Why Companies Invest in "Grow Your Own" Talent Development Models

Including a Tool for Calculating Return on Workforce Readiness Programs

Corporate Voices for Working Families 10 YEARS

About Corporate Voices for Working Families

Corporate Voices for Working Families is the leading national business membership organization shaping conversations and collaborations on public and corporate policy issues involving working families. A nonprofit, nonpartisan organization, we create and advance innovative policy solutions that reflect a commonality of interests among the private sector both global and domestic, government, and other stakeholders.

We are a unique voice, and we provide leading and best-practice employers a forum to improve the lives of working families, while strengthening our nation's economy and enhancing the vitality of our communities.

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We would also like to acknowledge Dorian Friedman, John-Anthony Meza and the rest of the Corporate Voices team, who worked diligently to ensure that this report represented not only a useful contribution to the literature on workforce training and investment but also a valuable tool that could be used by companies large and small in evaluating their own training efforts.

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Finally, we sincerely thank the companies profiled here — CVS Caremark, Johns Hopkins Hospital, and Pacific Gas and Electric — for their extraordinary commitment to workforce readiness and for allowing us access to their executives and data so we could really understand why they invest in workforce readiness when so many others do not. We would also like to acknowledge several other companies — ARAMARK, Bank of America, Convergys, State Street and Verizon Wireless — that consulted with us on the development of this report.

We hope you find the good (and profitable) work these companies are doing to be thought provoking and inspiring.

Introduction

In this report, Corporate Voices for Working Families investigates why some companies invest significantly in workforce readiness for their lower-skilled and entry-level workers. Extensive research in the field demonstrates that when companies support education and training, they generally invest more heavily in management programs and industry-specific training than in shoring up the *basic* skills of their newest employees. Similarly, business leaders typically think society at large — and the public education system in particular — is mainly responsible for ensuring that job seekers are ready for work.[1] Nonetheless, some leading companies have made significant and sustained investments in the basic workforce readiness skills of their employees — choosing to grow their own talent from within.

The ROI framework can be used to help companies begin to determine their organizations' workforce training needs and opportunities, evaluate how to address them, and begin to measure the results of these programs.

We wanted to know more about these companies' practices. Thus, this study examines the business drivers for investing in workforce readiness for entry-level workers who need basic education or remedial skills to become valuable and productive workplace associates. This report:

1. **Documents examples of companies that are making these investments, and explores the business rationale for doing so;**
2. **Calculates the return on investment (ROI) that the firms derive as a result of their workforce readiness programs; and[2]**
3. **Delineates the broader economic and social argument for employer engagement in workforce readiness programs.**

To explore these questions and reach useful conclusions, a simple ROI tool was developed and road tested with large employers that are strongly committed to investing in workforce readiness programs. Some companies supplemented this effort by using internal cost-benefit calculations that aimed to capture similar outcomes, and three of the companies agreed to share their findings. The resulting ROI framework, explained in detail in the following pages, can be used to help companies begin to determine their organizations' workforce training needs and opportunities, evaluate how to address them, and begin to measure the results of these programs.[3]

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On the one hand, the companies we researched and profiled articulate a clear and compelling case for why they invest in entry-level workers and how those investments pay off in concrete outcomes and cost savings.

On the other hand, the companies suggested that other unrealized, nonmonetized benefits to employers are not factored into the ROI calculation. Apart from the quantifiable benefits such as higher employee retention and reduced turnover costs, the companies pointed to a wide range of dividends — from greater workplace diversity to enhanced customer loyalty and community reputation — that are real and valuable but are much harder to monetize. In some cases, the companies were unable to disclose the data around those benefits. However, more often, the companies had a "gut" sense that these benefits were significant and were important rationales for starting or sustaining their investments but had no way to attach a dollar value to them.

Consequently, the ROI calculations shown here measure only the costs and benefits that can have a number assigned to them. Accounting for the benefits the companies also ascribe to these investments will require additional research and commitment by these employers to collect the data. With an ongoing effort by the companies to sustain the efforts they have begun, there is every reason to believe that the training programs described in this report will continue to yield valuable benefits for employers and their bottom lines.

Overview

Our nation's economic vitality depends now more than ever before on having a skilled and experienced workforce — one from which employers can tap a diverse and talented labor pool and one in which all individuals have opportunities to earn wages that support their families.

Yet in America today, troubling trends are undermining that promise. To begin with, too many young people — the workforce of tomorrow — are unprepared to succeed in a knowledge-driven global economy. More than 25 percent of our young people (and as many as 50 percent of minority youth) fail to earn a high school diploma within four years.[4] Among those who do finish high school, too many lack the skills needed to prosper in the working world.[5]

Similarly, while most young Americans aspire to higher education — indeed, more than 70 percent of high school graduates pursue advanced education of some kind within a year — too few manage to complete their studies. Among students pursuing a bachelor's degree, only 55 percent finish within six years; for those pursuing an associate degree, less than one-third finish within three years.[6]

The consequences of this education gap are real, and they are growing worse. Leading economists estimate that two-thirds of all job openings in the next decade will require at least some postsecondary education or training.[7] By 2018, they project our economy will need 22 million new workers with college degrees — but at current rates will fall short of that number by at least 3 million.[8] Despite the importance of higher education to young Americans' job prospects, 60 percent of the adult U.S. population has no postsecondary credential. Previously number one in the world, America now ranks 12th among nations in the percentage of young adults earning a college degree.[9] Unless we steer a different course soon, today's young Americans will be less educated than their parents' generation — for the first time in our history.

Compounding these facts is the simple reality of demographics: The huge cohort of baby boomers, some 78 million strong, is reaching retirement age. Millions fewer Americans are waiting in line to take their place. And those next in line, increasingly, come from immigrant and minority populations that historically have been less successful in completing higher education.

For the moment, the nation's stubbornly high unemployment rate is masking our economic reckoning. Yet soon enough, the shortage of skilled labor will be upon us, and more and more employers will

A broad skills gap already exists in our nation and is contributing to what one new report calls the "great divide" between what workers have to offer and what employers expect and demand.

experience challenges finding employees who are ready to contribute and thrive. While this demographic reality will affect all sectors of our economy, industries such as manufacturing and utilities — which rely on a relatively older and more experienced workforce — will be particularly hard hit. As one example, the U.S. energy sector is facing a critical and imminent shortage of skilled workers at a time when energy innovation is a top national priority. Fully *half* of the sector's current workers — from line workers to nuclear power plant operators — will be eligible to retire or will leave for other reasons in the next five years alone.[10]

Part of the solution to improving the skills of future workers will come from employers investing in their incumbent workers and growing their own talent pipelines.

In fact, a broad skills gap already exists in our nation and is contributing to what one 2011 report calls the "great divide" between what workers have to offer and what employers expect and demand. This divide has resulted in persistent high national unemployment even as businesses desperately seek new talent.[11] Many experts, moreover, agree that the misalignment between the needs of employers and the skills and education levels within sectors of today's workforce is hampering our national economic recovery.[12]

These trends — an evolving economy that demands a highly skilled workforce, an inadequate supply of appropriately skilled graduates and sweeping demographic changes — are merging to form a critical imperative for talent development. Combined, they spell an undeniable reality: We are entering an era during which almost every potential worker will be needed. Yet America's talent pipeline is in jeopardy. Where will our future workers come from? How will they get the skills and experience they need to thrive in the workplace and in a knowledge-driven global economy?

Part of the solution to improving the skills of future workers will come from employers investing in their incumbent workers and growing their own talent pipelines. Such investment can take many forms, but the companies involved or associated with this report have concentrated their efforts on the basic workforce readiness skills of their entry-level, lower-skilled employees and, in some cases, prospective employees hoping to secure full-time positions — two groups that often need help in becoming valuable assets to their employers. These companies have embraced workforce readiness training at their considerable time and expense, but their investments have paid off in a range of valuable dividends. The case examples profiled in this report can be used by other employers interested in developing programs to both improve the pipeline of new entrants and enhance the skills of their newly employed, lower-skilled workers. Indeed, this paper is intended as a roadmap for other companies to guide a similar strategy of growing talent from within — with the promise of real and lasting returns over time.

