

U.S. Department of Labor Employment and Training Administration Office of Apprenticeship Training, Employment and Labor Services (OATELS) Washington, D.C. 20210	<u>Distribution:</u> A-541 Headquarters A-544 All Field Tech A-547 SD+RD+SAC; Lab. Com	<u>Subject:</u> FEDERAL BONDING PROGRAM Code: 694
Symbols: DNIP/BLT		Action: Immediate

PURPOSE: To transmit information to the Office of Apprenticeship Training, Employment and Labor (OATELS), Bureau of Apprenticeship and Training (BAT) Staff on the Federal Bonding Program.

BACKGROUND: The Federal Bonding Program has been administered nationally since 1966 by the Employment and Training Administration through a contract. It was initiated as a small demonstration project, delivering a unique helping service that was not duplicated by any other program in the U. S. to secure the job placement of ex-offenders and other high-risk job applicants. The Federal Bonding Program functions as a job placement tool by providing employers with a special incentive to hire hard-to-place job seekers. On August 3, 1998, ETA moved towards a major redirection of the Federal Bonding Program to a Federal-State partnership.

Under the existing contractual arrangement, a limited bond allocation has been issued to each of the States to assure that a small Federal-financed floor is available to provide continuity in the program. States can use their own resources to supplement Federal funding to provide fidelity bonding to ex-offenders and other hard-to-place applicants.

ACTION: BAT staff should familiarize themselves with the Federal Bonding Program since it may provide an additional resource to assist those ex-offenders who participated in a registered apprenticeship program while incarcerated and are now released back into the community.

Information regarding the Federal Bonding Program provides answers to questions about Fidelity Bonding. The last page of the document lists contact points in each State. After making contact with those listed, if you need more information for exploring additional resources, please contact Joseph Seiler, Director, Federal Bonding Program, at toll free 888-266-3562.

Attachments

UNIQUE JOB PLACEMENT TOOL
Answers to Questions About Fidelity Bonding

WHAT IS IT?

WHY IS IT NEEDED?

WHO IS ELIGIBLE?

HOW IS IT ISSUED?

HAS IT HAD SUCCESS?

WHERE TO GO TO GET IT?

SPONSORED BY THE U.S. DEPARTMENT OF LABOR

THIS DOCUMENT PROVIDED BY FEDERAL BONDING PROGRAM

FEDERAL BONDING PROGRAM

WHAT IS IT?

Q. What Is The Federal Bonding Program?

A. It is a unique tool to help a job applicant get and keep a job.

The program issues Fidelity Bonds, and is sponsored by the U.S. Department of Labor.

Q. What Is A Fidelity Bond?

A. It is a business insurance policy that protects the employer in case of any loss of money or property due to employee dishonesty. It is like a "guarantee" to the employer that the person hired will be an honest worker.

The Fidelity Bonds issued under the Federal Bonding Program are insurance policies of the Travelers Property Casualty Insurance Company. The McLaughlin Company in Washington, DC, is the agent for Travelers in managing the program nationwide.

Q. How Does The Bond Help Someone Get A Job?

A. The bond is given to the employer free-of-charge, and serves as an incentive to the company to hire a job applicant who is an ex-offender or has some other "risk" factor in their personal background. The employer is then able to get the worker's skills without taking any risk of worker dishonesty on the job.

Q. What Exactly Does The Bond Insurance Cover?

A. It insures the employer for any type of stealing by theft, forgery, larceny or embezzlement. It does not cover liability due to poor workmanship, job injuries or work accidents. It is not a bail bond or court bond for the legal system. It is not a contract bond, performance bond or license bond sometimes needed to be self-employed.

Q. What Restrictions Exist In The Program's Bond Coverage?

A. The worker must meet the State's legal age for working. There are no age limits. The job usually is to be for at least 30 hours work per week. Workers must be paid wages with Federal taxes automatically deducted from pay. Self-employed persons cannot be covered.

Q. Who Does The Program Help?

A. Bond coverage is provided for any person whose background usually leads employers to question their honesty and deny them a job. The program will cover any person who is at risk due to their being in one or more of the following groups:

- ex-offender with a record of arrest, conviction or imprisonment; anyone who has ever been on parole or probation, or has any police record

- ex-addict who has been rehabilitated through treatment for alcohol or drug abuse
- poor credit record or have declared bankruptcy
- dishonorably discharged from the military
- persons lacking a work history who are from families with low income

Q. Can Other Persons Be Bonded?

A. YES. Anyone else who needs the program's bond in order to get a job. (For more information, read "Why Bonding is needed" and "Who Is Eligible" in the pages that follow.)

