

# Checking in with Welfare-to-Work

*Potential Source of Entry-level Employees?*

By Ann Moline

**I**t's not news that companies in the throes of a location decision today must closely examine a community's available labor pool before signing an agreement. Today some companies are looking inward—inside the urban core—for expansion opportunities and an often untapped pool of workers, many of whom are being weaned off welfare. Enticed by traditionally high unemployment rates, empowerment zones and other incentives, as well as the belief that a civic-minded orientation can spell good business, some companies are committing to areas once deemed hopeless.

Take Ideal Steel, for example. The \$80 million construction supplier realized in the mid-1990s that the company's Hamburg, Mich., site would not sustain its growth.

Frank Venegas, the company's founder, teamed with two other manufacturers to rehabilitate an abandoned General Motors plant in the heart of seedy southwest Detroit. The area, a newly designated empowerment zone, had suffered for years from high crime, poverty and unemployment.

The partners received support from the city and state, including easements of environmental restrictions. The Big Three automotive companies gave funds and agreed to purchase from the newly created Hispanic Manufacturing Center. The center houses operations for the thriving manufacturers. Today the center employs 300—including former gang members and welfare recipients. A 50,000-square-foot expansion is expected to make room for 150 more workers. Federal Express and Ameritech are following the lead, with planned new facilities nearby.

## Risks Pay Off

Ideal Steel's experience shows that such a risky approach can create a new,



Ideal Steel employs former welfare recipients at its southwest Detroit plant. Welfare-to-Work programs offer training and employment help, and are a source of steady workers for labor-strapped industries.

steady source of workers. However, says company representative Sylvia Gucken, "We could not have done what we did alone.

"If you are thinking about hiring from this population; if you are thinking about building in an economically distressed area, you must partner with service organizations to help with training. Plus, you must have the support of city and state officials as we did, as well as the customers and suppliers—it takes everyone."

The Hispanic Manufacturing Center partners with nonprofit and faith-based service organizations that provide job skills training for those with little or no work experience.

The center concept might not have succeeded but for the confluence of two

events. The landmark Personal Responsibility and Work Opportunity Reconciliation Act of 1996 linked a work requirement with gradually diminishing welfare benefits, newly capped at three years.

And the Welfare Reform Act, imposing term limits on the benefits able-bodied Americans could receive, coincided with the start of the tightest labor market and strongest economic boom seen in this country in generations.

As the labor situation grew tighter (today's national unemployment rates hover at 4 percent.), employers began to pursue more creative hiring options. Hiring consultants and staffing experts now recommend a variety of approaches to filling those open slots—consideration of handicapped

the very basic level skills training that they needed.

Such training may not cost the company a dime. "You probably won't spend anything for training. The communities do it," Strauch says.

But not all communities or programs are alike (federal monies are administered through block grants to states). Therefore, a site selection team weighing advantages of different locations should include the company's human resources manager, who can compare the types of recruitment, training and services offered.

The federal program also allows a \$5,000 tax credit for businesses that retain for two years workers who are on public assistance.

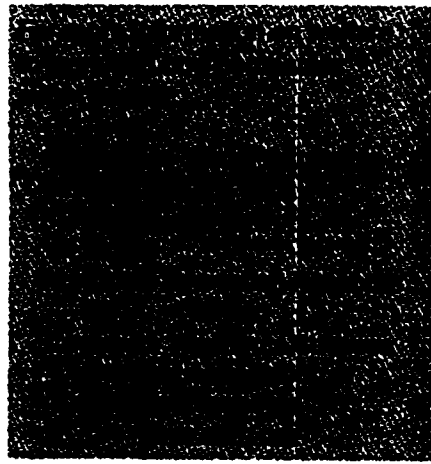
Says Rick Marcum of the Phoenix EARN Alliance, a skills training and employer resource center operating out of the city's human services department, "Xerox, in our area, has retained around 12 of these workers for two years. That means \$60,000 less in federal taxes—not a bad incentive."