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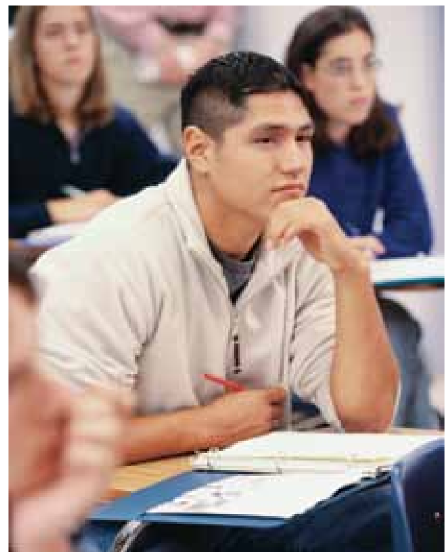
Measuring the Impact of Workforce Investment

This report describes how several American employers invest in work readiness skills, primarily to benefit their entry-level, less-experienced employees, and the value derived from their investments. To assess that value, Corporate Voices for Working Families' research looked at readily quantifiable benefits as well as other important benefits that are harder to monetize. The report also explores the necessary corporate strategies and philosophies behind the development of these efforts, which take time to prove their worth.

In different ways and to different degrees, these companies, highlighted by the case examples of CVS Caremark, Johns Hopkins Hospital, and Pacific Gas and Electric (PG&E), each enjoyed direct and sustained benefits from its investments. **The main findings of this report include:**

- There is a real and tangible return on investment (ROI) for workforce readiness programs, and its value is recognized by company executives. For the three programs highlighted in this report, the ROI ranges from a first-year loss of 10 percent to a net gain of at least 179 percent.



- The monetized benefits are most often recognized in the form of higher employee retention rates.
- Companies also assign significant value to nonmonetizable rewards, including increased workforce diversity and greater community engagement.
- Successful programs share key features, including a desire to engage the communities they serve. Similarly, they often leverage public-private partnerships and a range of public resources to improve the odds of success.
- There is no "one size fits all" approach to measuring ROI. For some employers, the framework proposed here was a new and valuable tool to assist them in quantifying program effectiveness, while the others applied internal corporate metrics to estimate equally useful cost-benefit results. Companies that have already explored their own ways of capturing this information may find the framework and tool in this report to be another helpful approach to capturing the impact of their investments.
- Companies typically do not collect the data they need to assess the full value of their programs. Improvements on this front are needed to recognize the benefits these programs provide to the companies.

The employers we studied have chosen to invest in the skills of their future workforce, and their results — though still early and incomplete — show real promise. Most important, they are cultivating a new generation of talent, a pipeline of skilled and diverse employees who are finding new opportunities with companies committed to their professional growth — and whose loyalty in return can have very real effects on corporate profitability.[13]

Methodology

Corporate Voices for Working Families, in association with McBassi & Company and The JarrettWagner Group, conducted research to identify the costs and benefits to employers of participating in workforce readiness initiatives.

To support this analysis, we developed an ROI tool and tested it with several large employers that are currently providing workforce readiness programs and were willing to share their data and best practices. Three also agreed to share their best practices as case studies in this report. At least one representative from each company was interviewed at length, with the primary focus on gathering quantitative data regarding employer investments in — and benefits from — training for workforce readiness. Company officials were probed further to help develop a rich qualitative understanding of those investments as they relate to corporate strategy. In all cases, we used the most recent data available to us when the analysis was conducted (summer 2010). The resulting tool is summarized below and in more detail in **Appendix B.**

To further inform this research, we conducted a wide review of literature describing the costs to private employers and society at large of having a significant number of young Americans unprepared for work and exploring how employers are addressing this critical challenge. The detailed literature review is available on the Corporate Voices website.

ROI TOOL

$$\text{ROI} = \frac{(\text{Present Value of Benefits} - \text{Cost of Investment}) \times 100}{\text{Cost of Investment}}$$

To provide an appropriate economic analysis of the impact of investments in workforce training, we needed to monetize our quantitative findings. Thus, we looked at both costs and benefits.

- ***Costs*** typically include startup costs (fixed costs that are independent of the number of participants in the program) and variable costs (which increase with the number of participants). Costs include assessing the needs of new employees, developing and implementing the training curriculum to address those needs, and the value of company staff time and resources to carry out the program.
- ***Benefits*** reflect a broad range of potential desirable outcomes. These include prospective reductions in hiring, training and turnover costs; improvements in productivity, quality and customer satisfaction; greater workplace diversity; enhanced community engagement and reputation; and ultimately, stronger revenues.

For a detailed discussion of the ROI framework, please see Appendix A. The tool itself appears in Appendix B.

As detailed on subsequent pages, our initial inquiries revealed that the primary benefit these firms are currently able to quantify and share as a result of their workforce readiness program is a reduction in labor costs (hiring, training and retention) for entry-level positions. Therefore, as we worked further with these firms, we narrowed our data analysis to only those component parts of our much broader ROI framework that were consistent with the companies' current data-gathering capabilities.

To gain a fuller understanding of the other potential but nonmonetized benefits of the workforce readiness programs — such as greater workplace diversity, enhanced customer and community reputation, and other benefits discussed in this report — we conducted interviews with workforce program executives at each company. They were able to help us understand how their firms made decisions to participate in workforce readiness programs, the internal and external processes for conducting programs, and how they built these programs into successful talent pipelines that are appreciated and valued by their companies.

Findings

Based on our research with these diverse companies, the following conclusions can be drawn:

I. There is a real and tangible ROI for workforce readiness programs, and its value is recognized by company executives. For the three programs profiled for this report, the ROI ranges from a first-year loss of 10 percent to a net gain of at least 179 percent.

Overall, the workforce investment programs we evaluated can generate a very respectable ROI for firms that have large numbers of entry-level employees. In the case of the one company that reported a first-year *negative* return within its training program, the loss was mainly the result of intensive startup costs. In fact, modest gains of 7 to 9 percent are projected for the program's second year — and those gains are expected to grow to a solid 40 percent by year five.

II. Companies recognize benefits of these programs in the form of higher employee retention rates, increased workforce diversity and greater community engagement.

In designing this research, we aimed to monetize as many training outcomes as possible and compare the tangible costs of an unprepared workforce with the benefits of investing in workforce readiness programs. The most easily quantified benefit of workforce readiness programs (and the one companies are measuring) is improved employee retention among program participants. Two of the companies highlighted were able to show reduced turnover rates, which were delivering considerable cost reductions to the company through better retention. Models for a third company — PG&E — demonstrated similar *expected* results in the first full year of program operation, with projected benefits growing impressively by year five, when the training program is expected to run at scale.

However, all of the companies we researched also identified a range of other benefits that were more difficult to quantify or readily monetize. These included important measures like an increase in workforce diversity and enhanced relationships with community stakeholders, clients or customers. Each of the companies in this report believes that the *intangible* benefits are as nearly or fully important as the *tangible* ones, and their value appears to be recognized by program directors and senior executives alike. While the companies may not yet be able to express the true value of these benefits in monetized terms, the use of new data capture techniques will make it easier to quantify these outcomes. Positive results would help build additional support for these training programs.

III. Successful programs share key features, including a desire to engage the communities they serve.

The companies were motivated by similar considerations to launch their training programs, and the programs typically started as small pilots that grew on the strength of early successes. Importantly, they also leveraged public-private partnerships and relied on expertise from their

local public workforce investment and training systems to improve the odds of success.

