SC Handing Out Incentives to Companies that Lay Off Workers, Close Plants

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In announcing in April that DHL Supply Chain, a global logistics company, would locate a $100 million distribution and warehouse park in Dorchester County, Gov. Henry McMaster in a prepared statement said he couldn't "wait to see what the future holds for this great company here."

In exchange for the planned investment, which is supposed to create 450 jobs, a $1 million state grant was awarded to Dorchester County for the project, and the company was approved for state job development credits, according to a release from the S.C. Department of Commerce.

But what neither McMaster nor other state officials publicly mentioned at the time was that DHL Supply Chain notified the state last year that it was laying off 576 workers in Spartanburg.

And it's not the only time the state has awarded taxpayer-backed incentives to companies that have laid off workers or closed plants in South Carolina.

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The Nerve found in a review of state Commerce and Department of Employment and Workforce (DEW) records that at least 10 companies, including DHL, which announced layoffs or closures since last year had been awarded state incentives, either for the facility in question or for other South Carolina locations operated by that company.

Overall, 2,013 workers at those companies were projected to lose their jobs, scheduled from March 6, 2018, to next July 31, according to federally required layoff/closure notices provided by the companies to the DEW.

Below is the list of those companies and the number of projected affected workers, according to DEW records:

- BAE Systems Inc., Summerville: 233 (layoffs)
- DHL Supply Chain, Spartanburg: 576 (layoffs)
- Gildan Activewear, Hamer: 54 (closure)
- Lippert Components Manufacturing, Chester: 134 (closure)
- MPW Industrial Services, Greer: 75 (closure)
- Plastic Omnium, Anderson: 290 (closure)
- Schaeffler Group, Fort Mill: 189 (closure)
- Shaw Industries Group, Central and Clinton: 362 (closures)
- Sitel, statewide locations: 8 (layoffs)
- Wellman Plastics Recycling, Johnsonville: 92 (layoffs)

Commerce records show that the state Coordinating Council for Economic Development (CCED), an 11-member panel made up of the heads or board chairpersons of state agencies involved with economic development and chaired by Commerce Secretary Bobby Hitt, approved grants ranging from $200,000 to $1 million to counties for site infrastructure improvements for five of the 10 companies.

The Nerve has pointed out that the CCED, which is administered by Commerce, typically has discussed taxpayer-backed incentives behind closed doors in Commerce's headquarters on the 16th floor of a high-rise office building across from the State House. Projects typically are given code numbers to keep the identities of the recipient companies secret until agreements are finalized – a process that usually takes months.

Three of the five state grants in The Nerve's latest review went to counties where the benefiting companies have existing or announced facilities not affected by the most-recent layoffs or closures at other company locations, records show. That included DHL Supply Chain, which benefited from the $1 million grant announced in April to Dorchester County, though the company notified state and local officials in June 2018 that it was laying off 576 workers in Spartanburg.

In an email Thursday to The Nerve, Nicole Porter, a spokeswoman for German-based DHL, said DHL Supply Chain was a "partner with Walmart (in Spartanburg) where we provided associates and managed the (distribution) facility," and that Walmart later "chose to transition that back in house."

"Those associates simply shifted over to Walmart as they took the business back in house," Porter said.

Besides state grants, job development credits (JDCs) or final "revitalization" agreements, which typically involve JDCs, were approved for six of the 10 companies in The Nerve's review of CCED annual reports and Commerce press releases.

Job development credits are rebates of a portion of employee wage withholdings. Factors affecting the amount of those credits that eligible companies can claim include the number of jobs created, the level of wages paid, and the location of the company. The tax break can total millions over time.

In the case of the Schaeffler Group, a global automotive and industrial supplier, the company's Chesterfield County facility in 2012 was awarded JDCs, plus taxpayer-backed job training through the state Technical College System's "readySC" program, according to a Commerce release. The company's Chesterfield and York county plants also had final "revitalization" agreements approved in 2014 or 2016, CCED records show.

In May of this year, the German-based manufacturer announced plans to move about 200 workers from one of its plants at its North American headquarters in Fort Mill to another factory in Cheraw, according to media reports.

The Nerve this week asked Commerce if any of the state incentives agreements with the 10 companies contained "clawback" provisions, which typically require companies to repay all or part of certain awarded benefits, based on a formula, if job creation or investment requirements aren't met. Commerce spokeswoman Alex Clark directed The Nerve to submit a formal open-records request for that information.

Last year, The Nerve revealed, based on Commerce records released under the state Freedom of Information Act, that since 2015, 14 companies that committed to locating or expanding in the state collectively repaid nearly $7 million in state grants after failing to meet job creation or investment requirements.

Generally, "clawback" provisions are "contained in performance agreements between a company and the (CCED) when the applicable county receives a grant award to support an economic development project," Clark said in an email Thursday. She added job development credits by law are "performance-based," and that there is no "clawback" for "quarterly credits earned based on applicable performance for that quarter."

After Commerce certifies a company for JDCs, the state Department of Revenue audits the company, which involves requesting payroll information to ensure that the JDCs are "being calculated correctly,” and “other information” to confirm that “all requirements are being met and maintained to continue claiming” the credits, said agency spokeswoman Bonnie Swingle. She declined to give specifics about the “other information,” noting, “We do not discuss specific audit practices.”

If a company incorrectly calculates its credits for the audit period, the DOR issues an “audit assessment,” and the company has 90 days to reply, either “with an appeal or payment,” Swingle said in an email Thursday.

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