

Resources for Businesses Hiring Formerly Incarcerated Persons

Good morning. I am honored to be here this morning to discuss a very important issue. Before I begin, I would like to acknowledge Denise Hamler, Alisa Gravitz, etc. I would also like to acknowledge an RSI board member, Anne Marie Burgoyne.

Now I would like to take this time to discuss an important business issue facing many of you, inside and outside the green economy.

The United States is facing a growing gap between the number of jobs available and the number of individuals in the workforce. Over the next 30 years, 76 million baby boomers will retire, while there will only be 46 million new workers from Generations X and Y entering the labor force. Employers faced with a dwindling workforce will need to reach out to populations that have traditionally been underutilized and marginalized. Employers will need to be creative and innovative. They will need to look at senior citizens, welfare recipients and even formerly incarcerated persons. These groups will be viable alternatives for employers due to their size within the population. For example, over 600,000 ex-offenders are being released this year from state and federal prisons alone. There are another estimated 7 million individuals churning through our jails. In fact, about 25 percent of the nation's adult population has a criminal record on file with state or federal governments at this moment.

Unfortunately, while this is a viable option, many employers are unwilling to hire formerly incarcerated persons. One reason employers often give for refusing to hire individuals with a criminal record is the fear that they will incur liability if they hire a person with a conviction record who later commits a new crime. This is known as negligent hiring. In fact, Bruce Western, in a Princeton University study, found that felony status reduces employment opportunity by 40 percent.

Who are these formerly incarcerated persons? They are men, women and children. Statistics state that one in 37 US adults serve time. One in three Black males and one in 19 Black females will be arrested and released. Right now there is a seven percent increase in women being incarcerated; one in four arrests are women. This is the fastest growing population in prisons today. Young people also account for a relatively large portion. In fact, there are over 200,000 juveniles under the age of 24 within the adult system. Seven to 17 times more of these youth are Hispanic than white.

Irrespective of who are our formerly incarcerated, it is important to note that Federal law discourages employers from having a blanket policy of denying employment to individuals with criminal histories. Guidance from the Equal Employment Opportunity Commission requires employers to make individualized assessments about the appropriateness of hiring a particular applicant. In fact employers must give full consideration to certain factors including:

The nature and gravity of the offense(s);

The time that has passed since the conviction and/or completion of the sentence; and

The nature of the job held or sought.

While it is easy to think of reasons why not to hire a formerly incarcerated person, there are advantages to hiring formerly incarcerated persons. ***These include financial incentives, support from intermediaries and access to a highly motivated workforce.***

Financial Incentives

In terms of financial assistance, there are several programs, sponsored by the federal government, to assist employers in recruiting and retaining formerly incarcerated persons.

For example, an employer who hires a person with a criminal record can save money through the

Work Opportunity Tax Credit (WOTC). This federal tax credit provides an incentive for employers to hire, train, and retain job seekers who are among nine groups—including former felons—who often experience barriers to employment. This credit can reduce an employer's federal income tax liability by as much as \$2,400 per new worker.

Some important considerations are that there is no limit to the number of new hires that an employer may claim, and wages paid to temporary, seasonal, part-time, and full-time employees qualify for the credit. The best part for employers is that they need only complete a one-page form by the day the job offer is made and file another one-page form within 21 days of hiring an eligible employee.

Some employers may require their employees to be bonded as protection against money or property loss due to employee dishonesty. However, many private bonding agencies will not bond job applicants with criminal histories or other questionable past behaviors because they are often categorized as “at-risk” or “not bondable.” Being ineligible for private bonding insurance can be an additional employment barrier for many qualified job applicants with past criminal records. The Federal Bonding Program exists to help alleviate employers' concerns about hiring qualified, but “at-risk,” job applicants.

The Federal Bonding Program serves as a job placement tool by guaranteeing to an employer the job honesty of “at-risk,” hard-to-place job applicants. The Federal Bonding Program issues fidelity bonds, which are business insurance policies that protect employers in case of theft, forgery, larceny, or embezzlement of money or property by an employee who is covered by the bond. The bond coverage is usually \$5000 with no deductible for the employer. Higher amounts of coverage, up to \$25,000, may be allowed.

Bond packages are issued by the Department of Labor. The bond is put into effect instantly on the first day of employment. The employer simply makes the applicant a job offer and sets a date for the individual to start working. There are no forms or other papers for the employer to sign, and no processing to delay matters. Best of all, the bond insurance is free.

Bonding services as a job placement tool has achieved a 99% success rate. About 41,000 job placements have been made for at-risk persons who were automatically made bondable. A Texas A&M comparison group study found that people with criminal records who were released from Texas State prisons and placed through use of bonding and other services had their reincarceration rate reduced by 40%. Most important was that the bonds saved over \$10 million per year in potential reincarceration costs, and participants who secured employment generated about \$1000 per year in state and local taxes.

In addition to Federal programs, there are also state incentives for employers. Five states—Florida, Missouri, Indiana, Delaware and Pennsylvania—have statutes that allow for the receipt of tax credits for any business that contributes to crime prevention.

A bill was recently introduced in the Ohio Legislature that would extend a tax credit against the state's corporate franchise and personal income taxes for wages paid to employees who have been convicted of felonies.

