

Pioneer Human Services

A Case Study

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Dedication

This research report is dedicated to the late Bennett Harrison, who served as a professor at the New School of Social Research in New York City until his untimely death early in 1999. Prof. Harrison believed in the importance of this research, and assisted the authors in finding funding and in convincing the funders to participate in this endeavor. He also participated in the research design and many early meetings with the management of Pioneer Human Services. Throughout these endeavors, he served as a source of encouragement and inspiration to all of us, as he did for many, many students and colleagues in a variety of academic and practitioner settings.

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Executive Summary

This is a case study of Pioneer Human Services (PHS), a large, entrepreneurial non-profit organization headquartered in Seattle, Washington that provides employment training, counseling, housing, and other services to persons at the margins of society, particularly ex-felons and former substance abusers. The case study includes a discussion of the literature on entrepreneurial non-profits, a summary of PHS's mission and corporate philosophy, descriptions of the full range of PHS programs and business operations, and a review of PHS's financial and organizational structures. The study examines PHS's employment training programs, which are offered inside businesses owned and operated by PHS in such fields as metal fabrication, printing and distribution, food preparation and service, and food distribution. These businesses offer products and services both inside the Pioneer structure and on the open market. Well known customers include Boeing, Hasbro, Nintendo, Costco, and Microsoft, and employees of Starbucks. An attempt is made to assess the efficacy of these employment training programs using three sources of evidence: interviews with managers of PHS programs, focus groups with current and former trainees, and data collected from state correctional and employment agencies concerning the status of a cohort of former trainees and a matched comparison group.

Major conclusions of the case study are:

- PHS is an excellent example of a non-profit that uses business methods to establish an organizational mission, design strategies to achieve that mission, and operate its programs in ways that managers believe best help clients achieve a higher degree of employability and self-sufficiency. PHS now owns a number of facilities in the Seattle areas and elsewhere in Washington state; employs over 900 people, many of them former trainees, and generates over \$50 million in annual revenues. Using a business model throughout the organization forces staff to pursue a “double bottom line,” focusing on both profitability or commercial feasibility while also tending to the social service needs of clients who are truly at the margins of society. Managers at PHS speak of the “dynamic tension” created by this double bottom line; successful management of this tension is a key to the organization's success.

- PHS has succeeded admirably in created a self-sustaining employment base for ex-felons, former drug abusers, and others at the margins of society, and in helping many other clients from these groups to successfully enter the labor market after a period of training at PHS. While systematic outcome tracking systems have only recently been created at PHS, both this study and preliminary results from PHS's new tracking system demonstrate that the majority of clients are able to find employment when they leave PHS.
- A distinguishing characteristic of PHS is its long-standing business relationship with The Boeing Company, which has afforded PHS the opportunity to train clients in high end metal fabrication technology. Trainees manufacture cargo liners for Boeing aircraft, equipment housing for Heart Interface, and a wide variety of other products using state-of-the art equipment in two manufacturing facilities. Based on this success, PHS has launched new business ventures, adding manufacturing services for other customers, providing food distribution services, operating a central kitchen for its own facilities, and a commercial restaurant in the building occupied by Starbucks corporate headquarters. Recently, PHS has purchased a printing company to expand the range of training opportunities it can offer to its clients and is developing other new business ventures. The Pioneer Enterprises group was formed within the corporate structure of PHS to manage these business enterprises.
- Compared to a group of ex-felons sent to other work release facilities (matched on sex and age), ex-felons who lived in Pioneer work release facilities and worked in the Pioneer Industries manufacturing/employment training program have somewhat better outcomes in terms of criminal recidivism, hours worked after leaving training, and hourly wages earned. However the differences between the Pioneer work release cohort and the comparison group are relatively small, and the comparison work release cohort did better on some measures than some other Pioneer cohorts including women in the pre- and work-release program, and ex-felons not on work release who were accepted as trainees at Pioneer.

In reality, most ex-trainees and most ex-work release participants included in this study are working at relatively low wages, about \$7/hour shortly after leaving Pioneer

or other work release facilities, and about \$9/hour a year later. While these wage levels fall near the poverty level, these two groups both show substantial wage progression indicating a degree of success in the labor market. A significant degree of recidivism also characterizes both groups. Over a quarter of both groups had been convicted of new offenses about 18 months after leaving Pioneer/work release. There is a difference in re-incarceration rates, however. Just 6.4 % of the Pioneer trainees had been re-incarcerated in state penitentiaries, compared to 15.4% of the comparison group. Helping individuals to re-enter the labor force and ordinary society after a period of crime and/or drug abuse is not an easy task. Pioneer has chosen a difficult mission, and has shown significant success in pursuing this mission. Given the population the organization focuses on, this degree of success is in fact laudable.

Conclusions regarding the quantitative outcomes associated with former trainees and work release participants are limited by statistical issues. There are too few cases in some groups examined to yield firm conclusions, and issues of sex and race/ethnicity are intertwined with group membership, making interpretation of these results difficult. One can interpret many of the employment outcomes as yet another demonstration that women tend to earn less than men, and minorities less than whites.

- Focus groups with a relatively small number of current and former trainees suggest that there are areas where PHS could improve, particularly in offering more support to workers in problem resolution with respect to a wide variety of personal issues, and assisting trainees in finding work outside Pioneer if they decide to leave when they complete their training programs. Based in part on this study, Pioneer management has decided to expand its services to trainees through a new employment services unit and employment assistance based inside its business enterprises.

This study suggests several “lessons learned” with implications for many other public and private organizations:

- Ex-felons and former drug abusers can decide to change their lives and become productive employees and citizens; employment training in a supportive

environment that deals with personal issues and skill development on an individualized basis is helpful in making what is still a difficult transition back to non-institutionalized life. The mix of training, services, and support provided by Pioneer appears to be critical to a successful transition to non-institutional life for many of the organization's clients. Many former work release clients stay on at Pioneer as permanent employees because they value the supportive environment Pioneer has created within its workplaces.

- Business subsidiaries can make a substantial contribution to the toolkit available to non-profit organizations. Internal control of capital funding can be achieved, and a more realistic, although still supportive, environment can be created for helping client populations leave institutional settings and return to normal life. However, non-profits adopting a business-based model should expect significant challenges that are very different from traditional strategies for operating social service organizations.
- Customers of an entrepreneurial non-profit can sometimes be key partners in realizing the social service mission of the non-profit, but key cost and quality performance targets must be met for these external partners. Market discipline will be strict for non-profits who head down the entrepreneurial path, and market-oriented decision-making must be thoroughly integrated within the non-profit organization.

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INTRODUCTION

Pioneer Human Services (PHS)¹ is a large nonprofit in Seattle, WA that employed more than 900 people and earned nearly \$50 million in revenues in 1997. Its mission is to create opportunities for people at the margins of society -- including current and former prison inmates, recovering drug addicts and alcoholics, and others -- to realize personal, economic, and social development. To that end, PHS employs and trains clients in PHS-run business enterprises, operates work release and other housing facilities, and provides a wide range of social services. Through participation in an integrated array of employment, housing, and counseling services, clients have an opportunity to learn skills and behaviors that will lead to successful, self-sufficient, participation in society.

PHS uses a complex mix of commercial and nonprofit methods and goals to meet its mission. As an entrepreneurial nonprofit, PHS uses market-based methods to fund many of its activities. It meets its capital needs primarily through a combination of retained earnings from the sale of products made by its clients, from tax-exempt bonds issued by government entities, and through contracting with state and local government agencies. In its 36-year history, PHS has grown from a small group of recovering alcoholics and former inmates just trying to "make it," to a nonprofit serving more than 6,000 clients annually. PHS's client base is also expanding, both because prison populations are increasing, and due to PHS's decision to add programs for welfare-to-work clients.

PHS is an organization in the midst of tremendous change as it adapts to changing conditions and growing needs. During the two years we studied this organization, it added new business enterprises, acquired new residential and service facilities, re-organized its internal structure several times, added many new clients, created an internal evaluation program, and changed CEOs. Our dominant impression as a group of outside observers was of a very dynamic organization, capable of defining new directions and capably organizing itself to implement new strategic initiatives.

¹ In this report, Pioneer Human Services will be referred to as "PHS" and "Pioneer" interchangeably. Acronyms for its subdivisions will be noted as they are introduced.

In recent years, researchers, journalists and foundations have become aware of a growing trend among American nonprofits to turn to market-based commercial enterprises to fund their programs. While this appears to many to be a new phenomenon, PHS has been using commercial methods to fund its job training programs for more than thirty years. In that time it has grown exponentially and expanded its scope, making it perhaps the largest job training social enterprise in the country. PHS's business networks include some of the largest manufacturers and retail establishments in the Puget Sound region, and it is the top provider of community correctional facilities in Washington state. Because of its longevity, size and scope, as well as its reputation in both the business and nonprofit worlds, Pioneer may have many lessons to offer nonprofits around the country that are considering moving toward more market-oriented funding mechanisms.

Purpose

The purpose of this case study is threefold. First we offer a picture of Pioneer at a certain point in time, 1998-99, explaining what this organization does and how it does it. The second purpose is to try to measure whether Pioneer is successful in enabling people leaving prison and chemical dependency rehabilitation to attain living wage jobs and keep them. The third is to uncover lessons for PHS, nonprofits interested in commercial enterprises, and businesses that may consider hiring former convicts, welfare-to-work clients and those who have completed drug and alcohol rehabilitation programs.

Methods

This study focuses primarily on the basic training program at Pioneer Industries, but places that PHS group within the larger organization. The research team collected and analyzed data from three main types of sources. First is PHS-generated information. This includes interviews with managers throughout the nonprofit, site visits, financial data and public relations materials. Second is information on recidivism and employment for a group of trainees that were in PI training in 1996. These data were statistically analyzed, and the results described in detail in Chapter 8. The third data set is trainee-generated information, which was gathered through a series of five focus group discussions the results of which are discussed in Chapter 9. By triangulating between these three sources of data, PHS management, outcomes analysis and

trainee sources, we learned not only how PHS works but also the impact of its programs on trainees.

This study begins by putting PHS into the context of social enterprises, reviewing the literature on the subject. The description of PHS begins in Chapter 2 with its own view of the work it does, as evidenced by the organization's key corporate philosophies. PHS's organizational structure is outlined next. Chapter 4 is in many ways the heart of the case study: who are PHS's clients and how do they flow through its extensive training programs? Analysis of PHS's financial methods is next. That is followed by an account of PHS's external network relationships, which form the basis of both its commercial and nonprofit activities. After that is a look at PHS's internal outcomes evaluations. Our own outcomes evaluation follows in Chapter 8. Chapter 9 reports on trainees' perspectives on what they gained from PHS training. Finally, we conclude the study with a discussion of common themes, recommendations to PHS, and lessons for other nonprofits and businesses.

LITERATURE REVIEW

Why are nonprofits going into commercial activities?

There have always been nonprofits that run businesses to fund their philanthropic activities. Nonprofit hospitals charge fees for services, museums run gift shops and cafes, and private universities charge tuition that is underwritten by grants and donations. However, beginning in the 1980s, several trends emerged that have led to a substantial increase in the number and types of nonprofits engaging in commercial activities.

Government devolution – In the 1980s, cutbacks in federal government spending led to cutbacks in both the funding and provision of social services for Americans. Federal policymakers called on nonprofits to provide many of those services, and left state and local governments to fund them. While some direct spending on social services was replaced by block grants to states and local governments, this was generally inadequate to meet the needs of nonprofits and their increasing client base. As caseloads at nonprofit agencies rose dramatically, the traditional sources of funds to support services for those clients shrank. No longer able to rely on government grants, nonprofits were faced with funding challenges.

Competition for funds – At the same time, the number of nonprofits increased exponentially, increasing competition for government and foundation grants and contracts. “For every three [nonprofits] that existed just seven years ago, there are four today, and they are all gathering at the same watering hole” (Boschee, 1998, p. 3).

Self-sufficiency – Nonprofit agencies began to consider their clients’ dependence on the agency for service to be problematic. Nonprofit agencies worry that “institutional charity [will] undermine beneficiaries’ self-esteem and create a sense of helplessness” (Dees, 1998, p. 56). Social enterprise, with a focus on businesses that provide training and jobs for clients, is seen as decreasing client dependence and increasing client self-sufficiency.

Political culture – Beginning in the 1980s, American policymakers began to shift away from “command and control” regulatory mechanisms toward market-based solutions to social problems. According to Dees, this trend is driven by the idea that when feasible, market-based

solutions are more sustainable and easier to grow (Dees, 1996). The popularity of the market has trickled down to the nonprofit sector in recent years.

The for-profit sector has deeper pockets – Many nonprofits have recognized that there is simply more money available to tap into in the for-profit sector than in the nonprofit sector.

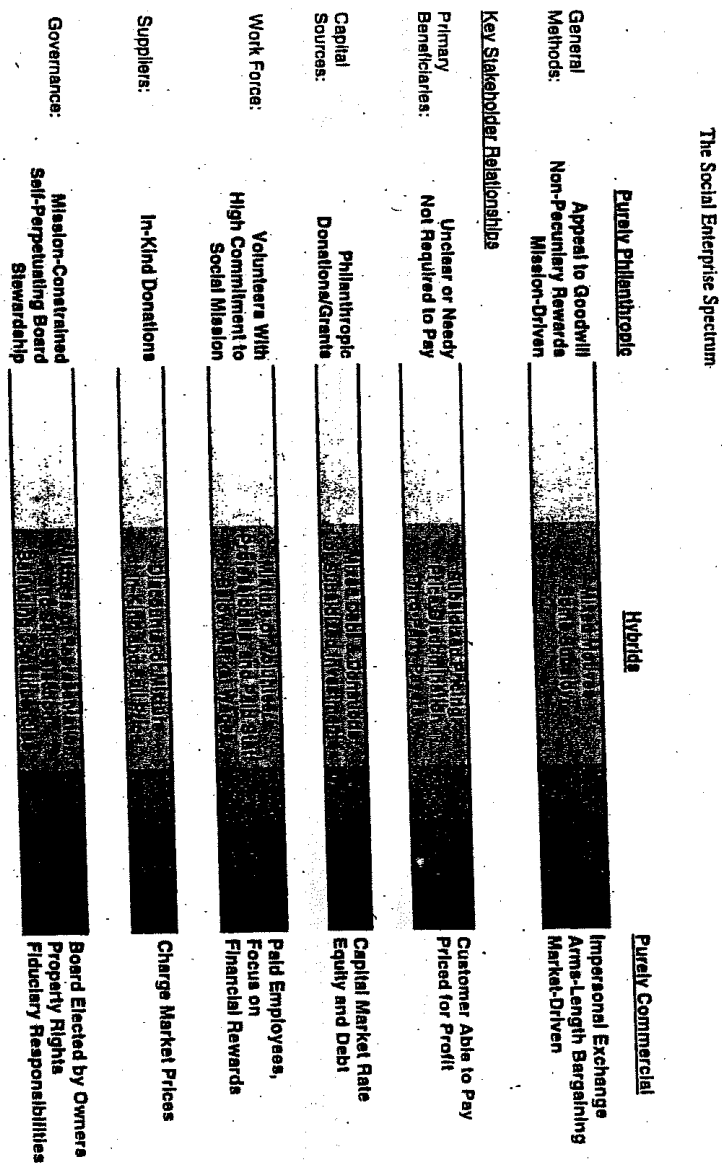
Availability of funds for commercial activities – For many of the reasons listed above, more philanthropic organizations today are funding commercial activities, providing greater incentive for nonprofits to enter into business ventures. Support for entrepreneurial non-profits has come from nationally renowned foundations such as the Ford Foundation, foundations dedicated to entrepreneurial ventures such as the Roberts Foundation, and a new crop of family foundations created by successful high tech entrepreneurs.

How do social enterprises differ from traditional nonprofits?

Typologies

How do social enterprise ventures differ from traditional nonprofits? Primarily, their makeup includes a blending of *philanthropic* and *commercial motives, methods* and *goals* (Dees, 1996). Dees (1996) describes all social enterprises as falling along a spectrum ranging from the typical mission-driven nonprofit to a purely commercial, market-driven organization (See Figure 1). In his work on social entrepreneurs, Dees has charted a rising trend of nonprofits meeting their organizational mission by participating in market ventures. These organizations often have mixed methods, subsidizing some clients but charging full price to others. They may use a mixture of volunteers and paid staff to provide services, and their revenues can be made up of a mix of sales of products or services and donations or grants

Figure 1: The Social Enterprise Spectrum



Source: J. Gregory Dees
The Social Enterprise Spectrum: Philanthropy to Commerce

Alternatively, Emerson and Twersky (1996) have developed a typology of five types of nonprofit enterprises. His system is based on a list originally developed by long-time PHS president Gary Mulhair.

