



The Federal Bonding Program

Since 1966
A Unique Job Placement Tool
for the At-Risk Job Seeker



Highlights of the Federal Bonding Program

What Is Fidelity Bonding?

- Insurance to protect employer against employee dishonesty
- Covers any type of stealing: theft, forgery, larceny, and embezzlement
- In effect, a guarantee of worker job honesty
- An incentive to the employer to hire an at-risk job applicant
- A unique tool for marketing applicants to employers
- **DOES NOT** cover "liability" due to poor workmanship, job injuries, work accidents, etc.
- **Is NOT** a bail bond or court bond needed in adjudication
- **Is NOT** for self-employment (contract bond, license bond or performance bond)



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Fidelity bonding Services Are User-Friendly

- NO bond approval processing – NHES staff instantly issue bonds to employers
- NO papers for employer to sign to obtain free bond incentive for job hire
- NO follow-up and NO termination actions required for bond issued
- NO deductible in bond insurance amount if employee dishonesty occurs
- NO age requirements for bondee other than legal working age in State
- NO other U.S. program provides Fidelity Bonding services
- NO Federal regulations covering bonds issued
- ANY job at ANY employer in ANY State can be covered by the bond



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Who Is Eligible for Bonding Services?

- Any at-risk job applicant is eligible for bonding services, including: ex-offenders, recovering substance abusers (alcohol or drugs), welfare recipients and other persons having poor financial credit, economically disadvantaged youth and adults who lack a work history, individuals dishonorably discharged from the military, and others
- Anyone who cannot secure employment without bonding
- All persons bonded must meet the legal working age set by the State in which the job exists
- Self-employed persons are NOT ELIGIBLE for bonding services (bondee must be an employee who earns wages with Federal taxes automatically deducted from paycheck)
- Bonds can be issued to cover already employed workers who need bonding in order to (a) prevent being laid off, or (b) secure a transfer or promotion to a new job at the company
- Bonding coverage can apply to any job at any employer in any State



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How Can Bonds Be Accessed Under the Federal Bonding Program?

- The Fidelity Bonds issued to employers by NH Employment Security, for covering at-risk applicants, are made available exclusively to The Federal Bonding Program by Travelers which is not duplicated by any other U.S. program
- Bonds are issued instantly to be in effect the day that the applicant is scheduled to start work; the bonds are self-terminating (no termination paperwork needed), and the employer does not sign any papers in order to receive the bond free-of-charge
- The bond insurance issued are for \$5,000 coverage for a 6-month period with no deductible amount (employer gets 100% insurance coverage); when this bond coverage expires, continued bond coverage, ranging from \$5,000 to \$25,000, can be purchased from TRAVELERS by the employer if the worker demonstrated job honesty under coverage provided by The Federal Bonding Program
- Bond can be issued to the employer as soon as the applicant has a job offer with a date scheduled to start work



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Why Is Fidelity Bonding Needed for Job Placement?

- Employers view ex-offenders and other at-risk job seekers as potentially untrustworthy workers, thereby, denying them job-hire
- Insurance companies will not cover risky job applicants under commercial Fidelity Bonds purchased by employers to protect themselves against employee dishonesty
- Anyone who has ever “committed a fraudulent or dishonest act” is deemed NOT BONDABLE by insurance companies, a situation leading to routine denial of employment opportunities for such persons
- Being NOT BONDABLE is a significant barrier to employment possessed by the hardest-to-place job applicants; this barrier can be eliminated only by The Federal Bonding Program
- Job bonding enables the employer to “obtain worker skills without taking risk”
- Persons who are NOT BONDABLE can ultimately become commercially BONDABLE by demonstrating job honesty during the 6 months of bond coverage under the Federal Bonding Program (such commercial bonding will be made available by the Travelers Casualty and Surety Company of America; referred to hereafter as TRAVELERS)



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Comments about the Federal Bonding Program

“A ‘vital resource in the provision of offender job placement services, the Federal Bonding Program has become a critical component of training for Offender Employment Specialist by the National Institute of Corrections, Office of Correctional Job Training and Placement.”

John E. Moore, Administrator, Office of Correctional Job Training and Placement, National Institute of Corrections, US. Department of Justice

“It’s a phenomenal job-selling tool.”

Bobby Genn, State Bonding Coordinator, New York State Department of Labor

“Employers were more willing to hire ex-offenders who are bonded...” “Bonding was the only variable to which the majority of employers (51%) responded favorably. This supports the importance of the Federal Bonding Program to ex-offenders.”