Successfully employing workers who might have never held a regular job and who live in areas without access to transportation or affordable childcare can prove a daunting task. Companies today are working through trade associations and establishing partnerships with community organizations that provide the training necessary to prepare this group. The most successful training programs, says NAM's Golden, are those that maintain ongoing relationships with a constituency of employers. To ensure that workers will meet their needs, companies help dictate the specifics of the programs.

### Dealing with the Basics

The nonprofit Detroit Hispanic Development Corp. works with the Detroit WINs program, supporting the Hispanic Manufacturing Center among other projects. Says Angie Reyes, the executive director, the best combination of education and training covers three categories: job readiness, skills training and employer training. The first, what Reyes dubs "soft education," relates to job readiness.

"These classes focus on things that the rest of the working world takes for granted—attendance, work ethics, interviewing, conflict resolution, team building." An important component of



the job readiness classes deals with problem solving. "What happens if you wake up and your car has a flat tire, and you do not have money to fix it?" If such basics are not addressed, she says, companies will struggle to retain these workers once they have been hired. While this training takes place, individuals are assessed for education, interests and skills. "We receive a great deal of input from employers, regarding what they are looking for, so we can gear the skills training towards what the companies want," she explains.

One such company is automotive supplier UniBoring. Located 55 miles from downtown Detroit, the \$103 million manufacturer, in fast-growth mode, faced a 1.5 percent unemployment rate in Howell, Mich.

Alfredo Garcia, UniBoring's director of resource development, uncovered pockets of higher unemployment in downtown Detroit.

"I knew of companies having to scale back growth because they couldn't get the workers they needed. We did not want to do that," he explains. Garcia connected with Reyes and her organization. But transportation barriers existed. Teaming with a staffing company, which agreed to hire the workers for UniBoring, Reyes arranged van transportation for workers traveling from inner Detroit. Today, over 100 employees make the 100-mile round trip commute.

### Keeping Employees

As with any hiring initiative, retaining workers is the key. Unfortunately, there is not always a direct correlation between companies with good hiring intentions and the retention of nontraditional workers. In Phoenix, for exam-

ple, EARN Alliance placed 573 welfare recipients in 1999. After one month, retention had fallen to 357. At one year, 54 of those placements remained. Program director Marcum says his organization's focus today centers on retention. "We have retention specialists working with us, so that employers who are struggling with this issue can use us as a resource."

Intolerance or lack of understanding on the part of front-line managers is often the culprit when new workers quit. "Front-line supervisors don't have a clue how to supervise this population of workers," explains Reyes.

"And this is the real person who is the key to retention."

Garcia admits that UniBoring struggled with this situation. "We held some focus groups and discovered that one of the problems was with managers who were not understanding the challenges these workers must confront."

So, training—specifically for supervisors who will have direct contact with those who may not have extensive experience in the working world—becomes a crucial part of the educational mix. At UniBoring, for example, supervisors now receive additional training in conjunction with Lansing Community College.

Garcia says that strategy helps their potential for promotion. "Our strategy to remain competitive for all workers is to be an employer of choice.

"To do that, no matter who you are hiring, means you have to be a good employer—offering promotion and advancement opportunities, decent pay, educational opportunities."

A business, lacking the extensive foundation funds or human resources divisions of a Sprint or a UPS (two pioneers in the Welfare-to-Work partnership) may find the prospect of hiring, training and retaining workers on public assistance daunting. But according to Rodney Carroll, chief operating officer of the Welfare-to-Work Partnership, "We have 15,000 companies who have hired former welfare recipients in our partnership. Seventy-five percent of those are small businesses."

The partnership, Carroll says, has launched sites in Washington, D.C., New York, Miami, New Orleans and Los Angeles. The sites help small businesses connect with social service providers, who can serve as a source for workers and training. **PEEP**