Five states—California, Louisiana, Maryland, Texas and Iowa—provide state income tax credits to employers who hire people with criminal records.

In California, any employer who hires an “ex-offender” may be eligible for a state tax credit. For example, an employer is eligible for a deduction of 50% of qualified wages in the first year of employment.

Employers in Iowa are allowed an additional deduction on their Iowa income tax returns for hiring a person who has been convicted of a felony or who is serving a parole or probation sentence or in participating in a work release program. This deduction is 65% of the wages paid in the first 12 months of employment; the maximum deduction is \$20,000 per employee.

Support from Intermediaries

Beyond the government, employers can look to intermediary agencies to assist them with the recruitment and retention of formerly incarcerated persons.

These community based, and often nonprofit agencies offer support services to the employer by providing:

*Cost savings by lowering the employer's recruitment costs
by matching qualified applicants to the employer's available positions;
Pre-screening and pre-training that suits the employer's needs; and
Retention services to the recruited employee.*

While many intermediaries are nonprofit agencies, this does not mean that they are not looking for market-based solution to this major social ill. In fact, Reentry Strategies Institute is such an intermediary. Our goal is to provide support to frontline service providers and employers in an effort to reduce recidivism, increase the economic self-sufficiency of formerly incarcerated persons, reduce the employment gap and increase public safety. We are taking the market-based approach of linking communities, scaling services and capturing over 50 percent of the market. With over half of all formerly incarcerated persons returning to five states, RSI has a real opportunity to provide on the ground technical assistance and advocacy to social service groups and employers.

The role of RSI is to provide information and technological support to employers to recruit and retain highly qualified employees, who are also formerly incarcerated. Our technology platform provides an online case management system that is collaborative between supervision, social services and employers. This is critical as over 50 percent of recently released prisoners return to their cells because of parole violations due to lack of coordination between service provides, case managers and probation officers. Our programmatic work is designed to assist formerly incarcerated persons secure employment and achieve economic self-sufficiency, while increasing the productivity and profitability of partner businesses. Our advocacy work focuses on removing barriers to employment to reduce recidivism and increase long-term public safety and community development.

Consider using intermediary agencies to assist you. All of us have been quite successful in saving businesses money, particularly when turnover costs are estimated to be between 33% to 250% of annual pay.

Highly Motivated Workers

How many of you are interested in employees with positive work habits? A strong work ethic? Appropriate workplace behavior? A sense of personal responsibility? Ability to be part of a team and work independently?

These skills are not unique to an individual based on race, class, age, gender, sexual orientation or criminal history. In fact, many businesses within the service sector and light manufacturing have found great success in hiring formerly incarcerated persons.

Consider Greyston Bakery. The bakery is a multimillion-dollar organization that is the sole provider of brownies for Ben & Jerry's ice cream located in Yonkers, NY. Their open door hiring process has provided long-term employment for hundreds of formerly incarcerated persons. Many of whom have been promoted within the bakery an/or gone on to larger companies with more growth opportunities and larger compensation.

Another example is Delancey Street based here in San Francisco. Formerly incarcerated persons, who were also often addicts, are running restaurants, moving businesses, coffee shops, transportation services and the like.

It is important to note that the size of the business enterprise doesn't matter. For example, a small ice store in Chicago has successfully employed formerly incarcerated persons with a total staff size of less than 20. Most impressive is that since 1995 only two of the over 12 persons hired at the ice store have returned to prison.

Many businesses report success. A common theme is the level of loyalty; hard work and appreciation that formerly incarcerated employees show their employers and the business. Other success stories include: Embassy Suites, which engages workers in service jobs across the country; Petroleum Engineering Council that employs individuals in entry level jobs in Los Angeles; and the Center for Employment Opportunities which recruits workers for day laborers and vocational jobs throughout New York City.

Summary

These examples do not have to be unique; they can be the norm. Today, I am calling on the social responsible community to be a leader in this effort. As companies already committed to a triple bottom line—where people are a critical resource—this is an obvious opportunity for you.

Rest assured, my call to action is a business solution—not a charity.

Businesses are facing an employment gap. Access to a pool of over 600,000 people annually can fill this gap; this is the number of prisoners being released annually.

There are many financial incentives available on a state and federal levels to offset incremental costs that may be incurred in retaining formerly incarcerated persons. Therefore, there is no such thing as not being able to afford to do this.

This pool of employees is highly motivated. They are not violent or dangerous. In fact, over 71 percent of formerly incarcerated persons were convicted of non-violent offenses. Do not believe the media or stereotypes.

Finally, there are intermediaries, such as RSI, that are committed to assisting you in creating market-based solutions that are compatible with both the profit and social motives of business.

Formerly incarcerated persons face enough challenges when being released from prison—such as prejudice, discrimination and lack of support. They cannot go to college due to a ban on financial aid. They are often turned away from public housing at the sole discretion of each state housing authority. They fight daily for family reunification with their children. They are banned from receiving food stamps and welfare. Employment should not be another barrier for them. Employment should be a right and an opportunity.

By focusing on one employee at a time, you too can be part of a revolution to provide equal access to employment for all Americans.