All the companies surveyed had strong ties to the communities in which they operate and a corporate commitment to hiring from the community or having their workforces demographically mirror the communities they serve. Every company believed its workforce diversity goals could be facilitated by helping community residents gain access to training that would increase the chances of employment with its organization. Because of this community outreach framework, the programs often started in the companies' corporate social responsibility function, but in some cases, such as with CVS Caremark and Johns Hopkins Hospital, the program later shifted to a corporate training or workforce development function and became institutionalized.

In two of the companies highlighted, a government workforce grant was the impetus for offering the initial training. However, the training did not stop after the grants ran out. Instead, these companies, CVS and Johns Hopkins Hospital, built on those successes by continuing or expanding their workforce readiness training.

The programs often started small — as pilots or grant demonstrations — and expanded as they gained some traction. In the case of PG&E, the Director of Workforce Development saw the potential of expansion from the beginning and went right to the top — to the President of the company — to learn what would make the company support the program. Nonetheless, PG&E started with small groups of potential job applicants and training classes so that it could make sure the concept would be successful before scaling up the program.

For PG&E and the other companies, success was largely premised on close engagement with the public education and training system, which operates in virtually every community across the country and is dedicated to helping employers find workers and matching job applicants with employment opportunities. CVS and PG&E work very closely with their local Workforce Investment Boards and One-Stop Career Centers, which help source, reference and test job applicants and serve as a conduit to training grants under the Workforce Investment Act. These connections save employers that are savvy about working with the public system considerable time and money on recruitment activities and training costs. All of the companies showcased in this report have also developed relationships with local community colleges to provide workforce readiness training or academic credits that can be used for continuing education.

IV. At the same time, there is no "one size fits all" approach to measuring ROI.

For some employers, the framework proposed here was a new and valuable tool to assist them in quantifying program effectiveness, while the other companies applied internal corporate metrics to estimate equally useful cost-benefit results. Companies interested in understanding the returns associated with training their lower-skilled employees will have a number of methods for doing so. We believe that the framework and tool in this report will offer another helpful approach to capturing the impact of their investments.

V. Companies typically do not collect the data they need to assess the full value of their programs. Improvements on this front are needed to recognize the benefits these programs provide to the companies.

Using the new ROI framework outlined in this report as a starting point, employers interested in workforce readiness investments can begin to put systems in place to capture important data on the success of these efforts.

As noted, most companies conducting workforce readiness programs have not yet made tracking or evaluating program impacts a priority. To the extent that they collect such data at all, their efforts are usually limited to the employee retention and turnover numbers discussed previously. This lack of data presented an obstacle to fully quantifying the ROI associated with workforce training programs. As a result, the returns reported here represent the most straightforward and easily monetizable ones — and do *not* reflect a wide range of benefits identified by the companies as reasons for supporting these kinds of programs.

However, this obstacle also presents a powerful opportunity. Using the new ROI framework outlined in this report as a starting point, employers interested in workforce readiness investments can begin to put systems in place to capture important data on the success of these efforts. Additional progress on this front will be important in helping to determine the ROI that may result from workforce readiness programs. **Appendices A and B** provide an ROI framework and tool companies can use to guide their efforts to improve the data collection systems necessary for quantifying, monetizing and optimizing the business impacts of their workforce readiness programs.

The influence of the recession on ROI assumptions

A key component of the ROI calculations in general (and this framework in particular) is the net benefit labeled "reductions in labor costs." These reductions were measured as the net change in the costs of hiring employees (most notably, time to fill), time to competence, employee turnover, and wages and benefits. The existing ROI calculations do not make any adjustments for the fact that these numbers are comparing a period during recession, 2009, to a period prior to recession when each program started. For obvious reasons, an economic recession — with high levels of unemployment — can itself lead to improvements in time to fill and turnover rates.

From its peak of 138 million in January 2008, U.S. nonfarm payroll employment fell by as much as 8.75 million through February 2010, while the unemployment rate rose from a low of 4.4 percent in May 2007 to as high as 10.1 percent in October 2009. The federal Bureau of Labor Statistics reports the number of voluntary quits fell from about 3 million per month through much of 2007 to less than 2 million per month for all of 2009 and 2010. Similarly, monthly hires fell by about 25 percent from 2007 to 2009, while monthly job openings fell more than 40 percent during the same time period.[14]

This significant recession has taken its toll on attitudes and perceptions as well. In The Conference Board's Consumer Confidence survey, the percentage of respondents reporting that jobs were hard to get increased from about 20 percent each month in 2007 to nearly half (49 percent) by late 2009.

It is not a stretch to suggest that the recession of 2009 had some impact on time to fill, quality of hire and turnover within the companies profiled in this report. Such an impact would lead to an overstatement of the ROI — by how much depends on the degree to which the reductions in labor costs were a product of the recession versus a product of the program.

So, the ROI calculation is incomplete. We have had to omit some improvements in business results and failed to account for the reductions in labor costs due to uncharacteristically high unemployment, both due to a lack of sufficient data. Because these two omissions work in opposition, it is not clear whether, on balance, our measurement overstates or understates the true ROI. But it does give us a valuable point of reference to begin to build a more thorough understanding of the costs and benefits of workforce readiness programs.

Recommendations

Making Sure That the Full Value of Your Workforce Readiness Programs Is Captured

As detailed in the following company training profiles, each of these employers has pieced together a training curriculum to bolster the readiness of its entry-level employees. The programs fit somewhere along a continuum of investment and involvement — from a simple orientation and on-the-job training model that lasts a few weeks to a longer-term commitment that supports college-level coursework and credentials. While the programs share several key components, they are also specific to their companies, and the training necessarily reflects that specificity. Overall, these companies have made progress in capturing employee retention data and training costs, but there are many more ways to enhance data collection and quantify programs' value. All companies will want to implement the following actions as they consider their training strategies:

1. Clearly outline, at the beginning of the program, the tangible (i.e., monetized) benefits that are expected of the program.
2. Develop tracking systems that can help determine how well these benefits are being realized, as well as provide the company with actionable insights into how to improve the impact of the program.
3. Ensure that these tracking systems allow the program operators to easily provide and retrieve data so that assessments can be made in a timely fashion.

4. Include the leaders and managers from the lines of business that will be hiring employees from the workforce readiness programs in the tracking and process improvement processes.
5. Rely on the many public-sector resources in the community — namely, the public Workforce Investment Board, community colleges, and other educational and training institutions — that are available to help establish a cost-effective workforce readiness program. Partner with them to capture relevant data and quantify value.
6. Seek ways to assign value to a range of important but more qualitative benefits associated with training investments, and incorporate them into planning goals. These would include the dividends identified in this report — increased diversity, enhanced community reputation and other hard-to-monetize benefits. This approach aligns with a more expansive concept of ROI referred to today as "return on value" or "worth of investment," which takes into account social equity, ethical considerations and other benefits of value to many employers.

Company Training Profile

Stephen M. Wing (retired)
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Pathways to Pharmacy

Career Counseling, Professional Development and Employment

CVS Caremark (CVS) is the largest pharmacy health care provider in the United States. With approximately 200,000 employees in 41 states, the District of Columbia and Puerto Rico, the company provides its retail customers and health plan participants access to a network of some 64,000 pharmacies, including more than 7,100 CVS pharmacy stores.

CVS has created an industry-based career pathway that enables at-risk youth and others in need of marketable skills to start — and hopefully build — a long-term relationship with the company. The Pathways to Pharmacy program is built around a menu of education, training and social supports that include job shadowing, work-based learning, on-the-job training, mentoring, apprenticeships, customized training, internships and lifelong learning programs. Outreach starts in middle schools, and opportunities for training continue well into employment with CVS. These training opportunities can progress CVS' entry-level workers up a career ladder in the field of pharmacy that includes:

- Pharmacy service associate;
- Pharmacy technician;
- Lead technician;
- Pharmacy intern;
- Pharmacist;
- Team leader;
- Technician trainer;
- Pharmacy scheduler; or
- Pharmacy supervisor.

