

Case Study

Bridging the Cultures of Business and Poverty Welfare to Career at Cascade Engineering, Inc.

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BRIDGING the Cultures of BUSINESS & Poverty

Welfare to career at Cascade Engineering, Inc.

What makes hiring and retaining welfare recipients difficult?
What are the keys to successfully retaining employees who are from poverty?
Is there a business case for hiring welfare employees?

LISA HUDSON'S PERSONAL SITUATION REFLECTS THE DEMOGRAPHICS OF WELFARE: SHE IS A SINGLE mother with four children. She's far from the unfortunate stereotype of a lazy welfare recipient, however, working the day shift, taking a full college course load after work, and then studying until 1:30 a.m. Over the course of the day she shuttles her children between two childcare providers. Hudson assembles parts for car dashboards and is a client in a welfare-to-work program, but sees her future in the field of psychology rather than on the shop floor. "I love it [but] it's not what I want to do. ... I'm going to school for psychology, but in the meantime, if it takes me ten years to get finished with my degree, I'll be here until it's finished."

Hudson is one of more than 500 welfare recipients who have participated in Michigan-based Cascade Engineering's "welfare-to-career" (W2C) program. Cascade reaps benefits from the program too, making it a win-win for all involved. Still, no one at Cascade, including the privately held firm's CEO and Chairman Fred Keller, would say that the program's 11-year journey has been an easy one. The plastics manufacturer has traveled the path, first alone and then with partner agencies, in many small and fitful steps. With each step, the challenges that people in poverty face have become more apparent to Cascade managers, as has the need for countervailing support systems. The process has been one of continual improvement, with many cycles of observation, hypothesis building, experi-

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Welfare-to-Career participant Lisa Hudson prepares injection moldings at Cascade Engineering.

Cascade Engineering Highlights

Privately held company founded in 1973 by Fred Keller

Located in Grand Rapids, Michigan

Workforce: Non-union workforce of 1,100, including 99 welfare-to-career employees

Products: Plastic injection-molded products such as office chair seats, waste and recycling containers, and automotive parts

Notable Customers: Herman Miller, Waste Management, DaimlerChrysler, Ford, and General Motors

Manufacturing Competence: "2001 Processor of the Year" (Plastics News);

"1998 Manufacturer of the Year" (Michigan Manufacturers Association)

Corporate Citizenship: 1998 Ron Brown Award for Corporate Leadership;

2002 Large Employer of the Year Award (Goodwill Industries)

mentation, and more observation. Ultimately, the sustained commitment of the firm's senior management and partner agencies has been critical to the program's success.

Welfare-to-Career Champions

The success of the welfare-to-career program at Cascade is due in large part to two champions who are committed to the program's success. Fred Keller makes the environment safe for innovation and the accompanying intermittent failures. Ron Jimmerson, human resources manager of community partnerships and workforce diversity, is the innovator who built the coalition of partners that supports the welfare-to-career program and has played the dominant role in building a bridge between Cascade's culture and the culture of poverty that allows former welfare recipients to join the working class.

Keller and Jimmerson come from diametrically opposed backgrounds. Keller, now in his fifties, graduated from Cornell University in 1967, worked as a metallurgist at Pratt and Whitney for six years, and earned an MBA from Rensselaer Polytechnic Institute. He was convinced that corporate America was "doing it wrong" and started Cascade to pursue, in his words, "worthy goals."

Tall and well-spoken, Keller doesn't think that the role of business is to focus only on economic success, especially at society's expense, and then just "give back" charity to the community. He believes in "doing something good and then making it good business," looking for win-win outcomes for Cascade and society together. Accordingly, Cascade measures its success using a "three-legged" strategy that is comprised of financial returns, environmental per-

formance, and social impact. Indeed, in Keller's experience, greater environmental or social performance often provides Cascade with economic benefit either directly or indirectly through improved morale and more dedicated employees. Making good things into good business sometimes requires time, and private ownership affords Keller the necessary patience.

Keller's desire to help welfare recipients fits his ethos; breaking the cycle of generational poverty¹ was a worthy goal, and he foresaw benefits for his company, its employees, and the Grand Rapids community. Cascade would sustain its workforce and improve its work environment, society's cost of welfare assistance would decrease, and welfare clients would lead better lives. Cascade's altruistic intentions are evident – the program started in 1991 before labor was scarce. But the need for workers in the hot economy of the late 1990s bolstered the business case for welfare to work. According to Mike Goldman, Cascade's vice president of business services, unemployment was 1 percent at that time, which made finding workers through traditional channels difficult.