Sheltered - A sheltered workshop program which benefits from formal contracting preferences from the federal or local government

Open market – An enterprise receiving no preferences in award of contracts or sales

Franchise – The enterprise is established through purchase of a franchise from another corporation, i.e. Juma Ventures' purchase of a Ben & Jerry's Ice Cream.

Program based – The venture arises directly out of program activities, which were not originally revenue generating.

Cooperative - Workers control share of business, while also receiving wages for work done

Double bottom line

When nonprofits undertake commercial activities, as practitioners and researchers have discovered, they face the challenge of meeting a “double bottom line.” While traditional nonprofits are mission-based, and managers make decisions on only one “bottom line” – the needs of the clients they serve - nonprofits engaged in social enterprise face two bottom lines: meeting clients' needs while earning profits in the organization's business enterprises.

Difficulties arise when the two bottom lines come into conflict, which can easily happen when clients' needs cost time and money on the business side. Nonprofits may find themselves pulled away from their original bottom line of providing services to clients as they add commercial activities.

On the other hand, Boschee (1998) argues that by engaging in social enterprise, a nonprofit avoids the typical haphazard program expansion, and instead can “sharpen [its] organizational focus and expand [its] impact” (p. 4). In other words, a new business function built into the nonprofit's existing mission can be more effective than accepting grants to create new programs that may not fit the existing mission. The nonprofit engaging in commercial enterprises may have the independence, created by their self-provisioning of funds, to set their own goals and design their programs the way they choose, not according to funders' needs and requirements.

This focus on a “double bottom line” may simply be a new look at an old problem. Despite the name, nonprofits have always had to acquire financial resources to fund their programs. Many nonprofits have changed their mission, with varying degrees of subtlety, to meet demands from government or foundation funders. Particularly in job training programs, nonprofits often must find some middle path between providing services to the most needy or to those most likely to benefit from their programs, based in part on the organization’s sense of its mission and in part on the demands of funders. Perhaps the difference for social enterprises is the uncompromising finality of the market. If its business fails to earn profits, a social enterprise cannot request a grant extension or negotiate new evaluation requirements. This type of organization must resolve double bottom line issues in a manner that is profitable.

The double bottom line can also create tension among the professional staff of a nonprofit engaging in social enterprise, particularly an organization that had functioned previously as a traditional nonprofit. Adding the second bottom line is also likely to cause some other, less visible changes in organizational culture. In choosing to move to the social enterprise model, managers who had focused primarily on meeting the agency mission through social services, are faced with a new vocabulary of profit and loss, debt and equity. In a nonprofit with business and social services side by side, managers will face a conflict between the business staff focusing on the financial bottom line, and social workers trying to meet client needs. Issues of compensation arise as well: social enterprises often hire staff with business experience rather than nonprofit backgrounds. That experience comes with a price, generally that paid in the for-profit world, not in typically low nonprofit wages.

CORPORATE PHILOSOPHY

PHS prides itself on following a unique model or strategy for providing services to its clients. Former PHS President Gary Mulhair calls this strategy "operational philanthropy," which he defines as "adding value to people as they add value to products." He argues that this is an explicit "wealth creation" strategy with implications for both the organization's clients – ex-felons and former drug addicts – and its customers – the businesses and public organizations to which PHS sells goods and services. The corporate strategies inherent in the operational philanthropy model underlie financial management policies, the substance of its training programs, and the broader culture of the organization.

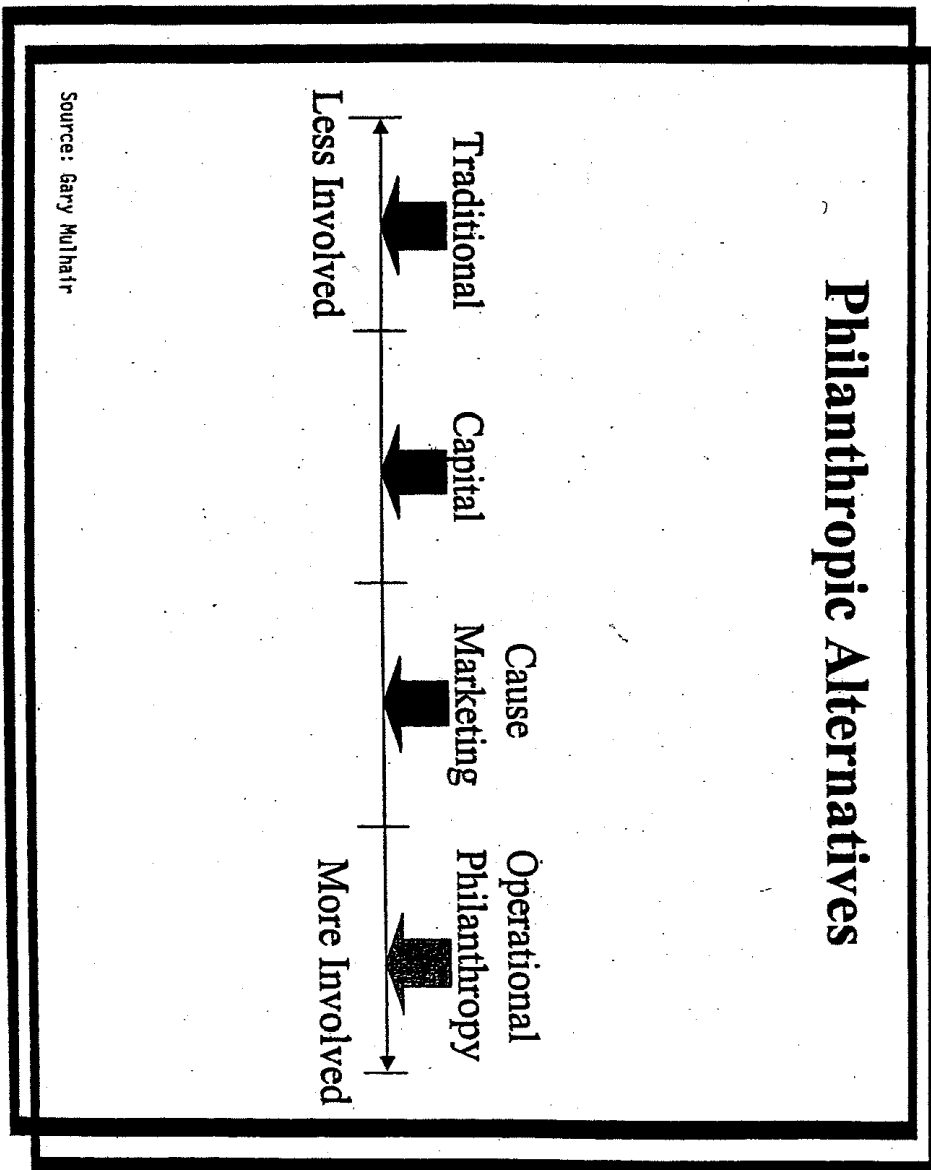
The use of wealth creation strategies by PHS is best understood in contrast to the far more common source of funding for nonprofits, wealth transfers. Generally, nonprofits seek out individual donations and compete for government and private foundation grants to fund their services in a wealth transfer system. In this system, a finite amount of existing "excess" capital is tapped to pay for social benefits. Proponents argue that this model actually creates new wealth to fund social goods and services, thus expanding the total resource pool available to fund such goods and services. But for PHS, wealth creation has additional significance. PHS's use of wealth creation as a funding model matches its underlying culture of organizational and individual self-reliance, and personal responsibility. This organization has very deliberately created a self reliance model for the organization that reflects the message of self reliance it teaches to its clients.

PHS finances its operations through a complex mix of government contracts, tax breaks, bank and foundation loans, and business enterprises. These will be described in more detail in Chapter 6. What follows here is a discussion of the underlying corporate philosophies in the organization.

Operational Philanthropy

PHS calls its strategic approach "operational philanthropy," and locates it on the far end of a continuum of philanthropic activities (See Figure 2.) This continuum, created by former PHS

Figure 2: Continuum of Philanthropic Activities



president Gary Mulhair, shows how businesses supply funds in different ways for nonprofit, socially beneficial activities. These may range from simple donations to "cause marketing," where a company donates part of its profits from the sale of certain items to a nonprofit. Operational philanthropy, PHS argues, is unique in that businesses actually become customers of the nonprofit, thus building a much closer, mutually beneficial relationship between the two entities. A customer such as Boeing receives parts, while PHS gets jobs that provide a realistic setting for employment training, and revenues that can be reinvested in their programs. Clients benefit from these business arrangements because they receive training and work experience that will assist them in finding employment after they leave PHS, and they receive additional social services that may be needed on a case specific basis. PHS also argues that its operational philanthropy model is the only one on the continuum where wealth is actually created.

Building mutually beneficial relationships with its network partners mirrors the organizational culture of not accepting "handouts." In the same way that trainees must prove themselves in order to be accepted into the program and move upward, PHS must prove itself to the business organizations and government agencies it sells and contracts to.

Adding Value to People as They Add Value to Products

The PHS core philosophy focuses on "a value-added approach to personal, economic and social development." The organization sees its clients as suffering from economic, social and personal handicaps.² By providing clients with training, jobs and social services to meet their needs, PHS "adds value" to these people and helps them become productive members of society. In economics, this is referred to as human capital investment. In the case of PHS's clients, the cost of such investment is higher than most companies are willing to make. PHS sees the gap between what companies are willing to invest in people and the investments particular client group needs as a "personal development cost gap." That gap is filled by social services, drug treatment programs and, if those fail, prisons. PHS has stepped into that gap. By teaching its clients how to succeed in society, PHS "adds value" to its clients, increasing the odds that they

² Whether or not PHS's program people are legally "handicapped" affects their financial bottom line, as will be discussed in the chapter on Finances.

will find employment, avoid drug abuse, and in other ways become self-sufficient, law-abiding citizens after they leave PHS.

The other half of this philosophy is based on two more fundamental ideals at PHS. First, people need to work. Second, PHS must be financially independent. Therefore, its clients work to "add value to products." This work models behavior expected of clients after they leave the sheltered setting provided by PHS, and it provides revenues that are the source of funds to pay PHS salaries and wages, as well as covering other costs. At the same time, that work is also a training process that "adds value" to the people performing the work. Through classroom instruction and on-the-job (OJT) training, clients learn specific skills required in various types of businesses, as well as the soft skills, such as good attendance, grooming, and appropriate workplace behavior norms, critical to finding and keeping a job on the open market.

PHS has thus created a symbiotic relationship where the act of clients adding value to products adds value to themselves. PHS uses the revenues generated from the sale of those products to supplement this value-adding by providing more social services that add value to its clients. Social services enable the clients to add more value to more products, which generates more revenues to be reinvested in the value-adding process. Again, this is not just a financial methodology, but part of the cultural ethos at PHS.

Market Discipline

Market discipline at PHS is maintained through several internal accounting mechanisms, and through the general corporate culture. While PHS benefits financially from its nonprofit legal status, those benefits are manipulated through "market discipline" techniques in unique ways. For example, Pioneer Industries is not required to pay full FICA deductions for its trainees due to its status as a sheltered workshop training the handicapped. However, PHS requires PI to include the full FICA amount it would have to pay if it were an outside business as part of its expenditures. That amount is paid into PHS's accounts. The difference between PHS's actual FICA payment to Social Security and that received from PI is reinvested in Pioneer's training programs. Similarly, PHS charges its residential building managers fair market rent, whether the building is being paid off by a low-interest loan, or has been paid for already. Again, the

difference between what PHS actually pays on the building and what it receives from the building managers is reinvested by Pioneer. That reinvestment may be into low-income housing, where rents received from residents are actually lower than the market rate paid by other tenants to PHS, causing that housing unit to operate at a loss.

Practices such as these have a cultural impact of forcing PHS employees to think like businesspeople and keep that business-oriented mindset in their day-to-day work. The dual aim is to keep each division competitive in the market while earning revenues for PHS. By maintaining competitiveness in the market, PHS avoids becoming dependent on outside funders. If the tax breaks such as that for FICA were removed, PI could continue to function. Whether PHS overall could continue to provide the same level of services in the long run without outside assistance is another question.

Because it earns revenues in the marketplace and accumulates those earnings from successful business transactions, PHS has somewhat more discretion in the way it provides social services than a traditional nonprofit that depends exclusively on public agency contracts and grants from foundations or other donors. When it seems to benefit the clients, PHS can supplement the intensity, duration, or quality of services required by the state under contractual relationships, or add services the state does not fund. In addition, retained earnings allow PHS to launch new programs more easily than a traditional nonprofit.

The organization's consistent use of market discipline in both accounting and corporate culture helps maintain those revenues and thus PHS's independence. In this regard, the financial bottom line may be perceived to be more important than the people bottom line. However, one can also argue that the financial bottom line reinforces the people bottom line in certain ways. One PHS manager stated that she would not want her job or those of her employees to depend on unpredictable, short-term outside grants. Focusing on the financial bottom line provides some amount of certainty to fund the people bottom line.

ORGANIZATIONAL STRUCTURE AND PROGRAMS

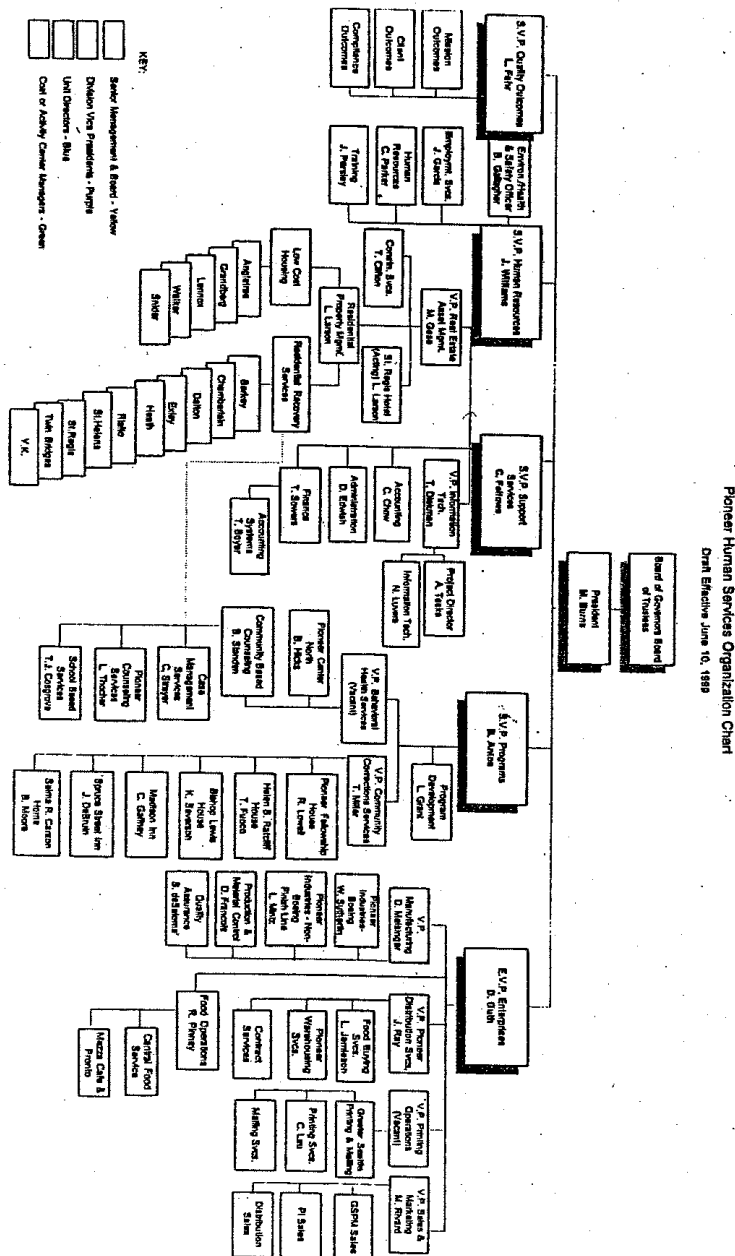
PHS's organizational structure at the top resembles that of most traditional nonprofits. The president of the organization answers to a Board of Trustees, whose role is mainly financial oversight, confirmation of policy decisions, and ensuring that management does its job. PHS also has a Board of Governors, which meets infrequently and provides advice and counsel to the agency president as needed. The president in turn oversees the operations of the agency, and represents PHS to the outside community. For fourteen years, from 1984 to 1998, PHS was run by Gary Mulhair, a dynamic individual who had been associated with the organization since 1975. Mulhair left PHS in 1998 and became a consultant on social enterprise. A national search for a successor resulted in the hiring in 1999 of Michael J. Burns, former CEO of Dutch Boy Paints, Kroehler Furniture, and The Rymer Company. This marks the first time in the history of the organization that the head of PHS is a person with no professional background in any type of social services, and may lead to significant changes.