Background

CVS has always had corporate training programs, but the Pathways to Pharmacy program was an outgrowth of a unique opportunity to tap into a diverse population that too often remains invisible to employers. In 1997, CVS acquired Revco Discount Drug Stores and, in doing so, inherited a program started at Revco several years earlier that looked at the welfare-to-work population as an asset waiting to be tapped.

When he helped launch the initial training program as a pilot effort, Stephen M. Wing believed the initiative could become a competitive advantage for CVS. It was a business decision based on the reasoning behind *Blue Ocean Strategy,* a business strategy book written by W. Chan Kim and Renee Mauborgne of INSEAD. The strategy describes how businesses can create new demand in uncontested market spaces rather than competing head to head in a saturated environment. First at Revco and then at CVS, Wing applied this strategy to employee recruitment.

Initially co-located in Human Resources and called Government Programs because grants for its training programs were acquired under the federal Workforce Investment Act, Government Programs evolved into the so-called Workforce Initiatives division at CVS and expanded from several programs a year to a variety of career pathways programs in Front Store, Pharmacy, Human Resources, Loss Prevention, Government Programs and Senior Management.

By starting small in one market and eventually getting buy-in from the operations staff, Wing grew Workforce Initiatives over time.[15] And by demonstrating to executives and managers that, with the proper support and training, the entry-level workers CVS was hiring from the local disadvantaged neighborhoods could become productive and valuable employees, the program began to increase its worth to CVS. Soon, it became viewed as a generator of revenue and a reducer of costs and not simply as a human resources expenditure.

What Works and Why

Initially, there was some hesitation on the part of managers, who worried that the low-skilled associates CVS began hiring would not succeed. But Workforce Initiatives started to calculate each career pathway program's benefits, demonstrate the programs' value and move the programs beyond the initial corporate social responsibility focus. Workforce Initiatives pressed to have its programs understood as a business imperative and as a generator of future CVS leaders.

The target population for the Pathways to Pharmacy program is entry-level workers, potential employees, high school students and out-of-school youth. Workforce Initiatives supports this program with grants from federal and state agencies and with corporate philanthropy. Its structure is similar to other career pathway programs offered by Workforce Initiatives, such as the Pathways to Retail Careers program, which is geared to out-of-school youth and incumbent workers and leads to postsecondary education credentials.

Currently, CVS has Workforce Initiatives in seven Learning Centers located around the country to which managers can send their employees for training. Normally, training takes place at the worksite one on one. But by having managers send their employees to the Learning Centers for training, Workforce Initiatives can save them time and money. Since 1997, CVS has experienced phenomenal growth, and the access to new employees and training opportunities that Workforce Initiatives provides has helped CVS stay on track.

Workforce Initiatives is creating new opportunities for employees across CVS and has been able to maintain its stature because it has created a strong internal awareness campaign. Workforce Initiatives continues to define the benefits of partnering with it to CVS managers, and CVS now includes in its profit and loss statements a line for the Work Opportunity Tax Credit (WOTC).[16] Workforce Initiatives has documented its value-add to CVS since 1999 and has been publicly recognized by the CEO for its value to the company.

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Return on Investment

A small group of dedicated, knowledgeable staff works to access funding from federal grant programs that CVS uses to finance training for entry-level workers. These grant dollars, in combination with tax credits that CVS qualifies for as a result of its workforce readiness programs, generate an impressive return on investment (ROI).

The company is a national leader in accessing federal tax reimbursements under the WOTC program. It hires entry-level associates nationwide from among a dozen targeted categories of disadvantaged workers — including but not limited to "disconnected" young adults, disabled veterans and long-term public assistance recipients — and receives a healthy tax credit for each of these qualified hires.

By the company's own financial reporting, CVS in 2009 invested an estimated $2.9 million in its Government Programs/Workforce Initiatives efforts. In the same year, it generated total income from those programs of nearly $36 million — a figure derived from a range of federal, state and local tax credits and rate reductions it received for offering job training to disadvantaged job seekers and for opening stores in economically depressed communities. For purposes of this ROI calculation, however, we have chosen to use a much narrower definition of CVS' total income: the estimated $5.3 million it received in 2009 under the WOTC program. By this much more conservative definition, the calculation is $5,300,000/$2,949,000 = 1.79. Thus, CVS' Government Programs/Workforce Initiatives program has generated a return relative to costs on WOTC of **179 percent.**

It is important to note that the company further benefits through lower turnover rates and higher customer satisfaction generated by the training, which are not calculated into this figure. While such returns are more qualitative, they are highly valued by CVS, which prides itself on retaining and providing advancement opportunities to the many young associates who join the company in entry-level positions.

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Tax incentives like the ones used by CVS create a virtuous cycle, says Wing, who recently retired from CVS after a 35-year career. Thanks in part to the hiring credits, "the company has hired more than 80,000 folks since the program started who are now on a career path. Most important, the tax credits are reinvested into the hiring locations to support education and training of new employees," says Wing.

Into the Future

CVS is now in 41 states (plus the District of Columbia and Puerto Rico) and has made a corporate decision to be more reflective of the communities it serves by diversifying its employee population. Workforce Initiatives helps CVS do this by sharing its community partnerships with the CVS business lines. One of the great strengths of Workforce Initiatives' success is its connections to a range of public and private community partners. By working with community- and faith-based organizations, nonprofits, workforce intermediaries, and the publicly funded Workforce Investment Boards and One-Stop Career Centers, the company has built its capacity to source new employees and gain access to valuable training resources. Workforce Initiatives now shares these relationships internally across the company to help CVS implement its Diversity Initiative.

Lessons Learned

Asked what advice he would share with companies seeking to emulate CVS' successful Workforce Initiatives program, Wing suggests the following: Start small, incubate ideas, test these ideas, find internal champions for them and then let the champions roll out the program.

Company Training Profile

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Skills Enhancement Program

Johns Hopkins Hospital (JHH), a part of the Johns Hopkins Health System, has created a Skills Enhancement Program (SEP) that enables entry-level employees to receive workforce readiness training and job skills that improve their employability and career opportunities at Johns Hopkins. SEP, once open only to entry-level employees, is now available to any system employee who wishes to improve his or her skills. Courses offered through SEP include:

- GED Prep (Levels I, II and III);
- College Prep (Algebra);
- Medical Terminology (Basic and College Level);
- Computer Training (Microsoft Word);
- Keyboarding;
- Front Line Spanish;
- English as a Second Language;
- Math Skill Booster; and
- Reading, Grammar and Writing Skill Booster.

Johns Hopkins is a $5 billion system that unites the physicians and scientists of the Johns Hopkins University School of Medicine with the health professionals and facilities that make up the broad, integrated Hospital and Health System. Under this broad umbrella, many employees hold nonmedical jobs in General Services — in positions including nutrition services, facilities management (e.g., janitorial or cleaning jobs), materials management and patient transport.

In earlier days, such positions were open to candidates without a high school degree. In today's economy, those options are increasingly scarce, which has motivated JHH to invest in renewed training for its entry-level employees and give them a chance for upward mobility. As JHH sees it, the potential benefits are threefold: Expanded job opportunities will help keep General Services workers employed within the Hospital System and reduce turnover, improve on-the-job performance for workers with front-line responsibility, and improve customer satisfaction as these workers become better able to interact with the community residents or hospital employees.

Background

In 1993, JHH and a network of seven (now 12) other hospitals in the Baltimore area received a National Workplace Literacy Grant from the U.S. Department of Education to provide literacy training to meet workplace needs. The National Workplace Literacy Program funded competitive demonstration grants for programs involving partnerships among business, industry, labor organizations and education organizations. Three community colleges in the Baltimore area — Essex, Dundalk and Catonsville — acted as Hopkins' partners in this grant, and Essex Community College was the grant administrator.

In 1997, when the grant ended, Johns Hopkins accepted a proposal from Essex Community College to continue the program at JHH. The Director was hired as the Workforce Education Manager of Hopkins' SEP, and the program was moved to the Office of Community and Education Projects. Despite subsequent budgetary constraints and the economic downturn, the program has survived — and expanded — largely because employees and hospital professionals lobbied the President about its intrinsic value to the institution. The program is now fully funded and located in the Human Resource Office of Organization Development and Training.

