



The Welfare to Work
P A R T N E R S H I P

**Written Statement by
Rodney J. Carroll
President and CEO, The Welfare to Work Partnership**

**before the
Senate Finance Committee**

March 12, 2001



The Welfare to Work PARTNERSHIP

The best preparation for work is not thinking about work, talking about work, or studying for work: it is work. – William Weld

The reward for work well done is the opportunity to do more. – Jonas Salk, MD

Good morning Chairman Baucus, Senator Grassley and honorable members of the Senate Finance Committee. Thank you for inviting me here today to discuss how the American business community believes we can support those individuals and families who have moved from welfare to work and ensure that people who work hard and play by the rules get an equal chance at achieving the American dream.

My name is Rodney Carroll, and I am the President and CEO of The Welfare to Work Partnership. There is no more noble, more patriotic or American cause than helping to move people from poverty through work. The welfare reform law of 1996 took the first steps towards moving citizens, families and individuals into lives of self-sufficiency. A great measure of this progress can be traced back to the businesses that provided an opportunity to work to millions of people. The Partnership was created in 1997 as a direct response to the sweeping welfare reform legislation to mobilize the business community to hire and retain those transitioning off the welfare rolls.

Before the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was signed into law, most Americans viewed the welfare system as dysfunctional. The system was ineffective and costly; it trapped millions of Americans in a vicious cycle of dependence. What started with good government intentions had turned into a system in which parents lost opportunities in the present and children lost hope in the future.

While business leaders sympathized with the plight of families mired in poverty, the rationale for hiring welfare recipients had to be based on something more than compassion or charity. It had to make good *business* sense. Businesses learned that former welfare recipients stayed on the job longer and had the same or higher rates of productivity as their entry-level counterparts. Businesses learned that they could work in conjunction with government agencies and community-based organizations and accomplish measurable benchmarks. Businesses learned that the people they hired had dreams just like everyone else and were willing to work hard to achieve their goals. The idea of work is not new in America. The idea of freedom is what attracts people to our shores and the idea of opportunity is the foundation on which our country is built.

The mid-1990s brought a booming economy and the lowest unemployment rate in more than three decades, American businesses desperately needed more workers to sustain and expand their workforce. This nontraditional source of labor – former welfare recipients –

helped expand their production and increase their bottom line. That business imperative – combined with the passage of the welfare reform and a series of impassioned public challenges from public leaders like yourselves – persuaded more and more companies to expand their recruiting methods to include former welfare recipients as new entry-level workers.

The issue of welfare reform is a national problem with local solutions. It is not a partisan issue it is a people issue. Through our regional offices called BizLink – an innovative solution to connect local business workforce needs with available community assets –we have been able to place more than 2,500 of the so-called “hardest to place” individuals into jobs in five cities. We hope to expand this effort with the leadership of Congress and the Administration to move into 10 new cities and help an additional 10,000 people find work. The population we serve would also expand to include noncustodial fathers, ex-offenders as well as former welfare recipients to provide a ticket to work for all Americans willing to work hard and play by the rules. In addition, based on the success of our local offices, we would work with another 150,000 recently displaced workers to assist them in obtaining new employment in local businesses.

Continuing Need

In an effort to better understand our 20,000 Business Partners’ hiring needs during different economic times, The Partnership conducted a brief, 48-hour internal survey, shortly after the events of September 11th. We realized that many were affected by the events and may have been forced to scale-down their workforce. We surveyed a large cross-section of businesses from different industry sectors and states. The results were that all sectors of industry were not equally affected: In this first spot survey, we found that ***nearly two-thirds of our businesses report a continued need for entry-level workers.*** And, the majority did not have to layoff their welfare to work hires, a concern expressed by many in anticipation of a recession.

We then went to our regional offices in Chicago, Los Angeles, Miami, New Orleans, and New York – where we work directly with businesses to place and retain new workers. They reported that demand for entry-level employees has not ceased. While the situation in tourism and service sectors are still recovering and warrant our utmost concern, this continuing need for workers is welcome news.

We conducted a second survey, this one for 72 hours, in late February 2002 as forecasters were predicting an end to the recession. The survey found that 67 percent of The Partnership’s Business Partners still have a need for entry-level workers and will continue to hire throughout the year as the economy rebounds.

The Job is Not Done

Our nation must not only find ways to continue to place new workers off welfare, but to retain and promote them as well. A key to success, according to many of our Business Partners, is thinking strategically about the challenges that confront many working families who have left welfare, and responding with direct solutions. We know from past surveys conducted for our organization by Wirthlin Worldwide, a national polling firm, the only way a company cannot improve its retention is by doing nothing. We encourage you to join us in doing something:

Work supports can help boost job retention. High job retention rates do not happen accidentally. As employers have learned what keeps new workers on the job, they have adapted workplace practices to ensure greater success.