In its day-to-day operations, however, Pioneer looks more like a business (see Figure 3). PHS is divided into five operating groups, each under the direction of either a Senior or Executive Vice President, who, in turn, answers to the president of the organization. The groups are marked by five distinct areas of focus - *Enterprises, Programs, Human Resources, Support and Mission Outcomes*. Together, the groups encompass the organization's nearly 900 employees - a mix of program people, trainees and non-program employees. Despite distinct functions within PHS as a whole, the operating groups have several shared characteristics: all are undergoing some degree of centralization, each has its own level of flexibility which allows for change and centralization, and finally, each must balance the inevitable tension between being a nonprofit social service agency which must also function as a business.

Enterprises Group

The Enterprises group contains the majority of PHS's business and training programs. This group employs about 530 people in its four units, and in 1999 projected revenues of \$31.7 million, 58.6% of total PHS revenues. Enterprises is run by Executive VP Dave Guth. Combined, the four Enterprise divisions -- Pioneer Industries, Pioneer Food Service, Pioneer

Figure 3: Pioneer Human Services Organizational Chart



Distribution Services and Greater Seattle Printing and Mailing -- have over 1,000 contracts with local, regional and national business customers.

Each division is run strictly as a business - it must turn a profit and provide customers with a quality product for a fair price. At the same time, Enterprise divisions must also provide jobs and training for program people. Business units within the Enterprises group employ some permanent employees as well as trainees in production positions. For example, at Pioneer Industries, approximately 85% of the employees are trainees or former trainees. In the other business units, a certain number of job slots is set aside for trainees, with the mix of trainees and permanent employees depending on the needs of each unit. This mix of permanent employees and trainees permits the business units to maintain quality and cost standards for their production processes while also providing training slots, the *raison d'être* of these businesses. The contrasting focuses of business and social service play out in different ways in each unit. Overall, managers find themselves making decisions which often conflict with one or the other of the bottom lines.

Units in the Enterprises group undergo constant change, as does the rest of PHS. As businesses, units are forced to respond to market demands. If products are no longer needed, managers must be efficient and stop production. If a better way to produce something is discovered, the Enterprises group must change production systems in order to remain competitive. As businesses, they must be able to respond quickly in order to keep their customers, or to attract new ones. In recent years PHS has developed a standard of hiring unit managers with business backgrounds, instead of social services. Of five division managers, three have been hired directly from business in the last two years. The strong business background of managers aids the Enterprises group in maintaining market competitiveness.

Pioneer Industries

The oldest and best known of the Enterprise divisions is Pioneer Industries (PI), which also epitomizes the mix between program people, training and business. PI is a metal fabrication company that manufactures cargo bay liners and a variety of other parts for the Boeing

Company, equipment chassis for Heart Interface, and other fabricated metal products for other companies in the Seattle area.

PI is divided into two areas of operation: the long-standing contract with Boeing and a sheet metal fabrication and finishing facility (the “commercial side). Combined, the two units employ 278 people and had projected revenues in 1999 of \$16.1 million (50.9% of all Enterprises revenues, and 29.8% of all PHS revenues). Trainees receive training and certification in various areas of production. (Training is described in greater detail in Chapter 5.) PI’s Boeing work is located at Plant 2 in Southwest Seattle. In this plant, workers manufacture cargo liners and other parts for the aerospace company. In PI’s Plant 1, employees perform a variety of manufacturing jobs for other commercial customers, including chemical conversion coating of aluminum components, wet-coating, powder coating and silk screening.

The Boeing work housed in Plant 2 is considered a sheltered workshop, a legal designation for nonprofits that provide employment opportunities and rehabilitative services for “handicapped” people. Trainees on the Boeing side are mainly ex-felons leaving state prisons via pre-release or work release programs. Classroom training also takes place at Plant 1, in a series of classrooms on the second level of the plant. Standing on the walkway and looking down at the plant floor, an observer sees a variety of heavy machines, including water jets and saws. Walking around the floor, one observes a group of skilled technicians performing labor-intensive tasks. This is a smoothly-running process with several levels of supervision. Outside observers would not know the backgrounds of the individuals working, only that they are all performing as part of a team to get their work done on time.

Pioneer Food Service

Pioneer Food Service (PFS), led by Rick Pinney, is based out of a building in the SODO district, an industrial area south of downtown Seattle. This unit has two main projects: Starbucks’ corporate cafeteria (Mezza Café) and deli (Pronto), and Central Food Service (CFS). CFS is an institutional kitchen that provides 500,000 meals annually to PHS-run work release facilities as well as to other contracting organizations. The cafeteria is the more visible of the programs,

while CFS epitomizes the PHS tendency to keep services in-house. PFS provides employment to about 30 people and had projected revenues of \$2.3 million in 1999.

Pioneer Distribution Services

Pioneer Distribution Services (PDS) is Pioneer's newest creation, a unit created from a combination of existing divisions and expansion of their services with limited support from a Ford Foundation Program-Related Investment (PRI). PDS consists of three divisions: Pioneer Food Buying Service, Pioneer Contract Services, and Pioneer Warehousing Services. By mid-1999, those divisions combined employed 140 people, although many of them on a temporary basis. In its first year of operation PDS was originally projected to earn \$6.5 million in revenues, but those figures were revised downward in the second half of the year. To house this division, Pioneer purchased a warehouse in South Seattle not far from their existing facilities, then hired their own Construction Services (described below under Support Services) to renovate the building.

Started in 1979, the Food Buying Service (FBS) distributes more than seven million pounds of food annually to 400 customers - food banks and other nonprofits scattered through 20 states, but mainly in the Northwest and California. FBS has slots for four full-time employees, at least one of which is designated for a program person. Generally all of the 4-5 part-time employees are program people. Although FBS is not considered a sheltered workshop, they try to keep a minimum of 75% of its employees program people. FBS, like the other units, must turn a profit and provide opportunities for program people to work. Customers such as Trish Twomey of the large local nonprofit Fremont Public Association indicate that FBS's prices aren't always the lowest available. However, in Twomey's view, a record of reliability, good quality and service for nearly fifteen years justifies her continued reliance on FBS.

Pioneer Contract Services and Warehousing Services is an expansion of services that FBS had been providing, repacking and warehousing products for other businesses. The first Contracting Services contractor was toy company Hasbro Inc. As part of that, PDS took on most of Hasbro's temporary labor pool, and a few of their permanent employees. Most of the work in these divisions is temporary, following the annual retail cycle.

Greater Seattle Printing and Mailing

PHS's newest acquisition, purchased in January 1998, was funded with part of a \$2 million Program-Related Investment (PRI) loan³ from the Ford Foundation. Located in Redmond, a suburb twenty miles east of Seattle, Greater Seattle Printing and Mailing (GSP&M) is the most physically removed unit in the Enterprise group. This business employs seventy people in a variety of printing, fulfillment and mailing jobs. 1999 projected revenues at GSP&M were \$6.8 million. In February 1999 the first two trainees began working at GSP&M. PHS plans to bring a total of 5 on board by the end of the year, and the ultimate goal is 25 trainees at a time. The majority of jobs at GSP&M are entry-level, a consideration which made the business attractive to PHS. PHS plans to make this unit one of several starting points for workers to provide entry level opportunities for program people who can later move up into training slots or higher-skilled jobs. The facility may be ultimately moved to Seattle to be closer to their workforce and customers.

Programs Group

The divisions in the Programs Group, which represents the social service side of Pioneer, served more than 3,000 clients in 1997. This unit employs 260 people and in 1999 had projected revenues of \$10.6 million (almost 20% of PHS total revenues). Programs consists of two divisions: Community Corrections Services, and Behavioral Health and Housing Services. The group's mission is to add social, personal and economic value to clients by creating housing and rehabilitative opportunities. There are no businesses per se in the Programs Group. The focus is purely on social services, but business practices are applied in these units as well. The corporate philosophy of self reliance provides a context or social atmosphere that affects the way the social service programs are operated. The clients served at the fifteen sites scattered throughout Seattle and north of the city are diverse: youth, families, adults with various mental and physical illnesses, and chemical dependencies. Funding for this group comes from numerous contracts with state and local agencies.

³ A low-interest (1%) loan, which will be repaid from GSP&M's proceeds over ten years.

In the Programs group, as with Enterprises, PHS must be flexible enough to change in response to the changing needs of clients. Government devolution has negatively affected the level of alternative services available for many of PHS's clients. In particular, as welfare programs are reduced and eliminated, clients on the economic edge face greater difficulty making ends meet. Under the leadership of Senior Vice President Barry Antos, the Programs group continues to expand into new areas such as community-based counseling and experiment with innovative forms of treatment.

Community Corrections

This division operates four adult work release facilities and two group homes for juvenile offenders. Community Corrections recently took on management of several work release facilities in Spokane, Washington, 280 miles east of Seattle. Together, these facilities currently have a bed capacity of 250, and in 1997 they served a total of 1,290 clients. The facilities are located mainly in Seattle, but one juvenile facility is 30 miles south of Seattle in Tacoma. Of the four adult work release facilities, three are primarily for state offenders. One of those, Helen B. Ratcliff House, is a 47-bed facility, one of only two in Washington State designated for women offenders.⁴ The fourth facility is Pioneer Fellowship House, a 60-bed Work Release and Comprehensive Sanction Center for federal offenders. Community Corrections employs 160 people and was expected to earn \$5.2 million from contracts in 1999 (nearly half of all Program Group revenues).

Through contracts with the state Department of Corrections (DOC), the Federal Bureau of Prisons and two juvenile departments, Community Corrections brings approximately \$5 million into PHS each year. The DOC contract alone is more than \$2 million, making it the largest contract in the Programs Group.

The focus of the facilities is to provide clients with a combination of social services, including substance abuse treatment, socialization, and job search and basic employability skills. Between ten and twenty percent of the facilities' residents work at PI or in another Enterprise unit.

⁴ HBR was the first work release facility in Washington State for women offenders; the other such designated facility is in Spokane, Washington.

Community Corrections Officers (CCOs), who are state employees, are stationed on-site to help with each client's treatment plan and to ensure that regulations are being followed. Staff at these facilities also face the challenge of managing the tension between PHS's business needs and their social service mission as they assist individual clients.

Behavioral Health and Housing Services

The Behavioral Health and Housing Services division, which served 1,789 clients in 1997, operates an extensive community-based counseling program for youth and families in the Seattle area and a large residential facility north of Seattle.

Northwest Youth and Family Services (NYFS) offers community-based counseling and case management, licensed mental health and chemical dependency outpatient services, and school-based programs to youth and families. Case managers provide transitional services to clients at Pioneer's special needs housing and work release facilities. This unit oversees the Mark Cooper House, a group home for pregnant substance abusers and substance abusing mothers with children. Also a purely social service program, NYFS recently centralized its programs, creating a Youth Services division to meet this growing need. Antos feels strongly about continuing to build programs for youth, believing that PHS should serve at-risk youth, so that they do not end up in more trouble as adults. Recent expansion of Behavior Health and Housing Services is allowing PHS to provide mental health and substance abuse treatment services to its own clients, while they previously contracted out for those services. This division is planning for a day when it can contract these services out to other nonprofits and businesses.

Pioneer Center North (PCN), a 153-bed adult residential facility, is located on the campus of a former state hospital in Sedro Wooley, approximately 80 miles north of Seattle. PCN houses an involuntary program for chemically-dependent adults, and a voluntary treatment program for dually-diagnosed adults with chemical dependency and mental health problems. PCN also employs over 20 clients at any time. Funding for PCN comes from state contracts. Some residents, upon discharge, end up working at PI or another Enterprise job; others move to PHS-owned housing in Seattle.

Support Services Group

The third program group, Support Services, under the leadership of Cameron Fellows, combines departments which assist with the daily functioning of Pioneer Human Services as an organization (accounting, information technology) as well as the Real Estate and Asset Management (REAM) division. Support Services served 1,514 clients in 1997, mostly in housing programs overseen by REAM. This division employs 95 people and in 1999 had projected revenues of \$11.5 million (20.3% of PHS revenues).

REAM, run by Vice President Marla Gese, develops and manages PHS's residential and commercial properties. Among these are twelve residential drug/alcohol free properties which have the capacity to serve 438 clients at a time, six low-cost housing buildings which can serve 184 clients, and a Construction Services program, which provides repairs to all PHS-owned facilities. REAM is also a recently centralized division. Four years ago, the groups which handled property management, drug and alcohol-free housing, rent collection from landlord-tenant housing, construction, and lease oversight were all led by different staff members. Since then, Gese, who was made VP of REAM, brought them together. REAM also includes the St. Regis Hotel, which is located in downtown Seattle. The St. Regis fits three categories in the division. The building has three floors devoted to drug/alcohol free rooms, one floor of low-cost housing and three floors of market rate (but inexpensive) hotel rooms rented on a daily or weekly basis.

Over the years, REAM often had to hire outside companies to do construction and renovation work on its buildings. Eventually, they began hiring their own clients to do that work. This eventually led to the creation of Construction Services, now a subdivision with its own training program. Today, in addition to working on Pioneer facilities, Construction Services is contracted by major apartment building owners for renovation work.

The tension between the business and social service sides of PHS also plays a role in Gese's work with REAM. She oversees staff who sometimes have difficulty collecting rent from low-income tenants whose circumstances may preclude on-time payment. Gese must balance the

financial needs of the division with clients' social service needs. At the same time, St. Regis Hotel director Lorie Ann Larson must also turn a profit and provide social services. She has to ensure that the drug/alcohol free floors remain so, that rents are collected on the low cost housing floors, and that hotel guests are satisfied.

Human Resources Group

Managing human resources at Pioneer Human Services is a complex task. The Human Resources Group oversees hiring and benefits of the agency's 900 employees, who hold a vast range of positions. Under the direction of Senior Vice President Jerry Williams, the Human Resources Group (HR) is currently in the process of centralizing services, starting with a physical relocation of key HR staff to Plant 2. Centralization of HR will lead to a standard entry and exit point for both trainees and employees. Previously, each division did those things individually. The changes will also bring consistent "policies, resource management and quality of services" to the various divisions of PHS. HR will become more actively involved in hiring for all divisions, and will oversee training programs. About 30 people work in HR.

Quality Outcomes Group

The Quality Outcomes Group, with three employees, is responsible for preparing monthly mission outcomes reports, and a new client tracking project that will provide information about the employment and social status of clients during and after their tenure at PHS. This group is also responsible for external reviews of PHS units, and drug/alcohol testing processes for all PHS employees including trainees. This is the newest PHS operating group, started in part with funding from the Ford Foundation. Senior Vice President Larry Fehr oversees a staff of two who are forming and improving methods to monitor client and program outcomes and track clients. (Outcomes will be addressed in greater detail in Chapter 7.)

FLOW OF CLIENTS

Within PHS there are a variety of work and training opportunities. The most mature program is Basic Training at Pioneer Industries (PI), where work release participants and others learn light manufacturing skills such as blueprint reading and machine operations, as well as "soft" career development skills. There are also formal training programs and other jobs in other divisions of Pioneer Enterprises (PE). In addition, positions such as receptionist or apartment building manager in other PHS divisions are often open to clients. Contract service work is currently being expanded to allow PHS to address the needs of lower-skill program people. Moving up the "corporate ladder" or laterally into another division is possible for clients, depending on their qualifications and career aspirations. This chapter discusses how clients and other employees enter the PHS workforce and progress through the organization, focusing primarily on Basic Training at PI. For reference, Figure 4 provides a graphical summary of client flow.

Who Are Pioneer Clients?

