

Fast Forward

The Business Case for Workforce Partnerships



SFWORKS

Business Solutions For Workforce Development

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Bank of America

Brightpoint
Subscriber Services

Heller Ehrman White
& McAuliffe LLP

Jewish Vocational Services

Northern California
Service League

Pennzoil 10 Minute
Oil Change

Regional Technical
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Fast Forward

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Foreword

As the Western Regional Employment Manager of United Airlines, I supervised a staff of 45 and filled 7,000 vacancies annually. In an effort to avoid cyclical labor shortages, I used creative recruitment processes. One method to stabilize our employment pool was to seek referrals from community-based organizations that serve low-income clients.

The best partnerships were with agencies that fashioned their pitch and programs to meet our needs as an employer. Finding out about United's hiring standards, workplace culture and expectations and integrating this information into training programs proved successful at helping low-income individuals obtain and retain employment with the airline. Unfortunately, these types of partnerships were few and far between. The few such partnerships we participated in enabled us to streamline our recruitment and training efforts, providing United with an economic benefit and low-income community residents with skills and jobs. The result was a "win-win" situation for us both.

Employers want to be good corporate citizens but question doing so at the cost of their bottom-line. While we were willing to tap into nontraditional labor pools, we were unwilling to compromise United's high hiring standards. We based our hiring decisions on the skills, aptitude and attitude of applicants and could not make exceptions based on life circumstances. Our goal was a source for reliable employees who could step in and do the job right once hired and trained.

As an intermediary organization, SFWorks is a nonprofit that speaks the language of business and is able to forge partnerships between employers and community-based training providers. In so doing, SFWorks is spearheading an inevitable change toward workforce development programs that really work for both the employer and the trainee. By documenting the costs and benefits of partnerships with welfare-to-work programs, this report makes a significant contribution to the national dialogue around workforce development. It also shows employers what to look for — as well as what they have to gain — when partnering to create programs that will impact their bottom line in a positive way.

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CEO, BROOKSALLEN & ASSOCIATES
WESTERN REGION EMPLOYMENT MANAGER, UNITED AIRLINES, RETIRED

Executive Summary

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The experiences of five major employers in different industry sectors demonstrate that pre-employment workforce development programs offer a “win-win” to both individuals and employers. Low-income participants benefit from skills training leading to jobs that offer the potential of career advancement and wage growth. The five employers profiled — Bank of America, Brightpoint Subscriber Services, Heller Ehrman White McAuliffe LLP, Pennzoil 10 Minute Oil Change, and University of California, San Francisco — gained the following benefits:

- Access to new sources of job applicants, with training supported by the public and philanthropic sectors;
- Cost savings related to recruitment;
- Higher retention rates compared to traditional hires;
- Tax credits; and/or
- An enhanced reputation within the community.

PARTNERSHIPS WORK

Employers’ initial participation in workforce development programs is often motivated by their desire to be good corporate citizens. However, over time, employers are motivated by the bottom line. The case studies show that *the economic benefits of hiring low-income graduates of workforce development programs can outweigh the costs, often leading to significant cost savings over traditional recruitment methods.* They provide the following lessons for employers, policy-makers, foundations and nonprofit providers about how to create workforce development partnerships that maximize the return on investment:

- Employers engaged at the front-end of program development benefit from a training program customized to their needs. The more employers contribute to curriculum design, the more they are able to leverage public and philanthropic training dollars and save themselves the cost of providing training in-house.
- Employers who work with training providers to schedule program cycles in accordance with their hiring needs can streamline recruiting processes and reduce costs. In addition, because they hire a greater percentage of program graduates, they are able to maximize the returns on their investment in program development and coordination.
- Employers who communicate regularly with the workforce development agencies from which they hire graduates benefit economically from the agencies’ ability to troubleshoot employee problems before they merit termination.
- Tax credits can offset employers’ costs. Workforce development agencies can help employers access state and federal tax credits.
- Employers often do not track the relative costs and benefits of hiring from various sources. To the extent that workforce development agencies can document the economic benefits of partnering with them, they can use this information to recruit new employers and to enhance the commitment of those already engaged.

CASE STUDY SYNOPSES

BANK OF AMERICA (FINANCIAL SERVICES): Hiring from workforce development programs saves Bank of America money on a cost-per-hire basis, reducing staffing agency and recruitment costs, while strengthening the company's reputation. Bank of America has found program hires to be more loyal and remain with the company longer than traditional hires. Hiring and retaining former welfare clients has made the Bank eligible for more than \$5 million in government tax credits since 2000.

BRIGHTPOINT (TELECOMMUNICATIONS): Brightpoint realized cost savings from a streamlined recruitment process and reduced reliance on staffing agencies amounting to more than \$1,456.00 per program hire over the first 13 weeks on the job. In addition, the company became eligible for \$750,000 in tax credits.

HELLER EHRMAN (LEGAL SERVICES): Heller Ehrman incurs almost no costs for program development or participation in workforce development and benefits from the productivity of part-time interns and savings of \$3,000 to \$5,000 per hire relative to traditional recruitment methods.



PENNZOIL (AUTOMOTIVE SERVICES): Pennzoil found the technical skills of program graduates to be equivalent to those of its other employees and their soft skills to be better. The relatively high job retention rates of program hires reduced the firm's turnover costs and participation in the program improved employee morale, increasing overall productivity.

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO (UCSF) (HEALTH SCIENCE): UCSF leveraged public and philanthropic training dollars to gain a new source of qualified job applicants, reducing recruitment costs and staying consistent with UCSF's mission as an educational institution. Cost savings attributed to its workforce partnership exceeded \$122,000.

CONCLUSIONS

Results from this study yield two key insights:

- *Employers across a range of industries can benefit economically from participation in workforce development partnerships.*
- *Partnerships between workforce development agencies and employers can be designed so as to maximize the economic benefit to employers.*





A survey of business partners showed 93% would refer another business to SFWorks.

Overview

Introduction

Employer involvement is critical to the success and sustainability of workforce development efforts. The most obvious way to win employers' commitment is to ensure a positive return on investment (ROI). However, few studies evaluate the economic returns available to employers that hire from workforce development programs serving welfare recipients and other low-income individuals.

In 1999, SFWorks engaged BTW Consultants to conduct a survey of its business partners regarding their level of satisfaction with its workforce development efforts. Forty-five employers responded to the survey. They indicated that they were not only satisfied, but also were receiving a wide array of benefits from their participation, including reduced recruitment costs and employees who were as or more productive than the rest of their entry-level workforce. Ninety-three percent indicated that they would refer another business to SFWorks.

"Fast Forward: the Business Case for Workforce Partnerships" builds upon the business satisfaction survey to explore in more detail the economic benefits realized by five employers who partnered with SFWorks-affiliated pre-employment training programs. It incorporates both qualitative and quantitative information to show that workforce development partnerships are the fastest way to forward the goals of both businesses and low-income individuals.

BACKGROUND

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act shifted welfare policy toward an emphasis on moving cash assistance recipients into the workforce. At approximately the same time these reforms went into effect, San Francisco experienced an economic boom. The resulting tight labor market forced many businesses to look beyond traditional sources for employees.

The business and philanthropic leaders who founded SFWorks in 1997 recognized the concurrence of welfare reform and the tight labor market as an opportunity for both low-income individuals and employers. Economies like that of the San Francisco Bay Area are dependent upon skilled labor, so moving welfare recipients into the workforce means training individuals in the skills employers desire. SFWorks, a business-led intermediary, facilitates the engagement of employers in welfare-to-work and workforce development activities benefiting both low-income individuals and the business community. It is premised on the notion that quality workforce development initiatives are "win-win," offering low-income individuals the skills to move toward self-sufficiency and employers a cost-efficient staffing solution.

This report, "Fast Forward: the Business Case for Workforce Partnerships," draws lessons from the experiences of five Bay Area employers who have hired from pre-employment workforce development programs affiliated with SFWorks. The case studies demonstrate that employers willing to partner with nonprofit organizations to create company- or industry-specific programs gain tangible, often extraordinary, economic benefits.

Workforce Development Versus "Work First" Programs

"Work first," a model for moving individuals from welfare to work that assumed prominence after welfare reform, assumes that for unemployed individuals on public assistance, any job is a good job. As a result, low-income individuals move into the workforce without training or regard for the quality of the job. Research shows that "work first" programs often result in participants working in low-skilled jobs, at near-poverty-level wages, with few employer-provided benefits and little room for advancement or wage growth.¹ The result is a burgeoning class of "working poor," many of whom are not much better off economically than they were when receiving welfare.²

SFWorks favors workforce development, an approach that provides low-income individuals with a combination of life skills, job training, job placement, retention and supportive

services. This approach has demonstrated long-term positive effects on the employment and earnings of low-income participants.³ SFWorks' affiliated programs are designed to place graduates in skilled positions with employer-sponsored healthcare and opportunities for advancement and wage growth — key ingredients for achieving self-sufficiency. As Bill Nelson, General Partner of Pennzoil 10 Minute Oil Change, said, “How do you expect people to change their life around without giving them some training?”

Employers are typically motivated to partner with workforce development programs out of their commitment to affect positive social change within their community.⁴ This report demonstrates that they also benefit economically from partnerships. “We have found that the partnerships allow us to save some money on cost-per-hire. Our partners are actually pre-screening candidates for us and pre-training them,” said Karen Shawcross, Senior Vice President at Bank of America. Other benefits include increased employee loyalty and retention, a reliable pool of skilled employees, enhanced reputation within the community, greater workplace diversity, and tax credits.

WHO WE ARE

A nonprofit intermediary organization, SFWorks advocates for policies and programs that benefit both businesses and low-income individuals. SFWorks develops innovative job training and career advancement programs that leverage business resources and unite the private, public and nonprofit sectors. As a program incubator, rather than a long-term operator, SFWorks develops programs with the intention of eventually transitioning funding and oversight to the public sector or to the employer themselves. To date, SFWorks has incubated 15 employer-led training pro-

grams, five of which are highlighted in this report. SFWorks' funding is secured primarily from the corporate and philanthropic sectors, enabling it to be responsive to changes in the economy and employers' needs and to avoid the bureaucracy associated with public funding. A high level of employer involvement, quality job placements and comprehensive retention services distinguish SFWorks-affiliated programs.

This report was supported by a generous grant from the Annie E. Casey Foundation, a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. The primary mission of the Foundation is to foster public policies, human-service reforms and community supports that more effectively meet the needs of today's vulnerable children and families.

Methodology

SFWorks recognizes that a variety of community and social benefits arise from investment in workforce development initiatives. This report brings together quantitative data, qualitative interviews and analysis to examine the costs and benefits incurred by individual companies partnering with SFWorks-affiliated welfare-to-work programs. The data presented in the case studies demonstrates clear economic benefits and opportunities for ROI through participation in welfare-to-work programs across industry and program type.

Concurrently, SFWorks is participating in Jobs for the Future's efforts to develop tools for calculating employers' ROI through a project of the Workforce Innovations Network.⁵ Jobs for the Future assisted SFWorks in identifying

The case studies demonstrate that employers willing to partner with non-profit organizations to create company- or industry-specific programs gain tangible, often extraordinary, economic benefits.

¹ See Elise Richer, Steve Savner and Mark Greenberg, *Frequently Asked Questions About Working Welfare Leavers*, Center for Law and Social Policy, November 2001; Julie Straw, *Beyond Job Search or Education: Rethinking the Role of Skills in Welfare Reform*, Center for Law and Social Policy, April 1998.

² See, for example, Wendell Primus, Lynette Rawlings, Kathy Larin, and Kathryn Portern, *The Initial Impacts of Welfare Reform on the Economic Well-Being of Single Mother Families*, Center for Budget and Policy Priorities, August 1999.

³ Gayle Hamilton, *Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies*, Manpower Demonstration and Research Development Corporation, July 2002.

⁴ BTW Consultants, *SFWorks Is Working for Business: Findings from a Satisfaction Survey of SFWorks' Business Partners*, 1999.

⁵ Jobs for the Future, a national nonprofit based in Boston, partners with local, state and national organizations to accelerate opportunities for people to advance in education and careers. The Workforce Innovations Network, a partnership of Jobs for the Future, the U.S. Chamber of Commerce and the National Association of Manufacturers, is a multi-year effort to enhance the ability of employer associations to address the workforce development needs of businesses and communities.

categories of employers' costs and benefits, and in establishing a methodology for the analysis on which this report is based. The process of preparing this report has made the value of the ROI tools all the more evident. They will make it possible for the partners (employers, intermediaries and training organizations) to determine employer ROI in real time. SFWorks expects that ongoing documentation of the economic benefits incurred by employers will help to secure the private sector's long-term commitment to workforce development initiatives that invest in improving the skills of nontraditional workers.