- ◆ **Child care, transportation and life skills.** Businesses lose between 1.5 to 4 billion dollars a year because of absenteeism caused by child care issues. Partnership employers consistently report that investments in child care, transportation and life skills do the most to promote retention of their welfare to work hires. Unfortunately, employers generally are not able to address these challenges on their own. Just 22 percent of The Partnership's businesses offer any transportation assistance to their new workers, for example, and even fewer are able to pay for child care or specific life-skills training. Employers believe that some of these issues are not the responsibility of the business community but are more than willing to assist with these efforts with help from the community and government.
- ◆ **Mentoring.** Mentoring provides personal attention during the first critical months on the job and helps entry-level workers address obstacles before they become a problem for the employer. More than 52 percent of Partnership businesses offer some form of mentoring for their welfare to work hires, either in-house through workplace volunteers, or by partnering with faith- or community-based, civic and social organizations. Those with mentoring programs see positive results, with 75 percent reporting improved work performance, 67 percent reporting higher job retention, 63 percent seeing reduced absenteeism, and more than half reporting a cost savings.
- ◆ **Education and training.** Employers do not generally expect their entry-level job applicants to arrive for their first day of work with all the needed technical skills. But employers *do* see the value of investing in post-employment education and training to develop new workers and give them the tools needed to succeed on the job. More than three of every four Partnership companies offer ongoing education and training to their welfare to work hires, and the payoff is striking – 80 percent see improved work performance, 68 percent experience improved morale and 60 percent see higher retention.

Our recent internal survey of employers taken in late February 2002, finds that 77 percent of businesses feel child care still tops the list of the most valuable thing government could do to help companies boost retention. While 64 percent pointed to additional help in education and training to prepare people for success at work as a growing concern in retention efforts.

- ◆ **Government-sponsored work supports improve retention, too.** In an effort to encourage welfare recipients to transition off the rolls and into jobs, lawmakers have enacted and expanded a range of temporary work supports that help ease the journey from welfare to work. Too often, these programs – such as health insurance, child care, food stamps and transportation and housing subsidies – do not get into the hands of those they are intended to help. Sometimes, former welfare recipients want a clean break from a system that they find demoralizing and choose not to pursue

continued support. But, too often, recipients simply do not know these supports exist and local public assistance offices fail to adequately communicate with eligible families about the benefits to which they are still entitled. Burdensome application requirements and paperwork can further discourage recipients from applying.

The business community is willing and able to do more to hire and advance those leaving the welfare rolls but cannot shoulder the burden alone. Programs that provide child care, transportation or other income supports, such as EITC, are vital to our workers. These programs keep them on the job and help as they work toward advancing up the career ladder.

Financial wage supplements can greatly enhance a new worker's income and help stabilize their families during the transition from welfare to work. For example, Partnership companies recognize the value of the existing Earned Income Tax Credit (EITC) to lift low-wage workers out of poverty. Many employers also support policies that disregard a part of a family's earnings when determining eligibility for continued welfare benefits. The effect: People may continue to collect part of their cash benefits from TANF until their wages rise to a point of sustainability for themselves and families.

While these supports are pivotal to new workers, they also benefit employers by providing one more resource to retain and advance new workers. Small companies and those who only offer part-time work will especially benefit, as they tend to be the least able to offer employer-sponsored supports. While there is no substitute for a well-paid job with comprehensive benefits, where that is not possible, public programs such as these can make the difference between success and failure for fragile families.

Businesses want to promote their new workers and are learning how best to achieve that goal. Advancing up the career ladder is the best way to ensure economic self-sufficiency for many hard working families. Like all other workers, those leaving the welfare rolls need to know that they, too, will have the opportunity to advance. Seventy-nine percent of The Partnership's companies hire welfare recipients for promotional track positions and 91 percent offer training that could lead to a promotion. Almost all (94 percent) of the former welfare recipients hired by Partnership businesses receive their first pay increase within one year on the job. Their pay raises are on par with their non-welfare, entry-level colleagues. In another encouraging sign, 37 percent of Partnership companies have seen some of their welfare to work hires move on to a better job with another company.

Not surprisingly, many of the strategies employers are using to shore up retention for their new workers are frequently the same factors that drive job promotion. For example, Partnership surveys find that mentoring is the single-most effective strategy for ensuring promotion, while other research shows that education and training can do the most to help promote a new hire. The most successful mentoring initiatives frequently involve partnerships with outside agencies and are formally recognized by the company. Companies see mentoring as an important way to address many challenges, including work-readiness, employer-employee relationships, child care, transportation and other personal issues.

Fathers are important, too

Partnership companies understand that welfare reform cannot realize its full promise unless the *fathers* of children on welfare have every chance to support their families. Indeed, many Partnership companies are eager to expand the progress they have made with their new female employees by tapping the large pool of underemployed men who are more loosely associated with the welfare system. Under the 1996 law, many of these men were held more accountable than ever to support their children. At the same time, many of them are not ready to enter the workforce without some assistance. Local initiatives that focus on the needs of these fathers will find many employers receptive to giving them opportunities to support themselves and their families.

Conclusion

As welfare reauthorization is debated, many will inaccurately use the drastic decrease of the welfare rolls as a reason to reduce funding. The business community realizes we have barely tapped the human potential that was trapped in an antiquated and dysfunctional welfare system for 60 years. Those who remain on the welfare rolls face some of the toughest barriers to employment, and will need additional resources to help them enter the workforce.

A few years ago, welfare to work was little more than an idea. Today it is a reality across America. Companies have proven that welfare to work is as good for their business as it is for the community. And, welfare recipients have proven that when employers give them a chance and they have the right employment-related supports, they can make the successful transition from welfare to work. **Together, they have proven that welfare to work is a smart solution for business.**

We need to maintain funding for welfare reauthorization and not surrender to success. We need to expand job-training programs that have a connection to real jobs and not train individuals just for the sake of training. We need to make training available for entry-level employees engaged in work to increase their skills. Our goal to move people from welfare and lift them from poverty can only be reached through the combination of all these efforts.

We are encouraged to report that businesses will remain engaged in the welfare to work effort. Having experienced success first hand, businesses will be working harder than ever to build on the progress to date.

I look forward to working with the Senate as we move forward. Thank you for the opportunity to address you today.