WHY IS IT NEEDED?

Q. Since Employers Buy Fidelity Bond Insurance To Protect Against Employee Dishonesty, Why Is The Program's Bond Needed?

A. Fidelity Bonds that employers purchase commercially do not cover anyone who has already committed "a fraudulent or dishonest act." Ex-offenders and other job applicants with questionable backgrounds are designated by the insurance industry as being NOT BONDABLE because they are too risky to insure for job honesty.

Only the Federal Bonding Program will issue bonds to employers to cover anyone who is usually NOT BONDABLE. As a result, bonding is eliminated as a barrier to employment and the program serves as a unique job placement tool.

Q. Is It Legal for Employers to Deny Employment To Applicants Who Are NOT BONDABLE Under Commercially Purchased Bonds?

A. Employers fear that applicants who are NOT BONDABLE will be untrustworthy employees, and companies can require bonding and deny employment on that basis.

The Federal Bonding Program can help overcome that employer's fear by making the applicant BONDABLE. The program's bond is like a guarantee of employee job honesty for the hardest-to-place job applicants.

Q. Can the Program's Fidelity Bond Coverage Exist Forever?

A. The key purpose of the program's bond is to help an at-risk applicant get a job. The bond insurance is issued free-of-charge to the employer for a period of six months.

If the worker demonstrates job honesty during the six months of Federal Bonding Program coverage, that worker can become BONDABLE FOR LIFE under commercial bonding made available to the employer for purchase from the Travelers Property Casualty Insurance Company.

WHO IS ELIGIBLE?

Q. How Can You Know If You Qualify for Obtaining Bonding Services?

- A. Anyone who cannot get a job without bonding is eligible for help by the Federal Bonding Program. All individuals who have, in the past, committed a fraudulent or dishonest act, are eligible for bonding services.

These persons include ex-offenders and ex-addicts, as well as people who have poor personal credit, low income persons who lack a work history and individuals who were dishonorably discharged from the military.

Q. At What Age Can You Obtain Bonding From The Program?

- A. You must meet the legal minimum working age set by the State in which the job exists. The program has no maximum age limit.

Q. What If You Have Already Been Told By A Company That You Are "NOT BONDABLE"?

- A. The main reason that the Federal Bonding Program exists is to help get a job for any person who experiences bonding as a barrier to getting a job. The program will bond anyone who has been told (or will be told) that they are NOT BONDABLE.

Q. Can The Program Bond Persons Who Are Self Employed?

- A. NO. The program's fidelity bond is issued to an employer to cover only a worker who earns wages with Federal taxes automatically withheld from the worker's paycheck.

Q. Can Bonding Be Issued For A Worker Placed On A Part-Time Job or a Temporary Job?

- A. Usually, bonding is issued to cover workers who obtain permanent jobs providing at least 30 hours work per week. However, the agency issuing the bond can make an exception to this rule if they determine it is needed.

Q. If An Applicant Is To Be Placed On A Job Where Bonding Was Not Previously Required, Can A Bond be Issued?

- A. YES. Bonding can be provided for any job if issuance of the bond is the difference between getting the job and not getting it.

Job placement often occurs simply due to the fact that the bond overcomes an employer's fear that the job applicant may be a dishonest worker.

Q. Can Bonding Be Issued To Cover An Already Employed Worker?

- A. The main purpose of the Federal Bonding Program is to help secure employment for applicants who are having a hard time getting a job due to their questionable backgrounds.

However, a bond can be issued to cover a current employee who is NOT BONDABLE under the employer's insurance, and needs the program's bonding in order to secure a promotion to a new job requiring bonding or to prevent being laid off.

Q. Is A Person On Welfare Automatically Eligible For Bonding?

- A. Most welfare recipients will be eligible due to the fact that they have a poor credit history or have declared bankruptcy. Also, some of these individuals will be eligible due to being ex-offenders or ex-addicts or to their lack of a work history.

HOW IS IT ISSUED?

Q. Who Must Request Issuance Of The Fidelity Bond?

- A. Issuance of the bond for job placement to occur can be requested by either the employer or the job applicant. This request is to be made to the local agency certified by the Federal Bonding Program.

In most cities, all State Employment Service local offices are certified to issue bonds as an employer incentive for job hire. Sometimes these offices are designated as the State Job Service or One-Stop Career Center. For further help, make contact as indicated on the last page of this brochure.

Q. Can The Bond Be Issued At Any Time?

- A. For the bond to be issued, the employer must make the applicant a job offer and set a date for the individual to start work. The job start date will be the effective date of the bond insurance which will terminate six months later. After the six months, continued coverage will be made available for purchase if the worker has exhibited job honesty under the program's bond.