Jimmerson, the program's other champion, grew up in generational poverty, in a single-parent household. Disaffected by society, he dropped out of school. "In my growing up there was a lot of animosity and hatred toward white people because I felt powerless," he recalled. "I can remember going to high school and in history class there was nothing in there about what blacks had contributed to America. ... So that doesn't give a minority person any self-esteem as far as the whole American system. So I had a lot of bitterness that you will probably find in all the working poor, not just African Americans."

Jimmerson became a licensed social worker in a substance abuse clinic before joining Cascade and has made the transition from poverty to middle class. He

now works in many ways to help others through the same transition, including championing Cascade's W2C program and providing a ministry to prisoners. Another way is by being a positive role model. "I still live in what is known as 'the hood' ... and I refuse to move out because I want to be a role model for kids that are down there. ... When I was growing up in my local community all I saw was the pimps, the drug dealers, the prostitutes, the robbers, and the thieves. I never saw those positive role models."

The two cultures from which these men come represent the two cultures that are merged in Cascade's W2C program. Despite their different backgrounds, Keller and Jimmerson shared a vision of a successful welfare-to-work program that never faded, despite a number of false starts.

The Development of the Welfare-to-Career Program

False Starts Cascade's welfare-to-work program was not immediately successful; it is a sustained learning process that continues today. There were two "false starts" that preceded the current version. The first experiment was in 1991, when Jimmerson, then the human resources manager for one of Cascade's divisions, partnered with Faith, Inc. to recruit the unemployed and homeless in the Heartside area of Grand Rapids.² Faith, Inc. provided pre-employment job training, and the state of Michigan heavily subsidized the purchase of a van for welfare recipients to drive themselves to work.

Within two weeks, all 10 welfare recipients who Jimmerson recruited through Faith, Inc. either quit or were fired. "We had the employees drive, and so they would stop at the liquor store and the dope house, and if the driver didn't come in then none of them came in." The partnership had not considered that welfare recipients were unaccustomed to work culture and responsibilities.

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The welfare-to-work idea lay dormant until 1995, when Keller and Stuart Ray, the owner of a number of Burger King franchises in western Michigan, developed a partnership to help people learn work skills in two stages. They called it the Work-to-Work Program. At Burger King, welfare clients would learn the responsibilities that were missing in the Faith, Inc. venture. As Keller recalled, “They could learn team skills, and learn how to get to work in the morning, and how to set the alarm clock, and all that sort of thing.” Keller then promised those employees a career at Cascade if they stayed at Burger King for six months. In theory, both companies would reduce turnover. Six months was longer than many workers lasted at Burger King, and the “trained” employees would have a greater chance of succeeding at Cascade.

Reality, however, did not match the theory. Cascade did not hire one employee from Burger King, because all their hires were either fired or quit before the six months were up. “We found that the pay range at Burger King was really much too low for these welfare mothers to support their families. ... They had already [worked in the fast food industry] and so they were not really interested in that whole process,” Jimmerson commented. “The other problem was that the Burger King managers, and even Cascade at that time, didn’t understand the whole culture [of diversity], and so many of the Burger King managers were resistant to the program.”

Learning from Failure It must be easy for managers to conclude that welfare recipients neither have the will to work nor see value in a middle-class lifestyle when they experience failures similar to Cascade’s early attempts. Once Cascade honed its approach, Jimmerson explained, welfare clients could embrace life in the working world – given hope, an appropriate work environment, and

Welfare Reform and Welfare-to-Work Programs

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 was enacted to break the culture of dependency on welfare and motivated many welfare-to-work programs. The legislation encourages unemployed parents of dependent children to find work by limiting welfare support to five years. Job training is also provided, and businesses were given power in terms of how this training is administered.

Who Are Welfare Recipients?

The majority of welfare recipients now looking for work are women, because single-parent households – most often headed by women – are more likely to be in poverty. Cascade’s W2C clients reflect these demographics: The current W2C population at Cascade Engineering consists of 77 women and 22 men. (In contrast, the non-W2C workforce is comprised of 211 women and 430 men.)

Is Welfare Reform a Success?