Within Pioneer Enterprises (PE) there are three types of people working there, defined by the range of services they are receiving from PHS. Although exact nomenclature is subject to debate within the organization, they might be defined as follows:

- Program person:** Any individual who is participating in or has ever participated in one of PHS's social services-oriented programs, including work release and drug and alcohol dependency treatment. PHS employees who have successfully completed their recovery programs and/or graduated from PE training years ago continue to be referred to as program people for statistical purposes.

- Trainee:** An individual who has been evaluated and accepted into one of Pioneer's formal training programs. The most well-developed of those training programs is at Pioneer Industries (PI), although a training program also exists at Pioneer Food Service and is under development at Greater Seattle Printing and Mailing (GSPM). Training will be discussed in more detail below.

- Employee:** Any person who is employed by Pioneer and is not a trainee. This includes both skilled workers hired from the general public, and program people working at Contract Services or another of the "farm teams" who have not yet been (and may not ever be) accepted into a formal training program.

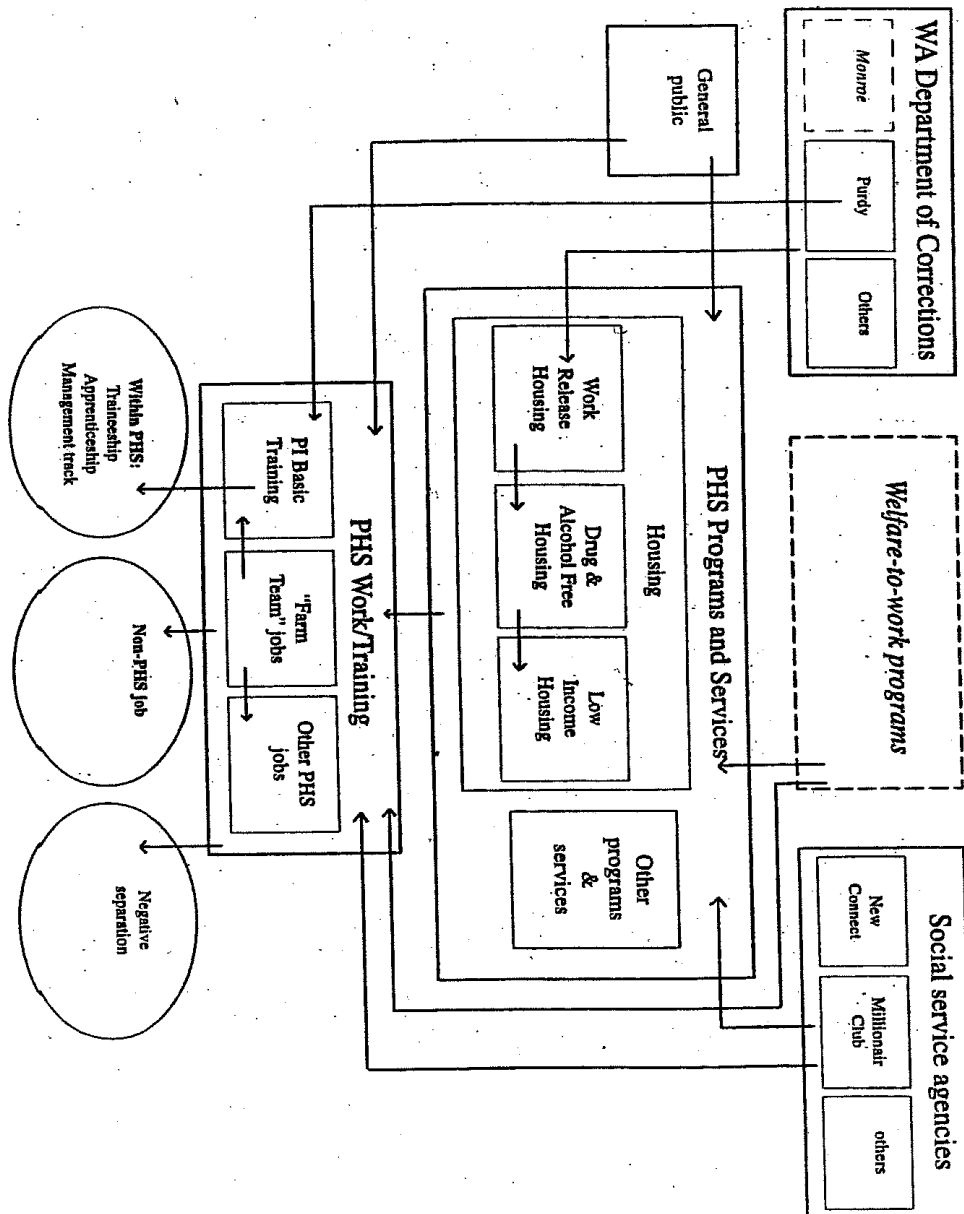


Figure 4: Flow of Clients

Basic Training at Pioneer Industries

The centerpiece of Pioneer Enterprises, as well as its oldest job training program, is Basic Training at PI. The bulk of this training takes place on the Boeing line, where trainees produce cargo liners and some 4,000 other part numbers for the aerospace company. Between 300 and 400 program people per year enter Basic Training, and about 88 graduate each year in one of four quarterly ceremonies.

The full program consists of 180 hours of classroom instruction as well as on-the-job (OJT) training. Some of the skills learned are Boeing-specific, although most are more general. Courses fall into three categories as follows:

Math skills	Technical skills	Career skills
Decimals/Fractions	Manufacturing Skills & Processes	Professional Development
Geometry	Basic Measuring Tools	Communication
	Beginning Blueprint Reading	Career Awareness
	Boeing Tooling	Career Development
	Boeing Blueprint	

Courses are sequenced, and trainees must pass a final exam in each course before moving onto the next. At least one hour per week per class of individual tutoring is available, and trainees who need it often receive much more. The training department employs five full-time instructors, each of whom possesses at least a Professional-Technical Education Certificate. The Director of Training, Janis Parsley has extensive experience in public health education and with the local community college system.

On the production floor there are ten major OJT areas, such as Saws and Routers, Drills and Punches, Finish Line, and Quality Assurance. Each trainee is assigned with several others to a single OJT area. Each OJT area has a series of written "scripts" outlining how each job within the area is done. A trainee must learn all of the scripts for that area and pass a skills test in order to earn a manufacturing certificate for that area. There are hundreds of scripts within PI, which have been written by OJT trainers familiar with the job. Each OJT area takes about six months to complete, after which time a trainee can move to another area, or continue advancing within the same one.

Nearly all of the OJT trainers are themselves successful former trainees who have worked their way up on the floor. Each year these trainers go through a train-the-trainer class where they learn coaching techniques, adult learning styles, and how to manage specific problems related to the trainees' backgrounds. For successful trainees, becoming an OJT trainer can serve as a stepping stone into the management track.

OJT trainers also have responsibility for passing on information to trainees about potential career tracks in their specific skill area. This information is being gathered by the training department in the Career Paths project, an attempt to help trainees to plan their own careers. OJT trainers can explain, for example, that continuing to advance in water jet skills can lead to water jet repair skills, which will pay at a certain level in outside companies. This is designed to increase trainee satisfaction and therefore motivation by showing how the basic skills they are learning can lead to long-term, good-wage careers.

Developing "soft" skills is also an important part of Basic Training. In addition to the career skills courses, soft skills are found in the curriculum for the technical skills courses and, as in the Career Paths project, in OJT training. For example, the Manufacturing Processes and Skills course objectives include giving trainees skills to determine if a work area is a good fit for them, and to identify career opportunities both inside and outside PI. General topics covered in the career skills classes include segments on handling pressure and managing workloads, verbal and nonverbal communication, writing resumes and cover letters, and job interview skills. Courses also address issues specific to the population they are serving, such as one role-playing exercise that teaches trainees how to discuss their incarceration history in a job interview.

Successful and promising trainees can also receive training in other skills. This includes safety training, cargo liners materials handling, forklift driving and defensive driving (both on the shop floor and on the street). Driver training can be especially important for PHS's client pool, who may have had licenses revoked for prior behavior. In addition, after a year in good standing employees are eligible to receive up to \$2700 per year to enroll in community college courses to obtain training in areas not provided in-house. Once an individual has selected courses, the

Training Director must approve them. This option is limited for those trainees still in work release, who may be prohibited by law from traveling outside certain geographical areas and/or certain times. In addition, the training program sometimes brings in consultants or other professionals to teach specific skills. Generally, though, Parsley prefers the department to provide its own training as much as possible.

The full Basic Training program at PI takes anywhere from eight to 14 months to complete. The training program includes 180 hours of classroom training and shop floor instruction in the various OJT areas. A students “graduates” from each of the OJT areas whenever his/her supervisor thinks the trainee has mastered that area. There are no formal hours of experience requirements for the OJT areas, just a competency based exam on the use of tools and process appropriate for that area. Because of the competency based approach, the time required to graduate will vary depending on the trainee’s prior experience and motivation.

During the training time, trainees are paid \$6.00 per hour and receive benefits for all classroom, OJT and production hours. Balancing the simultaneous needs for classroom training, OJT training and continuing production poses an ongoing challenge for managers and supervisors. When production needs to be speeded up or labor is short, managers must make decisions about where trainees will spend their time during the workday. In 1999, trainees on the Sheet Metal Fabrication and Finishing lines at PI, which serve non-Boeing customers, were not receiving the same classroom and OJT training as trainees on the Boeing line. This was for two reasons: First, classroom time was taking trainees away from work, and PI was having trouble completing production on time. Second, the OJT trainer position was open and unfilled for several months. The double bottom line requires ongoing communication and negotiation between managers in training and production. While PHS's mission is to improve the lives of its clients, production must continue in order for them to achieve their training mission, make products for the customer, and thus fund the training program.

Other Formal Training Programs at PHS

Several other PHS divisions have recently added formal training programs. Pioneer Food Services (PFS), which makes all of the meals for PHS's work release housing and other

residential units, and runs Mezza Cafe and Pronto at Starbucks' headquarters, began its formal training program in 1997 and has about ten trainees per year. St. Regis Hotel also began a training program that year for its staff. PHS's most recent venture, Greater Seattle Printing and Mailing, started its training program in February 1999 with two trainees. In addition, the Training department is developing training programs for Construction Services and the new Pioneer Distribution Services.

These training programs are modeled on the original Basic Training described above, but have been modified to meet the specific skills needed to do the work and to fit the labor pool. All of these training positions require a lower skill level to qualify⁵, and are much shorter and less intensive. For example, the PFS training program has only six courses and 36 hours of classroom time. Applicants who are close to qualifying for PI training but do not pass the skills assessment tests described below may be placed in one of these training programs. At PFS, the PI math course has been modified into Food Service Math, and Customer Service training has been added. Trainees must also receive accreditation in ServSafe, the National Restaurant Association's food safety program. As with PI training, the PFS floor has been divided into OJT areas, and each area has written scripts which trainees must learn. A Food Service Student Evaluation is completed after each assignment, and a trainee must prove competency in all the scripts in one area before moving on to another. Successful trainees can become supervisors, where they will receive additional coaching training. At the completion of the training program, a trainee will receive a Food Services Training Program Certificate.

Employment Assistance Program

In addition to training and educational opportunities, PI trainees (and all PHS employees) have access to the Employment Assistance Program. Pioneer has two Employment Assistance Coordinators available to help employees who need assistance with personal issues, from housing to child care support payments to mental health counseling. Every trainee who enters Pioneer has at least one initial assessment meeting with an EAC. Forms to request an

⁵ All applicants must pass a series of assessment tests to qualify for PHS training. PI basic training requires a minimum of sixth grade math and reading skills, but the other training programs take people with lower levels. This assessment will be described in detail later.

appointment with an EAC are available on the shop floor. The trainee fills out the Service Request form, has his or her supervisor sign it, and drops it in a box. The EACs also make themselves visible on the shop floor.

While EAP is available to all employees, their work is focused on trainees because they generally have more pressing problems. Many of their initial problems are with the court, and the EAC can help by arranging hearings over the telephone in their office or writing letters to judges explaining the training program and a trainee's progress in it. The second major type of program for trainees comes at their release date from prison, when they leave the work release facility. The cost of housing in Seattle is high and rising, and vacancy rates are low. The EAC helps trainee apply for the very limited space available in PHS-run housing, and can help out with housing references, security deposits, and donations of dishes, towels and other basic needs. For the most part, the EACs explain, trainees simply need assistance understanding how the system works so they can solve their own problems.

When trainees near the end of the training program the EACs also offer help in job hunting. Trainees get 16 hours of paid job search time. An EAC might go over the want ads with a trainee, allow the trainee to call a potential employer from the EAC office, help with a cover letter, and provide work references for the trainee. As a rule the EACs do not call employers for the trainee, nor do they recommend specific trainees when employers call looking for workers. The EACs see their role as assisting trainees in learning how to conduct a job search on their own.

One other job of the EACs is to supervise the monthly (and sometimes twice monthly) urinalysis (UA) tests done on-site at PI. Every month the PHS executive office sends to one of the EACs a list of numbers, which she then matches against an alphabetical list of all employees at the plant, including supervisors and managers. A trainee whose test comes up positive (indicating drugs or alcohol in the system) will be punished and any court or DOC supervisor will be informed, but the trainee will be given a second chance. Supervisors and managers who test positive will be terminated immediately. Each month, approximately 1,800 tests are given throughout PHS. In

1998 Pioneer's positive UA rate was 2.4% for all divisions combined, compared to SmithKline Beecham's national Drug Testing Index for all workers of 8.3%.

Becoming a Pioneer Trainee

Work release

There are several entryways into the PI Basic Training program, and new ones are currently being planned and built. The oldest and most common entry is via work release or pre-release programs. About 85% of all current trainees, or 91 people, come from one of these two programs.

The largest number of trainees, almost 39%, enter Basic Training through work release via a five step process (Figure 5). Depending on the offender and his or her history, this process from work release application date to first day on the job can take from two to six months. An offender might be turned down at any of these steps.

Most offenders learn about Pioneer through word-of-mouth on the streets or in prison, so they are likely to be aware of the program by the time they enter work release. However, many do not understand the full range of opportunities available through PHS. Although this number was not formally tracked at the time of this study, PHS management estimates that between 10% and 20% of its 237 work release facility residents actually work at Pioneer.

Pre-release

The second major source of PI trainees is a pre-release program where inmates from the Washington Correctional Center for Women (commonly known by its former name, Purdy) are recruited to become PI trainees. PHS goes to the prison to recruit women to apply for Basic Training and runs their assessments there. Offenders who are accepted are bused daily between the institution in Gig Harbor, WA, and Plant 1, an hour away. There they work only on the Boeing line, where earnings start at \$6 per hour. Purdy staff say the PI training program is the most popular of the four Class I jobs available in prison.

Figure 5: Five Step Basic Training Entry Process

Step	Criteria
1. Prison officials determine that the offender is legally eligible for work release, then screens through laws and regulations and assigns him or her to a work release facility, generally near the offender's selected release location.	In order to be eligible, an offender must have minimum security status, a fixed time length sentence
2. The Central Screening Committee screens again, using legal and regulatory parameters dictated by the DOC. This committee is made up of DOC personnel, members of the community where the work release facility is sited, and sometimes PHS representatives. If this committee considers the offender to be too great a risk to the community, they will send his or her case to DOC headquarters in Olympia for review.	Any member of the Central Screening Committee may raise issues related to any work release applicant. The committee may conditionally approve an applicant, requiring them to go through some type of counseling or training to deal with personal problems.
3. The offender is prescreened by a community corrections officer (CCO) at the assigned work release facility prior to his or her arrival, using a DOC checklist to double-check eligibility and other factors.	The CCO double-checks to make sure all earlier determinations of eligibility and other legally mandated testing have been done correctly. The CCO also checks to see if there are any problems that might arise from placing that individual at the particular work release site, such as interpersonal problems with another inmate housed in that facility, or if the offender's crime victim(s) live nearby.
4. With 48 hours of the offender's arrival the CCO completes an initial classification of needs - at this point the offender may be referred to PI Basic Training.	CCOs help work release residents create their own work and personal plan, referring them to job opportunities that fit the individual's needs and skills. CCOs serve a gatekeeping function, only referring those offenders to PI who seem promising. Offenders living in PHS work release facilities are not required to work at Pioneer.
5. If the offender applies at PI, he or she is assessed for acceptance into Basic Training.	PI assesses every applicant in a day-long series of standardized tests and motivation/attitude evaluations. A person without sixth grade math and reading skills will not be accepted. PI has developed its own methods for measuring motivation, using group discussions and tours of the plant floor. A person who demonstrates a lack of motivation or unwillingness to take responsibility for his or her problems will also not be accepted.