In its later phases, SEP expanded its course offerings beyond basic literacy to encompass a greater number of skills that front-line employees need. Additionally, more accountability was built into the program. Under the initial grant, only a few minimum requirements were set, such as employees were required only to show up for class. After institutionalizing the program, JHH began testing as well, and now, when they complete the courses satisfactorily, employees receive a certificate. This certificate is a stepping stone to other courses, training and postsecondary education. For example, participants who successfully complete the Medical Terminology courses are awarded three college credits. JHH pursued this agreement with the Community Colleges of Baltimore County so they would accept JHH's curriculum and award academic credit. The planned next step is to expand the agreement to the Baltimore City Community College system.

What Works and Why

The courses offered by JHH are taught on the hospital campus and by adult education teachers, some with experience in hospital professions. The courses are shorter than those offered by education institutions, with the intent being to quickly enhance the workplace skills of the front-line workforce and provide maximum impact that can be put to use immediately.

Several factors have helped make SEP successful. These include:

- An organizational open-mindedness toward education generally;
- The quality of the adult education teachers;
- Employee satisfaction with the training (rating of 4.8 on a five-point scale, fall 2009);
- Visible senior-level support (including attending graduation); and
- Responsiveness on the part of the program to the needs of the business units while providing training in a timely fashion.

One of the most important benefits for SEP course-takers is that they can get remedial help in basic skills *before* they apply to college, thereby reducing the risk of getting sidelined with remedial course requirements once in school. SEP helps prepare entry-level workers to earn college credits immediately if they decide to go on to postsecondary education.[17]

Initially, the Grant Officer in Community and Education Projects was the champion for the program. She understood the value of workforce readiness training for employees and for the institution. Today, the President of JHH supports the program, but the program must continually make the case for its support. The Workforce Development Manager does this by providing training reports to senior executives and by creating awareness of the program's benefits for JHH's employees and for the community.

Return on Investment

JHH enjoys a substantial reduction in employee turnover, and hence a reduction in the cost of hiring, as a result of its workforce readiness program. For example, during the most recent fiscal year, not a single employee (ages 16 to 26) in SEP quit or was terminated. The overall employee turnover rate in General Services is 14 percent. This percentage is a conservative estimate of what turnover would be among this group of young employees in the absence of SEP because young employees typically have higher turnover rates than older employees.

JHH enjoys a substantial reduction in employee turnover, and hence a reduction in the cost of hiring, as a result of its workforce readiness program.

JHH estimates that the cost of turnover of a single employee in General Services is $6,396. The cost per pupil of its SEP program varies by year depending on the number of participants and other factors; in 2009, it was $514. Hence a conservative estimate, based only on one-year reductions in employee turnover rates, of the return on investment for SEP is 74 percent = ((.14 x $6396) – $514)/$514.

Into the Future

While the expansion of course offerings is constrained by budget and space availability, program leaders are working on solutions that would encompass classrooms with multiple teaching modalities, including computers for online learning. These would not replace "real-time" teaching but would provide more of a blended learning approach. The program's future, says SEP Program Manager Barbara Edwards, will be determined by the continued endorsement of senior leadership, the instructional needs of the hospital staff and the program's resourcefulness in responding to a changing environment. "People need to keep learning," says JHH Vice President of Nursing Karen Haller. "Those who stand in place are doomed to fall behind. The Skills Enhancement Program helps our people move forward."

The program's goals align with JHH's human resources vision of "growing their own": retaining loyal, productive employees and giving them a way to advance their careers and enrich their futures through training.

Lessons Learned

Edwards believes that a training program of this nature must be very specific to the culture, mission and instructional needs of the organization — just as SEP is at JHH. The program's goals align with JHH's human resources vision of "growing their own": retaining loyal, productive employees and giving them a way to advance their careers and enrich their futures through training. This training, says Edwards, serves as a win-win for the hospital and its employees. Moreover, when participants come to SEP to improve their skills, they will find confidentiality, encouragement, guidance and congratulations.

Company Training Profile

Pacific Gas and Electric Company

Mario Rendon
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PG&E powerpathway — Your Future Starts Here

Pacific Gas and Electric Company (PG&E) is one of the largest combination natural gas and electric utilities in the United States. Based in San Francisco, the company employs approximately 20,000 associates who carry out PG&E's primary business — the transmission and delivery of energy. The company provides natural gas and electric service to approximately 15 million people throughout a 70,000-square-mile service area in northern and central California.

In 2008, the company created a network of educational programs designed to build capacity to produce the skilled workers needed by PG&E and the energy industry in California. PG&E's PowerPathway™ program seeks — with education, government, labor and industry — to cultivate career pathways that strengthen community access to and employee progression into new energy jobs. Incumbent as well as new workers are helped to maintain or develop work readiness skills so they remain or become competitive for jobs at PG&E and within the energy industry. Customized workforce training is grouped into four industry subject areas provided by two- and four-year postsecondary institutions:

- Skilled crafts;
- Clean tech vehicles;
- Engineering and smart grid; and
- Energy efficiency and renewables.

Pre-employment services are supplied by the public workforce system.

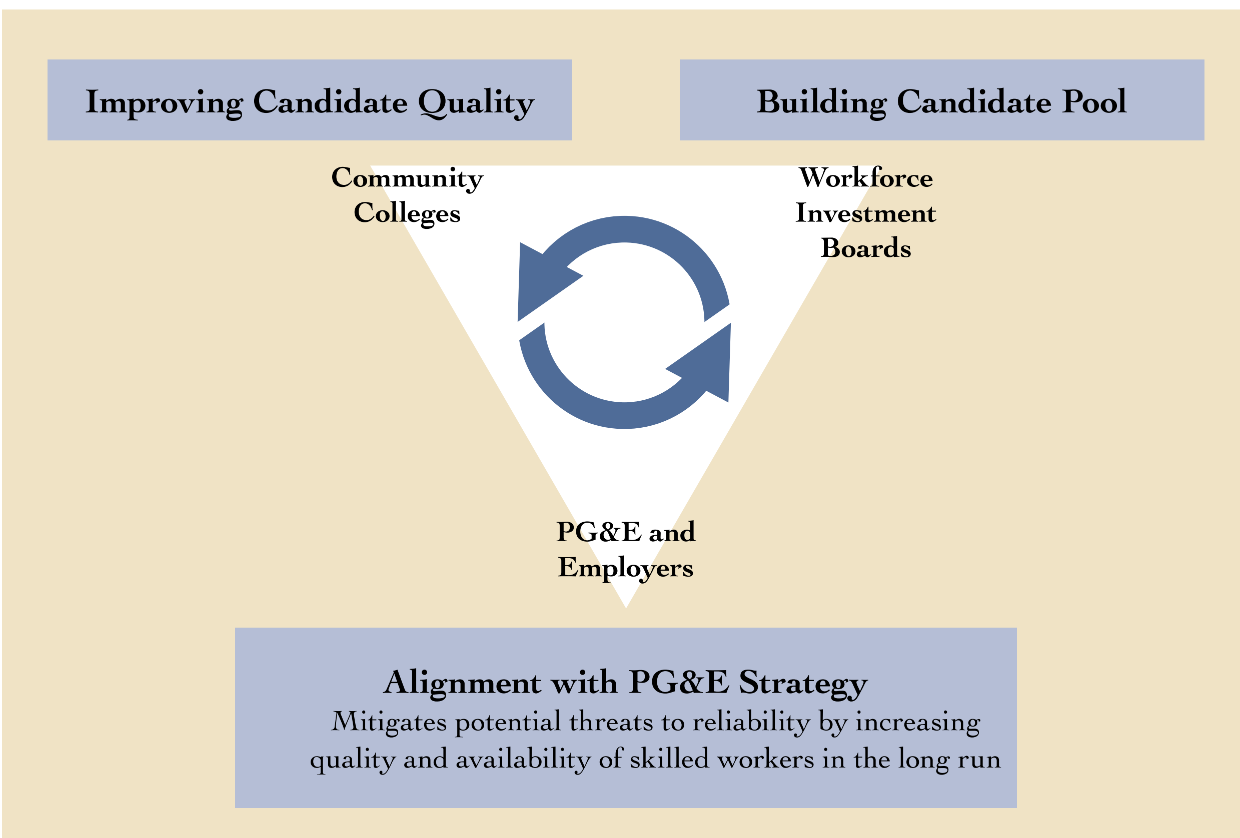
An example of PG&E's PowerPathway skilled crafts training is the Bridge to Utility Worker Program, which includes short-term courses at local community colleges designed to strengthen participants' candidacy for employment and add to their knowledge of the energy and utility industry.