- Advocates note the unemployment rate for single mothers dropped from approximately 43 percent in the 1980s and early 1990s to 28 percent in 1999. The rate for never-married mothers fell from just over half in 1996 to one-third in 1999. (See “America’s Great Achievement,” *The Economist*, Aug. 25, 2001.)
- Critics, however, argue that the decrease in unemployment is due more to the strong economy that persisted through most of 2001 than to PRWORA, the effectiveness of which is currently being tested by a weak economy.

help increasing their self-esteem. “When they begin to see all the opportunities that they can have here at Cascade Engineering, the benefits, when we’re talking about diversity, trusting and caring, and valuing people ... their appetites begin to open up. They become very hungry [and begin to ask] ‘How can I have these things? How can I have this peace and this joy?’”

Until 1997, Cascade had not found the keys to providing such an environment. Through two failures, however, Cascade managers began to identify the obstacles to hiring welfare recipients, which included coping with differences between Cascade’s expectations of W2C clients and the culture of poverty, pro-

viding support for W2C clients where their resources were lacking, and enlisting the support of social agencies where Cascade alone could not provide the necessary support.

Recognizing Two Cultures: Poverty and the Middle Class An awareness that people on welfare lived in a different culture than most Cascade employees dawned when Keller attended the Institute for Healing Racism. Goldman described how understanding racism was a precursor to understanding classism and forced people to “confront their own stereotypes about people ... of color.”

Goldman made another vital dis-

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covery through his work with a Head-Start program that helped Cascade managers better understand the W2C clients' perspective. The principal gave him a copy of *A Framework for Understanding Poverty*, by Dr. Ruby Payne, used to help students from poverty cope in the middle-class school environment. Payne describes the "rules" of each of three social classes—poverty, middle class, and wealth—and how people in one culture are generally unaware of the rules of the others.³ (Sidebar, below)

Now mandatory for every employee, W2C or otherwise, the "Hidden Rules" training based on Payne's book helps the W2C clients understand the middle-class workplace, while also helping non-W2C employees and managers recognize the challenges faced by W2C clients. Andy Zylstra, director of the Kent County Family Independence Agency (FIA), a state of Michigan agency, emphasized the importance of Payne's work. "You just can't appreciate it enough, the impact that Ruby Payne

and her philosophy and her approach has made on this community. Because I grew up in the 1960s where ... you didn't make moral judgments and everything like that. When I heard Ruby Payne start talking about class differences, immediately it kind of put me off until you recognize that you're telling people no matter what their background is, business is the middle class, and as Ruby Payne puts it, there are rules."

Managers' heightened sensitivity to the poverty culture enables them to interpret behavior that might otherwise be construed as disrespectful, antagonistic, or irresponsible as an artifact of the W2C employee's background and as an indication that support rather than discipline is needed. Even occurrences seemingly as innocuous as [W2C clients being] sick or wanting to go home," according to Ed Baweja, a production supervisor, could be a sign "that they are having a problem outside of work." Such absences can be symptomatic of problems with children or other

domestic disturbances. When W2C employees do not notify their supervisors of absences, Cascade managers have learned that it isn't because they are intentionally irresponsible. Those in the culture of poverty value the people in their lives first and foremost; because of this, some W2C employees will, when caught in a moment of domestic crisis with insufficient support systems, instinctively tend to the needs of their loved ones and forget to call their supervisors.

A Strong Partner and a Ripe Opportunity The structure of the current W2C program began to emerge in 1997, and Cascade's timing was just right. Congress had passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, and the state of Michigan was eager to show progress toward getting people from welfare to work. This, perhaps, is what allowed three key individuals in the Kent County FIA the necessary latitude to create an innovative program.

Zylstra, Randy Koekkoek, a manager who works under him, and FIA caseworker Joyce Bosscher had seen the ineffectiveness of welfare assistance firsthand, and Cascade was their opportunity to finally structure a program that worked. "We've been ready to do something like this for years," said Zylstra, but finding a business partner with Keller's commitment had been difficult. Koekkoek knew that Bosscher, a 28-year veteran in the welfare services field, was perfect for the task of on-site client support at Cascade, one of the innovative features of the emerging program. Bosscher is intensely caring, which she says comes from a good upbringing—guidance from loving parents, a large social family, and Christian values. She said that her job at Cascade is "the first time that I feel as though I have made a difference in people's lives." Bosscher has passed up opportunities to apply for promotions

THE HIDDEN RULES OF SOCIAL CLASSES

	POVERTY	MIDDLE CLASS	WEALTH
Possessions	People	Things	One-of-a-kind objects
Money	To be spent	To be managed	To be conserved and invested
Time	Focus on the present. Decisions made on feelings of survival.	Future most important. Decisions made against future ramifications.	Focus on traditions and history. Decisions made on basis of tradition and decorum.