As with the work release program, there are several points at which an inmate might be turned away from the track to PI. Due to the higher risks involved in busing prisoners between prison and a less secure worksite, the standards for acceptance into this pre-release program are much higher. Steps 1 - 5 must all be completed by Purdy staff before referring an applicant to PHS.

1. An inmate must have no history of "attitude problems," be infraction-free, be scheduled for release to Seattle, and between nine and fifteen months out from her release date in order to apply for the PI training program. She must be in minimum custody, and must have a good work record inside prison.
2. Inmate's counselor must approve the application. If the inmate has not been following her Case Plan (may include anger management, educational requirements, drug treatment, etc.) she cannot be accepted into pre-release.
3. The prison's Unit Team must approve the application, reviewing the inmate's qualifications for the job.
4. The Corrections Program Manager for minimum custody double checks the previous steps to ensure all steps have been followed correctly, then approves or denies the application.
5. WCCW's Industries Coordinator checks the inmate's work history both before and during incarceration and checks for prison infractions, then approves or denies the application.
6. Once there is a list of about 20 women approved for PI Basic Training assessment, PHS spends a day at WCCW assessing applicants.

At six months before their release date women in pre-release can apply for work release. Those accepted can live at PHS-run Helen B. Ratcliff House work release facility and continue their PI Basic Training. It is possible for an offender recruited through the Purdy pre-release program to complete the entire training program before her final release date from custody. Right now about 34 women per month participate in the Purdy program. PHS is planning to add a swing shift, increasing its capacity in the Purdy program to 50.

All but seven of the 47 women on work release living in the Helen B. Ratcliff House work at PHS. This is in stark contrast to the men's work release facilities, in which most residents do not work at PHS. Furthermore, while the average work release participant spends four months in work release, women in the Purdy program average eight to twelve months working at Pioneer. According to Purdy's tracking records, of the 199 former inmates that have been hired by PHS, 142 were still employed in the community as of the end of 1996. Of those, 78 were employed in non-traditional fields or still at PI, 27 in professional fields, and 37 in food services, retail or temp agencies. Pioneer is currently working to create a program based on the Purdy pre-release model for men in the Washington State Penitentiary in Monroe, WA.

Other entryways

Anyone participating in any PHS-run program can also apply for PI training. In addition, PI takes referrals from other social service agencies in the Seattle area, including New Connections and the Millionair Club. They also take trainee applicants from Seattle's only non-PHS-run state work release facility, from the King County Jail work release program, and parolees under DOC supervision. Because PHS's mission is to serve program people, recruitment always begins in-house. In previous years the majority of their trainees have been work release and pre-release offenders. The current state of the labor market, however, has made offenders in pre- and work release, and those who have completed their sentences, less dependent on PHS for work. That is, it has become easier for them to find jobs elsewhere in the region. Therefore fewer are turning to PI for jobs, and fewer are staying for as long. For those reasons, today about half of PI's trainees are referrals from such outside agencies. As with CCOs, the referring agencies play something of a gatekeeping role, only referring to PI only those people the agency staff judge to be appropriate for the PI work release program.

PHS will soon be recruiting clients from other sources as well. When the Seattle Jobs Initiative, King County Jobs Initiative and Private Industry Council recently submitted a grant proposal for a competitive Welfare to Work Grant to serve non-custodial parents of children receiving TANF, PHS was chosen included in the proposal as a contractor. Pioneer was chosen in part because of the range of integrated services it provides to its clients, many of whom are non-custodial parents whose children receive TANF. PHS will take as many as 75 new clients in this program, and expects to place most of them in training at Pioneer Distribution Services. Some slots in the PI training program may be set aside specifically for welfare-to-work clients, although a firm decision has not yet been made about this. PHS managers expect many of these clients not to have adequate skills for PI training and instead to start out on what they call their "farm team."

The "Farm Team" Concept

PHS managers want to be able to serve applicants and others who are not accepted into the basic training program. Managers believe that for many of them what is needed is development of basic job readiness skills, such as on-time attendance and the ability to work in teams. For that reason, PHS is developing more low-skill jobs internally. These low-skill jobs are envisioned as

opportunities for clients to develop the soft skills that will eventually enable them to move into a training position, or a better job outside PHS. It is also a proving ground that allows people who have been incarcerated to develop the good work history and recommendations needed to find a better job outside. One PHS manager notes that these are people who are often screened out from very low skill jobs such as fast food service for lack of skills or because of their incarceration history. As PHS takes on program people from the welfare-to-work rolls, the organization is expecting and planning for a significant increase in people who need to start in these kinds of positions.

Most of these low-skill positions open when a contract is signed for PHS to provide a service to an outside customer, and are thus temporary positions. PHS managers refer to these temporary positions as the "farm team" where program people develop skills. Successful farm team players eventually may be selected for the "majors," which are the formal training programs. Such temporary openings may occur in several divisions, including PDS, GSP&M, or PFS. While those three divisions also have ongoing work, a new division within PE, Contract Services, has been created to do only temporary contract work.

The Contract Services division of PDS was created to provide low-skill jobs for program people by contracting with local business to provide assembly, packaging and repackaging, services. Some of the small projects recently completed include meal pack assembly (using food purchased by FBS), repackaging imported goods into English-language containers, and stuffing toys with battery-powered voice boxes. These are simple jobs that require few skills. For example, when PDS took on Hasbro's former temp workers, managers found that most of them lacked basic English language skills. Therefore, the PI training department hired someone to teach English as a Second Language (ESL) classes. They assume they will see more clients needing this training in the future. Again, Contract Services' mission is to provide program people with the basic skills needed to move into PHS training programs, or at least into outside long-term jobs.

Although Greater Seattle Printing and Mailing has only two trainees, there are other program people working there. The non-trainee employees work primarily on the fulfillment and mailing

side, assembling packets and stuffing and labeling envelopes. Due to the unpredictable flow of this kind of work, these positions are also temporary. GSP&M was originally chosen for purchase by PHS because of the substantial number of jobs that could be filled by low-skilled program people. As with PDS, it is envisioned that successful program people will be able to move up into the training program at GSP&M, PI training, or other jobs at PHS.

To support expansion in these temporary jobs, the mission and work of one PHS department, On-Call/Temporary Staffing Services, is being broadened. On-Call falls within the Human Resources Group, as it was originally created to fill sudden short-term staffing shortages at the six PHS work release and youth offender facilities. The department is also responsible for filling any other short-term staffing needs within PHS. More recently, On-Call's mission has been expanded to include filling temporary contract-based positions. On-Call manager Joe Garcia refers to this as "building the bench strength" of the farm team. In keeping with the PHS mission, he recruits program people first, from Special Needs Housing and other PHS programs. Garcia is also actively recruiting a base of on-call temporary staffers through his contacts in human resources departments of Seattle-area companies, social service agencies and through referrals from program people already working at PHS. He expects to recruit more from the welfare-to-work rolls, as PHS relationships with those agencies increases.

Creating these jobs is one answer formulated by PHS to the problem associated with the conflict between the need to help the most people while keeping a workforce with adequate skills to do the work. However, using temporary positions to serve the least-skilled population raises questions. How will the soft skills such as on-time attendance that those positions are expected to teach be learned by people who will have unpredictable work schedules? Furthermore, the American economy is booming right now while wages remain stagnant in part because of the use of cheap, temporary, contract labor by businesses. Will PHS actually be undermining its own mission of helping people transition from incarceration and/or drugs into long-term, viable jobs? While this may be an internal innovation for PHS, social service agencies around Seattle, such as the Millionair Club, already offer day labor opportunities to their clients. However, the organizations such as the Millionair Club do not offer the full range of services and opportunities

for growth available at PHS. Still, PHS will need to keep a close eye on the long-term impact on program people and others of using them as temporary labor.

Other jobs at PHS

In addition to trainee and other positions in the PE divisions, many jobs throughout PHS are filled by program people. These range from receptionists to apartment managers to the Vice President for Real Estate Asset Management (REAM). PHS has several reasons for promoting its program people from within. People can learn new skills and advance, and it also allows people who do not enjoy the type of work available in one PE division to move to another and continue receiving all the benefits of working at PHS. It also helps keep the percentage of program people in every division above 75%, both an internal requirement in PHS's sheltered workshops and a mission-related goal.

When a manager determines that a position can be filled by a program person, he or she advertises it throughout the organization. It is sent out via e-mail, and is posted at workplaces, work release facilities and other housing units run by PHS. A binder full of job opening announcements sits on a small table in the waiting area of Plant 2. A supervisor might let a promising program person know about an opening, or the program person might see the announcement.

Marla Gese, VP for REAM, tells how she made her way up the ranks within four years of her arrival from Purdy as a PI trainee. It was a mixture of hard work, willingness to take on challenges, and being in the right place at the right time. It is not a case of following formalized procedures or a predetermined job or career path. While opportunities for advancement certainly exist within PHS, moving up depends on the individual advocating for him- or herself, taking responsibility for moving forward, and learning the system.

Internal job paths

Individual responsibility is emphasized in the basic training curriculum, by CCOs, in drug and alcohol treatment services, and, clearly, on the job at PHS. The basic training program even includes a video about VP Marla Gese, demonstrating that principle. The conventional wisdom,

expressed by managers at every level is that those people who fail at PHS jobs or training do so not for a lack of skill, but for lack of willingness or readiness to succeed. Trainees and former trainees agree with this. They say that any individual's success depends on their own choice to work hard and make it. PI training, they say, is only a vehicle.

Outside of the basic training programs there are no pre-set job paths within PHS. Instead, program people must develop their own individualized paths. Training teaches them to look for the types of job they want. Posting job openings allows them to find opportunities to advance themselves either upward or laterally into a preferred type of work. Relationships with supervisors are also important. As one successful program person explained, not all OJT trainers are equal, and she chose one that she thought would best serve her own interests in advancing. How the growing temporary services will fit into the system of individuals creating their own job paths remains to be seen. Will people be able to gain enough skill in temporary positions to move into full-time employment and/or training?

Internal screening processes for entry and opportunities for lateral movement or advancement have been developed around this principle of trainees taking charge of their own future. Trainees are automatically rotated every six months into a new area, but they can turn down a rotation if they prefer to continue working in the same area. Trainees can also request to be moved to a new area. Nearly all jobs at PHS are open to trainees, and they are posted in a prominent location on the shop floor. It is the trainee's responsibility to decide if he or she wants one of those jobs and to apply for it.

While this leaves program people on their own to make their way through the PHS system, it also means they have the freedom to choose the mix of skills and services they need. Each person can develop his or her own personalized program. The trade-offs between freedom and guidance are clear, and people who are more assertive and self-reliant may be more likely to succeed at PHS than others.

Moving on

Once they graduate from Basic Training, PI trainees have four options. If they prefer to remain inside the organization, they can apply for a position as a technician or intern, or apply for a different job somewhere else at PHS. Alternately, they can enter the CNC machinist apprenticeship program or the management training track. Their other option is to look for a job outside PHS. PHS policy is that a trainee graduate can continue working at PI after graduating from the program, but if he or she does not get an intern, technician or other position, the trainee must leave after 90 days, although this might be extended under special circumstances.

The machinist apprenticeship program was initiated in 1997. It is certified by the National Tooling and Machinist Association, has one full-time instructor, and currently has nine slots. A person who completes two years in the apprenticeship receives a Computer Numerical Control (CNC) operator certification, and after four years graduates as a journey-level machinist. An expensive program to run, it was founded primarily to address the problems that the shortage of machinists was causing for PI. Now PI has the capacity to train its own machinists. Management training at PI takes talented training graduates and puts them through a formalized "Leadership 2000" program created by PHS's Training department.

Many trainees choose to apply for positions at Pioneer after they finish training. They commonly explain that they need the stability maintaining the job when the rest of their lives are very unstable, and they need the moral, social and other support they have come to rely on from their fellow employees. In many cases, they were unsuccessful applying for other jobs while in work release because of their felony record, and they are fearful of facing that again. Some former trainees refer to PHS as a "safety blanket," and talk about the need to stay within their "comfort zone." At the same time, these former trainees eventually advance as high as they can at Pioneer. No higher positions are available, and merit raises are not possible. They are very aware that at \$10-12 per hour, their wages are much lower than they could earn doing the same work for another company. Trainees must then balance their need for safety against their need to advance to more challenging work and earn more money to support themselves and their families.

Despite PHS's long-standing relationship with Boeing and its ongoing relationships with several other Seattle-area businesses and nonprofits, the organization has made little attempt to place its trainee graduates or other program people in outside jobs. Until the TOMS client outcome tracking system was created during 1998, PHS did not track where program people go when they leave the organization. There is some anecdotal evidence that Pioneer's customers and partners do not hire former PI trainees. Trainees earlier in the program often express strong interest in applying for jobs at Boeing when they graduate. However, trainees and former trainees who have been at PI longer say that Boeing "never" hires PI trainees, and they believe this is because of their felony records. This is bolstered by evidence from Pioneer's customers. Starbucks representatives said in 1998 that PHS had never approached the company about hiring Pioneer Food Service training graduates.

In part, this limited job placement effort fits the individualist culture at PHS. Trainees receive training in job search skills and all program people have access to Employment Assistance Coordinators who, as part of their job, help trainees out with job hunting, refer clients to social service agencies who serve people seeking work, and provide recommendations to potential employers. The Human Resources department and former supervisors provide job references. However, formal outplacement services do not exist. The reason for this goes back to the importance of self-reliance: PHS wants each trainee to learn to find a job for themselves. When outside companies call the Human Resources office looking for job seekers, HR will inform employees (including trainees), but they generally do not put potential employers in touch with specific people, because they consider it important to treat all trainees equally and fairly. At the same time, individual business managers will make phone calls on behalf of program people in his division to place them in outside jobs where they have personal contacts from their years in the for-profit sector.

This limited approach to job placement is now changing, however. Tracking systems are being developed, and this study looked at post-PHS movement of some former trainees (this will be described in Chapters 7 and 9). More than that, Human Resources plans to reorganize to include an Employment Services division. Employment Services will offer a broader range of services to program people, including outplacement services. In particular, HR wants to build

relationships with particular manufacturing companies in the area to place trainees. Trainees expressed a strong interest in having job outplacement services available, especially those that have advanced as high in the organization as they can.

No matter what kind of outplacement services are provided to program people, they will continue to face serious social barriers. Companies are often unwilling to hire ex-offenders and persons who have gone through drug and alcohol treatment. PHS Senior VP for Human Resources, Jerry Williams, says that companies have talked with him about hiring PHS training graduates but have never actually taken them on. PHS managers at all levels argue that similar businesses have similar employees with similar problems and histories; but business managers often are just unaware of the criminal and substance abuse histories of their employees. PHS managers know what the problems are and create programs to help solve them.

A second outplacement issue revolves around the ebb and flow of the economy and labor markets. Right now the greater Seattle labor market is tight, making it somewhat easier for ex-offenders and recovering drug addicts and alcoholics to find work. Companies desperate for labor ask fewer questions. HR managers sound optimistic about outplacement. When the labor market changes, as is inevitable, will private employers be as willing to take on these perceived risks? PHS needs to take advantage of the opportunities in the current economy to get their program people "in the door," and to prove that they can be valuable employees.

FINANCES

Pioneer funds its programs and businesses largely through revenue-generating business operations rather than relying on grants and charitable contributions as many non-profits do. Because PHS is operated as a non-profit business, it has a substantial degree of independence in setting its own mission and goals without pressure from outside organizations. However, it is inaccurate to say that PHS receives no funds from any government agencies, as its work release housing and many other programs are funded by contracts with government agencies.

PHS's earned \$30.97 million in revenues in 1997, with \$29.33 million in expenses. Its overhead costs were just over 8.5% of total expenditures, with the rest going to programs.⁶ At the end of the year PHS also held \$10.42 million in net assets. These assets represent years of careful financial management, utilizing retained earnings to build up the organization's asset base. To do this, Pioneer fully utilized the tax exemptions available to it as a nonprofit, as well as profitably operating businesses that yield revenues in excess of cost.

Revenue Sources

PHS revenues come from six main types of sources:

1. the sale of goods and services,
2. government contracts,
3. tax breaks resulting from its nonprofit status,
4. foundation grants and loans,
5. rental income, and
6. a small amount of contributions.

