

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **William E. Kovacic, Chairman**
 Pamela Jones Harbour
 Jon Leibowitz
 J. Thomas Rosch

In the Matter of

**TALX CORPORATION,
a corporation.**

Docket No. C-4228

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission (“Commission”), having reason to believe that respondent TALX Corporation (“TALX”), now a wholly-owned subsidiary of Equifax, Inc. (“Equifax”), has violated and is violating Section 7 of the Clayton Act, and that TALX has violated and is violating Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

I. Nature of the Case

1. This complaint concerns the acquisitions consummated by TALX of James E. Frick Inc., Unemployment Compensation Business Services Division of Gates, McDonald & Company, Johnson & Associates, L.L.C., substantially all of the assets of the Unemployment Compensation Management (“UCM”) and small employment verification businesses of Sheakley-Uniservice, Inc., UI Advantage, Jon-Jay Associates, Inc., and the unemployment tax management business of Employers Unity, Inc. This series of acquisitions occurred between March 2002 and December 2005.

II. Respondent TALX, Inc.

2. Respondent TALX was acquired by Equifax on or about May 15, 2007. TALX is a wholly-owned subsidiary of Equifax. Equifax is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Georgia, with its office and principal place of business located at 1550 Peachtree Street, N.W., Atlanta, Georgia, 30309. Prior to May 15, 2007, respondent TALX operated as a corporation organized,

existing, and doing business under and by virtue of the laws of the State of Missouri with its principal place of business located at 11432 Lackland Drive, St. Louis, Missouri 63146.

3. TALX provides, and at all times relevant herein has provided Verification of Income and Employment (“VOIE”) nationwide. TALX has provided UCM services beginning on or about March 27, 2002, nationwide. VOIE services are provided under the name The Work Number, and UCM services are provided by UC eXpress. TALX had overall revenue of about \$270 million in fiscal year 2007, which ended March 31, 2007.

4. TALX is, and at all times relevant herein has been, engaged in commerce, or in activities affecting commerce within the meaning of Section 1 of the Clayton Act, 15 U.S.C. § 12, and Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

III. The Acquisitions

5. On or about March 27, 2002, TALX acquired James E. Frick, Inc. (“Frick”), of St. Louis, Missouri, and the unemployment cost business management business of Gates McDonald & Company, a subsidiary of Nationwide Mutual Insurance Company, headquartered in Columbus, Ohio. Frick provided both UCM and employment verification services. The acquisition of the unemployment compensation management business of Gates McDonald enabled TALX to acquire an additional UCM services business. TALX did not operate in the UCM business until it acquired both Frick and Gates McDonald for a price of about \$125 million in cash. Prior to the acquisitions described in this paragraph, TALX operated as the nation’s leading provider of out-sourced employer verification services through its provision of VOIE services.

6. On or about June 30, 2003, TALX acquired Johnson & Associates, L.L.C., an Omaha, Nebraska based company, that specialized in providing UCM and employment tax credit administration services for a price of about \$1.5 million.

7. On or about March 31, 2004, TALX acquired substantially all of the assets of the UCM and small employment verification businesses of Sheakley-Uniservice, Inc., based in Cincinnati, Ohio, for a price of about \$39 million.

8. On or about October 25, 2004, TALX acquired TBT Enterprises, Inc., based in Gaithersburg, Maryland, and its sister corporation, UI Advantage, Inc., a start-up UCM company for a price of about \$9 million.

9. On or about April 20, 2005, TALX acquired Jon-Jay Associates, Inc., a company headquartered in Boston, Massachusetts, that specialized in providing UCM services and a smaller employment verification service, for a price of about \$24 million.

10. On or about November 1, 2005, TALX acquired the unemployment tax management business of Employers Unity, Inc., headquartered in Arvada, Colorado, for a price of about \$32 million. The unemployment tax management business of Employers Unity, Inc., included both UCM services and employment verification.

IV. TALX Alliances

11. TALX has alliance partners. Its alliance partners include Automated Data Processing, Inc. (“ADP”), Convergys, Inc. (“Convergys”), and Ceridian, Inc. (Ceridian). The main business of TALX’s alliance partners is to provide data processing, human resources, and other employment services to their customers. ADP, Convergys, and Ceridian also contract to provide UCM services to their customers. The alliance partners have agreements with TALX to out-source or sub-contract to TALX some or all of the UCM services component of their customers .