CASE STUDY

Angela Davis, a welfare-to-career participant, prepares sound absorbers.



in order to stay with the program.

Working with Partners to Support Welfare Clients Managers have found that, besides learning the “hidden rules,” W2C clients had to overcome other poverty-induced obstacles. Consistent with welfare-to-work programs nation-

wide, W2C clients often lacked reliable transportation and childcare, and suffered from domestic and substance abuse.⁴ In 1997, Jimmerson assumed his current position and, with vital support from FIA managers, developed a coalition of agencies to meet these needs. Transportation needs are provided for by

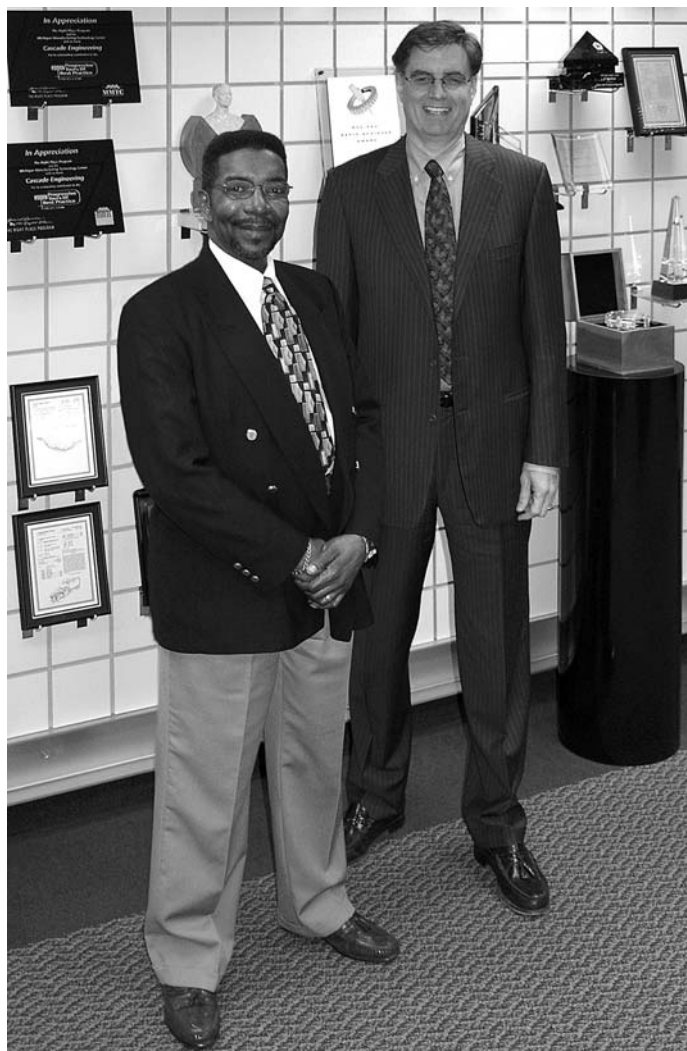
a local ministry called Angels Wings, which Cascade partially supports, and the Kent Regional Community Coordinated Child Care helps clients find suitable childcare. The FIA coordinates a host of other agencies that are contractors to the state of Michigan that help with job training and on-site (emotional) adjust-

ment to the workplace, including the Area Community Services Employment and Training Council (also known as Work First or Michigan-Works!), Ross Learning, and Goodwill Industries of Greater Grand Rapids, Inc.

The coalition didn't come together overnight and, from Cascade's perspective, it took time before all the social agencies could focus solely on the W2C clients' needs rather than on their own interests. A facilitator was hired to help with the relationship-building process and, with time, the coalition members "divided up the turf" so that the responsibilities of each agency were clear and all of the clients' needs were provided for.