Q. How Much Bond Insurance Coverage Will Be Issued?

- A. A total of \$5,000 bond coverage is usually issued, with NO DEDUCTIBLE amount of liability for the employer. Larger bond amounts can possibly be issued if the certified agency issuing the bonds has acquired a special bond package and has determined that larger bond amounts are appropriate.

Q. What Papers Must The Employer Sign And What Other Actions Must The Employer Take In Order To Get The Bond?

- A. NONE. Once the date is set for the applicant to start work, the bond can be issued instantly. The employer signs NO papers, and keeps NO special records since the bond is self-terminating. The bond is mailed directly to the employer by The McLaughlin Company in Washington, DC as agent for Travelers.

HAS IT HAD SUCCESS?

Q. How Many People Have Been Helped By The Program?

A. About 40,000 applicants have obtained jobs due to being bonded, and 99% have proven to be honest employees.

Q. What Do Employers Think About Bonding As A Job-Hire Incentive?

A. A research study published by a university in Texas surveyed employer attitudes toward hiring ex-offenders. Only 12% said that they were willing to hire these applicants. However, 51% said that they would hire ex-offenders if they were bonded.

Q. What Proof Is There That Bonding Is Needed and Useful?

A. New York State found that having a job helps prevent a parolee from returning to prison. The fact is that 89% of persons who violated parole were unemployed at the time.

Texas found that Project RIO bonding and other services for releases from its State prisons saved the State \$10 million annually, and made tax payers out of tax users.

A study of the U.S. Department of Justice found that released felony offenders with histories of alcohol and drug offenses were able to be helped to secure steady employment by offering employers bonding as a job-hire incentive.

In August 1998, the Pittsburgh City Paper brought attention to the fact that "a criminal past may prevent the transition from welfare to work," and called for expanded use of the Federal bonding Program to deal with this job placement problem.

Q. Are There Other Benefits In Use Of Bonding Services?

A. YES. A greater variety of jobs can be obtained by applicants, and more higher paying jobs can be obtained.

WHERE TO GO TO GET IT?

Q. What Do You Have To Do To Get Bonding Services?

A. The employer or job applicant should contact the nearest State Employment Service (ES) local office, also known as the State Job Service and One-Stop Career Center.

It is usually necessary for the applicant to first visit and register with the State Employment Service local office.

There are no papers to be completed by the job applicant or the employer in order for the bond to be issued to the employer to cover the job honesty of the worker.

Before a bond can be issued, the applicant must receive a job offer and the employer must schedule a date to start work.

The ES local office then will inform The McLaughlin Company in Washington, DC, to issue to the employer a Fidelity Bond insurance policy covering the worker. This policy is underwritten through the Travelers Property Casualty insurance company.

Q. How Does The Employer Learn That Bonding Is Available?

- A. State Employment Service representatives usually inform employers about the availability of bonding services through ES local offices.

Job applicants should also inform employers about bonding in their job search interviews.

FEDERAL BONDING PROGRAM

WHERE TO GO TO GET IT?

Q. Is There A Specific Phone Number To Call To Get Further Information On Bonding Services?

- A. YES. Make phone contact using the appropriate number for your State as shown in the listing below.

Location	Phone No.	Location	Phone No.
AK	907-465-5952	NC	919-733-6745
AL	334-242-8039	ND	701-328-2863
AR	501-682-1544	NE	402-471-9826
AZ	602-495-1861	NH	603-228-4083
CA	916-654-9715	NJ	609-984-3530
CO	303-620-4202	NM	505-841-8556
CT	860-566-2424	NV	702-687-4601
DC	202-724-7145	NY	518-457-2316
DE	302-761-8111	OH	614-728-1697
FL	850-488-9180 X- 1 03	OK	405-557-7257
GA	404-656-3160	PA	717-787-6915
HI	808-586-8815	PR	787-250-6679
IA	515-281-9337	RI	401-222-3724
ID	208-334-6161	SC	803-737-2593
IL	312-793-6811	SD	605-773-3101
IN	317-233-4910	TN	615-741-3780
KS	913-296-7435	TX	512-463-0834
LA	504-342-3037	USVI	340-776-3700
MA	617-626-6448	UT	801-468-0089
MD	410-767-2022	VA	703-246-3033
ME	207-624-6487	VT	802-828-4350
MI	313-876-5382	WA	360-438-4059
MN	612-296-5657	WI	608-246-5642
MO	573-751-2169	WV	304-558-2643
MS	601-961-7529	WY	307-235-3611
MT	406-444-3480		