Funk said.

Most employers may hire only one or two employees at a time. In many instances, they said they already were advertising the jobs through the Workforce Commission when they learned about the wage subsidy. Several said they hired the best candidate, not necessarily the one who would make them eligible for the \$2,000.

Rebecca Fibella, human resources manager with IESI, a solid waste company, said the company hired two drivers in the Austin area. She said the \$2,000 was "an added attraction" but that the company was hiring anyway as the economy picks up.

"We would have hired based on business need," Fibella said. "This program just coincides with what we're doing."

She said IESI's 29 locations around the state will be participating in the program.

At the Austin law firm of Hissey Kientz, operations manager Alan Thomas hired a receptionist fluent in English and Spanish. He considered 50 résumés and interviewed a dozen applicants.

Thomas said his decision was based on who was most qualified, not whether the person would match the criteria for the reimbursement.

"Two thousand dollars is not enough to make a significant difference," he said. "I'm not sure why tax dollars need to go to an employer because they hired someone they were going to hire anyway."

He said he's unsure whether the law firm will request the \$2,000 from the state.

Cheryl Fleming, human resources manager at Financial Corporation of America, has hired a couple of unemployed workers for call center jobs. She said the company was hiring anyway.

As for the \$2,000, Fleming said, "If the money is going somewhere, it might just as well go to us."

One Austin call center said it is hiring an additional 20 workers because of the program. Gila Corp. has a subsidiary that collects delinquent taxes for governments. CEO Bruce Cummings said the program allowed his company to get a jump on tax season.

"Had it not been for the program, we wouldn't have added the additional staff," Cummings said.

Karen Debbs with AlliedBarton Security Services in Austin said five officers were hired because of normal turnover. In Corpus Christi, Gordon Hightower, the owner of Willford Appliance, said he hired a receptionist because one employee quit and another is on maternity leave.

"The money was OK," he said. But Hightower said the service the Workforce Commission provided— finding suitable applicants, checking backgrounds — was more important.

James Elkins, director of Document Shredding & Storage, was the first employer in Amarillo to sign up for Texas Back to Work when he hired a driver.

"We already had an ad with the Texas Workforce Commission," Elkins said. "We were going to hire someone regardless."

The Austin American-Statesman initially expressed interest in the program but never applied for reimbursement and will not do so in the future, Publisher Michael Vivio said.

Although the Legislature created the wage-subsidy program in June, the commission rolled it out slowly, taking it statewide in February.

During that interim, as the rebound tried to take root, the state economy simultaneously began adding jobs as the number of unemployed people increased.

Since June, the state economy has added 154,000 jobs, but the number of unemployed has increased by 77,489. The unemployment rate last month was 8.2 percent, compared with 7.8 percent when the Legislature approved the back-to-work program. With \$15 million, the Texas Back to Work program can help 7,500 jobless Texans.

Tom Pauken, chairman of the Workforce Commission, said the program can only do so much.

"I'm under no illusion," he said. "This is a program at the margins."

The cratering of the national economy caused the problem in Texas, Pauken said, and it will take a national rebound to make significant improvement.

Bernard Weinstein, an economist at the Cox School of Business at Southern Methodist University, agrees.

"In the great scheme of things, it doesn't make much difference," he said.

Weinstein, who has studied similar subsidy programs in other states, said he doesn't have much faith in them. "Government usually ends up subsidizing what companies would do anyway," he said.

Texas officials conferred with John Courtney, president of the American Institute for Full Employment, before starting the program. He said wage subsidies lower employers' costs for training new workers and encourage long-term unemployed people not to give up looking for work.

"A wage-subsidy program can be a great asset for employers, job seekers and the state," Courtney said.

Pauken and Dewhurst say the program won't cost taxpayers.

"If it gets people off unemployment, the savings would pay for the program," Pauken said.

But Bill Hammond, president of the Texas Association of Business and a former work force commissioner, is lukewarm. "I'm not 100 percent sold on it," he said.

Hammond said the final verdict depends on whether the program truly saves money.

Dewhurst insists it will.

He estimated that it costs the state \$8,000 for the first 26 weeks of unemployment benefits for a worker who could be hired under Texas Back to Work.

But he admitted that the amount of the savings depends on how soon the person gets back to work.

More important, will a wage subsidy going to employers who are hiring anyway really be a savings to taxpayers?

"It's a close call," Hammond said. "It depends on whether there's a net reduction to the taxpayer."

Talmadge Heflin, a former GOP lawmaker who now is with the Texas Public Policy Foundation, a free-market advocacy

organization, generally opposes government intervention in the marketplace.

"It's a short-term deal that doesn't address a long-term problem," Heflin said. "We'd encourage them to let the economy grow naturally instead of incentivizing employers with taxpayers' money."

He said that adding more money to the pot, whether with federal stimulus dollars or more tax dollars next year, would just institutionalize the program and make it hard to eliminate later.

Dewhurst is unmoved by the criticism, saying unemployed Texans are getting jobs.

"I'm not going to get involved in second-guessing the program," he said.

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