Study of “Employer Attitudes Toward Hiring Ex-Offenders” published in The Prison Journal June 1996. Authored by Shelley Albright, Texas Department of Criminal Justice, and Furjen Denq, Sam Houston State University.

“A criminal past may prevent the transition from welfare to work.” “Each year, the States of New York, Texas and California use hundreds of these special bonds to place at-risk employees in jobs. The bonds offer the reassurance many employers are seeking.”

Ruth Hammond Pittsburgh City Paper, August 12, 1998



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Has It Had Success?

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

A. More than 50,000 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.

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.

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 wage jobs can be obtained.



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Sample Letter Text to Employer:

Date:

(contact name, title)
(employer name)
(address)
(city/state/zip)

Dear (contact name):

This is to confirm that a Fidelity Bond is being issued to your company to provide \$5,000.00 in employee bonding insurance coverage on (worker hired/bondee).

The effective date of the insurance is (date worker is scheduled to start work). The Bond expiration date is (date six months after effective date).

The bond insurance is a policy of Travelers Property Casualty. Within the next 15 working days you will receive a copy of the policy from the agent for the Fidelity Bond being issued - THE McLAUGHLIN COMPANY, 1725 DeSALES STREET, NW - Suite 700, WASHINGTON, DC, 20036. In the event of a loss covered by the policy, you are to file a claim in writing directly with THE McLAUGHLIN COMPANY, to the attention of Ms. Brenda Mantz.

We appreciate your interest and cooperation in working with NH Employment Security.

Sincerely,

(Signature of staff member)
(Title Of Staff Member)
(Address of Staff Member)



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For the Workforce Agency:

Facilitate increased job placement service delivery efficiency, effectiveness, and impact

Efficiency

- * Fewer Referrals to achieve job placements
- * Unique marketing tool reaching more accepting employers
- * Instant bond issuance, no red tape

Effectiveness

- * Broader range of jobs/wages into which applicants are placed
- * Greater number of placements
- * More tax payers, fewer tax users

Impact

- * Reduced re-incarceration
- * Increased earnings and job retentions
- * Employment barrier eliminated



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Program Background



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In 1966, the U.S. Department of Labor (USDOL) created the Federal Bonding Program (FBP) as an employer job-hire incentive that guaranteed the job honesty of at-risk job seekers. Federal financing of Fidelity Bond insurance, issued free-of-charge to employers, enabled the delivery of bonding services as a unique job placement tool to assist ex-offenders, and other at-risk/hard-to-place job applicants (e.g., recovering substance abusers, welfare recipients, poor credits, etc.) The various State Employment Services (ES) comprised the national delivery system for issuing to employers the bonds that USDOL had purchased from the Aetna Casualty and Surety Company (now owned by and operated as Travelers Casualty and Surety Company of America; referred to hereafter as TRAVELERS).

Job seekers who have in the past committed a fraudulent or dishonest act, or who have demonstrated other past behavior casting doubt upon their credibility or honesty, very often are rejected for employment due to their personal backgrounds. Their past life experience presents an obstacle to their future ability to secure employment. More specifically, employers view these applicants as being “at-risk” and potentially untrustworthy workers. This fear is further heightened by the fact that Fidelity Bond insurance commercially purchased by employers to protect against employee dishonesty usually will not cover at-risk persons because they are designated by insurance companies as being “NOT BONDABLE.” As a result, these job applicants are routinely denied employment.



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Program Background Continued:

Ex-offenders, including anyone with a record of arrest, conviction or imprisonment, and anyone who has ever been on probation or parole, are at-risk job applicants. When you combine figures for the U.S. inmate population and the offender population in the free community who are now on probation or parole, the total number of persons “under correctional supervision” approaches 7 million individuals (1 in every 32 U.S. adults). More than 600,000 inmates are released from prison or jail annually. Past experiences reveal that 67% of them will be recidivists (i.e., return to crime and incarceration within three years of their release). Failure to become employed after release is a major factor contributing to the high rate of recidivism. Having a record of arrest, conviction or imprisonment functions as a significant barrier to employment since employers generally view ex-offenders as potentially untrustworthy workers and insurance companies usually designate ex-offenders as being “not bondable” for job honesty.

Similarly at-risk and NOT BONDABLE are recovering substance abusers (alcohol and/or drug abuse), welfare recipients and other persons having a poor credit record or who have declared bankruptcy, economically disadvantaged youth who lack a work history, and individuals who were dishonorably discharged from the military. Others searching for work also can be classified as at-risk if the barrier to their employment can be eliminated by making them bondable.