> **PG&E's PowerPathway™ program seeks — with education, government, labor and industry — to cultivate career pathways that strengthen community access to and employee progression into new energy jobs.**

Background

A myriad of reports and articles have indicated a critical shortage of skilled operations workers in the utility industries, including a growing dearth of skilled workers in the electric power systems industry.[18] These sobering workforce trends have captured the attention of the energy and utility industries. A few years ago, PG&E became concerned about a disconnect between the workforce demands of the company and the availability of work-ready applicants. As new green energy technologies were emerging and retirements were accelerating, incumbent workers as well as new job applicants were coming up short on the skills needed for the industry. PG&E knew it needed to increase awareness of its good, union-wage jobs and help its surrounding communities understand and acquire the skills required to work in these jobs.

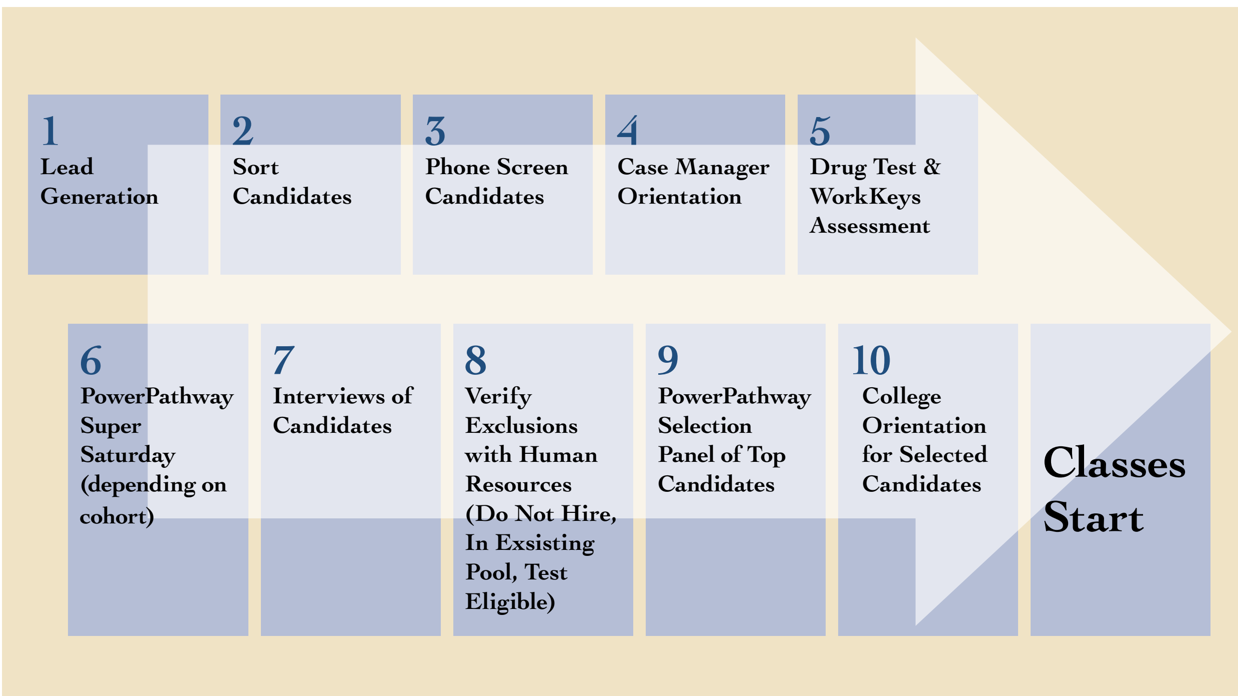
In response to this growing crisis, Van Ton-Quinlivan, then the Director of Workforce Development, circulated a concept paper to multiple internal stakeholders that articulated the workforce challenges confronting PG&E. She met with the PG&E President and asked what it would take to secure board-level visibility for a solution. His advice: Make sure that any program she proposed would be seen as needed and valued by the business units, and avoid creating a program for which there was no directly expressed need or champion. Acting on this advice, Ton-Quinlivan proceeded to talk with five different PG&E business units and asked them how she could help them with their business challenges. Only one of these five units was a hiring entity; the others included portfolios such as community relations. Working at the enterprise level across these different departments, Ton-Quinlivan devised a Venn diagram of need. Where those business units' needs overlapped was the logical starting place for PG&E's new workforce program, she concluded.



After a planning process throughout 2007, the PowerPathway program launched in 2008, including a 10-step selection and training process devised with California Workforce Investment Boards and community colleges. The Workforce Investment Boards screen, test, advise and support potential applicants to PG&E, and the community colleges provide 10- to 12-week training courses that leave applicants work ready and able to compete for jobs in the energy and utility industries.

PG&E initially needed to fill 75 positions, so the program's startup goal was to graduate three cohorts from three locations. PG&E received more than 4,000 applications when the program was first posted, demonstrating the need in the community as well.

Program cohorts comprise 25 applicants from local, underserved communities with at least a 10th grade level of math and English skills. Individuals apply to the program through the PG&E PowerPathway website (www.pge.com/career/powerpathway), and once they have submitted their applications, the Workforce Investment Board takes over with the initial rounds of screening, testing and case management (see below).



Once the applicants are signed up for PowerPathway classes, they receive Individual Training Account funds from the Workforce Investment Board to pay them for their time. Applicants also sign performance agreements with the Workforce Investment Board stating that they will do their best and not give up as they move through the program. Upon graduation, they receive a certificate of completion from the college, a certificate of completion in the program and an opportunity to apply for a job with PG&E. They do not receive college credit for this coursework, but PG&E is currently investigating a portable industry credential that may be awarded to students. General coursework in the PowerPathway program includes:

- Math and reading;
- Physical conditioning;
- Soft skills;
- Industry awareness; and
- Technical safety (compliant with Occupational Health and Safety Administration guidelines).

Upon successfully completing all the prerequisites and coursework, applicants are considered work ready. PG&E considers course completers to be very competitive as job applicants. In fact, the graduates fare much better in the hiring process than the typical applicants who come in off the street to apply for entry-level jobs. In 2009, more than 62 percent of PowerPathway graduates were hired by PG&E, other utilities and utility contractors, and they earned wages ranging from $19.50 to $35 an hour. One hundred percent of PG&E supervisors surveyed said they would hire other PowerPathway graduates. Moreover, the program has brought welcome diversity to the company: 60 percent of the candidates who pass the PG&E pre-employment test, on average, come from diverse backgrounds, year over year.