On-site Support Jimmerson and Koekkoek concluded that the typical support provided to welfare recipients was insufficient. Social workers shouldered high caseloads, and clients received infrequent and impersonal service at large centralized social agency offices. Also, after clients are placed in a job, most government-supported agencies provide support for only 90 days. "You've got people who have been in generational poverty, or poor for a long time, and 90 days is not enough," commented Jimmerson. Once an employee was placed in a job, the FIA often heard of problems only after it was too late, usually when the welfare recipient reapplied for assistance after quitting or being fired.

Jimmerson and Koekkoek worked around this problem by placing FIA caseworkers on-site at Cascade, an arrangement that no other employer in Michigan has. On-site caseworkers provide



Ron Jimmerson and Fred Keller, champions of Cascade Engineering's W2C program.

Cascade W2C clients with more responsive support, especially because they handle smaller caseloads – 50 per caseworker rather than 150 at the centralized facilities. Even after the official government 90-day cutoff for support, on-site caseworkers continue to provide clients with unofficial support.

As an on-site caseworker, Bosscher quickly troubleshoots problems. She is alerted to potential problems by daily e-mail messages from the supervisors of W2C clients. If W2C clients are absent, for example, Bosscher locates them and

finds out why they did not come to work. Problems due to the conflict between the two cultures are addressed before an employee is terminated because of them.

Bosscher finds resources for clients when their support systems break down. One client's truck broke down, and Bosscher helped her find a car. As the client explained, "Yes, she tells me that there are these programs out there and if something goes wrong they help me get a car. I got a 1990 Probe that's real nice for \$1,000. ... They say that I was dependable and they said, 'Well, let's get her in a car so she can get here.'"

Bosscher also counsels W2C clients before stressful meetings with supervisors to help clients cope with the culture of work. For example, a common and acceptable response in the culture of poverty to criticism from a supervisor is anger, which can lead to self-destructive behavior such as quitting. Bosscher prevents such reactions to criticism by discussing with the client beforehand what his or her natural interpretation and response to such a situation might be and what the proper reaction is in the work culture.

Bosscher addresses not only the social issues in the workplace but also those at home, because they eventually affect job performance. Being in the W2C program can lead to new behaviors, for example, which sometimes touch off domestic disputes that can lead to abuse and absence from work. According to Jimmerson, "Many of the women end up in the Women's Resource Center – that's one of our partners for domestic

violence—because now the mother is trying to save money rather than spend it, which is a typical trait of those living in generational poverty, and the boyfriend or the husband is mad and so he goes into a violent rage.”

W2C clients appreciate the close, personal attention, especially in comparison with the traditional support provided at large centralized facilities. As Hudson said: “Like when those [case]workers were down at FIA, they weren’t personal. I didn’t want to be bothered with them and they didn’t want to be bothered with me really. But here, I know [Bosscher] cares.” Hudson appreciates that the caseworkers and the other support systems are available on-site. “Everything you need is right here.”

Continual interaction engenders personal relationships between Bosscher and the W2C clients, many of whom consider her to be more friend than caseworker. Close personal relationships and confidential support often motivate W2C clients to approach Bosscher rather than a Cascade manager when work or domestic issues arise. The feedback received allows her to arrange special accommodations with Cascade management for clients in extreme situations (without divulging confidential details). “We had a domestic violence situation. ... [A female worker] was missing work because she was so beat up and abused,” said Bosscher, “and we identified that and the company gave her a week off and we put her into an emergency shelter and got her connected with the legal system. ... She came back after a week and walked in and gave her first-line supervisor a big hug and thanked him for that kind of support. Would another company do it? Maybe, but they’d never know that this was going on. The compassion might exist in a lot of companies, but probably not like this one.”

Goodwill Industries, which also provided on-site support, is another example of an agency willing to “bend the

Cascade measures its success by financial returns, environmental performance, and social impact.

rules.” Goodwill provided a retention specialist, Scherry Shabazz, who visited clients on the night shift. Although Goodwill workers are not formally allowed to provide support for clients past the first 30 days of employment, Scherry’s supervisors allowed her to provide informal support for W2C clients past that limit, and Scherry didn’t hesitate to stop and ask former clients how they were doing.

Retaining W2C Clients

Turnover data from Cascade’s early welfare-to-work efforts showed that clients were lost primarily in the first two weeks of employment. Cascade managers believe that exposure to cultural and diversity awareness, including Payne’s Hidden Rules, can prevent early causes of turnover, and so half of the one-week training program for new employees is

spent on this and similar topics. The other half is devoted to on-the-job training.

