The Welfare to Work
PARTNERSHIP

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P A R T N E R S H I P

"We believe that promoting self-sufficiency is about more than just creating jobs . . . it requires a broader look at the challenges facing those employees transitioning from welfare and the communities where they live."
--Cathy Bessant, President, Florida Banking Group, Bank of America

Good afternoon Senator Breaux and honorable members of the Senate subcommittee. 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. The Partnership was set up in 1997 as a direct response to the sweeping welfare reform legislation in order 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 in something more than compassion or charity. It had to make good *business* sense. Thanks to 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. If this nontraditional source of labor would help expand their production and increase their bottom line, employers would do their part.

That business imperative – combined with the passage of the new law and a series of impassioned public challenges from public leaders like yourselves – persuaded more and more employers to expand their recruiting methods to include former welfare recipients for new entry-level workers.

Continuing Need

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

Our field offices in Chicago, Los Angeles, Miami, New Orleans, and New York – where we work directly with Business Partners to place and retain new workers – report that demand for entry-level employees has not ceased. While the situation is direr in the tourism and service sectors and should warrant our utmost concern, this continuing need for workers is welcome news.

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 survey's conducted for our organization by Wirthlin Worldwide, a national polling firm, that the only way a company cannot improve their 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**. 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.

- **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.

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. The Partnership supports the provision of the Strengthening Working Families Act that increases its value for families with three or more children and the proposed changes to "phase out" the credit more gradually. Many employers also support policies that disregard a part of a family's earnings when determining whether they are eligible 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

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 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 Senate and the House of Representatives as we move forward. Thank you for the opportunity to address you today.