

AOI TESTIMONY ON HOUSE BILL 2976 HOUSE BUSINESS & LABOR COMMITTEE

MEASURE: HB 2976
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AOI opposes HB 2976. The legislation effectively kills the business model of a productive and vital sector of the Oregon economy that serves the best interests of all involved – Oregonians looking for jobs, Oregon employers looking for qualified talent, and Oregon's economy.

It would be difficult to overstate how vital staffing companies are to the Oregon economy. They provide Oregonians with jobs; training; choice of assignments and work; flexibility; and a bridge to permanent employment. They also facilitate business growth and competitiveness in nearly every sector of the Oregon economy by affording Oregon employers the flexibility to access to talent when they need it.

The two provisions of HB 2976 that effectively kill the staffing company business model are the regulation of fees in Chapter 5 and the mandated wage provisions in Chapter 9.

Chapter 5 of HB 2976 appears to prohibit staffing firms from charging clients what are commonly called "conversion fees," which are designed to discourage clients from using the staffing firms as a free employment agency. These fees, which are imposed in "temp-to-hire" arrangements, cover a staffing company's cost of recruiting, screening, training, and placing applicants.

If staffing firms are barred from charging their clients a fee to cover the cost of recruiting, screening, training, and placing applicants, there is no way they could stay in business.

Certain skill sets for which staffing companies recruit are very difficult to find, and if a company wishes to engage into a contract with a staffing company to pay a conversion fee after the applicant has been on assignment for a set period of time, that is a private contractual matter. AOI opposes on principle legislation that would interfere with the ability of free parties to enter into private contracts that are mutually beneficial.

Such a prohibition on these fees charged by staffing companies would be unprecedented, as no other state prohibits them. HB 2976 effectively prohibits the way staffing companies profit and survive in the marketplace.

The wage mandates imposed by Chapter 9 in HB 2976 would also effectively kill the staffing company business model and would adversely impact Oregonians seeking work.

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Requiring staffing firms to pay temporary employees wages equal to those paid to a client's permanent employees, plus a 30% surcharge, would increase the client's cost of doing business with staffing firms, discourage their use of temporary workers, and undermine the benefits of a flexible labor force facilitated by staffing companies.

The wage mandates would be another intrusion on consenting parties entering into private contracts and curtail the use of flexible staffing arrangements, depriving both Oregon workers and businesses of critical flexibility.

Employers and employees have the right to bargain over wages and the state should not interfere with that process. Vendors and clients also have the right to bargain and agree on the terms and conditions of a business transaction. No state has seriously considered, much less adopted, the provisions in HB 2976 that would effectively shut down a vital industry in Oregon.