EMPLOYER SELECTION

This report profiles employer partners in five of the 15 pre-employment programs SFWorks has incubated since it was founded. The employers and programs were selected to represent a range of partnership types. In

making the selection of which partnerships to highlight, SFWorks considered the following factors:

Industry. SFWorks has coordinated programs in the financial, legal, telecommunications, automotive, healthcare and building maintenance industries. Each case study represents a different industry.

Employer size. Employers with 70 to more than 140,000 employees are represented in this study. In order to ensure sufficient job openings around which to develop a customized training program, SFWorks has traditionally partnered primarily with mid- to large-size employers. The case studies reflect this tendency.

Employer involvement. Employers engage with workforce development programs with various levels of intensity. In a low-intensity partnership, an employer's involvement is generally limited to hiring interns and

Employer Selection

Company	Industry & Occupation	Employer Size	Employer Involvement	Placement Style	Community Partners
Bank of America	Financial Services – Clerical	140,000	High Intensity	Varies	Women in Community Service; LEN Language Institute; Goodwill; City College of San Francisco
Brightpoint	Telecommunications – Customer Service	1,700; 160 in Bay Area	High Intensity	Cohort	Regional Technical Training Center; TMC Development
Heller Ehrman	Legal Services – Administrative Support	1,480; 559 in San Francisco	Low Intensity (via an association)	Individual	Jewish Vocational Services; San Francisco Bar Association's Volunteer Legal Services Program; Urban University
Pennzoil	Automotive Services – Technicians	70	Low Intensity	Individual	Northern California Service League; City College of San Francisco
University of California in San Francisco	Health Care – Clerical	15,000	High Intensity	Cohort	Jewish Vocational Services

program graduates. In a high-intensity partnership, employers also contribute some combination of training curricula, materials or equipment, space, instructors and volunteers. Industry associations provide an avenue for participation that enables individual employers to maintain a low level of involvement while gaining many of the benefits of a high-intensity partnership.

Placement style. Placement style indicates the number of firms hiring from a pre-employment program. Cohort programs place high percentages of graduates in jobs with a single employer partner. In individual placement programs, SFWorks or partner staff function as job developers, identifying job openings at multiple employers and matching them to appropriate candidates.

Partners. As an intermediary organization, SFWorks has established relationships with community and training partners, several of them on multiple occasions. Community partners provide hard- and soft-skills training, case management and retention services. Programs were selected to represent a cross-section of SFWorks' community partners.

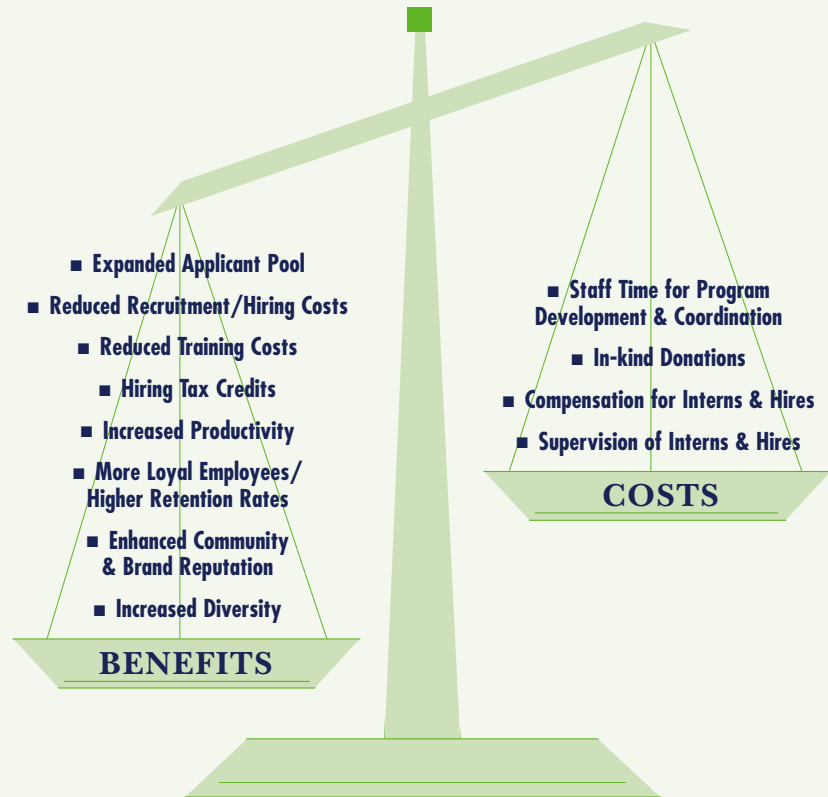
DATA COLLECTION

This report is a retrospective analysis of the experiences of employers who partnered with SFWorks-affiliated programs. Interview protocols were based on the draft ROI tools developed by Jobs for the Future. The protocols were designed to talk employer representatives through assessing the costs and benefits specific to their participation with the program. Researchers interviewed one or more representatives from each employer profiled. Typically, the researchers interviewed human resource personnel and the manager(s) who served as liaison to the workforce development program. To gather background information about the program design and implementation, additional interviews were conducted with representatives from the community partner agencies.

Employer Costs

Employers incur costs for recruiting, hiring, training, employing and firing workers. At each of these stages, costs associated with traditional employees may vary from those of

Benefits & Costs to Employers of Workforce Partnerships



training program graduates. For example, when hiring traditional employees, employers may spend more on advertising job openings. When hiring program graduates, they may spend more on staff time for program development. For the purpose of this report, SFWorks tallied only those costs to the employer associated with its involvement with an SFWorks-affiliated pre-employment program as distinct from those incurred when hiring through traditional means. The interviews revealed costs to the employer to include:

- *An on-the-job training component.* Most of the programs included a form of internship or on-the-job training, costing employers' resources in the form of supervision, mentorship, management and training. This category also includes any wages paid by the employer to interns and any reductions in the productivity of mentors and trainers.

- *Materials and in-kind donations.* Several of the participating employers contributed training space, training materials, equipment and instructors.
- *Staff time for program development and coordination.* These costs include any staff time for recruiting, hiring and interacting with the program partners that are above and beyond staff investments in recruiting from traditional sources. Several of the employers donated staff time to the development of training curricula.
- *Supervision.* In a few cases, program hires required additional supervision to help adapt to the workplace or reach 100 percent productivity.
- *Miscellaneous costs.* Employers occasionally mentioned other miscellaneous costs, such as travel time to the program site.

Employer Benefits

Employers gain a wide range of benefits from employing workers. These benefits vary depending upon whether the employee is hired through traditional means or through a pre-employment program. Traditional hires may have more experience and higher productivity to start, while program hires may make firms eligible for tax credits. For the purpose of this report, SFWorks tallied only those benefits to the employer associated with its involvement with an SFWorks-affiliated pre-employment program as distinct from those associated with employees from traditional sources. In addition, any cost savings are labeled as benefits. The interviews revealed that benefits to employers hiring from workforce development programs include:

- *Reduced recruitment and hiring costs.* Recruiting and hiring candidates for front-line positions often requires expenditures for advertising, travel, screening and a percent or fixed payment to staffing agencies. By offering pre-screened candidates, pre-employment training programs reduced recruitment costs and, in several instances, proved a cost-efficient alternative to staffing agencies.
- *Reduced training costs.* Employers may require new hires to participate in

orientations and on-the-job training sessions. In some cases, the job-specific training and internships incorporated into a pre-employment program reduced the need for such post-hire training.

- *Reduced costs associated with job turnover.* Employers cited higher job retention rates for program graduates compared to traditional hires, attributing this benefit to loyalty or to post-employment support provided by the community partners.
- *Additional productivity.* Several employers cited increases in productivity resulting from their partnership with the training program. This could be explained in several ways: 1) pre-training made program hires more productive than traditional hires; 2) workforce development programs that include an internship phase provide employers with labor through the training phase at a significant cost reduction relative to traditional hires; 3) morale increases associated with “doing the right thing” and giving employees the opportunity to mentor others may have resulted in greater overall productivity.
- *Tax credits.* The former welfare status of program graduates made some employers eligible for state or federal tax credits.
- *Larger number of qualified applicants.* Employers that hired from workforce development programs had access to an expanded pool of potential employees.
- *Corporate citizenship.* Employers benefited from an improved corporate image and a brand associated with social responsibility.
- *Diversity.* Hiring from welfare-to-work programs increased the diversity of the applicant pool and workforce.

Procedural Notes

An underlying assumption in gathering data for this report was that employers tracked quantitative data relative to the recruitment, hiring, training, productivity and retention of their employees. However, for most of the companies profiled, SFWorks’ assumptions about the amount and nature of data tracked turned out to be incorrect. Consequently, the quantitative data in this report varies



Net Economic Effect Across Employers

	Bank of America	Brightpoint	Heller Ehrman	Pennzoil	UCSF
Program Development & Coordination	Cost	Cost	————	————	Cost
Recruitment	Benefit	Benefit	Benefit	Benefit	Benefit
Training	Benefit	————	————	Benefit	Benefit
Compensation*	————	Benefit	Benefit	————	————
Productivity (includes work of interns)	Benefit	Cost	Benefit	Benefit	Benefit
Supervision	————	Cost	————	————	Cost
Retention	Benefit	————	Benefit	Benefit	————
Hiring Tax Credits	Benefit	Benefit***	Unrealized Benefit	Unrealized Benefit	NA**
OVERALL	BENEFIT	BENEFIT	BENEFIT	BENEFIT	BENEFIT

*Includes any savings from reduced payments to staffing firms. **UCSF is a nonprofit and not eligible for tax credit.

***If program hires are retained over time, the economic benefit of tax credits can outweigh other costs.

across the case studies and consists mostly of estimates derived from interviews with human resources staff. Nevertheless, while quantitative information is limited, the qualitative message is strong: employers receive a positive economic return from partnering with workforce development programs.

In addition, information for these case studies was collected *ex post facto*. The programs or cycles included in the analysis concluded prior to the initiation of research for this report. *Ex post facto* analysis of costs and benefits is challenging, though not impossible, and requires the commitment of the organizations involved. All the employers profiled here were supportive of the research, though the priority and resources they gave to the development of this report varied widely. In the future, SFWorks looks forward to using the ROI tools developed by Jobs for Future to assess employer costs and benefits in real time and to using that information to continuously improve program design and imple-

mentation in order to maximize the economic benefits to employers.

Lessons Learned

Each of the employer partnerships profiled in this report are unique. The key lesson or lessons from each case study are summarized below:

Bank of America: The economic benefits of strategic, large-scale investment in quality workforce development initiatives add up significantly over time through tax credits, savings on a cost-per-hire basis, higher retention rates and an enhanced reputation in the community.

Brightpoint Subscriber Services: Forecasting staffing needs and scheduling pre-employment training cycles enables the hiring of a large percentage of program graduates and

maximizes the return on upfront investment. Hiring multiple employees creates an opportunity for significant tax credits that can offset overall program costs.

Heller Ehrman White & McAuliffe LLP:

Individual employers can minimize their costs by partnering with a workforce development program via an industry association. For certain entry-level positions, hiring low-income graduates of workforce development programs can be a cost-efficient alternative to hiring through staffing firms.

Pennzoil 10 Minute Oil Change: Hiring from pre-employment programs reduces recruitment costs. Low-income graduates of pre-employment programs perform at or above the level of other entry-level employees and demonstrate higher retention rates.

University of California, San Francisco:

Customized pre-employment programs are a way to increase the qualified number of job applicants and reduce employer costs associated with unfilled positions.

Reviewed as a whole, the five case studies yield a number of lessons for employers, policy-makers, foundations, and program providers about how to create successful programs, how to get the most out of the programs and advantages for participation. The most significant of these lessons are summarized and categorized below.

MOST EMPLOYERS ARE UNAWARE OF THE ECONOMIC BENEFITS OF PARTNERING WITH WORKFORCE DEVELOPMENT PROGRAMS.

- Employers are often motivated to partner with workforce development programs out of a desire to be good corporate citizens and to benefit from any associated improvement in their corporate image.
- Many employers don't track or quantify the relative costs and benefits of hiring from various sources.
- Because employers have not quantified the benefits of partnering with workforce development agencies, their decisions about whether to continue the partnership may be based more on perception than reality.

MANY OF THE ECONOMIC BENEFITS THAT EMPLOYERS REALIZE AS A RESULT OF PARTNERING WITH WORKFORCE DEVELOPMENT PROGRAMS ARE COST SAVINGS.

- Partnering with workforce development programs enables employers to streamline their recruitment processes and leverage public and philanthropic dollars to pre-screen and pre-train job applicants.
- For some employers and positions, workforce development programs are a cost-efficient alternative to staffing agencies.
- Workforce development graduates demonstrate employer-loyalty equal to or greater than traditional hires, leading to better job retention rates and reduced costs associated with job turnover.

