



A Novel Jobs Program: Make Banks Hire the Unemployed

By Alain Sherter | Feb 16, 2010



Former **Wells Fargo (WFC)** and **Credit Suisse** banker **Dennis Nason** thinks the **Obama administration's** job-creation strategy is missing one key component: banks. He favors a new federal mandate requiring financial institutions to hire at least one unemployed person within the next six months.

Nason heads a South Florida recruitment agency that caters to financial firms, and so might benefit from such a program. Still, his idea is worth considering. He writes in his proposal:

Wouldn't it be ironic if the banks, whom many blame for the economic meltdown, would actually lead the recovery....?

Individuals would be assigned to a specific job designation which banks will be required to hold in place for a minimum of two years. Larger banks, more hires. These jobs would be designated to target assistance to lesser affluent areas of our society. Additional incentives could be granted the banks for special targeting of jobs in blighted areas. This program would generate jobs in every city, region and area of the United States and would have a strong downstream stimulus.

Nason would require financial institutions to retain new hires under the program for at least two years; bank examiners would verify compliance. Companies also would be encouraged to assign the additional staff to focus on financing efforts for small local businesses. Other elements could include providing incentives for banks to hire in poor neighborhoods.

A federal hiring mandate for banks has precedent, notes Nason, the former CEO of Wells Fargo Bank in Miami. The Community Reinvestment Act requires bank holding companies to have a CRA officer on the payroll. "You could put two to three million people to work in the next six or eight months," he says, though he concedes that such figures are a rough estimate. "And you'll create an awful lot of income for government and boost economic activity."

Another advantage of his program is that it would face few political obstacles, Nason contends. “It would be hard for Republicans to oppose because you’d be creating jobs where they’re needed most,” he says. “It’s also quite possible that this could be done directly out of the White House” via an executive order.

Writes Nason:

Banks needn’t cry “foul” and claim that they can’t afford to hire even one person because they are not currently making money. Every bank can squeeze in one more person and, used wisely, that person can help generate revenues. The entire banking community must share some of the blame for the crisis, not just the 50 largest banks.

As public policy aimed at harnessing the financial industry to job creation, Nason’s idea has potential (although I question how community bankers would feel being ordered to staff up because of a mess largely created by Wall Street).

Where I think he runs off the rails is in envisioning his program as a substitute for the **Obama administration**’s proposed TARP tax on large financial institutions. The goal there is to recoup money taxpayers laid out to rescue the financial industry and to reduce the U.S. budget deficit. A jobs program along the lines Nason describes wouldn’t accomplish the former and would do little to deal with the latter.

Nason views the tax as an unfair “fine” on banks, noting that many institutions have repaid their loans and that **AIG** ([AIG](#)) and the automakers account for most of the outstanding debt on TARP.

True. But let’s not forget the chief cause of the financial crisis — lending. If banks had been more prudent, we wouldn’t have had to bail them out. Whether TARP ultimately turns a profit for taxpayers is immaterial, since it shouldn’t have been necessary in the first place.

Nason also perhaps overestimates the level of potential financial industry support for a federal jobs program. It’s not only that banks resist government prescriptions on principle — it’s that the ability to cut costs, including fire people, is a key lever for driving profits. I can’t imagine that financial companies would willingly open the door to a hiring mandate simply for a little good PR.