Cascade managers attribute higher retention of W2C clients, as well as other employees, to the training and W2C support efforts. The monthly turnover rate for W2C employees is currently around 3 percent per month and is all due to involuntary termination. The turnover rate for all non-W2C Cascade employees is approximately 1.4 percent per month, which is due to both voluntary and involuntary termination. While a 3 percent turnover rate is a marked improvement over performance early on in the program and over typical welfare-to-work retention, it nonetheless implies an annual retention rate on the order of 69 percent.

W2C workers describe the Cascade

The Retention Problem

Companies commonly experience low retention with welfare-to-work programs, which implies potentially greater costs for hiring, training, and administration than hiring through more traditional channels. Poor retention is perhaps the main reason why many companies abandon welfare-to-work programs.

- One study found that 46 percent of welfare-to-work employees lose their jobs in the first three months, 63 percent in the first six months, and 72 percent in the first 12 months. (See Flynn, G. “Who’s Left in the Labor Pool,” *Workforce* [Oct. 1, 1999]: 34.)
- The cost of hiring and losing an entry-level employee within the first 60 days runs between \$2,500–\$3,000. (See Gooden, S.T. and Bailey, M. “Welfare and Work: Job-Retention Outcomes of Federal Welfare-to-Work Employees,” *Public Administration Review*, vol. 61, no. 1 [Jan.-Feb. 2001]: 83-91.)

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work environment as supportive and familylike. Robin Hughes, for example, enjoys working there so much that she'd rather stay at Cascade than return to her former higher-paying job at the com-

pany that laid her off. "Here, it's more family," she explained. "This is my home." Like all Cascade employees, Robin started at \$10 an hour as a "Level A" employee; she would like to

progress to a "Level D" technical position in quality control. Cascade was able to accommodate Robin with a day shift job so that she could be with her daughter after school. Goodwill Industries helped Robin get to work for three months when she didn't have money to pay for insurance and registration for her car.

The Costs and Benefits of W2C

I conducted a pro forma analysis, based roughly on Cascade's experience, to gauge the benefits of welfare-to-work programs on: (1) a company and (2) the government and government-affiliated agencies that support that company, which I treat as a collective unit.⁵

The analysis was aimed at assessing the marginal benefit provided by a welfare-to-work program based on the relevant cost components that we found at Cascade.

From a company's perspective, costs involve the initial investment, including training; hiring costs for welfare-to-work clients; and support for transportation and childcare assistance.

Benefits include a reduced hiring cost for employees hired through regular channels; wage subsidies for welfare-to-work clients; federal tax credits; and on-site caseworkers.

What is a benefit to Cascade, however, results in costs to the government-affiliated agencies. These include wage subsidies for welfare-to-work clients; federal tax credits; on-site caseworkers; and the initial investment, including training expense. The benefit, of course, is a reduced (welfare) assistance expense.

The tradeoff between the hiring cost of welfare clients and the hiring cost of employees through regular channels is one of the main issues in this analysis. For Cascade, the cost of hiring a welfare client is less than that of a "regular" employee. Cascade contracts with an employment agency to hire "regular" employees and officially employ them

COSTS AND BENEFITS TO A WELFARE-TO-WORK COMPANY

NPV @ 20 percent annually

COSTS

Initial Training	\$8,000
Welfare Client Hiring Costs	\$145,000
Transportation Assistance	\$25,000

BENEFITS

Contract Employment Cost Reduction	\$290,000
Wage Subsidies	\$630,000

Gross Pre-Tax Benefits	\$742,000
Federal Tax	(\$260,000)
Tax Credits	\$20,000
Net Marginal Benefit	\$502,000

COSTS AND BENEFITS TO GOVERNMENT-AFFILIATED AGENCIES

NPV @ 20 percent annually

COSTS

On-Site Caseworkers	\$350,000
Wage Subsidies	\$630,000
Tax Credits	\$20,000

BENEFITS

Reduced Assistance Payments During Program Horizon	\$ 1,400,000
Reduced Assistance Payments After Program Horizon	\$240,000
Increased Federal Tax Receipts	\$260,000
TOTAL BENEFITS	\$900,000

until they satisfactorily complete training and a probation period. This imposes an additional cost above that for hiring a welfare client. Even so, maintaining the same size workforce with welfare clients can become more expensive if the retention of welfare clients is significantly less than that for “regular” employees.