More than half the organization's revenues are from two sources. Contracts with the Washington Department of Corrections account for 24% and sales to Boeing account for 31%. The rest of the revenue comes from sales of other manufactured products, retail and wholesale sales of food, sale of printing and distribution services, contracts to provide behavior services, and rent of Pioneer-owned housing.

⁶ PHS has a goal of keeping monthly administrative expenditures for Support at 8% or less.

The Boeing contract is complex: Boeing does not purchase parts on a unit basis, rather it buys "labor hours" from PI. With each contract negotiation, both sides agree on a certain number of annual labor hours, factoring in the price of equipment that PHS will have to buy to do the job. PI then bills Boeing monthly. Boeing provides PI with a list of part numbers and materials, and doesn't specify a quantity to be provided. The per-hour amount charged to Boeing is significantly below the going rate charged by for-profit competitors. Parts are made by PI machinists, many of whom are trainees learning the trade. In addition, Boeing invests funds directly to fund PI's training program. All of Pioneer's other customers buy on a per part basis, and PHS competes for those contracts like any other private company.

PHS gains several economic benefits by being a nonprofit and by being a sheltered workshop, and the organization refers to these benefits as the "nonprofit cost advantage." PHS is able to track the exact amount of this nonprofit cost advantage savings through the accounting methods it uses to enforce "market discipline" as described in Chapter 2. PHS estimates that in 1997 the organization saved \$1.47 million (4.75% of total revenues). There are three main areas where PHS benefits: federal income taxes and Social Security payments, Washington business and occupation (B & O) and property taxes, and tax exempt bonds.

First, because PHS is a 501(c)3 nonprofit, it pays no federal income tax. In addition, PHS requested and received from the IRS in 1995 a private letter determining that PHS is not required to pay FICA at 100% for its trainees while they are in training because they run a sheltered workshop. PHS is considered a sheltered workshop because its trainees fit the definition of disabled under the Americans with Disabilities Act because a large number of them are chemically dependent.

Second, PHS does not pay state Business and Occupation taxes,⁷ but not because of their 501(c)3 status. Washington does not automatically exempt federal tax-exempt nonprofits from state B & O taxes. However, in 1992 the state Department of Revenue formally ruled that the program people PHS serves fit the legal definition of handicapped, and therefore the sheltered workshops

run by PHS are exempt from B & O taxes. Although there is no legal minimum on how much of the work done in a sheltered workshop must be done by disabled workers, PHS has set their internal minimum at 75% of all direct labor hours worked. They have intentionally set it high because they consider the disabilities faced by their program people to be less onerous than physical disabilities. (See Table 1 for figures on the number of program people working in each division.)

Table 1: Hours Worked by PHS Program People in 1998

Program	Total Hours Worked	Hours Worked by Program People	Percent Worked by Program People
Enterprises			
Boeing-Direct	288,955	276,664	95.8%
Boeing-Support	141,179	101,841	72.1%
Non Boeing	57,014	45,459	79.7%
Finish Line	52,271	41,495	79.4%
Central Food Service	23,436	15,927	68.0%
Mezza Café	24,221	20,323	83.9%
Food Buying Service	5,194	2,540	48.9%
Total	592,271	504,249	85.1%
Support Services			
AGL Apartments	4,680	4,680	100.0%
St. Regis	22,884	17,095	74.7%
Repair & Maintenance	46,750	25,530	54.6%
Rent Collection	5,914	4,257	72.0%
Total	80,228	51,563	67.3%

Third, PHS has benefited at least four times from tax exempt bonds issued by other bodies to fund its activities. The first time was in 1986, when the Seattle Housing Authority sold \$1.4 million in tax exempt bonds to help pay for the purchase and renovation of the St. Regis Hotel. To qualify for the bonds, a certain percentage of housing at the St. Regis was required to be maintained as low-income housing. The second time was in 1991 when the Washington State housing Finance Commission issued \$4.5 million in variable rate tax exempt bonds on behalf of PHS to finance a sheet metal fabrication plant (Plant 1) and drug and alcohol free housing.

⁷ Washington does not collect state income taxes. Instead, the state collect B & O taxes from businesses. The B & O tax is a gross receipts tax with a flat rate set by the type of business. Manufacturers actually

Again in 1995 the Seattle Housing Authority issued \$5.5 million in variable rate tax exempt bonds to refinance and rehabilitate certain PHS special needs housing and low- and medium-income housing. The fourth bond of \$10.7 million was issued in 1998 for sheltered workshop space and housing. The first bond has already been repaid. The second and third come due in July 2011 and December 2015, respectively.

PHS revenues have increased dramatically since the organization was founded, and particularly in the past ten years. In 1988 budgeted revenue was almost \$6.5 million, and that increased to almost \$20.5 million in 1993.

Expenditures

Most of PHS expenditures are in its Enterprises division, totaling \$18.03 million (or 67.24% of total expenditures) in 1997. This amount almost matches revenues from Sales and services, \$18.42 million, indicating that PHS's training programs in the Enterprises division pay for themselves. Substance abuse programs, corrections, special needs housing and juvenile programs expenditures combined total \$8.79 million, just under the total generated by Government contracts, \$9.68 million. If Pioneer Human Services, or their contracts with the state, were to disappear tomorrow, the businesses within Pioneer Enterprises could continue on their own as profitable enterprises, and still run training programs there, although they would be smaller.

Plans for future growth

PHS is clearly planning financially for future growth. Its December 1996 financial projections identified a need for increases in capital expenditures of 13% per year to maintain current operations. These projections also forecast significant increases in cash, from \$2.13 million in 1996 to \$16.19 million in December 2007. These funds will be used for future acquisitions and purchases of businesses, land and buildings, and new programs. PHS management set a goal to grow at 20% per year in 1985 when Gary Mulhair took over as President. He began by shutting down failing programs, then went to the senior managers to encourage growth, all to be driven

pay a lower rate than services

by internally-generated funds. Eventually all the PHS senior managers signed onto the goal. In the past nine years growth has averaged 29%.

Managers at every level are very aware of this expectation, and are actively looking for growth opportunities. They expect much of the concomitant internal expansion of labor needs to be filled with program people coming from new sources such as WorkFirst (the state welfare-to-work program) and social service agencies, and from expansion of Department of Corrections contracts described earlier. Pioneer's experience has been that it is easier to grow on their business side than to increase contracts with government agencies. Revenues earned from businesses are then used to fund increased training, and employment services.

EXTERNAL RELATIONSHIPS

Recent studies have examined how networks play an important role in workforce development (Harrison & Weiss, 1998). Networks in this sense are "interpersonal and interorganizational connections which allow for sharing of resources and information" (Harrison & Weiss, 1998, p. 4). They can be either formal, marked by a legal connection between people or agencies, or informal relationships which manifest themselves in myriad forms. Formal and informal connections between people and agencies are necessary to building relationships with potential clients, customers, employers, and funding sources. Social and business networks connect people to jobs. In some industries, many entry-level hires are made as a result of a personal connection, often referrals from existing employees. Community based organizations frequently provide important links between job seekers and employers. They connect potential employees with job training at community colleges, openings in particular industries and other needed social services.

The Center for Employment Training (CET), which has sites throughout the US, places job training at the center of its services, and prides itself on the ability to move trainees into higher-paying jobs than other training programs. CET acts as a broker between trainees and company recruiters. New Community Corporation (NCC) in Newark, NJ, works with a model more similar to PHS's. NCC provides comprehensive services including housing and day care, along with employment training. Although the vast range of services makes this large organization highly self-reliant, NCC also relies on networking with Newark-area companies (many of whom place executives on NCC's various boards), and with advocacy groups in Washington, DC.

This chapter examines the existing networks of which PHS is a part, specifically in terms of customers and client sources. One of the many developments at PHS is a slight shift in the corporate attitude towards networks. As discussed below, PHS executives are in the process of seeking out, forming, and strengthening formal and informal community connections, most notably those with potential customers and client sources.

Customers - Mutually beneficial relationships through networks

Relationships with customers are critical to PHS's survival because these customers provide much of the organization's revenues. The work opportunities provided by PHS's customers create both training positions and funding to support the nonprofit's other programs. PHS's relationships with customers reflect the diversity of the customers themselves - from a long-lasting relationship initiated out of philanthropic desires, to many short-term contracts in which PHS simply provides a product or service. Ultimately, new customer relationships with private sector organizations are entered into in order to create jobs within the PHS organization. PHS has an internal goal of 20% annual growth, which means that the organization can never stop soliciting new customers and expanding relationships with current ones.

Boeing/Pioneer Industries

PHS's relationship with Boeing is the oldest, strongest and most lucrative connection between Enterprises and a local business. The contract formed as the result of a personal connection: in the mid 1960s, a PHS board member, who was also a Boeing manager, suggested that what people coming out of drug/alcohol treatment really needed was a job. The contract began on a small scale – Boeing had parts made at PI, and PHS employed program people to do the work.

PHS is one of sixteen sheltered workshops with which Boeing contracts. According to Dave Meisinger, Pioneer Industries VP of Manufacturing Operations, Boeing management believes strongly in working with sheltered workshops. Purchasing staff at Boeing are encouraged to continue contracting with PHS, and to ensure that the relationship stays strong.

This relationship has both a negative and positive side. PHS can make use of Boeing's name recognition to gain legitimacy and financial gains. If Boeing does business with PHS, why should any other company hesitate? Boeing gains by having products made for a lower price, and can show evidence of giving back to the community. However, the Boeing connection also has a downside: some potential customers think that Pioneer Industries will be too busy with their large Boeing contract to do any additional work effectively.

Trainees also benefit from Boeing name recognition. Women at Purdy know that being placed on the Boeing line at Pioneer Industries is the best pre-release industry job. One trainee from Purdy hoped to use her PI training on the Boeing line to gain a foot in the door at the company. Her mother works at a Boeing plant in Eastern Washington, and the trainee hopes to join her at some point after her release.

Starbucks/Food Operations

Central Food Services (CFS - now a division of Pioneer Food Service) was operating out of a building in the Sodo District when Starbucks temporarily moved its corporate offices into the building in 1998. When Starbucks decided to purchase the building and stay there permanently, they needed an on-site cafeteria for their 1,200 employees. Howard Wollner, Vice President of Administration and Strategic Alliance Management, who spearheaded the contract with PHS, calls the beginning of the relationship "serendipitous." Starbucks had a need, and PHS was there to fulfill it. Pioneer negotiated with Starbucks and the building's property management company, and began operating the Mezza Café and Pronto, a smaller employee deli on Starbucks' executive floor. Starbucks provided PHS with design consulting for the space and menu assistance, to ensure that the cafeteria met company standards. It was over a year before Mezza Cafe began making a profit, and it has been profitable since then.

Nearly all of the people working in the Mezza Cafe are program people, and Manager Rick Pinney advertises all open positions internally at Pioneer before bringing in non-program employees. All of the food service workers are certified under the National Restaurants Association's ServSafe program. The Mezza Cafe serves burgers, salads, pizza, stir-fry, beverages, and of course, Starbucks coffee. Part of the operation is a Taco del Mar franchise. Eighty percent of Mezza Café customers are Starbucks employees.

Although the PHS/Starbucks relationship did not spring from philanthropic desires on Starbucks' part, the program people who work at Mezza Cafe or Pronto still benefit from the connection to a powerful local company. Employees receive excellent training in customer services, food preparation and work in a fast-paced food service environment. Learning to deal with customers of different socio-economic backgrounds is, Pinney says, an important part of a program person's

training. PHS holds the Mezza operation to strict standards - everything from the design of the space, to the menu, to the level of customer service needs to meet the expectations of the coffee company's "sophisticated" employee base.

Starbucks' management considers work at Mezza Cafe or Pronto to be legitimate training ground for work in a Starbucks café, but Starbucks does not recruit employees from PFS. It is also interesting to note that despite the close physical proximity, Starbucks doesn't publicize their connection with the nonprofit, either internally or externally. The low profile relationship may not affect Starbucks' standing in the community. However it may limit PHS's networking capabilities. Employees who don't know about the connection are missing links, unable to support other PHS programs or provide potential business contacts.

Built-in networks at GSP&M

In contrast to the "anchor" relationships between Boeing and PI, and Starbucks and Pioneer Food Service, most other PHS enterprises have multiple customers with a diverse set of contracts. GSP&M, Pioneer Human Services' newest acquisition (at this writing) became part of PHS in January 1998. This existing company was purchased with part of a \$2 million Program Related Investment loan from the Ford Foundation. GSP&M currently has nearly 400 customers of varying sizes, from Microsoft to Committee for Children.

Acquisition of GSP&M had the potential to bring a range of existing customers into PHS's network. The printing and mailing business lends itself easily to use of customer networks - companies and organizations of all sizes use printing and mailing services. GSP&M planned to expand the number of contracts to create more jobs by building those existing networks, then marketing the new printing and mailing services to long-term Pioneer customers. However, within the first year after the purchase of GSP&M, several salespeople left the company, taking customers with them. The change from a family-owned business to a corporate culture was the most critical issue for those who left, however, not the introduction of PHS program people. This led to a slow start for the training program at GSP&M.

Network potential through Distribution Services

While GSP&M was a recent acquisition, Pioneer Distribution Services (PDS) is a start-up operation. PDS is designed to become a major internal network hub through which employees can flow, and external customer connections will also be expanded. Clients who start work with PDS and show potential, whether program people or outside employees, will have the chance to move up, either within the division or into other jobs. They will have access to the same social services and training as all other PHS employees, including a chance to apply for the Basic Training program at PI. The more outside contracts that PDS is able to bring in, the more potential for possibly hundreds of new employees on PHS's "farm team."

With multiple new customers using PDS for different types of jobs, potential for stronger external networks is created. Short-term jobs, if done well, can lead to long-term jobs, which can also lead to bigger, more diversified contracts. PDS will be an important testing ground for expansion of customer networks, and financial and training benefits.

Sales and Marketing

Marketing is an important way in which PHS creates links with potential customers and employees. Until 1997, sales and marketing was operations-driven, another sign of self-reliance at the division level. To bring sales and marketing to an organization-wide level, Vice President of Sales and Marketing Marcy Rivard created Pioneer's first standard marketing and information package about PHS programs and enterprises. She has also increased her staff and brought sales staff from other divisions (such as GSP&M) under her supervision. This centralization will continue, as Rivard plans to develop the program into its own division. Even the PHS logo was recently changed - the former logo, an old-fashioned key, was replaced by an intricate design which portrays a number of people performing different types of work.

Centralizing sales staff and increasing marketing strategies has a deliberate networking goal - to bring in more potential customers. The sales pitch to potential customers reflects the overriding organizational philosophy: to portray PHS as a reliable business, which can provide an important customer service, such as packaging, printing or machining, rather than as a social service agency. There are tradeoffs in this approach, most notably that it limits networks to purely

business connections, and may not bring customers for whom philanthropy is primary. Sales staff don't ignore the fact that they also represent a social service agency, however, Marcy Rivard says that she waits until the customer is "hooked" on the business prospects before talking about philanthropy.

PHS executive staff are also in the process of taking sales and marketing on the road. In an attempt to build customer connections across the United States, PHS management has been spending time networking at national conferences. One strategy includes collaboration between Food Buying Services and a national food distributor. FBS already has some contracts in 20 states, but this new collaboration would put PHS in a key position to build national name recognition and establish customers in other regions.

Client and employee sources

Pioneer Human Services' move to expand and diversify customer connections is paralleled in the organization's expansion of networks with labor sources. In order to achieve the organizational goal of 20% yearly growth, PHS is making a deliberate effort to build internal and external labor networks throughout the organization.

Department of Corrections

PHS's relationship with the Washington State Department of Corrections (DOC) is similar to that with Boeing in that the DOC relationship is a long-standing, strong connection with numerous mutual benefits. An average of 30 women on pre-release from Purdy are bused in daily to Pioneer Industries - an hour-long commute to training and work. One hundred and forty-four residents live in PHS's three State work release facilities, all of which are DOC clients. Work release facilities have DOC staff, Community Corrections Officers (CCOs), on-site who provide an integral link between the client, PHS and DOC. Sandra Musselwhite, CCO Supervisor at Helen B. Ratcliff House (HBR), tells of the importance of good relations and a level of trust between her CCOs and Pioneer Industries, where many of the facility's residents work. The "team philosophy" allows for support in both parts of the resident's world: if the resident has difficulty at work, PI can call the CCO to provide extra support.