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Program Background Continued:

Fidelity Bonding is insurance purchased to indemnify employers for loss of money or property sustained through the dishonest acts of their employees (i.e., theft, forgery, larceny, and embezzlement). This “employee dishonesty insurance” is generally considered a good business management practice, and is purchased by most employers. However, while other types of commercially purchased insurance set premiums that vary according to the degree of risk (e.g., life insurance), Fidelity Bond premiums are always low due to being based upon taking low risk. As a result, insurance companies usually will not cover at-risk persons under commercially purchased Fidelity Bonds, a practice that has created a special barrier to employment for the very large and growing number of individuals who have encountered the criminal justice system in the U.S., as well as other persons whose personal credibility is questionable.

With the great expansion of database creation and access through computer use in the past 20 years, employers now can almost instantly do a “background check” to determine if a job applicant has any criminal record or has a poor personal financial credit history (80% of employers now make such checks according to the Society of Human Resources Management). The use of background checks on job applicants has increased significantly since the terrorist events on September 11, 2001. Since ex-offenders are not bondable under commercial employee dishonesty insurance policies (i.e., Fidelity Bonds) usually purchased by employers, an increasing number of persons seeking work are being routinely denied jobs due to being confronted with bonding as a barrier to employment. Only through their participation in the FBP can they become bondable.



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Program Background Continued:

The bonds issued by the FBP serve as a job placement tool by guaranteeing to the employer the job honesty of at-risk job seekers. Employers receive the bonds free-of-charge as an incentive to hire hard-to-place job applicants as wage earners. The FBP bond insurance was designed to reimburse the employer for any loss due to employee theft of money or property with no deductible amount to become the employer's liability (i.e., 100% bond insurance coverage). The USDOL experiment has proved to be a great success, with over 42,000 job placements made for at-risk job seekers who were automatically made bondable. Since approximately 460 proved to be dishonest workers, bonding services as a job placement tool can be considered to have a 99% success rate.

Fidelity Bonding service delivery has been streamlined to take only a few minutes time, and efficiently serve the operational needs of local staffs who are already burdened by other paperwork and processing delays

Bond issuance can apply to any job at any employer in any State, and covers any employee dishonesty committed on or away from the employer's work facility. Any full or part-time employee paid wages (with Federal taxes automatically deducted from pay) can be bonded, including persons hired by "temp. agencies." However, self-employed persons cannot be covered by these Fidelity Bonds. While assisting job seekers in securing employment is the main goal of the FBP, bonds are also issued to cover already employed workers who need bonding to prevent being laid off or to secure transfer or promotion to a different job at their company. Service delivery efficiency is inherent to bonding because its cost occurs only when a job placement is generated or maintained for an individual whose background is a significant barrier to securing or retaining employment.



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Program Background Continued:

After more than 40 years of operational success demonstrated by the FBP, continued total dependence on direct USDOL funding of Fidelity Bonds (i.e., bond premiums paid to TRAVELERS) became no longer feasible in October 1997 due to the Federal decentralization to State and local levels of authority/funds/planning for job placement and other employment and training services. As a result, USDOL ordered a redirection of the FBP requiring that State and local funds (including WIA and other Federal allocations) be used to purchase bonds. Any public agency or private community-based-organization or private industry group now can directly acquire bonds and deliver bonding services through purchase of a bond package in accordance with the Guidelines on the Purchase and Use of Fidelity Bonds issued by The McLaughlin Company as exclusive agent for TRAVELERS for the FBP . USDOL has recognized the past success of the FBP and supports having the unique job placement resource of bonding services sustained in the future as a Federal-State partnership.

National management and direction for the FBP is provided by The McLaughlin Company in Washington, D.C., under contract with the USDOL's Employment and Training Administration (ETA). The McLaughlin Company is a national insurance brokerage firm serving as the exclusive agent for TRAVELERS which issues Fidelity Bonds nationwide under the FBP. The FBP Director is Ron Rubbin and the FBP Coordinator is Roland Brack.

THE McLAUGHLIN COMPANY • 1725 DeSales Street NW • Suite 700 • Washington DC 20036
PHONE: 800.233.2258 or 202.293.5566 <http://www.bonds4jobs.com/>

For more information about the federal bonding program contact:

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Or on the web at..... <http://www.bonds4jobs.com/>