12. The largest outsource alliance partner of TALX is ADP. By terms of the ADP/TALX Agreement of June 27, 2001, ADP may out-source UCM services of its clients with more than 1,000 employees to TALX, out-source those clients to another UCM service provider, or provide UCM services in-house.

V. The Relevant Markets

13. The relevant lines of commerce (product market) in which to analyze the effects of the consummated acquisitions and agreement are:

- (a) the provision of out-sourced UCM services for large multistate employers who receive unemployment claims in many states or nationwide; and
- (b) the provision of out-sourced employment verification services known as VOIE.

14. The provision of out-sourced “UCM Services” and “Unemployment Compensation Management Services” consists of the management, administration, or processing, on behalf of an employer, of unemployment compensation claims filed with a State or Territory.

15. The provision of outsourced employment verification services, known as VOIE Services and Verification Of Income And Employment Services, consists of the provision of employment and income verifications including, but not limited to, the collection, maintenance, or dissemination of payroll data and other data relating to employment.

16. The relevant geographic area (geographic market) in which to analyze the effects of the consummated acquisitions and agreement in each of the relevant lines of commerce is the United States as a whole.

VI. Market Structure and Concentration

17. The relevant markets (relevant lines of commerce) are highly concentrated, and the consummated acquisitions increased concentration substantially, whether concentration is measured by the Herfindahl-Hirschman Index (“HHI”), or the number of competitively significant firms remaining in the market.

VII. Entry

18. Entry into the relevant markets (relevant lines of commerce) would not be timely, likely or sufficient in magnitude, character, and scope to counteract anticompetitive effects of the Acquisitions.

19. Entry into the market for the provision of out-sourced UCM services to large multistate employers is difficult and slow. The sales process for each such client can last months, and in many cases years. The market is mature in that most such employers interested in outsourcing UCM management have already done so. Large employers are often reluctant to trust their UCM work to small providers without established track records for the efficient and competent administration of large claim volumes.

20. Entry and expansion in the provision of out-sourced UCM services to large multistate employers is made more difficult by long term customer contracts and by non-compete and non-solicitation agreements with current and former employees. TALX and the acquired UCM companies have entered into numerous three - and five - year customer contracts. Such long-term contracts have drastically reduced the number of potential clients available for would-be competitors to enter or expand in the near term. The non-compete and non-solicitation agreements with employees reduce the number of experienced and talented employees available to be hired by would-be competitors to enter or expand in the near term.

21. Entry or expansion into out-sourced employment verification services is difficult and expansion is typically slow. Effective entrants must first develop complex software to automate the process. Entrants must then build a reputation for reliability and security so as to attract and significant numbers of employer and verifier customers.

VIII. Anticompetitive Effects

22. The acquisitions by TALX of James E. Frick, Inc. and the UCM business of Gates McDonald & Company eliminated direct and actual competition between Frick and Gates

McDonald for the provision of outsourced UCM services. The acquisitions by TALX of Johnson Associates, LLC, the UCM assets of Sheakley-Uniservice, Inc., UI Advantage, Inc, Jon-Jay Associates, Inc., and Employers Unity, Inc., eliminated direct and actual competition between TALX and each of the enumerated acquired firms or businesses in the provision of outsourced UCM services.

23. The acquisitions by TALX of the employment verification businesses of James E. Frick, Inc., Sheakley-Uniservice, Inc, Jon-Jay Associates, Inc., and Employers Unity, Inc., eliminated direct and actual competition in the provision of employer verification services.

24. The acquisitions by TALX of its competitors have enhanced its ability to increase prices unilaterally and enhanced its ability to decrease the quality of services provided in each of the relevant lines of commerce.

IX. Violations Charged

25. The Acquisitions described in Paragraphs 5 through 10 constitute a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

26. The Acquisitions described in Paragraphs 5 through 10 constitute a violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45 because TALX has engaged in unfair methods of competition in or affecting commerce.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this sixth day of August, 2008, issues its complaint against said Respondent.

By the Commission.

Donald S. Clark
Secretary

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