Assuming that a program was implemented for five years and then discontinued and that cash flows are discounted by 20 percent annually, the net present value was positive for both parties, and roughly as shown in “Cost and Benefits of a Welfare-to-Work Company” (See table, p. 80). Keller believes that Cascade receives collateral intangible benefits from the W2C program as well. For example, a recent employee opinion survey indicates an improved working environment, and Cascade managers also believe that overall retention rates are higher than they would otherwise be without the W2C program, perhaps due to the awareness of diversity that W2C has raised.

The Right Stuff

Moving people from the welfare rolls to self-sufficiency has been a difficult endeavor, but Cascade and its partners have discovered some critical success factors along the way. Cascade’s W2C program has attained some measure of success—21 W2C clients have completely rolled off welfare, no longer receive FIA assistance, and have become independent and financially self-sufficient.⁶ Keller encouraged a U.S. House Ways and Means Committee, in testimony given April 2, 2002, to craft future welfare reforms using Cascade’s program as a model.⁷ Keller outlined to the committee the three keys to a successful W2C program:

1. An accepting organizational culture.
2. Education, not only of new employees but also of existing

employees, about what it means to be in poverty.

3. A strong system of support for people moving from poverty to careers.

While high-level program champions were critical, the strong commitment of individuals at Cascade, the FIA, and all the other supporting agencies who personally believed in this program was just as critical.

The former welfare recipients are not the only winners, however. The company and society as a whole have benefited. “The organization actually is more energized,” according to Keller. “People are more focused because they know that the organization values everyone there and we actually get more done.” □

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1 Generational poverty occurs when a family is in poverty for two or more generations (see Payne, R.K. *A Framework for Understanding Poverty*, Revised Edition, RFT Publishing Co., Highland, TX, 1998). Poverty is “passed on” when behavioral patterns, values, and norms of the parents, which make income above the poverty line less probable, are adopted by their children.

2 Faith, Inc., is a private, nonprofit agency in Grand Rapids that supports homeless people and welfare recipients. It provides job training in light assembly and packaging jobs on a contract basis to employers.

3 Payne, R.K.

4 Examples of studies that cited transportation, childcare, and/or domestic issues as prevalent obstacles that welfare-to-work clients must overcome include (1) Gooden, S.T. and Bailey, M.; and (2) “Helping Welfare Recipients Stay Employed,” avail-

able at www.acf.dhhs.gov/news/welfare/reports/employed.htm.

5 This cost-benefit analysis implies that the company in question:

- Is a public corporation (note that Cascade is a private company).
- Has roughly the same population as Cascade.
- Has a welfare-to-work program similar to Cascade’s, which:
- Has access to and takes advantage of the same governmental support (e.g., tax credits, wage subsidies, etc.).
- Has similar relationships with social agencies as Cascade (e.g., on-site caseworkers).
- Results in roughly the same retention performance for welfare clients and “regular” employees.
- Has roughly the same percentage of welfare clients in its workforce.

-Hires welfare clients for this subpopulation that displace an equal number of employees from its traditional hiring source.

Because comprehensive retention statistics for welfare-to-work programs that would allow detailed modeling are not available, we assume a retention model that is based on learning curve theory. In this case, we have two “learning” components. First, as the company gains experience over time, it learns how to better implement training and intervention practices so that the turnover decreases. Second, as an employee gains more tenure with the company, the probability that he or she will be terminated involuntarily decreases—this is consistent with the welfare-to-work literature and Cascade’s experience. This second component is not a “learning” process in the traditional sense, but a learning curve model that allows us to effectively represent the decreasing probability of involuntary termination over time. We calibrated two turnover models, one for the welfare clients and one for the remaining population, because the retention rates for these two groups are typically different.

6 “Rolling off” welfare is a term that describes the point at which an employee no longer qualifies for welfare assistance. As an employee progresses up Cascade’s career ladder and receives a higher hourly wage, his or her eligibility for governmental assistance decreases. For example, once a certain wage rate is exceeded, a W2C client may become ineligible for childcare assistance.

7 Calabrese, D. Cascade Engineering press release, April 2, 2002.