



October 6, 2011

Mr. Chairman, distinguished members of the committee, thank you for giving us the opportunity to come before you today to discuss the effects that the new health care law will have on my company and our industry.

My name is Tav Gauss. I am from Wilson North Carolina. After graduating from the University of North Carolina in 1977 and The Babcock Graduate School of Management at Wake Forest University in 1979, I became a commercial banker with a national bank. After three years in that line of work I decided to start my own business. I started, what is now The Action Group, Human Resources Solutions on January 2, 1982.

I have been studying the potential effects the new health care law will have on my business and my employees, both permanent and the field staff. If the law takes effect on January 1, 2014 as it appears to be written, I will have to close my doors. My permanent staff of 16 people makes about \$1,000,000.00 collectively and I am not included in that figure. They are fully benefitted with a 401 k plan; a generous paid time off policy (they tell me it is so generous they cannot use all of the days) and we have a health insurance plan. (HSA). My share of their premium is about \$80,000.00 per year. My premium under the new health care plan would be \$711,000 based on my year to date 2011 numbers. My permanent staff would become unemployed.

Our field staff also has the benefits of our 401k plan plus longevity bonuses. We make matching contributions to what they pay in, just like our permanent staff. In almost 30 years less than 50 of the field staff have chosen to participate. They do not want to make a contribution for a myriad of reasons.

Our field staff, which should number about 1700 people by year end, has had the benefit of mini med health care plans since about 1992. To my knowledge, no one has participated in these plans. They would rather have the money. They need the money. My average pay rate exceeds \$9.25 per hour. That is a great wage for high school graduates in Eastern North Carolina who are unskilled or semi-skilled. We assemble windshield wiper motors for a Japanese company; commercial grade transformers for a Swedish company; oven doors for a German company; ball bearings for American automobile companies plus hundreds of different other jobs in Eastern North Carolina. My turnover ratio is pretty good compared to industry standards. Our field staff turns over every 9 weeks or after about 360 hours.

Maybe I could pass on 20% to these folks for \$33.00 per month. That means my share of the premium would be \$569,000 instead of \$711,000. 5 times what I pay now. I still close my doors. My field staff becomes unemployed.

Companies in the United States use temporary staffing to supplement their current work force; for seasonal peaks, short term projects, or uncertainty in the economy. Their ability to use staff only during peak times protects the jobs of their permanent employees. The system has two major benefits to temporary staff. First, it gives the temporary employee a foot in the door for a permanent job. It is like a working interview. Second, Our clients can use the temporary employees when they need them then we can place them somewhere else that is in need of people for their projects or long term employment. The temporary employees are statutorily our employees. We have to keep them working or find permanent jobs for them or we have to pay for their unemployment benefits, like we have had to do since October 2008.

If our client companies have to pay more for the health insurance for the temporary employees it really threatens their global competitiveness and flexibility to adapt to changing market conditions. No matter what I could pass on to them, if anything, it will simply raise the price of doing business with manufacturers in the United States. The last thing we need is another impediment to the recovery of our economy.

The health care bill also is, to use the old football term, piling on. Every business in the United States and the world has been effected by the great recession. Now businesses in the United States face increases in their employment taxes. FUTA or federal unemployment tax has been calculated at .008 percent of the first \$7,000.00 in wages for everyone they employee. That has been the rate for as long as I can remember. Now many states have the rate calculated at .011 percent of the first \$7,000.00 and there are approximately 8 states that will have rates of .014 in 2012. SUTA or state unemployment taxes have severely increased in almost every state. All states and all companies are different but my SUTA rates increased from 2% of the first \$19,700.00 in wages to 3.24% in 2011 and will be somewhere north of that for 2012.

There have been so many new regulations and new regulators since January 2009. Fines, penalties, and fees have all increased. Businesses do not know what is going to come next with those types of issues, much less mandatory health care. We are in the longest growth cycle we have ever had after a recession. Businesses are fearful of making permanent decisions about increasing staff.

There is no doubt that our health care system needs some major work. (see my premiums above). I am sure the new plan was thought up with good intentions. However, it cannot work mathematically and practically as it has been presented to those who bear the burden of paying for it.

Thank you for having us here today.



Gustav Edward Gauss III



Curriculum Vita

Gustav (Tav) Edward Gauss III

Tav Gauss earned his undergraduate degree from The University of North Carolina and his Masters in Business Administration from Wake Forest University, and then began his career as a commercial banker. Currently, he is the majority owner, Chairman and CEO of The Action Group – Human Resources Solutions with offices in Wilson, Rocky Mount, and Greenville, North Carolina. Mr. Gauss has enjoyed 30 years in staffing and human resources and recruitment processes outsourcing and is certified by the American Staffing Association as a Certified Staffing Professional. Since 1989, Mr. Gauss has been an active member of the American Staffing Association and Tempnet, an international association of independent staffing companies. He served on the Tempnet board for 7 years.

Since 1994, he has also been a director and co founder of Temporary Services Insurance Ltd., a workers compensation captive insurance company, where he currently sits on the Underwriting committee. In 2006, Mr. Gauss joined the board of directors of Alliance Mutual Insurance Company, Inc., a small property and casualty insurance company based in North Carolina, where he serves on the Audit committee and the Compensation committee.

Mr. Gauss offers his services nationwide as a consultant in compensation surveys, organizational diversification, risk management, and equal employment opportunity issues. Furthermore, he is a seasoned speaker in the areas of small business finance, safety and risk control, employment law, and "Budgeting in a Tight Economy". He also teaches a course entitled "Economic Reality 101" for high school students on a vocational career path.

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, 2008. Include the source and amount of each grant or contract.

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

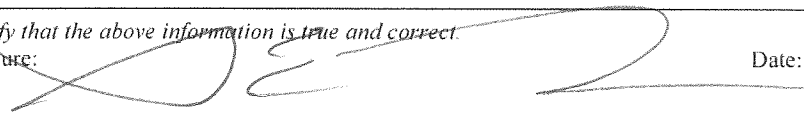
my company and The American Staffing Association, of which I am a member

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

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I certify that the above information is true and correct.

Signature:



Date:

Sept 30, 2011