DOC is the primary source of clients for PHS's work release facilities, and many other trainee positions at PI. However, together PHS and DOC maintain numerous networks with outside social service agencies. A new Residential Parenting program at HBR involves collaboration with Washington State's Child Protective Services, Columbia Health Care Center and Childhaven, a day care provider for at-risk children. HBR, like all work release facilities, has a community advisory board which consists of representatives from the above agencies, as well as neighborhood residents.

PHS's connection to DOC also provides financial benefit, in the form of contracts for work release facilities. Of six work release facilities for persons leaving state prisons in King County, four are operated by PHS. In addition, PHS contracts with the federal Bureau of Prisons to provide similar services for people leaving federal penitentiaries. In 1997, contracts with the DOC and federal Bureau of Prisons brought \$2.3 million (24% of all revenues) to the agency.

Expanding networks through welfare reform

One of the ways in which PHS plans to expand its potential client base is by providing services to programs connected with federal welfare reform. This is PHS's first venture into work with welfare clients. The collaboration will allow PHS to bring in a large new base of clients and potential trainees. Pioneer co-applied with the job training programs run by the City of Seattle and King County for a federal welfare-to-work grant. It is the first time PHS has collaborated with the city and county to provide services.

This collaboration will bring new challenges: welfare-to-work clients are not specifically mentioned in the PHS mission, nor is the organization set up to deal with some of the unique issues the population will bring, including child care, elder care, and disabilities. PHS will employ and train state welfare program clients, some of whom are also former offenders and substance abusers. While this population may be difficult to serve, these clients are in some ways similar to clients in other PHS programs. These relationships are also likely to bring Pioneer into closer contact with more traditionally managed community-based organizations that work welfare clients. It will be interesting to see how these CBOs cope with the entrepreneurial business approach PHS applies throughout its organization.

On-Call/Temporary Staffing

PHS's On-Call program epitomizes the networking potential between the nonprofit, client sources and potential long- and short-term customers. As On-Call has expanded to fill other temporary staff needs throughout PHS, Program Manager Joe Garcia uses clients from PHS's Special Needs Housing and work release facilities when appropriate. He also maintains contacts with multiple human resources departments businesses around the region - at large companies like Eddie Bauer or Nordstrom, as well as community colleges. Garcia believes strongly in informal networks through individuals. By "prospecting" for potential employees, a process which includes talking to five new people a day and making countless phone calls, Garcia expands his own potential employee sources through each individual's own networks and connections.

In addition to expanding the labor pool networks, On-Call also has positive ramifications for customers. As with Contract Services, with which Garcia will be closely involved, On-Call customers, if served well, can turn into longer-term customers with potential for larger, more profitable contracts and more training opportunities for clients.

Other referral sources

Many nonprofit social service agencies around Seattle also refer their clients to Pioneer for training. To do this, a case manager or the individual client calls PHS to put the client's name on a list for the next Friday screening session. These clients are often former prisoners genuinely seeking jobs but who find employers unwilling to hire them because of their criminal records. For some social service agencies, however, PHS is a last resort referral. Some have an instinctive skepticism about commercial enterprises and their commitment to serving people. Some point to Pioneer's low wages as proof of that, and recommend that clients look elsewhere first. Some of their clients are hesitant to go to work among prisoners, wanting to leave that life behind them. Still, the agencies continue to refer clients because PHS is one of few employers who do not look at an applicant's criminal history as a condition of employment.

Networks for funding sources

PHS's funding philosophy eschews charitable giving, individual donations, and government and foundation grants in favor of business growth, contracts for services, loans and other types of business funding sources. Here, networks play an important role in connecting the organization not only to business contacts, as seen in the discussion of customers, but also to agencies and individuals who can facilitate loans and tax breaks.

The PHS Board of Trustees has consistently had at least one bank representative as an officer - someone who is able to provide advice and leverage on PHS financial needs. David Straus, current chair of the Board of Trustees, was asked to join in 1984, to replace a previous bank representative who had left the board. Straus provides a strong connection between the banking community (he is a Senior Vice President at a local financial institution) and PHS. He and other board members who are bankers understand sophisticated financing methods, skills that are very useful as PHS continues to grow.

The PHS Board of Trustees is unlike most other nonprofit boards in that it doesn't get involved in fundraising. While Straus implies that he and other board members are glad not to have to constantly solicit donations for the agency, this setup also has drawbacks. By not having signature fundraising campaigns or events, PHS keeps a low community profile, thus excluding itself from nonprofit networks formed by high-powered or consistent donors. PHS trades community networks for customers; they prefer to use their board members to network for potential customers or businesses, rather than for community outreach, education or solicitation.

Networks for clients

PHS's organizational culture promotes the concept of self-reliance, but within the context of a diverse and large organization with strong internal networks. The flow of clients internally and the philosophy of keeping as many services as possible under one umbrella indicate that strong internal networks are an important part of what makes the organization self-sufficient. As seen in many of the organization's recent projects, this culture is changing to take better advantage of external networks for customers, labor and funding sources. Involvement in welfare reform, the purchase of GSP&M, the creation of PDS and increased sales and marketing all create

opportunities for expanded external networks. Through these added business relationships, clients potentially have the opportunity to learn a wider range of skills, and are exposed to work from a larger variety of customers. This wider range of opportunities may prove valuable to clients when they leave Pioneer.

TRACKING OUTCOMES

In October 1997, PHS hired Larry Fehr as Senior Vice President/Chief Program Officer, in charge of overseeing development of outcomes measurement systems. Although PHS doesn't rely heavily on outside donors, the organization has decided that improved outcomes measures are still needed by the organization to track achievement of internal goals and determine the success of its clients. The complex nature of PHS's organizational structure and programs, and the diverse paths that each client can take, call for use of multiple systems of measurement. PHS has chosen to focus on measuring two areas: client outcomes and mission outcomes. Measuring success of programs and clients has become an increasing responsibility of most nonprofits and government agencies. Funding sources frequently look for outcomes tracking systems to be in place, to ensure that their money is going to a program that produces measurable results.

TOMS

Assisted in part by a grant from the Ford Foundation, awarded at the same time as the PRI loan, PHS was able to begin implementation of the TOMS Project ("Tracking Outcomes and Managing Services"). Because client data had been collected only partially and sporadically, managers had no complete way of knowing which services a client had used, their path through PHS, or their post-program outcomes. In addition, the system of client measurement through admission and discharge surveys didn't provide a full picture of the individual's situation.

The TOMS Project is structured to ask the overall question of what difference PHS's services make, and whether or not these differences are sustained over time. Tracking begins with information collected when a client has been admitted to a PHS program, whether in pre-release, work release, or other program area. Information about the client is transmitted from referring programs such as state prisons or substance abuse programs, and utilized as much as possible in the TOMS system. Qualitative and quantitative outcomes measurement will continue during a client's time at PHS, by means of nationally validated assessments, their own outcomes measures, risk measurement tools, customer satisfaction surveys and other types of progress reports. Upon discharge, PHS will attempt to monitor a client's progress, measuring functioning and changes in seven "domains" (employment, income, housing, criminal justice involvement, chemical dependency, mental and physical health). Changes will be compared to a comparable

period, when the client was last in the community (i.e. prior to incarceration), and will be tracked initially for one year following discharge from PHS.

TOMS was invoked by several managers as a positive step towards centralizing information. All PHS divisions will benefit from being able to access client information through a central computer system, which will allow managers to track the amount of services a client has accessed, and to add their own contacts to the client's file.

Mission Outcomes

The Mission Outcomes process is a management information system providing monthly outcomes indicators on internal functions of PHS units, to ensure that each area is meeting its goals and serving the mission of the organization as a whole. Each month, all PHS units submit reports on program outcomes based on the unit's agreed-upon goals. Outcomes are measured by indicators, which differ for each particular program, and track such varied information as workforce diversity, customer satisfaction, and basic training certification. Over 185 indicators are measured each month. Mission outcomes staff keep track of targets and variance for each indicator, in order to monitor which programs are furthest from their goals and which are doing the best. In the past, only negative variance between indicator targets and actual outcomes were the focus of upper management. Recently, this approach has been replaced by a Pareto Analysis process which identifies the "important few" units and indicators most needing managerial attention. In addition, Mission Outcomes Unit produces the produces an "ABCD" report, announcing programs which have gone "above and beyond the call of duty" in meeting goals.

OUTCOMES ASSOCIATED WITH EMPLOYMENT TRAINING

This chapter examines two types of outcomes associated with the PI trainees:

- **recidivism** – the commission of new offenses or instances of reincarceration, and
- **employment experience** of these trainees after completing the training or departing from PI prior to completion.

Based on the description of PHS philosophy and philosophy in previous sections of the report, the basic hypothesis tested in this outcomes analysis is that *exposure to PHS programs should result in lower recidivism and better employment outcomes*. This basic hypothesis will be refined and extended based on certain characteristics of the database developed to test the hypothesis.

Database Compilation

This section of the case study examines the employment and correctional outcomes of trainees who have had the benefit of PI's training program. Using data on the trainees who went through the program in 1996, as well as data from a comparison group of inmates who were sent to other work release programs, we are able to make some statements about the impacts of exposure to the PI training program and to other PHS services.

PI provided data on all trainees who began the training program any time during 1996. A total of 382 individuals began training that year. A database was provided by PI including the name, Social Security number, date of birth, age, sex, date employment as a trainee began, and the date the person left PI if he/she is no longer employed there.

Correctional Outcomes

With the goal of determining the extent of criminal recidivism and employment success of this population, two state agencies were approached with a request to provide outcome data on this population and on a comparison group of like individuals. The process of obtaining administrative data from state agencies began with the Washington State Department of Corrections (DOC).

The PI database was then transmitted to DOC with a request to select a comparison group of DOC inmates sent to other work release programs, but matched as well as possible to the PI trainees. DOC was not able to find all of the PI trainees in its databases showing which individuals were sent to work release programs in 1996. However, most of the PI trainees have DOC numbers, indicating that at some point they had been incarcerated in a DOC facility. This problem in locating the individuals in DOC records led to a request back to PHS to affirm that these trainees had in fact been work release participants. PHS reported that the records available to the PI human resources staff do not contain any information on the legal status of the trainee. In order to avoid labeling certain employees as ex-felons, the human resource records are structured as closely as possible to what an ordinary private sector firm would require. Since private firms often ask for an employment history for job candidates and frequently call previous employers for a reference, PI human resource records include the prior “job” of the applicant. For most applicants, this means the referring agency, which can include the DOC work release program, other DOC programs, a sheltered residential facility at PHS or another agency serving work release participants, other PHS facilities such as drug treatment programs, or other sources.

While no direct indication of work release status was available, reasonable guesses could be made by noting specific referring agencies. A revised database was compiled noting five classes of referring agencies:

1. PHS work release facilities serving either men or women
2. Women coming to PI from the WCCW pre-release or work release program
3. King County work release
4. Ex-convict seeking employment training but not currently in work release
5. Other PHS programs such as substance abuse treatment.

All of these groups of inmates had the benefit of some degree of exposure to the training program at PI, and that exposure can be quantified by the days or months the person remained at PI up to an assumed training completion date. No records were kept on graduation or completion of the training, but individuals who remained at PI longer than 11 months are assumed to have completed the program and to have remained on as a permanent employee. Groups 1,2, and 5 had varying degrees of exposure to the PI training program but different degrees of exposure to the rest of the Pioneer experience. Groups 1 and 2 were housed in a

Pioneer work release facility and exposed to Pioneer's philosophies as expressed in the operational routines of these work release facilities. In addition, they may have had the benefit of other PHS services such as drug treatment or counseling. Group 2 consists of women who typically start in the pre-release program. After several months, these women are usually accepted into the work release program, and to move from the prison to a Pioneer work release facility, continuing their training during the day. For this group, exposure to the whole range of PHS services would only occur if they remain in the program long enough to make the transition from pre-release to work release, and no direct indicator is available of this transition. Group 3 consists of inmates sent to a county-run work release program. Thus, their only exposure to PHS is through their training at PI. Group 4 consists of ex-felons who were not in the custody of DOC at the time they were accepted as trainees at PI. Many social service and employment agencies refer clients to PI if the individual indicates difficulty in finding a job due to being an ex-felon. Like Group 3, these Group 4 individuals benefit from PHS services only through the training program. However, since they did not come immediately from a work release program and are not subject to on-going DOC supervision, Group 4 outcomes may differ from those of Group 3. These referring agency data were used in constructing a comparison group, and later in formulating testable hypotheses about correctional and employment outcomes.

The data on referring agency for each trainee were transmitted back to DOC. DOC then chose comparison group members from the inmate population sent to work release programs other than Pioneer work release during 1996, matched by criminal offense and sex, for the members of PI groups 1, 2, and 3. A total of 182 comparison group members were chosen to match a similar sized cohort coming from PI's groups 1-3.

For all PI trainees (except a handful who had no DOC numbers and had been referred to PI by a PHS drug treatment program) and all comparison group members, DOC was able to provide information on felony convictions in Washington state courts, and periods of incarceration in Washington State prisons. These data begin in the early 1990s and continue through the third quarter of 1998. The data include information on the crime committed for each conviction and/or incarceration, and for incarcerations, information on the data of incarceration and the date of release. Personal information was included such as date of birth, race/ethnicity, sex, and

Social Security number, permitting comparisons of the PI and DOC databases to ensure that, at least for the PI trainees, correct record matches had been made.

Employment Outcomes

The database on PI trainees and comparison group members was then transmitted to the Washington State Employment Security Department (ESD), with a request for employment outcomes data. This agency has a special clearinghouse dedicated to management data interchanges between DOC and ESD. ESD supplied quarterly files from the 2nd quarter of 1993 through the end of 1995, and from the 1st quarter of 1997 through the third quarter of 1998. Each file contains records on individuals from the PI trainee and comparison groups who could be located in the ESD files. Each available record includes the employer name, SIC code, and principal business address; and the employee's Social Security Number, name, total earnings during the quarter, and total hours worked during the quarter. If an individual had more than one job during the quarter, multiple records are included, one for each job. There is no indication, however, as to whether these were short term jobs held sequentially, or part-time or full-time jobs held simultaneously. For selected quarters of interest in this study, these data were inspected, and reduced to a single record for each individual by adding up the earnings and the hours worked for each job held by multiple job holders. For all records, an hourly wage was computed by dividing the earnings by hours worked.

Outcomes Analysis

Several hypotheses can be generated from the previous discussion of the characteristics of Pioneer's program for work release clients, and from the known characteristics of the database describing both the trainees and the comparison group. In all of the hypothesis statements below, "should do better" means that the target group is *less likely* to commit new criminal offense, less likely to be re-incarcerated either for a new offense or violations of the terms of work release or community supervision, and *likely* to earn more per hour and to accumulate greater total earnings. These hypotheses are expected to be true holding all other conditions constant, including race, sex, and prior criminal history. In some of the comparisons below, these personal characteristics are explicitly held constant by comparing groups similar on these

characteristics; in other comparisons individuals of diverse race/ethnicity or sex are mixed together. The four testable hypotheses are:

1. The more complete the PHS experience, that is, the more components of the “value adding investment process” the client participates in, the better the outcome should be. Specifically, PHS work release clients should do better than King County work release clients or DOC referrals.
2. Longer stays at PHS should be associated with better outcomes (because more components of the training process should have been completed and long term clients will have had more “value adding” experiences)
3. PHS clients should do better than similar individuals who did not have this experience (i.e., comparison group members)
4. PI trainees should be able to successfully enter manufacturing fields based on specific skills learned at PI, and thus should be more likely to enter manufacturing than comparison group members (because of the specific manufacturing oriented curriculum at PI and the manufacturing specific skills acquired by PI trainees)

In testing these hypotheses, it should be noted that there are more similarities among these various cohorts than differences. All cases are individuals convicted of felonies who have served substantial prison terms. All of these individuals are in the process of returning to the community, the majority having served time for drug-related offenses. The selection processes for the work release program at DOC ensure that few of these individuals have committed violent crimes against persons, and that they were relatively well-behaved prisoners. However, as ex-drug offenders, the majority are also at high risk of committing new offences. These similarities across all cohorts suggest that the “treatment effects” of exposure to PHS culture, philosophy, and working environments may be relatively small compared to the combined effects of their prior experiences.

