



## State-Run Internet Job Boards: Wasteful, Redundant, and Unfair

by Michael LaFaive

### Summary

Two state-subsidized Internet job banks not only compete unfairly with taxpaying, private-sector job recruitment firms, but also with each other. The state agencies that run these wasteful and redundant sites should take them down, and leave the business of bringing together workers and employers to private entrepreneurs.

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***Job boards are popular because they increase productivity—otherwise people wouldn't use them and entrepreneurs wouldn't risk personal wealth to add one more to a crowded field.***

When it comes to the bewildering array of programs sponsored by state government, it's often said that the right hand doesn't know what the left hand is doing. But in some cases the right hand not only knows what the left hand is up to—the two are actively thumb wrestling.

Take, for example, two highly similar programs—one operated by the Michigan Economic Development Corporation (MEDC) and the other by the Michigan Department of Career Development (MDCD). The MEDC sponsors a web site called "Michigan Careersite" while the MDCD operates one known as the "Michigan Talent Bank." They each carry out the same function—bringing job seekers and job providers together—and compete not just with each other, but also with hundreds of private, Michigan-based job recruitment companies.

Why does the state run these redundant sites? According to the MEDC, Michigan Careersite was created to help attract "skilled workers in Information Technology, Life Sciences, and Advanced Manufacturing." The MDCD says its Michigan Talent Bank is intended to "bring employers and employees together," but it does not exclude skilled workers from any field, so the two sites end up performing overlapping duties. In addition, an MEDC brochure about Michigan Careersite brags about its ability to "grab" jobs posted on Michigan's Talent Bank and move them to its own. Why bother?

Reading the brochure, one gets the sense that even MEDC officials know they should not be in the job board business. It reads, "The world does not need another job board. We know. Internet job boards are one of the great advances in modern recruitment, but their popularity and abundance have reduced human resource staff productivity nationwide. The MEDC is partnering with Michigan-based Careersite.com to fix this problem."

What problem? If job boards are a great advance, why have they hurt human resource staffs? The fact is they are popular because they increase productivity—otherwise people wouldn't use them and entrepreneurs wouldn't risk personal wealth to add one more to a crowded field.

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Private recruitment companies have long helped employers find qualified workers to fill jobs. During the 1990s, Michigan alone saw 348 new “human resource” firms spring up to fill this role. Michigan also is home to many privately run labor exchange web sites, such as Careermatrix.com. Its founder, Dennis Hoyle, is not thrilled with the state’s involvement in his business: “It really is irksome to see the state using our tax dollars to compete against us,” he said. “Moreover, it’s bizarre watching the agencies competing against each other. There really isn’t much difference between the two sites.”

The unfair competition from the state is all the more striking given Gov. Engler’s comment in November 1999: “Tax policy is best which is simple and uniform, and which treats similarly situated activities in the same manner.” What’s fair about subsidized state agencies paying zero taxes while competing with private, for-profit, taxpaying firms?

Additionally, a number of general web sites in the state, such as Mlive.com, operate labor exchanges, and many online newspapers post their want ads electronically. There are over 6,000 web sites specifically dedicated to job recruitment nationwide, and most of these private organizations do their work without costing the taxpayer a cent. Meanwhile, the MEDC is spending about \$500,000 to operate Michigan Careersite for its first two years. The MDCD does not know what it costs to operate the Michigan Talent Bank.

Another ironic twist is the MEDC’s mission to recruit workers from outside Michigan. According to the agency, it is “saturating the cities of Chicago, Indianapolis, Cincinnati and Columbus” with \$5 million in advertisements to tell workers about Michigan job opportunities. At the same time, the MEDC is enriching Career Site Corp., which it hired to help run Michigan Careersite. Career Site Corp. also operates Careersite.com, a national labor exchange site that can help Michigan workers find jobs outside the state.

Michigan’s inter-agency rivalry for labor-related web traffic is another example of government bureaucrats trying to “do good” without regard to the consequences of their actions. Will somebody in the Legislature or the governor’s office please tell state agencies that the business of bringing employers and employees together is best left to business, not state bureaucrats pretending that they understand the market better than actual entrepreneurs?

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(Michael LaFaive is a policy analyst for the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Michigan. More information on economics and economic development is available at [www.mackinac.org](http://www.mackinac.org). Permission to reprint in whole or in part is hereby granted, provided the author and his affiliation are cited.)

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