WORKFORCE DEVELOPMENT PROGRAMS EXPAND THE POOL OF QUALIFIED JOB APPLICANTS.

- In a tight labor market, employers that partner with pre-employment programs are less susceptible to labor shortages than competitors who rely only upon traditional methods of recruiting new employees.
- Partnering with workforce development agencies may increase the diversity of an employer's applicant pool and workforce.

MULTIPLE FACTORS AFFECT THE AMOUNT OF NET ECONOMIC BENEFITS REALIZED BY EMPLOYER PARTNERS.

- Firms that serve as a sole-employer partner to a workforce development program expend more time and resources on program development and coordination than do firms that are part of a multi-employer partnership.
- The greater the percentage of program graduates that a firm hires, the greater the return on their upfront investment. Sole-employer partners realize more costs but also more benefits than do employers who are part of a multi-employer partnership with a workforce development program.
- The more information an employer shares with workforce development agencies, the better they are able to customize and time a program to meet that employer's needs.



Comparison of Employer Costs & Benefits

Information Synthesized from the Case Studies



*Includes fees/commissions paid to staffing agencies.

■ Employees Hired from Traditional Sources

■ Employees Hired from Workforce Partnership (i.e., program hires)

The better-timed and more customized programs are, the more an employer can rely upon them as a reliable source of qualified job applicants and reduce spending on in-house training accordingly.

- As with all employees, the faster a program hire is able to reach 100 percent productivity and fit in with corporate culture, the less the employer will need to spend on training and supervision.
- Providing program hires or interns with more or less compensation and/or benefits than traditional hires affects employer costs accordingly.
- The longer a firm retains a program hire, the more economic benefits they realize in the form of reduced turnover costs and greater tax credits.

- The amount of state and federal tax credits for which an employer is eligible depends upon the location of the employer, the demographics and welfare status of the employee, the wage of the employee and the length of time the employee is retained by the firm.

ITEMS FOR CONSIDERATION IN THE DEVELOPMENT OF WORKFORCE DEVELOPMENT PARTNERSHIPS

Developing successful workforce development partnerships requires the coordination of multiple variables to provide the greatest economic benefit to the employer partner. The following “Items for Consideration” are designed primarily for employers considering partnering to establish a program and,

secondarily, for program providers interested in working with employers to create the highest-yield programs.

Shifting employers' mindset. Many employers participate in workforce development because it seems like the right thing to do. However, this may lead them to looking at workforce development programs as a “nice to have” rather than as a strategic opportunity. Shifting employers' mindset so that they recognize the potential economic benefits and competitive advantages of participation in a workforce development partnership

from above to be able to share information, engage creatively and devote their time and resources to making the program an economic success.

Choosing intensive versus limited involvement. Agencies working with companies to determine their level of participation must work to understand the opportunity costs the employer faces. Typically, employers that invest more heavily in the partnership accrue more in costs, particularly in staff time, but receive a commensurate rise in benefits. One way for firms to minimize costs but still bene-

Employers Can Choose a Positive Return on Investment

		How Many Graduates Should We Hire and Retain?	
		FEW	MANY
How Involved Should We Be?	A LITTLE	Low Cost \approx Low Benefit	Benefit \geq Cost
	A LITTLE BUT AS PART OF AN INDUSTRY ASSOCIATION	Benefit \geq Cost	Benefit \geq Cost
	A LOT	Cost \geq Benefit	High Benefit \approx High Cost <small>Benefits will exceed costs if: program cycles are timed to meet hiring needs; graduates are retained, employer applies for tax credits.</small>

makes them more likely to engage, to devote resources to the partnership and to participate in refining and improving the program over time.

Securing the commitment of senior management. The case studies demonstrate that the support of senior management is key to the success of workforce development partnerships. Although human resources personnel are usually the primary liaisons for workforce development initiatives, they require support

fit from customized training is to participate in a workforce development partnership through an association that can provide the training partners with information specific to their industry.

Capturing the benefits. The higher the percentage of program graduates an employer hires and retains, the more they are able to recoup their upfront investment in program development.

Increasing the number of graduates hired.

Employers can improve the likelihood that they will hire large percentages of graduates by communicating the skills and prerequisites they require for new hires. They can also forecast their staffing needs and work with the agency to schedule program cycles accordingly.

Increasing the number of employees retained.

Most workforce development programs offer post-employment support to program graduates and their employers. Employers should inform agency staff about any performance or behavioral problems with program graduates as soon as they arise so that staff can troubleshoot before the issue merits termination. Workforce development agencies should design feedback mechanisms in order to minimize the reporting burden placed on supervisors.

Treating program hires equitably. Although employers may try to treat traditional and program hires alike, they may have more of a tendency to track (formally or informally) program hires and, consequently, be more aware of their performance issues. Workforce development agencies must train their program participants to perform at a level comparable to traditional hires and employers must ensure equal treatment for all employees. By providing employers with tracking tools, workforce development agencies can help employers establish performance and behavioral benchmarks for all employees, helping to ensure equity when measuring the performance of program hires.

Applying for tax credits. Depending upon their location and the backgrounds of individuals hired, employers may be eligible for tax credits of more than \$30,000 per employee. Employers may not be aware of these tax credits or not realize the number of employees they have (program or traditional hires) who make them eligible. Often, they find the paperwork too burdensome to merit applying for them. While assistance to employers regarding receipt of these credits does not directly affect the quality of workforce development services an organization offers, providing it can significantly increase a workforce development service provider's benefit to an employer.

TOPICS FOR ADDITIONAL RESEARCH

This report offers an initial appraisal of the costs and benefits available to employers who partner with workforce development programs. Evidence gathered in preparation of this report suggests that workforce development programs provide greater overall benefits to employers than those that have been itemized here. In addition, workforce development programs offer numerous community and individual benefits that employers may benefit from in the long-term. This section itemizes variables that remain to be studied and which are relevant to designing workforce development programs that maximize the economic benefits to employer partners.

- ***Benchmark data by employer or industry.*** Gathering data on the costs and benefits associated with the recruitment, training, hiring, productivity and retention of traditional hires can provide a reliable benchmark against which to evaluate the costs and benefits of partnering with workforce development programs.
- ***Longitudinal ROI.*** Tracking the costs and benefits of partnering with workforce development programs over time should yield data on the value and opportunity to employers of using workforce development programs as a long-term alternative to traditional means of recruitment, training, hiring and retaining workers.
- ***Program size.*** Several of the programs profiled in this report are small, resulting in only one or two new hires per employer per year. Information about the relative value to employers of large versus small scale programs (e.g., do large scale programs require fewer upfront costs per employer partner?) would help workforce development agencies and funders better determine how to allocate their limited resources.
- ***Aggregating ROI.*** Determining the overall ROI for programs that serve multiple employers will show the aggregate program value to an industry or across a range of employers and may make the case for greater investment in workforce development by industry or employer associations.





- *Quantifying social benefits.* Creating economic models that quantify and assign economic value to the social benefits incurred by a firm that partners with a workforce development program could strengthen the business case for investing in these programs. Models might be developed that assign an economic value to enhanced reputation within a community or a more diverse workforce.
- *Developing a community ROI.* The business case for investment in workforce development would be enhanced were it possible to assess the benefits to a community (e.g., higher tax base, less spending on social services, more discretionary spending) for employer partnership with workforce development programs and then assign a portion of those economic benefits to each employer within that community.

Conclusion

By documenting the experiences of five San Francisco Bay Area employers, “Fast Forward” shows how employers can gain economic benefits by partnering with workforce development agencies to design and implement programs that maximize benefits and minimize costs. Indeed, workforce development programs that train low-income individuals in the skills necessary to succeed on the job create economic opportunities for both the trainee and the employer — helping employers fast forward to better results for shareholders and trainees fast forward to self-sufficient lives.



Heller Ehrman
ATTORNEYS



■ ■ ■ ■ ■
Case Studies

BRIGHTPOINT

UCSF
University of California
San Francisco

Bank of America. 

Heller Ehrman White & McAuliffe LLP

“My personal belief is that by utilizing this program, we make a difference in our community and hire motivated employees.”

— JON FUEZY,
HUMAN RESOURCES COORDINATOR,
HELLER EHRMAN

ABSTRACT

Heller Ehrman White & McAuliffe LLP, an international law firm with a large San Francisco office, has hired three successful entry-level employees through the Legal Employment Action Program, a training program preparing welfare recipients for jobs in law firms. The program includes eight weeks of hard- and soft-skills training followed by a three-month internship and training period, where trainees spend three days a week working in local firms, such as Heller Ehrman, and two days a week in the classroom. Program graduates typically are hired into entry-level jobs as support staff, most often at the law firms where they interned. To date, Heller Ehrman’s three program hires, one of whom has been promoted three times, all remain with the firm. The firm considers the program a success from both a social and economic perspective.

INTRODUCTION

The Bar Association of San Francisco (BASF) has over 9,000 members who are involved with a variety of legal issues and programs in the Bay Area. One of BASF’s funded affiliates is the Volunteer Legal Services Program (VLSP), which provides free legal services to low-income and other disadvantaged populations. Following the passage of welfare reform in 1996, the

Director of VLSP, Tanya Neiman, saw an opportunity for the legal community to help disadvantaged populations transition out of welfare and into meaningful careers, rather than short-term jobs. This led to the creation of the Legal Employment Action Program (LEAP), a training program for welfare recipients seeking careers within the legal services industry. SFWorks provided funding for early implementation of the program. Today, LEAP is coordinated by Jewish Vocational Services (JVS) and receives public and philanthropic support.

The first phase of the LEAP program involves recruiting potential employees and employers. Employees are referred primarily from past participants, community-based organizations and the San Francisco Department of Human Services. Employers are primarily recruited through LEAP’s Advisory Committee and its well-connected “Friends of LEAP.” Heller Ehrman has consistently hosted LEAP interns and hired graduates of the program.

Heller Ehrman is a 112-year-old law firm with global reach. Its San Francisco office is the firm’s largest, with 559 people, including 174 attorneys and 385 staff. The firm has a long-term commitment to helping the disadvantaged, devoting five percent of billable attorney hours to pro bono projects, and it has hired LEAP graduates every year since the program started. “At first I was skeptical about how much time it would take up,” said Jon Fuezy, Human Resources Coordinator, who took on the responsibility for coordinating the LEAP participants when he joined Heller Ehrman in February 2001. The program quickly won him over. “There is absolutely no disadvantage that I’ve seen. It’s a ‘win-win’ situation for everybody.”



DEVELOPING THE TRAINING PROGRAM

Staff from VLSP met with SFWorks in June 1998 to discuss the specific structure of the training program. VLSP, which had developed a preliminary curriculum, engaged and managed relationships with employers and worked with Urban University on life-skills training, while SFWorks established a contract with City College of San Francisco to provide the hard-skills portion of the training. More recently, JVS has taken over coordination of the LEAP program. VLSP continues to play an active role in recruiting employers and managing the internship and job placement phases. Participating law firms pay LEAP interns \$9/hour. Graduates are hired into entry-level jobs that pay between \$20,000 and \$28,000/year.

PROGRAM SPECIFICS

The LEAP program succeeds or fails based on its ability to match trainees with law firms. Firms participate in the program for various reasons: an influential member of the legal community has asked them to; they're attracted to the philanthropic nature of the program; they've had good experiences with welfare-to-work in the past; they like the free training; or they want to strengthen their image and relationship with the community. Employers are generally recruited through lunches hosted by VLSP. VLSP does not request employers to commit to hiring from the LEAP program, but instead to commit to interviewing its trainees. LEAP's goal and challenge is to graduate individuals' with skills and job performance of such a high quality that firms will want to hire them.

Heller Ehrman began its involvement with LEAP a few years ago because the program reflected the firm's commitment to helping the community. Liz Brown, an associate attorney at Heller Ehrman, has been a champion of the program internally. If Fuezy needs help, Brown makes the necessary calls to get senior buy-in. She said, "LEAP produces excellent results for everyone involved, especially the graduates who are able to do so much more in the professional world than many of them thought possible." Y'Anad Burrell-Carter, a paralegal with the firm, is another champion of LEAP. Burrell-Carter

received Heller Ehrman's 2001 San Francisco Professional Support Staff Community Service Award, in part because she is a teacher and mentor with the Bar Association of San Francisco and LEAP.

Phase One: Training

The initial phase of the LEAP program consists of training and includes a nine-day appraisal process, during which LEAP staff assesses the individual's job readiness, followed by eight weeks of intensive 40-hour-a-week hard- and soft-skills training covering everything from computer skills to interviewing. An internship placement phase follows the training. The placement phase lasts for two weeks, and during that time trainee's interview with firms. VLSP makes connections with firms throughout the training period to find out about job availability and match employers with graduates. The program coordinator and legal employment specialist may also visit firms during this period to meet supervisors and get a sense of the corporate culture, the overarching goal being a good match.

Phase Two: Work Experience

Once the initial training period ends, trainees start a three-month period during which they work three days at a firm and spend two days in the classroom each week, from 9:00 am to 5:00 pm each day. During the internship, participants develop and practice their skills. The concurrent internship and training makes it possible for the curriculum to be adjusted to meet the each firm's needs. For instance, if employer feedback indicates a need for better word processing skills, LEAP bolsters that aspect of training. According to Heller Ehrman staff, interns contribute immediately to office productivity.

During the paid work experience, supervisors participate in a formal evaluation process. The process involves filling out one two-page evaluation per month and attending a total of two check-in lunch meetings, amounting in total to about two-to-three hours. In addition, interns and their managers are supported by LEAP. This contrasts with temp firms that typically replace low-performing individuals, costing the firm money for new background checks and training.

"There is absolutely no disadvantage that I've seen. It's a 'win-win' situation for everybody."

Those hired from LEAP save Heller Ehrman the wage mark-up and \$3,000 to \$5,000 that would otherwise go to a staffing agency.

During the first four cycles, the LEAP program included a formal mentoring component, but this requirement was dropped because of feedback from participating law firms. LEAP continues to encourage firms to provide mentors for the trainees, formally or informally, and LEAP's job coaches encourage the trainees to seek out mentors. Currently, Heller Ehrman does not provide formal mentors, but it encourages trainees to seek out mentors and meets regularly with LEAP graduates.

Phase Three: Employment

At the end of the internship, firms can choose to hire the intern they are hosting. Heller Ehrman has chosen to do this with all three of its LEAP graduates. In fact, Heller Ehrman anticipates hiring the interns on as full-time employees and places the interns in areas where long-term support is needed. The firm's ability to anticipate staffing needs has smoothed the transition for LEAP participants moving from part-time internships into full-time employment.

Heller Ehrman has hired two graduates as conference schedulers. A third graduate began as an office services clerk, but was quickly promoted first to fax clerk, then to administrative clerk and last year to accounting assistant. As a result of her initiative, she has achieved a 50 percent increase in her wages since starting with the firm. Promotion within the firm might include pathways to case assistant or administrative assistant, which require several more years of work experience or some college.

Since joining the LEAP program, Heller Ehrman has a 100 percent retention rate for its three LEAP graduates. In the LEAP program overall, graduates have been placed in over 40 firms, with a retention rate for the first two classes of 82 percent and 95 percent, respectively. LEAP provides nine months of retention services to graduates and their employers. Firm members cite the LEAP staff's commitment to supporting the graduates as a factor in making the program a success.

COST/BENEFIT ANALYSIS

Although having never calculated the costs savings associated with its participation in the LEAP program, Heller Ehrman considers it to be a worthwhile social and economic investment. An analysis of the costs and benefits validates the firm's intuition.

Costs

Costs to Heller Ehrman for hiring LEAP graduates are essentially the same as those for other new hires. They include a background check, which costs from between \$170 to \$220 per person, and a two-and-a-half day in-house training, which includes an orientation to the firm and computer training on programs like Outlook, the firm's intranet and file share software. While the human resources department must complete paperwork on hires from the LEAP program, it reports that doing so takes no more time than completing paperwork for traditional hires. Salary and benefit packages for LEAP graduates are the same as those of other entry-level hires.

Benefits

Primary benefits from LEAP include cost-savings attributed to the productivity of interns, reduced recruitment costs, a direct source of quality hires and a high retention rate. More significantly for Heller Ehrman, the partnership with LEAP supports the firm's social mission.

Heller Ehrman pays its interns the standard LEAP rate of \$9 hour. Because of their training, the interns are able to begin immediately contributing to office productivity. The relatively low training wage saves the firm money over what it would cost to hire a temporary worker or pay a staff member overtime to complete the same tasks.

Heller Ehrman's primary means of recruiting entry-level employees include staffing agencies, employee referrals and ads posted on employment-oriented websites. When hiring from a staffing agency, Heller Ehrman usually hires "temp-to-perm." During the temporary period, Heller Ehrman pays a premium over the hire's hourly rate (typically 30-45 percent above the individual's salary). The firm pays the staffing agency an additional one-time fee



of \$3,000 to \$5,000 once the worker moves into a permanent position. The firm also posts jobs internally, seeking internal candidates or referrals. Heller Ehrman pays the referring employees up to \$2,000 for new hires that remain on the job for at least 90 days. The firm also posts ads on websites such as Monster.com, HotJobs and Craigslist, which cost an average of \$200 per posting.

Those hired from LEAP save Heller Ehrman the wage mark-up and \$3,000 to \$5,000 that would otherwise go to a staffing agency. The firm reports that LEAP hires have also shown greater initiative than traditional hires and are retained longer, both of which contribute to improved productivity. LEAP's ongoing case management and retention support also provides an economic benefit to Heller Ehrman over hiring from staffing agencies. Additional savings could come in the form of federal, state, or city tax credits, but the firm has chosen not to explore this option.

Heller Ehrman's participation in LEAP is consistent with its social values and demonstrates the firm's and its employees' commitment to giving back to the community.

LESSONS LEARNED

Heller Ehrman's participation in the LEAP program was motivated by the firm's commitment to community. The high quality of the employees hired from the program ensures the firm's continued participation. Although having only hired three graduates to date, the firm has benefited economically from its relationship with LEAP. Specific lessons that can be learned from Heller Ehrman's experience include the following:

- By streamlining recruitment processes and providing an alternative to staffing agencies, pre-employment training programs can reduce employer's expenditures on recruitment and hiring.
- Interns who are paid training wages can immediately contribute to an employer's productivity at a cost significantly less than the alternative of hiring temporary workers through a staffing agency.
- Low-income graduates of pre-employment training programs can demonstrate as

much initiative — and sometimes significantly more — than entry-level employees hired through traditional means.

- The post-employment services offered by workforce development programs can help troubleshoot problems with program graduates, thus improving retention rates and reducing the cost to employers of staff turnover.
- Employers who do not hire significant numbers of welfare-to-work graduates can still realize economic benefits so long as their costs are kept to a minimum. Partnering with a pre-employment training program through an industry association offers a way to keep the costs for individual employers low while still ensuring that training is customized to meet the employer's needs.
- Certain industries, including the legal industry, are more likely than others to have a social mission. Recruiting employees from a welfare-to-work program is one way for an employer to fulfill its social mission.
- Although the former welfare status of program hires may make an employer eligible for state or federal tax credits, the employer may choose not to apply for them. Workforce development agencies could potentially increase the economic benefits realized by their corporate partners if they aid them in identifying and applying for relevant tax credits.

Heller Ehrman: Net Economic Effect

	Net Effect
Program Development & Coordination	_____
Recruitment	Benefit
Training	_____
Compensation*	Benefit
Productivity (includes work of interns)	Benefit
Supervision	_____
Retention	Benefit
Hiring Tax Credits	Unrealized Benefit
OVERALL	BENEFIT

*Includes any savings from reduced payments to staffing firms.



Pennzoil 10 Minute Oil Change

“I’ve received excellent employees. One is a manager of a store and another is second in charge at another store. These people earned their responsibility and respect.”

— BILL NELSON,
GENERAL PARTNER,
PENNZOIL 10 MINUTE OIL CHANGE

ABSTRACT

In 1999 and 2000, Pennzoil 10 Minute Oil Change — a four-store chain that provides automotive services — hired graduates from the automotive training program (ATP) for entry-level jobs changing oil and performing preventive maintenance services. ATP was a collaboration of SFWorks, the Northern California Service League and City College of San Francisco. The program provided low-income participants with one week of life skills training followed by a six-week introduction to the automobile, its systems and operations, as well as job placement and retention services. Pennzoil experienced no additional costs as a result of hiring ATP graduates. Rather, Pennzoil found ATP to be an efficient means to access qualified job applicants. Additionally, the company benefits from the relatively strong “soft skills” of the graduates as well as from their high job retention rates. Just as important to Pennzoil was the ability to realize its social mission in hiring through ATP, providing opportunities for individuals to turn their lives around through employment.

INTRODUCTION

Pennzoil, which specializes in drive-in automotive services such as oil changes, engine fluid check-ups, transmission services, and coolant services, was among several companies recruiting from the Automotive Training Program. The program was conceptualized

at an automotive industry breakfast sponsored by SFWorks. The breakfast brought together industry representatives from around the San Francisco Bay Area. To bring the idea to life, SFWorks partnered with the Northern California Service League (NCSL), a nonprofit agency with a strong track record of service to inmates and ex-offenders and their families, and City College of San Francisco (CCSF).

Pennzoil has four stores and more than 70 employees in the Bay Area. According to General Partner Bill Nelson, most of Pennzoil’s jobs are entry-level, and he regularly hires individuals with minimal education and experience. A graduate of the Haas School of Business at University of California, Berkeley, Nelson brings a social conscience to his work and takes a holistic approach to his business. “I put a whole lot of effort into making people feel they’re part of a family, that we care about them as individuals,” he said. He offers loans to employees facing financial emergencies because he believes it improves their performance and loyalty. “If management doesn’t treat our team members fairly and well, how can you expect them to treat the customers well?” Nelson said. “I can’t expect our employees to treat our customers well if they don’t feel good about what they’re doing.”

Nelson expresses concern about the unintended consequences of the social welfare programs of the 1960s, which he believes “imprisoned an entire group of people” by discouraging marriage and creating cultures where individuals receiving welfare lost the motivation to be self-sufficient. Nelson makes an ongoing effort to encourage the transition to self-sufficiency by hiring and training low-income individuals, ex-offenders and persons with developmental disabilities.

In the late 1990s, Pennzoil found itself in a tight labor market. Given this recruitment challenge, the entry-level nature of his jobs, and his social concerns, Nelson found hiring welfare-to-work graduates from the ATP to be a perfect fit. “I think it’s a great opportunity



to add capable, dedicated and loyal people to our team,” said Nelson. “It’s helpful with the morale of the overall group because it shows the company cares about its employees and cares about people.”

DEVELOPING THE TRAINING PROGRAM

At the industry breakfast, representatives from the automotive services industry identified a need for employees who could handle basic automotive services, such as oil changes and brake and tire service. They indicated that jobs performing these services pay above minimum wage and offer opportunities for career growth. Furthermore, the prerequisite skills can be taught in a relatively short period of time. SFWorks followed up on this information by forging a partnership with NCSL and the City College of San Francisco to create and implement an automotive training program that incorporated both general job readiness and industry-specific technical skills. As trainees neared graduation, industry representatives conducted on-site interviews. ATP graduates secured jobs with a variety of firms throughout San Francisco and the East Bay; six graduates went to work for Pennzoil.

PROGRAM SPECIFICS

The ATP consisted of 30 hours of classroom-based training a week. It had two parts: one week of soft skills (also called life skills) at NCSL, where trainees learned about issues such as time management, self-esteem, dealing with coworkers and interviewing; and six weeks of hard/technical skills training (the original program was four weeks but was expanded in the second cycle). Taught through the City College of San Francisco, the hard-skills training consisted of an introduction to the automobile and its systems and operations, including basic measurement; reading service manuals; recognizing and using hand tools and shop machines; and basic shop skills like testing batteries, changing tires, aiming headlights and repair ethics. Courses were designed to provide students with essential shop skills while helping them transition to the culture of work. Classes were hands-on and included visits from prospective employers, who talked about the work as well as what they looked for in employees.

Students were expected to be on time for class and participate fully; they received a free lunch each day.

In the weeks preceding and following graduation, NCSL and SFWorks worked together to help place trainees in jobs, such as a lube technician at Pennzoil. Pennzoil treats and compensates hires from the ATP the same as traditional hires. Salaries start at \$8.00 per hour, plus commissions (\$1 to \$2 per hour), and can rise to \$14 per hour, plus substantial commissions (as much as \$4 to \$5 per hour). Moving up this wage scale can take from one-and-a-half to five years, but there is significant room for promotion and even greater earnings.

New hires at Pennzoil receive on-the-job training that varies in length depending on an individual’s ability to learn and his or her experience. New hires start out doing basic jobs, such as washing windows and checking tire pressure, while familiarizing themselves with the culture and logistical layout of the shop. This stage lasts anywhere from several days to four weeks. When completed, trainees learn how to greet customers and talk about Pennzoil’s services. At this point, employees are assigned to an experienced employee-mentor who teaches them how to change oil, a training process that lasts anywhere from a few days to a week. Once new employees master changing oil under supervision, they begin working more independently. Nelson attempted to place SFWorks hires under trainers who had themselves moved off welfare. He observed that when supervisors taught the automotive skills they’d developed on-the-job to ATP graduates, it boosted their morale and the morale of the entire team, resulting in a higher level of customer service.

Over two cycles of the program, Nelson hired six ATP graduates. SFWorks officially tracks graduates for nine months after job placement. Five of the six individuals hired by Pennzoil were still employed by the company at that milestone. Unofficially, SFWorks knows that two and three years after graduation, respectively, at least two ATP graduates remain at Pennzoil. One makes approximately \$40,000 a year, and the other is a manager making between \$60,000 and \$70,000 per year.

“It’s helpful with the morale of the overall group because it shows the company cares about its employees and cares about people.”

COST/BENEFIT ANALYSIS

Hiring from the NCSL program cost the same as hiring from traditional labor pools. Nelson found no difference in productivity or other performance measures, and estimated that graduates of the program had greater longevity than traditional hires. Most of the training at Pennzoil is on-the-job, but Nelson believes the program provided additional “soft skills” development that traditional hires sometimes lack. However, Nelson didn’t track retention or costs for those coming out of the training program. Pennzoil does not have an HR department, and Nelson’s success with participants has made it seem unnecessary to keep records of retention and costs. “That could possibly be a service that a firm like SFWorks could offer the employer — a pre-made set of forms to track this with,” Nelson said.

Costs

Pennzoil found the differential costs for hiring from the ATP program relative to traditional sources to be negligible. These costs included approximately two-and-a-half hours of staff time per hiring cycle to conduct an informational presentation to trainees on-site at City College and another four hours worth of staff time to conduct individual job interviews. Interviews for program graduates were comparable to those for traditional recruits, and Pennzoil thinks it offered jobs to a higher percentage of ATP grads it interviewed than to applicants coming through traditional means, though it did not track this information. Once hired, program graduates were compensated and treated the same as traditional hires.

Benefits

Compared to traditional recruiting, Pennzoil found working with ATP to be an efficient process that saved money. Pennzoil’s employee turnover is around 78% a year, meaning that the firm brings on a total of 55 new hires per year. Nelson estimates that, in a typical year, the firm expends approximately 220 staff hours on hiring and 110 on the

termination process. On average, three to six of the 55 new hires have significant job performance issues requiring greater staff attention, resulting in additional costs to the firm.

Pennzoil typically recruits through employee referral and newspaper ads. Approximately 45 of the 55 new hires per year traditionally come to the firm’s attention via employee referrals, and the remainder respond to Pennzoil’s newspaper ads. Employees of Pennzoil who make referrals receive a bonus of \$100 after the new hire has been with the firm for six months and an additional \$100

Pennzoil: Net Economic Effect

	Net Effect
Program Development & Coordination	————
Recruitment	Benefit
Training	Benefit
Compensation*	————
Productivity (includes work of interns)	Benefit
Supervision	————
Retention	Cost
Hiring Tax Credits	Unrealized Benefit
OVERALL	BENEFIT

*Includes any savings from reduced payments to staffing firms.

after the hire has been on-the-job for one year. The firm spends from \$250 to \$500 per new hire recruited from the newspaper. Nelson estimated that the cost per traditional hire was \$250 compared to \$150 for a program hire. He attributed these lower costs to better retention and the associated reduction in termination costs as well as cost savings

The cost per traditional hire was \$250 compared to \$150 for a program hire.

from not paying referral bonuses or for advertising open positions.

Partnering with ATP enabled Nelson to align his work with his values. He provided former welfare recipients with jobs and treated them with respect, giving people who had been ignored by other employers an opportunity. He is pleased with the results. Anecdotally, Nelson cites Edwin Keane, an ATP graduate and current manager of one of the Pennzoil stores, as one of his greatest success stories.

Nelson's involvement with ATP is motivated by his belief system, with any economic benefits being an added bonus. Hiring from ATP offered Pennzoil clear economic advantages by decreasing the firm's recruitment and hiring costs, and increasing the retention rates. The program provided a streamlined source for job applicants with skills exceeding those of traditional hires. The morale boost to supervisors assigned to mentor ATP graduates increased the firm's overall customer service and productivity. And finally, Nelson's experience suggests that employees coming from disadvantaged backgrounds are more loyal than many employees from other backgrounds are. "Since many of the ATP grads have been given a second chance and appreciate it, they are more loyal because of the help they received," said Nelson.

LESSONS LEARNED

Pennzoil's experience with the ATP has been overwhelmingly positive. The program's success can be attributed to the quality of training, the nature of the work, the opportunity to pair people with similar backgrounds and a work environment that supports and encourages employees regardless of background. Costs to the firm were nominal and easily outweighed by the benefits. Specific lessons from the program include:

- Firms may have little involvement with the development of a program's curriculum, but still reap the benefits of hiring from the program. Programs that nearly eliminate costs to the employer can provide real and substantial value, meeting hiring needs and providing a pool of skilled labor.
- Pre-employment programs can provide a source for employees who will be more

loyal than traditional hires, reducing costs associated with job turnover.

- Pre-employment training programs can equip candidates with skills equal to or better than traditional hires.
- Giving existing staff the opportunity to train and mentor new hires can boost the morale of supervisors and trainees alike, resulting in a higher level of customer service.
- Programs may initially be motivated by corporate citizenship, but, as employers look more closely at the benefits, they often recognize the economic advantages of participation.
- Small employers often don't track employee data, making quantitative measurement difficult. Workforce development agencies may want to offer potential employer partners measurement tools that can be customized to help employers project — and later evaluate — the costs and benefits of participating in their program.
- The commitment of senior management to program participation trickles down to hiring and supervising managers and is critical to a successful partnership.
- Corporate culture affects the success of program hires. Creating an environment that supports and encourages employees contributes to their long-term success.



Brightpoint Subscriber Services

“[The program] gave us another option, another place to recruit from.”

— KELLEY LEWIS,
HR SPECIALIST, BRIGHTPOINT

ABSTRACT

Brightpoint Subscriber Services, a service provider to the wireless telecommunications industry, approached SFWorks in the spring of 2000 about becoming more involved in the community. SFWorks facilitated a partnership with a local community-based training organization, the Regional Technical Training Center (RTTC). The three partners developed a pre-employment training program that prepared welfare recipients for entry-level jobs in Brightpoint’s call center. Currently on hold, the program proved to be a reliable source of job applicants for the company (nearly 100 percent of program graduates accepted full-time jobs with Brightpoint). The recruitment and hiring of graduates cost the company less than traditional hires. However, once on the job, the graduates demonstrated less professionalism than traditional hires. All the partners have agreed that ongoing success requires the refinement of the original program design and training curriculum. Hiring welfare recipients from the program made Brightpoint eligible for tax credits exceeding \$14,000 per graduate retained for a year. The program also succeeded in helping the company support its value of community involvement.

INTRODUCTION

The Human Resources Director from Brightpoint (previously Wireless Stockroom) contacted SFWorks in the spring of 2000 because the company was moving its call center from Corte Madera to Richmond, California and wanted to become involved in its new community. She shared with SFWorks that the company’s business was growing

rapidly and that its relatively high paying, entry-level, telephone sales representative (TSR) jobs might be a good opportunity for people moving from welfare to work. SFWorks agreed.

A global company that provides services to the wireless industry, Brightpoint employs more than 1,700 people across 32 offices in 18 countries. Its call center in Richmond, California employs 120 TSRs and supports the ongoing marketing efforts of Brightpoint customers. TSR’s work full-time at a starting salary of \$11/hour plus bonuses and receive full health, vision and dental benefits; a 401(k); and tuition reimbursement. The Richmond site houses toll-free connections, trained call technicians, sophisticated call management systems and integration with other Brightpoint operations.

Because of Brightpoint’s plan to relocate its call center to the East Bay, SFWorks contracted with the Oakland-based Regional Technical Training Center (RTTC). RTTC was founded in 1995 to provide collaborative training to low-income individuals; it has trained 350 clients to date, with nearly 70 percent securing jobs related to their training. Meeting several times prior to the onset of the program, Brightpoint, SFWorks and RTTC collaborated on the development of a program that would provide pre-employment job readiness and computer training to welfare recipients in anticipation of them securing TSR jobs at Brightpoint.

Brightpoint’s ability to forecast its staffing needs enabled RTTC to time the start of the pre-employment program accordingly. For the firm, this coordination resulted in the pre-employment program becoming a dependable source of job applicants. For trainees, the coordination virtually guaranteed employment upon graduation.

Brightpoint’s hiring needs have declined with the downturn in the economy, and the pre-employment program is currently on hold. Recognizing the need for some refinements, Brightpoint and the partnering



agencies remain committed to the program's continuation and long-term success.

DEVELOPING THE TRAINING PROGRAM

With significant input from Brightpoint, SFWorks and the RTTC developed a plan to recruit and screen welfare recipients for participation in the pre-employment training program. Eligible individuals enrolled in a two-week life-skills and job-readiness training program. Brightpoint, SFWorks and RTTC collaborated on the design of the program. RTTC did the actual training.

Brightpoint regularly attended training sessions and, toward the conclusion of the program, interviewed trainees for TSR positions. Brightpoint hired most of the graduates as permanent employees, an exception to the company's usual policy of hiring TSRs as provisional employees for their first three months. Once hired, program graduates joined other new hires for three-weeks of on-the-job training at Brightpoint. All new TSRs are required to participate in this standardized training, during which they acquire knowledge and skills specific to the job and company. These include product familiarity, use of the phone system, standards for customer services and corporate expectations and culture.

SFWorks secured an agreement with Brightpoint to consider successful program hires for advancement after only three months on the job. The company identified a number of possible career pathways and some of the skill-sets these positions required. Because Microsoft Excel skills are prerequisites for second- and third-tier positions, for example, SFWorks and RTTC incorporated Excel training into the pre-employment training program.

PROGRAM SPECIFICS

SFWorks and RTTC ran two cycles of pre-employment training for welfare recipients through September 2001. Nine people entered the training in March 2001; seven participated in the program that began July 2001. Brightpoint hired 100 percent of the graduates from both cycles as fulltime TSRs.

As of October, five (56 percent) of the individuals from cycle one had been working for six months and five (71 percent) from cycle two had achieved 30-day retention. A third cycle began in October 2001.

RTTC's pre-employment training incorporated positive work attitudes, communication in the workplace, an introduction to computers and Microsoft Office programs and other job readiness skills. Brightpoint staff visited the RTTC classes to introduce the company to the trainees. Towards the end of the training, Brightpoint staff returned to conduct job interviews, hiring most of the trainees.

RTTC arranged to have all graduates drug tested at the company's outsourced drug screening agency prior to the commencement of employment at Brightpoint. Funding limitations prevented the community partners from conducting background checks on trainees. However, all program applicants were asked whether they had a criminal record and, if so, were strongly encouraged to be upfront and honest about it during their job interview.

Between cycles one and two, Brightpoint moved to Richmond. Prior to the move, SFWorks and RTTC coordinated transportation assistance for individuals traveling from their homes in the East Bay to jobs at Brightpoint's North Bay location.

Because of Brightpoint's new location in a State Enterprise Zone and the welfare status of the employees hired through the pre-employment program, Brightpoint became eligible for multiple tax credits. To ensure that the firm maximized the potential economic benefits, SFWorks contracted with TMC Development Corporation (TMCD), a local organization that helps businesses apply for loans and tax credits, to complete the required paperwork on behalf of the company.

Over time, Brightpoint expressed concern about a lack of professionalism among some of the program hires, attributing it primarily to a lack of work experience. The company reported making exceptions for program hires and working with individuals to resolve issues that were interfering with performance by offering scheduling changes, time off,



Brightpoint's partnership with SFWorks and RTTC offered significant economic benefits, most evident in tax credits and reduced payments to staffing firms.

leave of absences, information on Employee Assistance Programs and/or individual coaching. The extent of the problem was news to the nonprofit partners and generated immediate concern. Brightpoint's human resources staff had facilitated program staff members meeting with graduates at the call center. However, the graduates were either not aware of, or forthcoming about, their own performance issues. Without supplemental feedback from supervisors — a mainstay of SFWorks' programs with other employers — the partnering agencies did not have advance notice of performance or behavioral problems, thereby limiting their ability to intervene behind the scenes.

Brightpoint's General Manager and human resources personnel were initially supportive of SFWorks' and RTTC's suggestions for a performance tracking and communication mechanism that would enable the partners to troubleshoot employee problems before they merited termination. They even expressed interest in implementing the mechanism for all of their entry-level hires. However, the company stated later that it did not have sufficient staff to do so. Consequently, the partners sometimes learned about such problems only after termination decisions had already been made.

Despite Brightpoint's concern over a lack of professionalism and SFWorks and RTTC's desires for more formalized communication, the program partners remain committed to the success of the program. Brightpoint's business was slowed as a result of the economic downturn. The declining need for TSRs has put the program temporarily on hold. The partners plan to revisit the program design and pre-employment curricula prior to proceeding with additional cycles.

COST/BENEFIT ANALYSIS

Because Brightpoint's motivation for partnering with SFWorks was social rather than economic, the firm did not calculate the economic advantages of the program. When queried, human resources estimated that it spent the same amount of time and

money on the program as it would hiring an equal number of employees from staffing agencies or through other traditional sources. However, a comparative analysis suggests that Brightpoint's partnership with SFWorks and RTTC offered significant economic benefits, most evident in tax credits and reduced payments to staffing firms.

Costs

Brightpoint's investment in training and materials is the same for both traditional and program hires. The distinct costs to Brightpoint for partnering with the pre-employment program include staff time for program development and coordination, increased supervision and expenditures on accelerated employee benefits.

Brightpoint worked closely with SFWorks and RTTC in the development of the program design. In addition, Brightpoint staff put approximately 10 hours per cycle into the pre-employment training program for orientation, interviews and travel to and from training site.

When considering traditional job applicants, Brightpoint looks for a full year of experience in customer service or in call centers. Program graduates hired by the company, on the other hand, were not required to have relevant work experience, and most did not. As a result, the firm found that program graduates required more supervision than did other new hires, but was unable to quantify the cost of additional supervision.

Most of the quantifiable program costs are attributable to employer benefits. During 2001, Brightpoint hired many of its TSRs from staffing agencies. TSRs hired from staffing agencies work as provisional employees for three months, after which they may be hired permanently. These employees are eligible for benefits 30 days after becoming permanent employees. Because employer-provided benefits play an important role in moving low-income individuals to self-sufficiency, SFWorks and Brightpoint agreed on a modified hiring policy for program graduates. Unlike traditional hires, program graduates were considered permanent immediately upon hire and eligible for benefits after 30 days on the job. Brightpoint



estimates the additional cost of benefits provided to program graduates for their first three months as 30 percent of salary over a three-month period, or \$1,716 per hire.

Benefits

From a financial perspective, hiring from the pre-employment program offered Brightpoint several advantages relative to hiring through traditional means. Specifically, Brightpoint saved money on recruitment and compensation costs and became eligible for tax credits. These benefits are explained in more detail below.

REDUCED RECRUITMENT COSTS

Brightpoint typically recruits through staffing firms or posting job openings on employment-related websites, at a cost of approximately \$100 per week per job opening. Hiring via the pre-employment program enabled Brightpoint to reduce its direct recruitment costs and streamline its processes, saving significant staff time.

Brightpoint's traditional job applicants go through three rounds of screening that include resume reviews, phone interviews and in-person interviews with a panel of four to five Brightpoint employees. Sixty percent of applicants make it through each round. According to human resources staff, hiring 15 people might involve one hour reviewing resumes, eight hours of phone interviews (40 ten-minute interviews at twelve minutes each, including two-minutes per candidate for call scheduling), and 100 hours of staff time to interview 25 people (based on an interview panel of four people, with 60 percent of candidates advancing into the company's training program). These conservative estimates put the cost of hiring 15 individuals via traditional means at about five percent of full-time annual salary for a single human resources staff member.

Brightpoint considered candidates from the SFWorks/RTTC pre-employment program to be pre-screened, eliminating the need for a traditional resume review and phone interview. In addition, the on-site, in-person interviews for program graduates were streamlined, reducing staff time. Hiring through traditional means costs Brightpoint

almost twice as much in staff time as hiring through the pre-employment program.

Because of slightly higher retention rates with program graduates than traditional hires, Brightpoint may have had to recruit less often. Information gathered during interviews with Brightpoint indicates the retention rates for program hires were at least equal to those for traditional hires. Brightpoint estimates that, on average, 15 of 18 temporary employees entering an in-house training program moved "to the floor" as TSRs. Of those 15 employees, Brightpoint typically hires approximately half, or seven to eight, as permanent employees eligible for benefits. Six months from the date of hire, the company estimates that five would remain, and after one year, four would remain. In comparison, more than 95 percent of program hires moved "to the floor." Six months later, over half of cycle one graduates remained employed at Brightpoint.

REDUCED COMPENSATION COSTS

The pre-employment program enabled Brightpoint to avoid fees from staffing agencies and reduce costs associated with recruitment via traditional means. Brightpoint passed some of these savings on to program graduates by offering them accelerated benefits, but came out with a slight economic gain. Program hires are eligible for benefits equal to 30 percent of salary after 30 days on the job. Based on a full-time schedule for the first 13 weeks on the job, RTTC hires make \$11/hour, or \$5,720, plus \$1,144 in benefits (30 percent of salary for two-thirds of the period), costing Brightpoint \$6,864 in compensation. This compares favorably to traditional hires, for whom Brightpoint pays a staffing agency \$16 an hour, or \$8,320 total over three months. Brightpoint realized a cost savings of \$1,456 for each program graduate hired over the first 13 weeks.

TAX CREDITS

SFWorks contracted with TMCD to complete Brightpoint's applications for tax credits. According to TMCD, the 20 program graduates hired by Brightpoint made the firm eligible for a total of \$600,000 in state income tax credits over five years and up to \$157,800

*Brightpoint
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Brightpoint was eligible to receive as much as \$14,035 in tax credits per program graduate retained for the first year.

in federal income tax credits over two years, provided they stayed on the job. (Credits are adjusted annually for early termination). Specifically:

- Brightpoint’s location makes it eligible for State Enterprise Zone Tax Credits. These pay out in reduced tax at the end of the year at 50 percent of \$10.13/hour or the employee’s hourly wage, whichever is less; 40 percent of the wage in the second year; 30 percent in the third year; and so on. According to TMC, Brightpoint was eligible for up to \$10,535 in state tax credits per employee for the first year of their employment, totaling approximately \$210,700.
- Two of Brightpoint’s program hires qualified the firm for the federal Work Opportunity Tax Credit, potentially saving the firm up to \$2,400 per employee, or \$4,800 total, in first year’s wages.
- Brightpoint was eligible for the Welfare-to-Work Tax Credit for 18 program hires. This tax credit saves the firm up to \$8,500 per employee over two years (with the employer eligible for \$3,500 during the first year and up to \$5,000 the second year).
- Overall, based on an annual TSR salary of \$22,880, Brightpoint was eligible to receive as much as \$14,035 in tax credits per program graduate retained for the first year and \$13,428 per program graduate retained for a second year. The tax credits can be carried over to future years if Brightpoint does not owe taxes in the current year.

Brightpoint keeps tax information at its Indianapolis headquarters and did not supply SFWorks with the total amount of benefits accessed through tax credits. However, eligibility information provided by TMCD indicates the potential for significant economic benefits to the firm.

COMMUNITY INVOLVEMENT

Brightpoint has a stated commitment to be active in the communities in which it operates. The firm cited this corporate value as one of the reasons for approaching SFWorks.

Brightpoint: Net Economic Effect

	Net Effect
Program Development & Coordination	Cost
Recruitment	Benefit
Training	—
Compensation*	Benefit
Productivity (includes work of interns)	Cost
Supervision	Cost
Retention	—
Hiring Tax Credits	Benefit**
OVERALL	BENEFIT

*Includes any savings from reduced payments to staffing firms.

**If program hires are retained over time, the economic benefit of tax credits can outweigh other costs.

LESSONS LEARNED

A number of lessons emerged from the Brightpoint case:

- Employers whose participation in a workforce development program was not initially motivated by economics may be unaware of, or underestimate, the ongoing economic benefits of participation.
- Many of the economic benefits to employers are actually cost savings derived from the ability to streamline the hiring and



recruitment process with a guaranteed source of qualified job applicants.

- The costs savings for hiring from a pre-employment program rather than from a staffing firm may be significant enough for the company to provide employees with additional benefits and still realize savings.
- The ability of a company to accurately forecast its future staffing needs enables the partnering agencies to recruit for and time their pre-employment training sessions accordingly. This enables the majority of program graduates to be placed in jobs, and ensures the organization realizes a return on investment in program development and coordination. Less accurate forecasting would result in graduates being dispersed among multiple firms, some of whom may not have contributed to the upfront program costs.
- For firms hiring multiple program graduates, tax credits can add up to significant economic benefits, and economic benefits available to firms in the form of state and federal tax credits can even increase as employees are retained over time. Workforce development agencies can ensure that firms access these benefits by assisting them in the application process.
- Firms with a large entry-level workforce may find that even some of their traditional hires make them eligible for tax credits.
- Upfront communication between partners about expected outcomes is critical. Regular and timely communication between the employer and program staff is necessary to continually refine and improve the program. Such communication will also enable program staff to troubleshoot employee problems before they become serious enough to merit termination.
- Workforce development agencies should work with employers to develop performance-tracking systems that are not overly burdensome. Implementing a tracking system for all entry-level employees can minimize the stigma on program hires

and facilitate a comparative analysis of the long-term costs and benefits of recruiting from various sources.

- The cohort placement model can pay off for firms. Brightpoint invested more staff time developing the program and coordinating training cycles than firms participating in multi-employer/individual placement programs. However, because Brightpoint hired a high percentage of graduates, it reaped significantly larger economic benefits.
- Partnerships with public or nonprofit workforce development agencies can support a firm's commitment to community involvement and good citizenship.



University of California, San Francisco

*“We get to increase diversity,
expand the populations of folks
we’re able to recruit. We become a
much more diverse workplace.”*

— LISA GRAY, COMMUNITY PARTNERSHIP
COORDINATOR, UCSF

ABSTRACT

In the late 1990s, University of California, San Francisco (UCSF), a graduate health sciences university and healthcare institution, found its recruitment efforts for clinic assistants stalled by a tight labor market. SFWorks funded Jewish Vocational Services (JVS) to develop a pre-employment program training welfare recipients for jobs at UCSF. UCSF considered the program — which boasted high job placement and retention rates — to be an immediate success. As the hospital’s staffing needs changed, JVS developed an additional program, training welfare recipients to become unit coordinators. This program was also a success, with trainees quickly achieving the same productivity as traditional hires. Collaboration between the two institutions resulted in JVS becoming a primary source of skilled labor for UCSF’s Medical Center.

INTRODUCTION

Although offering relatively high wages and significant growth opportunities, many hospitals have found it difficult to attract employees. A tight labor market in the late 1990s forced UCSF to consider reaching beyond traditional recruitment channels to fill its estimated 30 to 40 annual clinic assistant openings. A graduate health sciences university with around 15,000 employees, UCSF is recognized as among the most distinguished healthcare institutions in the world and is renowned for its integration of medical research and clinic care. Its health professionals are leaders in their fields.

One innovative solution to UCSF’s recruiting challenge was its partnership with JVS of San Francisco. Founded in 1973 to serve the growing numbers of recent college graduates in the Jewish community, JVS has since broadened its service population to include job seekers of all faiths, specifically targeting the economically disadvantaged, refugees and individuals with disabilities. Today, JVS is a nonsectarian organization that offers training in everything from English as a Second Language to Cisco Networking Certification. It works with more than 9,000 employers and places an average of four individuals in Bay Area jobs every business day. In 1997, JVS submitted a proposal to SFWorks for funds to support the start-up of a welfare-to-work program. SFWorks encouraged the agency to follow-up on its idea of a training partnership with UCSF and provided funding for several training cycles.

UCSF values education and sees it as a means to an end, making it culturally more flexible than many businesses, and takes pride in being among the most diverse employers in San Francisco. For example, the university does not eliminate individuals with criminal histories from its pool of potential workers, but assesses criminal records on a case-by-case basis. Despite UCSF’s wide net, the economic boom of the nineties made recruitment a challenge. Through welfare-to-work programs, “we are able to increase our employee pool with folks from a variety of different backgrounds,” said Lisa Gray, Community Partnerships Coordinator.

In 1998, UCSF and JVS collaboratively designed a pre-employment program to train welfare recipients for jobs as clinic assistants, an administrative role on the outpatient side of the hospital paying \$12 to \$14 per hour. The program was a success, but downsizing and a consolidation of departments, coupled with the high retention of program graduates, reduced the hospital’s immediate need for more clinic assistants. However, UCSF’s satisfaction with the program and with JVS made it receptive to suggestions for new



programs. The JVS program coordinator called the Director of Nursing Education to see if there might be a need for workers on the inpatient side. Together, they recognized a need for trained unit coordinators, and created a program to meet it. Although offering better wages (\$13.76 to \$18.19 per hour), the unit coordinator position required more skills and a longer training program than the one for clinic assistants. Currently, the UCSF/JVS partnership is inactive because of cuts in public funding.

DEVELOPING THE TRAINING PROGRAM

JVS and UCSF worked together to design both programs. For the clinic assistant program, JVS incorporated aspects of the curriculum used by the hospital for its own in-house orientation of new hires. JVS created the curriculum for the unit coordinator program with input from UCSF. UCSF donated instructors and internship opportunities, and, over the course of the program, UCSF staff communicated continuously with JVS.

Clinic assistants work in administrative roles within an ambulatory, outpatient environment. Responsibilities include answering phones, dealing with inquiries, checking in patients and pulling medical records and charts. The clinic assistant program lasted three-and-a-half months and incorporated basic skills training, job specific training and a part-time internship complemented by mentors.

Unit coordinators serve as hubs, coordinating communication among healthcare professionals in an around-the-clock, hospital inpatient environment, working closely with doctors and nurses. The demands of the unit coordinator position necessitated a training program one month longer than that for clinic assistants. Both programs provided graduates and their employer with nine months of retention services.

PROGRAM SPECIFICS

JVS has a five- to seven-day process for assessing the skills, aptitudes, interests, motivation and attitudes of potential participants in its welfare-to-work programs. Based on the results, participants were placed in one of

JVS' many programs, including those for clinic assistant and unit coordinator. JVS provided case management to participants throughout training as well as placement and retention services.

Clinic Assistant

Participants in the clinic assistant program received six weeks of full-time job readiness and basic skills training, including computer competency, keyboarding and business English. Two months of job-specific training followed, covering medical terminology, insurance and billing procedures and training on UCSF's proprietary IDX system. Located on-site at UCSF, the training was taught primarily by JVS staff, with UCSF employees serving as guest speakers or instructors. Trainees attended classes Monday, Wednesday, and Friday from nine to five, and worked as interns at UCSF on Tuesdays and Thursdays. The interns were paid minimum wage by JVS.

UCSF recruited employees to serve as mentors to the interns; these mentors played a key role in helping the interns learn the roles and responsibilities of clinic assistants and to acculturate into the workforce. During the first morning of the internship, mentors oriented trainees to the work and environment. After the orientation, trainees shadowed their mentors, spending as much as half the day with them initially and gradually becoming more self-directed. UCSF found the interns were excited about learning, although it generally took them longer than traditional hires to become fully productive, and they required more supervision. However, because their wages were paid by JVS, UCSF received the benefit of their productivity at minimal cost. UCSF gained an unintended benefit through assigning mentors, whose engagement increased and self-esteem rose through their participation.

After graduating, trainees were placed into the UCSF-wide job pool. Some were hired into the department where they interned. For those who were not hired into their position, mentors tapped their networks to help them find jobs within the UCSF system. The few who did not find jobs at UCSF were placed at other Bay Area hospitals. UCSF found that the program graduates performed at the same level as those hired through traditional means.

“When we first started this, the candidate pool was slim. It worked for us because we were trying to grow our own pool of employees. It felt good to people because we were doing something to benefit the community at the same time.”

The total value of UCSF's cost savings attributed to reduced recruitment costs from partnering with JVS is estimated at \$122,720.

Unit Coordinator

The unit coordinator program was similar to the clinic assistant program but a month longer, incorporating more classroom training and more work experience; a greater percentage of the classroom training was provided by UCSF compared to the clinic assistant program. Two weeks prior to graduation, unit coordinator trainees began working full-time on the floor.

Unlike clinic assistants, who work at a desk, unit coordinators manage information for the medical staff on an entire unit, requiring additional skills. They have much less contact with patients than do clinic assistants.

Instead, their work consists of assisting doctors and nurses, performing tasks where precision is critical, such as taking physician orders and ordering tests and medications.

Where clinic assistants generally perform repetitive tasks, unit coordinators deal with a wider variety of possible scenarios and must have additional flexibility as well as the ability to learn "on the job." They work under more stress and must develop higher levels of interpersonal and professional skill. Their job rotations are also more demanding; in a 24/7 environment, they rotate between weekend, evening and day shifts. Despite their higher wages, UCSF finds unit coordinators more difficult to recruit and harder to retain than clinic assistants. "In a time where there's such a dearth of qualified healthcare workers, particularly unit coordinators, that program did a lot to build the competencies needed to effectively do the job," said Gray.

COST/BENEFIT ANALYSIS

The most important factor motivating UCSF's partnership with JVS was staffing shortages in the critical positions of clinic assistant and unit coordinator. Out of the JVS programs to date, UCSF has retained 12 clinic assistants and five unit coordinators for at least nine months. Because unfilled positions cost UCSF money, developing a stable labor pool for pre-screened and pre-trained hires enabled UCSF to reduce recruitment costs as well as overall compensation expenditures.

When recruiting from the general population, UCSF typically aggregates job openings and advertises them in newspapers or on the

internet. For "hard-to-fill" positions, including the clinic assistant and unit coordinator positions, UCSF pays a referral bonus of \$2,000. "There's a great need for those particular positions," said Jennifer Hermann, Assistant Director of HR.

UCSF estimates that, on average, it takes 120 days to fill an open unit coordinator position. According to HR, clinic assistant positions are open an average of 60 to 90 days before being filled. UCSF typically staffs these positions through its internal float pool or by paying overtime to other staff members. UCSF's recruiters estimate that it costs the hospital 25 percent of the position's annual salary to fill an opening, or \$6,760 for each clinic assistant (based on a \$13/hour rate) and \$8,320 for each unit coordinator (based on a \$15/hour rate).

Based on the estimated recruitment costs, hiring and retaining the 12 clinic assistants who joined UCSF out of the JVS program saved UCSF approximately \$81,120. Hiring the unit coordinators from the program saved an additional \$41,600. The total value of UCSF's cost savings attributed to reduced recruitment costs from partnering with JVS is estimated at \$122,720.

The costs incurred as a result of UCSF's commitment to training and hiring former welfare recipients were mostly in-kind. In addition to the reduced recruitment costs outlined above, UCSF also benefited from loyal employees, a slight increase in productivity, a more diverse workforce and positive staff morale from the opportunity to contribute to the community. The in-kind costs and additional benefits for the clinic assistant and unit coordinator programs are summarized below.

Clinic Assistants

COSTS

According to Carolyn Appenzeller, UCSF's former Director of Operations for Ambulatory Practices, UCSF spent 10 hours (above and beyond the hours spent developing its own in-house training curriculum) collaborating with JVS in the development of the pre-employment clinic assistant program. Refinements and coordination of future training cycles required a total of about five

hours of staff time. During each training cycle, Appenzeller also participated in weekly one-hour meetings with the JVS liaison and a monthly, hour-long meeting with UCSF's volunteer mentors.

UCSF's contribution to program development and implementation also included in-kind donations of on-site classrooms and computer labs for use during training as well as mentors' time. Appenzeller estimated the total value of all the in-kind goods and services donated through the first program cycle to be \$12,660, including staff time (mentor, HR, administrative), classroom and computer use and miscellaneous expenses. Because Appenzeller included expenditure on program development in the cost of the first cycle, costs to the hospital for participation in subsequent cycles can be assumed to be slightly lower than for the first cycle.

BENEFITS

UCSF directors and mentors agree that the clinic assistant program was successful. In addition to reduced recruitment costs, UCSF benefited from the additional productivity of interns whose wages were paid by JVS. "You get an increase in your workforce for a nominal fee," said Gray.

UCSF staff touted the program as "doing the right thing," "growing a loyal employee," and diversifying their workforce, though it was unable to quantify the value of these benefits. Managers specifically noted an increase in the morale and job satisfaction of employees who served as the mentors of clinic assistant interns. Despite the time commitment involved, all of the original clinic assistant mentors continued to mentor, and looked forward to the opportunity.

Unit Coordinator

COSTS

Staff time was the most expensive component of the unit coordinator program. UCSF contributed approximately 40 hours upfront to the development of the curricula and program design. Subsequent cycles required from 16 to 20 hours in additional staff time for activities such as meeting with mentors, filling out paperwork, attending welcoming

and graduation and communicating with JVS. The additional training time compared to the clinic assistant program was necessary to provide trainees with a higher-level set of skills. The trainer for the first course estimated that she spent 62 hours teaching and in meetings, with subsequent cycles taking two to four hours of meeting time and an estimated 40 to 60 hours for training.

New interns required nearly 100 percent oversight. On top of providing this supervision, mentors were also responsible for doing their own work. Managers appointed staff members to serve as mentors and noted a decrease in morale among mentors in the unit coordinator program.

It typically takes six weeks for new hires to achieve 50 percent efficiency and three months to achieve 100 percent efficiency as a unit coordinator. Program graduates tended to lag their counterparts by a week or two, a difference managers attributed to less developed critical thinking skills. Managers did not find the graduates to require more supervision than traditional hires; however, they did require more flexibility in scheduling due to child-care and family-related issues. Nonetheless, program graduates who made it through the six-month probation period were as likely to remain on the job as traditional hires.

BENEFITS

Although the demands upon individual mentors during the internship phase of the unit coordinator program were intense, the hospital benefited from a slight increase in productivity at minimal cost because JVS paid their wages. Hospital staff estimated that, early on, the mentor and mentee did the work of 1.25 to 1.5 people, with productivity increasing over the course of the training program.

The internship component of the unit coordinator program resulted in reduced training costs for UCSF. UCSF typically requires new unit coordinators to participate in a two-week on-the-job orientation, but program graduates hired into the unit in which they interned were required to attend only the three days of the training related to computer and safety skills.



As with the clinic assistant program, UCSF believes that partnering with JVS to develop and implement the unit coordinator program resulted in less-quantifiable social benefits such as a sense of “doing the right thing” and increased diversity. Overall, UCSF judged the program a success.

LESSONS LEARNED

Partnering to provide training to welfare recipients enabled UCSF to grow the pool of potential job applicants and helped it survive a tight labor market. UCSF’s extensive participation in the program, through curricula design, staff time and internship opportunities, may have been expensive, but it resulted in program graduates having the specific skills that UCSF requires of its clinic assistants and unit coordinators. The success of the UCSF/JVS partnership makes it a model for future healthcare sector training programs, and UCSF has expressed interest in having JVS train current entry-level UCSF staff for advancement into unit coordinator positions. It is currently looking for funding to support such a program. Lessons that emerged from this case include:

- Costs to an employer hiring from a training program customized to meet its staffing needs can be lower than the costs for developing and supporting that program internally.
- Employers that partner with a workforce development agency in the design of a pre-employment training program can benefit from a new and reliable source of qualified job applicants. UCSF hired approximately 90 percent of program graduates.
- Partnering to develop a customized training program is an opportunity to leverage public and philanthropic dollars and reduce training expenses.
- Hosting internships is a cost-efficient way to increase productivity. Workforce development agencies can make internships more attractive to employers by paying some or all of the interns’ wages.

- Low-income graduates of pre-employment training programs are often as loyal and productive over time as employees hired through traditional means.
- Using experienced staff to mentor trainees or new hires may result in improved morale.
- Hiring from pre-employment programs that target low-skilled workers is a way to increase workforce diversity.
- Economic gain is not incompatible with fulfilling a social mission.



UCSF: Net Economic Effect

	Net Effect
Program Development & Coordination	Cost
Recruitment	Benefit
Training	Benefit
Compensation*	_____
Productivity (includes work of interns)	Benefit
Supervision	Cost
Retention	_____
Hiring Tax Credits	NA**
OVERALL	BENEFIT

*Includes any savings from reduced payments to staffing firms.

**UCSF is a nonprofit and not eligible for tax credits.



Bank of America

“[The program] gave our recruiter an inside track on some great potential candidates. It gave our managers a nice venue for volunteer efforts.”

— KAREN SHAWCROSS, SENIOR VICE PRESIDENT,
BANK OF AMERICA

ABSTRACT

Bank of America (BofA), a corporate champion of quality welfare-to-work initiatives, supports workforce development programs in communities around the country. In San Francisco, BofA is a supporter Women in Community Service (WICS), a nonprofit agency which pre-screens and pre-trains low-income women for clerical and customer-service jobs a step above entry-level. SF WICS places graduates in jobs at multiple Bay Area employers. In San Francisco, Bank of America has hired four program graduates. The local BofA/SF WICS partnership offers a pathway into BofA’s broader activities in the area of workforce development, and the value of its national strategy, launched in 1998. BofA has found that low-income hires from workforce development programs are easier to retain and show higher levels of loyalty than traditional hires. Workforce development programs provide BofA with a pool of pre-screened, pre-qualified candidates, while also supporting its community development initiatives. BofA has realized significant tax savings as a result of its commitment to hiring former welfare recipients.

INTRODUCTION

With \$622 billion in assets entering 2002 and employing 140,000 people, Bank of America is a leading financial services companies, providing products and services to individuals, small businesses, and commercial, corporate and institutional clients around the world. In 1997, Bank of America’s then-president

David Coulter was concerned about welfare reform legislation and realized it would impact the communities BofA serves. The task force he appointed to study the issue launched America/Works, a national welfare-to-work initiative in 1998. Since then, BofA has hired 6,000 people from, and become a national champion of, welfare-to-work programs.

BofA’s primary challenge in creating effective welfare-to-work programs has been finding nonprofit partners that are able to create programs that meet the needs of the business community. In the first couple of years of welfare reform, BofA frequently found itself the only business at the table during the development of welfare-to-work programs. More recently, BofA has noticed that an increasing number of nonprofit workforce development agencies are engaging employers in program design. These agencies include SFWorks and WICS.

“We always try to work with partners like SFWorks and WICS that share our approach to workforce development for people with barriers, by taking a holistic and comprehensive approach. We know it’s about a lot more than getting a job, any job,” said Karen Shawcross, a senior vice president and national program manager for BofA’s national welfare-to-self sufficiency program.

Founded in 1964, WICS has helped more than 150,000 low-income people nationwide. In 2001, *Worth Magazine* named WICS as one of the “100 Best Charities.” At the local level, WICS partners with government, human service and other nonprofit agencies to deliver life skills and job readiness training and to provide supportive services to women who are on public assistance, in prison, homeless or living in public housing. Its programs are gender-specific, based on a women-centered learning model, and are designed to help participants identify and overcome their individual barriers to self-sufficiency. SFWorks supported the start of the SF WICS Lifeskills program, provided funding and partnering with SF WICS to design programs and identify employers, including BofA.



“We’re seeing higher retention rates among people who come to us through these kinds of partnerships.”

DEVELOPING THE TRAINING PROGRAM

Each of Bank of America’s local program models is unique. In some cities, BofA does the customized pre-hire training, training participants onsite, donating in-kind resources, and providing volunteers, job shadowing, and internship opportunities. In other cities, BofA partners with strong community-based organizations such as SF WICS.

When WICS was in the process of establishing its San Francisco office, its national director approached BofA through contacts made at an SFWorks event. BofA agreed to support SF WICS through small grants, participation on an employer advisory council and by connecting SF WICS with local recruiters. In the Bay Area, BofA provides in-kind resources to SF WICS and is one of many employers recruiting from the SF WICS program.

SF WICS designed its clerical training program in collaboration with SFWorks and City College of San Francisco. Initially, SF WICS intended to place trainees into jobs within the insurance industry, but it has since broadened its placement targets. When statistics were last gathered, in 2001, placement and retention rates were excellent: 90 percent of graduates had been placed in jobs with an average starting wage of \$11.50/hour. Locally, SF WICS boasts job retention rates of 90 percent over three months, 85 percent over six months and 70 percent over two years.

PROGRAM SPECIFICS

WICS Lifeskills is an intensive pre-employment training program that consists of job readiness training workshops, vocational skills and interest assessments, and a life-action plan. The core curriculum — delivered through “empowerment workshops” — emphasizes group dynamics, peer support, counseling and self-examination. According to Shawcross, the Lifeskills approach enables WICS clients to “achieve personal transformation in a miraculously short period of time.”

The SF WICS program includes four months of hands-on classroom instruction for 35-hours a week (which includes the Lifeskills training), 120 hours of paid work experience,

job placement, and a minimum of six months of intensive supportive services, such as mentoring, case management and career advancement services. The classroom component includes both hard-skill and soft-skill training that is widely useful across industry sectors, and incorporates clerical, computer, interpersonal and customer service skills as well as stress and money management. As of summer 2002, 64 women have graduated from the program.

Referrals to SF WICS come primarily from the Department of Human Services and alumni of the program. After an interview, prospective participants go through a one-week job readiness appraisal. The training program is 16 weeks. SF WICS provides the soft-skills training and partners with hard-skills providers that, over time, have included City College, LEN Business and Language Institute and Goodwill Industries. The work experience or internship component of the program begins after eight weeks of training. Most employers hosting interns offer below-market training wages. Some of the program participants choose to volunteer their time so they can retain their government benefits; others choose to volunteer because not all the internship hosts offer wages and they recognize the value of being in that particular work environment.

BofA regularly hosts SF WICS interns. Some choose to volunteer their time; however, a donation from the Bank of America Foundation has supported wages for others. Program participants intern three hours per day, four days per week. One morning per week is spent in soft-skills training. The remainder of the time is spent in additional computer training. “I mentor the girls as we go along,” said Marilyn Drapel, an Auditor in Capital Markets Documentation. “I teach them budgeting and other skills.” She also informally counsels interns based on their interests and prepares them for roles within business, such as receptionist or administrative assistant. One manager remarked that the interns’ “enthusiasm is overwhelming” and noted that they wanted to contribute and make a career at BofA. The SF WICS program requires trainees to conduct a job search, and as graduation approaches, SF WICS sets up interviews for participants with

local employers, guiding them through the process.

The FDIC prohibits banks from hiring anyone with a felony conviction, limiting the number of graduates BofA could hire from the program. Nevertheless, BofA was able to bring on one or two interns for each cycle, and hired four full-time employees out of the SF WICS program, two of whom remained after nine months. Interns made \$7.00 an hour; the full-time employees started at \$2,200 a month, salaries equivalent to those of their counterparts hired through traditional means. So far, one of the full-time hires has been promoted, and her compensation increased to \$2,475 per month. In addition, BofA offers its employees a generous benefits package with a value that exceeds 30 percent of salary; it includes subsidized childcare, transportation subsidies, healthcare, tuition reimbursements, and principal-free loans for those buying homes. BofA's participation in welfare-to-work programs qualifies it for tax credits, which it began applying for in 2000.

COST/BENEFIT ANALYSIS

Gathering data about BofA's hires from the SF WICS program proved challenging because the managers involved in the program had been transferred and the information the company keeps on its welfare-to-work initiatives is aggregated at the national level. BofA has hired 6,000 employees from welfare-to-work programs since 1998, and this aggregated, top-level information makes a powerful business case for partnering with local workforce development programs targeting low-income individuals. BofA has not yet done a thorough cost/benefit analysis because the scale of its programs is so large and varied; however, it was able to provide enough information to show the value of integrating a welfare-to-work strategy throughout an organization.

Consequently, instead of analyzing the costs and benefits specific to BofA's participation in the SF WICS program, this section provides a perspective on the potential costs and benefits of large-scale, corporate investment in welfare-to-work.

Costs

BofA has not yet quantified its investment in welfare-to-work, but the elements of its strategy that it cites as costs include the following:

- *Staff.* BofA has one part-time national staff member whose responsibilities include support or coordination of its welfare-to-work initiatives. Depending on the size of local initiatives, it may also task local staff members with program development, coordination or implementation responsibilities. BofA does not release information about salaries for these staff.
- *In-kind contributions.* BofA makes significant in-kind contributions to the workforce development programs with which it partners. These contributions may include:
 - *Infrastructure.* BofA often donates training space, equipment or materials.
 - *Volunteers.* Around 140,000 associates contribute nearly 800,000 volunteer hours annually in program development, mentoring, business clothing drives, mock interviews, workplace tours, career presentations and board participation.
 - *Technical assistance.* Associates share their expertise with community organizations on issues including education, finance and money management.
 - *Products and services.* As a financial services institution, BofA is able to support programs with daycare facility financing programs, affordable mortgages and community investment.
 - *Internships.* BofA regularly hosts paid or unpaid internships for program participants.
 - *Public advocacy.* BofA and its associates participate in public policy discussions about workforce development-related issues at the community, state and federal levels. It is one of the few corporations playing a leading role in the current debate over welfare reauthorization.



– *Direct contributions.* In 2001, the Bank of America Foundation donated \$18 million (out of its total budget of \$85 million) to organizations, programs and services directly related to helping people move from welfare to self-sufficiency.

However, it does share its findings that retention for program hires has been higher every month than retention for traditional hires. “Consistently, over the years, we’ve seen a higher retention rate than for people coming off-the-street,” said Shawcross.

Benefits

BofA believes that the return on its investment in welfare-to-work programs has been positive. The economic benefits stem from reductions in training and recruitment costs, lower job turnover and federal tax credits. Additionally, investment in local welfare-to-work programs has improved BofA’s reputation in the communities it serves and increased the diversity of its workforce.

Partnerships with local workforce development and welfare-to-work programs have streamlined BofA’s recruitment process for some job categories. “We have found that the partnerships allow us to save some money on cost-per-hire,” said Shawcross. “Our partners are actually pre-screening candidates for us and pre-training them.”

Additionally, BofA has found that the retention of program hires exceeds those of individuals hired via traditional recruitment processes. Speaking about BofA’s program hires, Shawcross said, “We see an incredible amount of corporate loyalty to the organization that invested so much in recruiting them, helping to get them trained and giving them a chance. We’re seeing higher retention rates among people who come to us through these kinds of partnerships.”

BofA only started tracking its welfare-to-work hires and retention rates in 2000, when it started applying for tax credits. As of June 30, 2002, retention for hires off of public assistance is 90 percent. BofA does not release comparative retention figures.

“We have found that the partnerships allow us to save some money on cost-per-hire. Our partners are actually pre-screening candidates for us and pre-training them.”

**— Bank of America: —
Net Economic Effect**

	Net Effect
Program Development & Coordination	Cost
Recruitment	Benefit
Training	Benefit
Compensation*	————
Productivity (includes work of interns)	Benefit
Supervision	————
Retention	Benefit
Hiring Tax Credits	Benefit
OVERALL	BENEFIT

*Includes any savings from reduced payments to staffing firms.

The retention numbers are particularly impressive when one realizes that BofA is hiring former welfare recipients into relatively skilled positions. BofA contracts out for services that would normally employ entry-level workers. This leaves higher-skilled computer and customer service jobs for those coming through welfare-to-work programs. For example, graduates that BofA hired from the SF WICS program started at \$2,200 per month.

See E.Creyer and W. Ross, “The Influence of Firm Behaviour on Purchase Intention: Do Consumers Really Care About Business Ethics?” *The Journal of Consumer Marketing* 14.6 (1997). According to Cone-Roper, 86% of consumers have a positive image of a company if they see it doing something to make the world a better place. Other studies support these findings. SustainAbility’s *Buried Treasure: Uncovering the Business Case for Corporate Sustainability* (2001) gathers together evidence pointing to the business value for brand and reputation gained through social and environmental commitment. See www.sustainability.com/programs/Business_Case/introduction.asp



BofA benefits economically from the high retention rates of its welfare-to-work hires. Not only does it save money from reduced job turnover, but it has received federal tax credits valued at more than \$5 million since it began applying for them in 2000. BofA was unable to provide numbers for state credits or the savings from the SF WICS program.

BofA's participation in community workforce development initiatives has helped to establish its brand reputation as a good corporate citizen. In 2001, the National Alliance to End Homelessness honored BofA for its work in the area of developing affordable housing and hiring welfare recipients. Locally, Bay Area Works recognized BofA for its contribution to helping Bay Area residents transition off of welfare. Strong evidence exists that links ethical behavior with building stakeholder trust.⁶

BofA values a diverse workforce and has found a diverse workforce is better able to understand and communicate to its diverse customer base. Hiring former welfare recipients contributes to its diversity. At the macro level, BofA's contributions to community and economic development help it to grow new markets.

LESSONS LEARNED

Bank of America's experience demonstrates that a concerted, national approach to workforce development can benefit both low-income individuals and the corporation that employs them. A corporate pioneer, Bank of America was among the first corporations to launch a welfare-to-work initiative. Since formalizing its initiative in 1998, the firm has made significant in-kind and direct contributions to local programs and to the policy arena. As a result, it experiences economic benefits in the form of tax credits, reduced recruitment and job turnover costs, access to new labor pools and a positive brand reputation.

- Employer partnerships with workforce development programs can take many different forms. They may serve as the primary employer and offer significant supports such as training location, or they may be one of several firms to hire from a program.

- Because nonprofit agencies leverage public and philanthropic dollars to pre-screen and pre-train participants, partnerships with workforce development programs can help firms reduce their recruitment and training costs.
- By investing in local workforce development programs, a firm can grow its own supply of labor and gain a recruitment advantage over competitors that lack a workforce development strategy.
- Program hires are more loyal than traditional hires and may save an employer costs associated with job turnover.
- Tax credits augment the strong benefits that already come through workforce development. These credits can be significant.
- A commitment to workforce development that is communicated from the top enables a corporation to be strategic in its investments and encourages local human resources and managerial staff to be creative in their approach to partnering with community organizations.
- Relationships with organizations that serve disadvantaged populations can help employers reach previously untapped labor pools, enabling them to deal more effectively with the changing demographics of the labor force.





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