Recidivism Outcomes

Table 2 provides the recidivism data, and demonstrates that the vast majority of both PI trainees (93.6%) and comparison group members (84.6%) had not committed (or at least had not been convicted of) a new felony offense and had not been re-incarcerated as of the end of October, 1998. This date is anywhere from 10 to 22 months from the date these individuals left state prison, and for those PI trainees who completed their training, anywhere from a few months to just under a year from the time they completed training. However, there is a small difference between the PI and non-PI samples, with only 6.4% of PI trainees experiencing a new period of

incarceration as compared to 15.4% the non-PI comparison group. The new convictions data suggest that an approximately equal number of PI (50) and comparison group (49) members have been convicted of new criminal offenses, but the comparison group members committed a few more crimes in total (68) than did the former PI trainees (60). In addition, these data demonstrate that the comparison group members are more likely to be re-incarcerated if convicted of a new crime; 49 comparison group members committed new crimes and 28 were re-incarcerated. Among Pioneer trainees, 50 were convicted of new offenses, but just 12 were re-incarcerated. Considering both re-incarceration and new convictions, these data suggest that the former PI trainees are a little less prone to engage in new criminal activity than the comparison group members, and likely to commit less serious offenses, providing weak support for the third hypothesis above.

Table 2: Criminal Recidivism as of October 31, 1998

New Incarcerations Post Work Release*	Number in Group	Number Incarcerated	Percent of Group	Still in Community	Percent of Group
Pioneer Trainees on Work Release	187	12	6.4%	175	93.6%
Comparison Group	182	28	15.4%	154	84.6%

New Convictions Post Work Release*	Number in Group	Number of Offenders	Number of Crimes	Crimes/Offender	Percent of Group with New Offenses
Pioneer Trainees on Work Release	187	50	60	1.2	27%
Comparison Group	182	49	68	1.4	27%

*Only new incarcerations in state prisons and new felony convictions in state courts considered

Employment Outcomes

Turning to employment outcomes, both the comparison group and PI trainee groups left prison sometime during 1996, and members of both groups were employed somewhere, most as a condition of work release. In the case of the PI trainees, their employment was as trainees and these employees were not necessarily expected to remain at PI after completing work release, or finishing the training program. However, many PI trainees choose to stay on at PI after graduation. Comparison group members must reveal to employers that they are on work release

status, and therefore these individuals may not be thought of as permanent employees. These workers may well intend to move on to other pursuits once their work release requirement is met. Consequently, employment outcomes can best be assessed by examining both groups at some time after completing work release and/or training.

The employment data are collected through quarterly employer surveys, and post-incarceration data are available from 1997, first quarter, through 1998, 3rd quarter. A number of the PI trainees were either still at PI as trainees during the first quarter of 1997 or were in their first quarter of work after leaving PI, a time when their wages might be at short term new-hire levels. Accordingly, data from the 2nd quarter of 1997 were analyzed. The last quarter available was for 1998, 3rd quarter, but few cases were included presumably because these files were based on incomplete employer surveys available early in 1999. Accordingly, data from the 2nd quarter of 1998 were the most recent data analyzed. In addition, one quarter prior to the period of incarceration for most cases was examined, 1993 1st quarter, to see if there was any wage progression for the PI trainees and any differential in wage progression between the PI trainees and comparison group members.

Table 3. Employment Outcomes for All PI Trainees and Comparison Group

1997, 2nd quarter	N	Earnings at Mean Wage & Hours	Mean Hours	Mean Hr. Wage
PI Trainees	269	\$2544.50	350	\$7.27
Comparison Group	72	\$2244.65	335	\$6.79

1998, 2nd quarter	N	Earnings at Mean Wage & Hours	Mean Hours	Mean Hr. Wage
PI Trainees	206	\$3517.83	387	\$9.09
Comparison Group	70	\$2821.28	308	\$9.16

Table 3 shows the mean hours worked and wage level for all PI trainees and all comparison group members for the 2nd quarter of 1997 and the 2nd quarter of 1998. The quarterly earnings level in Table 3 is the product of the mean hours and mean wage. Note first of all that the number of cases included in these two groups is very different. The majority of the comparison

group members are not included in the employment files; only 72 of the original 182 are present in the 1997 file (40%) and just 70 in the 1998 file (38%). A substantially higher percentage of the PI trainees were located in the employment files for 1997 (269 of the original 387 trainees or 69%) and 1998 (206 of the original 387 or 53%). The reasons for the conspicuous absence of the comparison group members are not known, but could include moving out of the state, use of a new identity including a different Social Security Number, self employment, and working in the “informal” or underground economy. This finding may suggest that PHS is as much a community retention program as anything, a program whose philosophical approach contributes to keeping ex-felons in the community they were placed in upon exit from prison. Most prisoners are returned to the community they came from prior to incarceration, so this tendency for the PI trainees to stay in the area and remain legally employed to a far greater degree than the comparison group members could be one of the strongest impacts of Pioneer’s programs. This is an unexpected finding, but the tendency seems to support Hypothesis 3, the contention that employment outcomes should be better for PI trainees than for the comparison group. Alternatively, one could conclude that the missing comparison group members severely compromise any interpretation of results based on comparing the PI trainees to the comparison group, and that only the findings based on subgroups within the PI trainee cohort should be utilized.

Examination of the earnings and hourly wage data in Table 3 shows that the PI trainees earned more than the comparison group members in both quarters. The PI trainees had a higher hourly wage and worked more hours shortly after release in the 2nd quarter of 1997. By the 2nd quarter of 1998, the comparison group had surpassed the PI group slightly in hourly wage, but the PI group worked nearly 80 hours more in this quarter, ending up with \$700 more in earnings.

The PI trainee cohort includes two groups with very different labor market experiences: trainees who remained at PHS as regular employees, and those who left and sought employment elsewhere. Former PI trainees not working at PHS during the 2nd quarter of 1998 (n=170) worked relatively few hours (mean of 208) at relatively low wages (mean of \$8.73/hr.). In contrast, the ex-trainees who stayed on at PHS as regular employees (n=76) worked more hours (mean of 476) at higher average wage (mean of \$9.27). As a consequence of a higher rate of pay

and almost 55% more hours worked, the PI trainees who stayed on at PHS earned an average of \$4,507, 32 percent more than the comparison group.

The employer of record in the ESD data is PHS, a non-profit social service company. However; many of the individuals coded as employed by PHS may well have been working at PI since that is where they were trained. If the 170 ex-trainees still working at PHS are recoded as Manufacturing industry workers rather than Service sector workers, the percentage of ex-trainees working in Manufacturing jumps to 40%. This finding is critical to interpretation of the success of the PI training program. If the goal of the program is to prepare people for successful entry into manufacturing careers, then its success is substantial, but only through retention of these former trainees as regular employees of PI. Those trainees who leave PI to seek employment elsewhere are not ending up in manufacturing; the majority take jobs in Retailing and Services, as do the majority of the comparison group members (Table 4). These are rapidly expanding sectors with many job openings for entry level workers. However, they are also relatively low wage sectors as compared to Manufacturing. The success of PI in preparing trainees for successful participation in the labor market is most apparent in its retention of many of these individuals as permanent employees at PI. This is a substantial achievement, particularly since PI is a successful manufacturing enterprise. However, PI's success in training its own permanent workforce is not the same as preparing individuals for successful participation in a large marketplace where ex-trainees have to compete with other job applicants. That may well be a nearly unattainable goal given other employers' hiring practices with regard to ex-felons.

Sub-Group Employment Outcomes

Looking at all PI trainees together masks differences among sub-groups. As mentioned earlier, the PI trainee cohort includes persons referred from internal PHS work release programs; individuals referred by an external, county-operated, work release program, ex-criminals not currently subject to DOC custody; and persons referred by other PHS facilities such as substance abuse programs. Trainees also exit from PHS after different periods of employment. Many trainees choose to leave when their work release requirement ends and they leave DOC custody. Others quit or are terminated by PI after very short periods of service. Table 5 shows employment outcomes by referral source and tenure.

Table 4. Industry of Employment, 2nd Quarter of 1998, by Cohort

	Comparison Group		PI Trainees		PI Trainees excl. Current PHS Employees	
	Number	Percent	Number	Percent	Number	Percent
Agriculture/Forestry/Fishing	0	0%	3	1%	3	2%
Extractive Industries	0	0%	0	0%	0	0%
Construction	10	14%	17	7%	17	10%
Manufacturing	6	8%	24	10%	24	14%
Transportation/Communication/ Utilities	8	11%	7	3%	7	4%
Wholesale Trade	7	9%	11	4%	11	6%
Retail Trade	19	26%	33	13%	33	19%
Finance/Insurance/Real Estate	2	3%	5	2%	5	3%
Services	22	30%	145	59%	71	41%
Government	0	0%	2	1%	2	1%
Total	74	100%	247	100%	173	100%

Note: these data are based on counts of jobs, not persons. People who changed jobs and industries are counted in each industry; the 70 comparison group cases account for 74 job placements, and the 206 Pioneer trainees account for the 247 job placements.

One of the key hypotheses being tested is that the more components of the PHS value-adding experience a client is exposed to, the better the outcomes should be. Looking at the sub-groups within the PI population, PHS-run work release and longer tenure WCCW clients (i.e., women who have graduated from pre-release to work release) receive more service components than King County Work Release or DOC clients. The first two groups are housed in a PHS residential facility through which they have access to other PHS programs, while the services provided to King County Work Release clients are unknown but thought to be minimal. The DOC clients are not currently in DOC custody and therefore receive no services other than employment training. The “Other” category consists mainly of persons referred by a PHS substance abuse treatment program; they therefore are exposed to the same range of services as as Pioneer Work Release clients, but they may a different set of personal circumstances and service needs than Work Release clients. All of these groups have equal access to the Employee Assistance Program while they work at Pioneer, but this will differ by individual.

The data in Table 5 support the value adding hypothesis to a degree. Work Release and Other clients earned more per hour in the second quarter of 1998 than did King County Work Release or DOC clients. Furthermore, by working more hours during the quarter than any of the other cohorts, the women who came to PI from the Purdy program earned more than any other PI cohort even though their wage rate was lower than any of the other groups.⁸ While these results by cohort are consistent with the value adding hypothesis, the results by tenure at PI are less clear. Client who stayed less than a month may have quit after finding better jobs, or were terminated for unsatisfactory performance at PI. These short term clients received lower wage rates in the second quarter of 1998 than clients who stayed longer at PI, but they worked more hours than the other tenure groups and ended up with higher total earnings. Clients who stayed between 1 and 11 months, thereby completing some part but presumably not all of the training program, did better than clients who stayed for shorter or longer periods at PI in terms of their hourly wage rate in the second quarter of 1998. However, they also worked fewer hours on average in this quarter and ended up with lower total quarterly earnings. Finally, the clients who stayed at least 11 months at PI earned wages barely above the early termination cohort, but worked nearly as many hours as the early termination group, ending up with almost as much take home pay over the course of the quarter. These results do not support the value adding hypothesis very well. Completion of training does not result in substantially higher wages or greater total earnings (the over 11 month tenure group vs. shorter tenure cohorts). If there is a clear and consistent interpretation of these results, considering the fate of the different referral groups as well as the tenure results, it is that the range of experiences provided at PHS may be more important to good outcomes than the quantity of the experience as indicated by tenure. Hypothesis 1 is supported more strongly than Hypothesis 2.

⁸ The earnings statistics reported in Table 5 and subsequent tables are the mean of the sample cohort, not the product of the mean wage and mean hours worked in the same table, which would be a slightly different figure. A few trainees who worked an unusually high or low number of hours, or who received an unusually high or low wage could skew the mean earnings as reported here away from the product of the mean hours and wage.

Table 5. Employment and Earnings, 2nd Quarter of 1998, by PI Referral Group and Tenure

	n	Earnings	Hours	Hr. Wage
All trainees	206	\$3,688	387	\$ 9.09
All Trainees By Referral Group				
Pioneer Work Release	74	\$3,773	383	\$ 9.16
Purdy	42	\$3,982	440	\$ 8.48
King County Work Release	21	\$3,016	336	\$ 9.12
DOC	46	\$3,402	376	\$ 8.87
Other	23	\$4,065	374	\$10.37
All Trainees By Tenure Group				
<1 mo	26	\$3,782	409	\$ 8.57
1 mo through 11 mo	101	\$3,344	343	\$ 9.10
> 11 mo	42	\$3,666	404	\$ 8.61
Work Release Trainees by Tenure				
<1 mo	8	\$5,589	575	\$ 9.83
1 mo through 11 mo	36	\$2,975	290	\$ 8.81
> 11 mo	16	\$4,035	392	\$ 9.48

Another interpretation is the characteristics of the cohorts by referral source are complicating interpretation of the tenure results. The last three rows of Table 5 show the tenure results for PI trainees referred by a Pioneer-run work release facility. For these clients, who are exposed to the whole range of PHS services, longer tenure at PI is associated with higher pay rates and greater quarterly earnings than medium length tenure at PI. However, the very short term work release clients earned more at a higher rate of pay than those who stayed longer at PI. These results suggest that the selection process at DOC is a critical factor. Those inmates with the best job skills prior to entering PI training may be leaving very early, either when they complete a short period of required work release, or because they found better job opportunities outside PI. Since work release reviews select out the “cream of the crop” of felons nearing the end of a prison sentence, the most skilled of this group may be moving on from Pioneer very early. Employment training may be of value primarily to those clients who make it through the screens at DOC to become eligible for work release, but who do not have good job skills and therefore stand to benefit from the employment training at PI. The number of cases in the Pioneer Work Release cohort is rather small, limiting the insights that can be derived from following a single

year's cohort of trainees. However, over time and with the more complete database now being created at PHS under the TOMS program, it may be possible to learn more about why people leave PI's training program early and yet still do relatively well in the outside labor market.

Another way of viewing the success of ex-trainees in the job market is to compare their earnings prior to incarceration with post-incarceration, post-work release earnings. While only a few PI trainees and comparison group members can be located in both the pre- and post-incarcerations employment files, these few provide at least intriguing results as shown in Table 6. The 54 ex-PI trainees located in both 1993 1st quarter and 1998 2nd quarter employment files earned 20% more post-incarceration than pre-incarceration. However, the comparison group members located in both files, only 17 of them, show a 25% gain pre- to post-incarceration. Breaking apart the PI cohort into referral subgroups, those trainees coming from Pioneer Work Release sites show a 32% gain, more than any of the other PI subgroups. The women's program cohort shows almost no wage gain (3%) and the King County Work Release cohort, which is very small, show a 13% decline in wages. These subgroup results suggest that the breadth of services offered at PHS do have a substantial impact on employment outcomes. Furthermore, breaking out the PI clients by tenure group shows that longer tenures are uniformly associated with larger wage gains comparing pre- and post-incarceration wage rates. Thus it is possible that the earlier tenure results were complicated by mixing individuals with different employment skills. The tenure groups in Table 5 may be heterogeneous with respect to employability. However, if each client gains skills as a result of their experiences at PHS as suggested in Table 5, then improved wages seem to result from both the range and duration of the experiences at PHS. The pre/post incarceration data provide support for both Hypotheses 1 and 2. Hypothesis 3 is also supported to a degree by comparing the Pioneer Work Release cohort with the King County Work Release and comparison group members. The lack of wage progression for the participants in the Women's Correctional Center program is puzzling but inexplicable with the available data.

One last set of comparisons concerns the relationships between earnings, race and gender. Minorities and women typically earn less in the labor market than whites and males, due to discrimination, differing levels of skill attainment, and varied choices of career. Since felon

Table 6. Comparison of Hourly Wages Pre-Incarceration (1993 Qtr 1) and Post-Incarceration (1998 Qtr 2)

	n	Change in Hr. Wage
PI Trainees	54	20%
Comparison Group	17	25%
PI Trainees by Referral		
Pioneer Work Release	16	32%
WCCW	14	3%
King Co. Work Release	6	-13%
DOC	14	36%
Other	4	24%
PI Trainees by Tenure at PI		
< 1 mo.	4	11%
2-11 mo.	32	23%
>11 mo.	6	30%
PI Work Release Trainees by Tenure		
2-11 mo.	9	25%
>11 mo.	3	59%

populations often include high proportions of ethnic/racial minorities and Pioneer’s client population includes many women due to the innovative pre-release/work release program established with WCCW, this analysis of employment impacts would not be complete without considering the impacts of race and gender. