



**Employment Sales Service Tax
Ohio House Economic & Workforce Committee**

Date: November 18, 2015

Submitted by: Larry Kidd

Chairman Baker and members of the House Economic & Workforce Committee thank you for allowing me to speak to you today.

My name is Larry Kidd, President and CEO of Reliable Staffing Services. I own and operate Reliable Staffing Services in Southeastern Ohio. We are an employment service business (staffing firm) that provides staffing to the light industrial, manufacturing and warehousing markets. Our staffing firm recruits, screens, drug tests, tests, interviews, hires, conducts orientations and places employees in the client's workplace. Reliable Staffing Services remains the "employer of record", so the employees remain our employees during their assignments. My company is responsible for paying the employees wages, filing the taxes, providing benefits, paying the Worker Compensation and providing constructive feedback.

I think it is important to give an overview of my background. I have worked for large corporations in various capacities after graduating from college in 1986. Most of these positions were outside of Ohio, until I moved to Jackson, Ohio in 1997 to take the Director of Purchasing position for a large food processing company. In 2003, I purchased a Warehousing and Logistics company and in 2004 I purchased a light manufacturing company. Like many businesses, I found it difficult to find hourly workers. I solicited the help of the staffing firms. When I found that we could not meet our employment needs through the staffing firms, my team and I decided to form our own staffing firm.



I found my interactions with manufacturers unique and valuable. My new clients, like me, had a need to fill their production needs with workers immediately. The contingent workforce allowed my clients to ebb and flow with their particular needs, allowing the clients to understand the capabilities of the individual workers before hiring them. It also gave my clients access to workers that they did not otherwise have access. Reliable Staffing Services quickly became a success and was twice awarded “one of the fastest growing staffing companies in the United States” (as determined by Staffing Industry Analysts).

I found that staffing firms fill a very interesting niche in the marketplace.

Based on 2014 analysis provided by Career Builder, in the United States there are approximately 14.6 million people employed through staffing firms each year. The annual sales of staffing firms were \$131.6 billion dollars and the average tenure of a temporary employee is 11 weeks.

In Ohio, there are over 530,000 people employed each year through staffing firms. The average annual earning for a temporary work is over \$28,000.

You may ask why I am testifying today. It is because I believe the sales tax for employment services is bad for business. I believe in Economic Development and getting people to work. I serve as the Chair-Elect for the Ohio Chamber of Commerce, various volunteer positions on Economic Development boards and a committee member on legislative committee for the American Staffing Association. While I am not necessarily representing any of those fine organizations today, I do



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believe the message is clear; this tax has an adverse effect on employment.

A study by the American Staffing Association showed that for every percent in employment services sales tax, there is a .8 percent decrease in temporary jobs. Based on a 5.75 percent sales tax rate, this equates to a reduction of 4.6 percent in temporary jobs. To translate into employment numbers, there could be an increase of 34,000 temporary jobs annually if the tax were repealed. If you made the assumption of an average wage of \$11.00 an hour and 11 week average assignment, Ohio could conceivably have an additional \$164mm in payroll each year by eliminating the sales tax for employment services.

Some other facts to consider when reviewing the repeal on the employment service tax are:

- Thirty eight states do not have employment services taxes
- Pennsylvania and West Virginia are the only border states to Ohio that have the employment service tax.
- Many of the temporary workers are disadvantaged, minorities, retirees, laid off employees seeking new opportunities and individuals transferring from government assistance
- Temporary positions provide entry level training positions that may not otherwise be offered
- Staffing firms have greater and different access to employees than employers
- Temporary staffing provides a “try it before you commit” for both the employer and the employee
- Temporary staffing provides flexibility in the work schedule for employer and employee



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Please consider a repeal on this tax on jobs. Allow our Ohio employers to use that money to create additional jobs.

Thank you for your time and consideration in this matter.

Regards,

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