

Testimony of Dale Giovengo
Director of Human Resources
Giant Eagle Markets
Pittsburgh, Pennsylvania
Before The Committee on Finance
Hearings on
“Expiring Tax Provisions: Live or Let Die”
March 16, 2005

Chairman Grassley, Senator Santorum, and members of the Committee, my name is Dale Giovengo, and I am the Director of Human Resources at Giant Eagle Markets in Pittsburgh, Pennsylvania. I have been with Giant Eagle since 1970 and in those 35 years I have served in both a store operations and corporate Human Resource capacity.

I want to thank the Committee for the opportunity to appear before you today to discuss the importance of the Work Opportunity and Welfare-to-Work Tax Credits to my company. These are very important and effective programs and I am very pleased that this Committee is considering legislation to permanently extend and improve them.

Giant Eagle has been in business for 75 years. Our corporate office is in Pittsburgh, where we opened our first store in 1930. We currently have 221 supermarkets, 101 of which are in Pennsylvania, 116 in Ohio, 1 in West Virginia and 3 in Maryland, our newest market, and 4 distribution centers. Combined, our stores, distribution centers and corporate office employ more than 35,000 people.

Giant Eagle has been an active user of the WOTC/W-T-W credits since their first enactment by Congress. I am proud to report to the Committee that our company makes a special effort to

reach out into the local community to recruit new employees who are eligible for the credit. In our community outreach effort, we work with a number of local community organizations including the Allegheny Intermediate Unit, Goodwill, Pittsburgh Vision Services, Pittsburgh Public schools and the Cerebral Palsy Foundation.

Our company incurs additional training and acclimation costs in order to work with the special employment needs population. The WOTC/W-T-W credits support our outreach efforts by helping to offset these additional costs. For example, it is not uncommon for us to pay outside job coaches and trainers to work with some of those we hire. Without these credits, it would be cost prohibitive for us to hire from the special needs population.

The individuals we hire with special employment needs often lack the basic work skills that our traditional new hires have and we must provide additional training. Our experience has shown us that our spending on special training for this population is a good investment. We have found that many of our WOTC/W-T-W hires become loyal, well-trained employees with a turnover rate comparable to or better than our overall work force. We are very pleased that by providing employment opportunities to these individuals we are helping families to move away from welfare dependence and become part of the productive, tax-paying workforce.

As part of our commitment to encouraging our store managers to hire WOTC/W-T-W eligible employees, all hiring credits earned by Giant Eagle are credited back to the store level, which contributes to that store's profitability. We prepare and distribute within our company monthly reports on store level and corporate wide participation in the programs, indicating how many new hires were credit eligible and which of our stores hired these new employees.

We track our WOTC/W-T-W hiring very carefully, and maintain records that allow us to identify all applicants who are members of one or more of the target groups.

Allow me to share with you our WOTC/W-T-W hiring experience for 2003. Company-wide, we had 10,041 new hires, of which 9405, or 94% were prescreened for tax credit eligibility either as a referral from a community-based organization or in conjunction with our employment application. As part of that process, IRS 8850 forms were submitted for 1,386 of those individuals we hired. All in all, WOTC/W-T-W hires made up almost 14% of our work force in 2003.

Of course, not all WOTC/W-T-W hires ultimately get certified. As a result, we do not earn a credit for every employee with respect to whom we file an 8850. Due to a combination of factors including unintentional inaccurate self-identification by applicants, difficulties in documenting eligibility, turnover, and the varying interpretations on program eligibility from state to state, a little over half of the WOTC/W-T-W hires were actually certified and resulted in a tax credit.

Despite the fact that some of our potential credit eligible hires do not pan out, we are convinced that the WOTC/W-T-W credits are invaluable tools supporting our programs for employing individuals with disabilities, welfare recipients and other target group members. The tax credits we receive go a long way toward offsetting the additional administrative costs associated with our special outreach and training programs.

Our company treats our WOTC/W-T-W hires on an equal footing with more traditional hires. In that regard, they are entitled to the same benefits, including health insurance, dental, vision, life insurance, sick pay and vacation pay. This includes part time

employees (those working 16-39 hours) as well as full time. In addition, all of our full time employees receive medical coverage for their dependents.

Mr. Chairman, we would like to take this opportunity to express Giant Eagle's strong support for S. 595, the Santorum/Baucus bill that would permanently extend these programs, simplify program administration by combining WOTC and W-t-W into one tax credit and make a number of long sought and needed program enhancements. I should like to note that many of the program enhancements were included in the President's FY 2005 and 2006 Budget proposals.

Giant Eagle supports the provisions in S. 595 because:

First, by making the credits permanent Congress will send a strong signal of its commitment to the programs and end the harmful uncertainty that results when the programs are extended temporarily, or worse, the disruptions that occur when the programs expire.

Second, merging the Welfare-to-Work Tax Credit into the Work Opportunity Tax Credit will simplify program administration because it will allow us to track only one program instead of having to track two different credits.

Third, the proposed expansion of the age eligibility for the high-risk youth and food stamp groups will help companies like ours move more unemployed men, who are often fathers of children on welfare, into the workforce. To date, the program has been very helpful in encouraging us to hire woman on welfare, but as currently structured, we receive no incentive to hire absentee fathers who also face significant if not greater barriers to work as welfare moms.

Finally, we strongly support the proposal to remove the income test for the ex-felon category as a means of resolving the difficult dilemma of documenting family income for a group that has virtually none.

In conclusion, S. 595 will make important strides in improving these excellent programs and will provide our company with even greater incentives to reach out and hire structurally unemployed individuals.

I thank the Committee again for the opportunity to appear today and urge Members to support the Santorum/Baucus Bill to permanently extend and improve the Work Opportunity and Welfare to Work credits.