What Works and Why

The program's success is attributable in part to Ton-Quinlivan, whose experiences serving on a Workforce Investment Board and as a volunteer school teacher had given her a hands-on understanding of the public education and workforce systems. (Ton-Quinlivan left the company in 2011.) That perspective helped inform a solution to PG&E's workforce challenge that took advantage of existing resources available in virtually every U.S. community. While community colleges are often used by businesses for training, Workforce Investment Boards and public career centers are used much less frequently. In fact, one National Association of Manufacturers report revealed that 33 percent of manufacturers were not aware the public workforce system even existed, and 40 percent were unaware of any Workforce Investment Boards in their area.[19]

Since the Workforce Investment Act became law in 1998, the public workforce system has focused on dual customers: individual jobseekers and businesses that can employ them. The Workforce Investment Boards and the public One-Stop Career Centers are not only willing to work with their local employers but also actively looking for ways to better engage them. Ton-Quinlivan understood this and was able to bring together the sometimes disconnected parts of the workforce system (Workforce Investment Boards, One-Stops and community colleges) to create a collaboration that would serve not just her company but also the broader employer community. Equally important, it would also help make local job seekers work ready and, thus, competitive in the job market.

Supplementing the resources of the public workforce system, PG&E also worked with its community college partners to customize their training for PG&E positions. While some colleges preferred to provide existing, off-the-shelf training, the colleges that customized their coursework to PG&E's needs provided more work-ready job applicants.

Finally, the program earned organizational buy-in. As Ton-Quinlivan was initially putting the program together, a new Senior Vice President of Human Resources was hired. She helped him understand the need for and the breadth of the program and highlighted the value to PG&E and the buy-in from the business units. The result was not only his support but also some internal resources to help her create the program.

Return on Investment

A team of PG&E analysts has created return on investment (ROI) calculations based on the assumption that the PowerPathway program will grow over the next five years as more incumbent workers retire. As the program grows, the fixed costs of operating it can be amortized over a greater number of participants, thereby enabling PG&E to enjoy an increasing ROI. According to these calculations, the first-year ROI was negative 10 percent but should be a positive 7 to 9 percent by year two and grow to nearly 40 percent by year five.

The primary costs that went into these ROI calculations include fully loaded human resources salaries, third-party service (talent sourcing agencies and grant writing) and advertising. The primary benefits that PG&E enjoys from the program include a ready-made applicant pool, productivity enhancement, increases in employee retention, improved safety outcomes and tax incentives.

An extremely important yet intangible benefit of the program is that it enables PG&E to increase the diversity of its qualified applicant pool, thereby contributing to the diversity of its workforce, a key human resources strategy. For PG&E this is not just a "nice to have" but also a "must have" as its regulatory body requires that PG&E's workforce become more representative of the customers that it serves. Hence, the ROI estimates that can be calculated based on the tangible (quantifiable) benefits are conservative because they omit this very important but nonquantifiable benefit.

An extremely important yet intangible benefit of the program is that it enables PG&E to increase the diversity of its qualified applicant pool, thereby contributing to the diversity of its workforce, a key human resources strategy.

Into the Future

As the PowerPathway program continues to evolve, PG&E has set out — for itself and for its partners — a focus for the future that includes replicating its successes but also:

- Creating additional cluster training collaborations with educational institutions to increase the availability of training in engineering and smart grid, clean tech vehicles, energy efficiency and renewables, and skilled craft.
- Promoting regional employer alliances to pool hiring; expand to new geographies; refine curriculum; and encourage more in-kind contributions of resources such as time, talent and materials that support training.
- Pursuing an educational systems approach by partnering with New Energy Academy High Schools; encouraging science, technology, engineering and mathematics (STEM) education; and creating links among high schools, community colleges and four-year colleges.

PG&E is also distributing to California communities *The Green Jobs Primer for Communities,* its step-by-step guide for building community collaborations that create work-ready job applicants. Moreover, the company is sharing its energy-efficiency curricula with community colleges in Fresno, Modesto, Oakland, Sacramento, San Jose and Stockton.

Lessons Learned

Based on her own experience, Ton-Quinlivan recommends that business leaders seeking to launch similar workforce training programs candidly assess the minimum number of internal partners needed to build a successful initiative and get them fully invested before moving forward. Find the "pain points" within the business units, craft a solution and make sure representatives of each unit are engaged in a meaningful way. Sometimes, changes in an organization such as the ones this program brought about can be seen as disruptive, but a well-constructed solution can motivate buy-in and build goodwill that enhances program outcomes over time.

In addition, Ton-Quinlivan recommends that other companies begin with their own ROI evaluation. This evaluation can help the business understand the real costs and value of a workforce program and can provide direction for how to proceed in the future.

Conclusion

The companies studied here and featured in this report are but a small sampling of businesses that invest in workforce readiness training for their newest employees. While they represent diverse industry sectors and differ widely in their approaches to education and training, they share a key trait: Each realizes that it must seize the initiative in training entry-level workers if it is to ensure a continuous pipeline of talent that meets its market needs today — and its business goals for tomorrow.

In reviewing the current literature relating to workforce readiness training, it is clear that businesses engaged in workforce readiness have done so for various reasons, including building a talent pipeline and community goodwill or expanding into new markets. The companies in this report conducted workforce readiness training for those reasons, but they were also interested in increasing workforce diversity, reducing costs related to recruitment and hiring, and improving employee retention. Their investments in workforce readiness are grounded in a business rationale and not simply part of a social responsibility agenda. If they did not fully appreciate the monetary value their training would have to the businesses at the start of the programs, they acquired a better sense of that value as the programs matured and the data started to demonstrate impact. However, from the beginning, each had the support of senior executives for these pilot programs.

As these forward-looking companies have demonstrated, investing in the workforce of tomorrow is well worth doing today.

Data about training programs, including both tangible and intangible information, is and will continue to be critical to training and human resources professionals as they demonstrate to their senior executives the returns from such programs. While the techniques and technology for capturing and analyzing ROI data are available, too few businesses currently take advantage of these tools.[20] More sophisticated analyses of training programs — including workforce readiness programs — can greatly increase society's and businesses' understanding of the investments that are being made in the public and private sectors and the impact this training has on individuals, families, communities and business competitiveness. And it is not in the United States alone that these investments matter. A recent report by the U.K. Commission for Employment and Skills states that "an increase of one year in the average education level of the labor force is associated with an increase in labor productivity of 7 to 10 percent in the short-term and 11 to 15 percent in the long run."[21] Further, it found that "a 4 percent rise in value added per worker is equivalent to an additional 40 billion pounds on U.K. GDP (gross domestic product)."[22]

If American businesses are considering investing in workforce readiness initiatives, they will need more specific information on costs and benefits than is currently collected. Often, ROI calculations represent only a lower-bound estimate of the value of a training program. Such calculations tend to be short range and limited; thus, they would not account for second- and third-tier pipeline effects (e.g., long-term retention and promotion of employees; lower vacancy rate for positions; and improved sales, productivity and company growth) or for effects often unmeasured in financial calculations (e.g., increased diversity of a workforce).

In spite of these shortcomings, the ROI tool presented in this study offers a new and user-friendly application for employers to calculate the costs and benefits of investing in education and basic readiness training for entry-level employees. As these forward-looking companies have demonstrated, investing in the workforce of tomorrow is well worth doing today.

Appendix A: Return on Investment Framework

Return on Investment Calculations

The concept of return on investment (ROI) is a simple one; it is the present value of net benefits (benefits minus costs) divided by costs:

$$\text{ROI} = \frac{(\text{Present Value of Benefits} - \text{Cost of Investment}) \times 100}{\text{Cost of Investment}}$$

Present Value

Because benefits will typically accrue in the future (whereas costs are incurred upfront), the future benefit stream must be discounted since people and organizations value money in the future less than they value it today. Hence, benefits should be measured as the present value of the future benefit stream. For example, if a company uses a discount rate of 11 percent, the present value of $1,000 of benefits that occur one year from now would be $890; in two years, the value would be $792; and so on.

Benefits

The benefits of a workforce readiness program can take a variety of forms, including:

- Reductions in hiring costs;
- Reductions in training (time-to-competence) costs;
- Reductions in the costs of turnover;
- Improved customer satisfaction;
- Improved productivity;
- Increased revenues;
- Improved safety; and
- Improved quality (reduced errors).

Other Important Benefits

As we further investigated the practices of the firms that participated in this analysis, we made another important discovery. One major benefit that they realize as a result of their workforce readiness programs is a more diverse pool of qualified job applicants and, ultimately, a more diverse workforce. Each of the participating firms viewed this as a major benefit — for some, *the* major benefit — of its program.

As valuable as it is, however, this impact is much more difficult to monetize than reduced turnover or rehiring costs. Hence, it is important to keep in mind that all ROI calculations in this report are likely to be conservative, lower-bound estimates because they can be based on only the subset of benefits that is tangible (i.e., can be monetized).

Costs

The costs of a workforce readiness program will typically include startup costs (fixed costs that are independent of the number of participants in the program) and variable costs (which increase with the number of participants). The major categories of costs include some or all of the following:

Fixed costs

- Needs assessments;
- Curriculum development; and
- Company staff time.

Variable costs

- Basic-skill remediation;
- Instructor fees;
- Travel;
- Course material fees;
- Facility fees;
- Recruitment costs; and
- Wages (or salaries) of participants.

Calculating ROI for the Case Study Firms

As we prepared for our data collection with the firms included in this study, we delineated a very broad set of questions about potential benefits and costs. However, our initial inquiries revealed that, for the most part, the primary benefit that these firms experience as a result of their workforce readiness program is reduction in labor costs (hiring, training and retention) for entry-level positions. Therefore, as we worked further with these firms, we narrowed our data collection to only those component parts of the ROI calculation that were relevant to their particular workforce readiness program.

Appendix B: Return on Investment Tool

The return on investment (ROI) tool we have developed requires employers to respond to a detailed list of questions regarding corporate hiring, training and investment practices. Upon completion of this information in our online spreadsheet, the final ROI calculation is automatically computed. **Please link directly to the downloadable tool on Corporate Voices' website at www.corporatevoices.org/roi-tool.**

ROI Calculations

Please complete ALL items below. (When you complete the full survey electronically, ROI components and final ROI calculation are automatically computed and will appear at bottom half of this spreadsheet.)

Question
How many entry-level positions are filled in a typical year?
What are the annual earnings (wages or salary) of employees in these positions?
What is the benefit rate (as a percentage of earnings) for these positions?
What is the overhead rate for these positions (percentage)?
How many full-time equivalents does your company have?
What were the total revenues of your company last year?
What is the average of annual earnings (wages or salary) of employees in the company?
How much did you spend on the initial startup costs of your workforce readiness program? a. Needs assessment b. Curriculum development
Beyond these startup costs, what was your total spending in FY 2009 on the training program? If you prefer, you can list the separate component costs of the program. (Please fill out EITHER V9 or all of V9a to V9g, but not both.) a. Basic-skill remediation b. Instructor fees c. Travel d. Course material fees e. Facility fees f. Recruitment costs g. Wages (or salaries) of participants
Are there any additional costs you have attributed to your workforce readiness program? If yes, please specify the cost and the spending level.
For each metric identified, how much benefit (in dollars) has the company experienced since the program began? a. Sales b. Customer satisfaction c. Error rates d. Productivity e. Other (please list)

cont., next page

cont.

Question
How many business days, on average, does it currently take to fill an entry-level position?
How many business days, on average, did it take to fill an entry-level position before the workforce readiness program was implemented?
How many business days does it currently take for a new employee to reach full competence?
Before the program was implemented, how many business days did it take for a new employee to reach full competence?
What is your current turnover rate for entry-level positions (percentage)?
Before the workforce readiness program was implemented, what was your turnover rate for entry-level positions (percentage)?
Before the workforce readiness program was implemented, what percentage of positions was filled with internal candidates who began at entry-level positions?
After the workforce readiness program was implemented, what percentage of positions was filled with internal candidates who began at entry-level positions?
What is the cost to fill a second-tier position internally?
What is the cost to fill a second-tier position externally?
How many second-tier positions do you fill annually?
Have you seen any increase or decrease in your benefit rate due to changes in health care costs attributable to the workforce readiness program (percentage change)?
Have you seen any increase or decrease in your benefit rate due to family leave costs attributable to the workforce readiness program (percentage change)?
Has there been any change in the wage (or salary) level of these positions that is attributable to the workforce readiness program (percentage change)?
What is the internal rate of return (discount rate) used by your organization (percentage)?

Endnotes

1. *The Business Council Survey of Chief Executives: CEO Survey Results: February 2006,* The Business Council and The Conference Board, Chart 4, p. 7 as cited in *The Ill-Prepared U.S. Workforce,* Corporate Voices for Working Families, et al., 2009.
2. Our research methodology is more fully described on pages 7 and 8, and the ROI framework and tool are in the Appendices.
3. As explained in the subsequent training profiles, some of these programs focus their efforts on incumbent workers alone, while others also serve prospective new hires with the goal of expanding the company's incoming "talent pipeline."
4. Aud, Susan, et al. *The Condition of Education 2010.* National Center for Education Statistics, June 2010.
5. The Conference Board, Corporate Voices for Working Families, Partnership for 21st Century Skills and Society for Human Resource Management. *Are They Really Ready to Work?* 2006.
6. U.S. Department of Education, National Center for Education Statistics. *Digest of Education Statistics 2010* and Fast Facts 2011.
7. Carnevale, Anthony; Smith, Nicole; and Strohl, Jeff. *Help Wanted: Projections of Jobs and Education Requirements Through 2018.* Center on Education and the Workforce, June 2010.
8. *Ibid.*
9. The College Board. *The College Completion Agenda: 2010 Progress Report.* July 2010.
10. Center for Energy Workforce Development. *Gaps in the Energy Workforce Pipeline.* 2009.
11. Civic Enterprises and Corporate Voices for Working Families. *Across the Great Divide: Perspectives of CEOs and College Presidents on America's Higher Education and Skills Gap.* March 2011.
12. See, for example, speech by Narayana Kocherlakota, Federal Reserve Bank of Minneapolis, September 8, 2010. www.minneapolisfed.org/news_events/pres/speech_display.cfm?id=4532
13. For additional information about some promising practices in business investment in youth development, see *Business Leadership: Supporting Youth Development and the Talent Pipeline,* Corporate Voices for Working Families, February 2007, and *Preparing Youth for the Workforce: Exploring Employer Engagement in the Chicago Region,* Chapin Hall at the University of Chicago, 2003.
14. See the Job Openings and Labor Turnover Survey, Bureau of Labor Statistics, U.S. Department of Labor. www.bls.gov/jlt.
15. At program startup there was only one employee of Workforce Initiatives — Stephen M. Wing. Now there are 25.
16. The Work Opportunity Tax Credit (WOTC) is a federal tax credit incentive that the Congress provides to private-sector businesses for hiring individuals from 12 target groups that have consistently faced significant barriers to employment. The main objective of this program is to enable the targeted employees to gradually move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers, while the participating employers are compensated by being able to reduce their federal income tax liability.
17. One-third of new applicants to community colleges need remediation before beginning classwork, and many who need three or more remedial courses never make it to credit-bearing courses, Community College Research Center, http://ccrc.tc.columbia.edu/Collection.asp?cid=21, and *Getting Past Go: Rebuilding the Remedial Education Bridge to College Success,* Education Commission of the States, May 2010.
18. This report, *America's Task Force on Future Energy Jobs,* describes how the decline of career and technical education, the movement toward low-carbon energy systems, and expected retirements in the United States are driving a serious shortage of trained professionals who can operate and maintain the current and future electric power system. www.bipartisanpolicy.org/library/report/task-force-americas-future-energy-jobs
19. National Association of Manufacturers, The Manufacturing Institute and Deloitte Consulting. *The 2005 Skills Gap Report: A Survey of the American Manufacturing Workforce.* 2005.
20. According to *The Value of Skills: An Evidence Review,* the literature on employers' investments in basic skills contains no robust assessments. Garrett, Richard, et al. Evidence Report 22. U.K. Commission for Employment and Skills, July 2010.
21. *Ibid.*
22. *Ibid.*

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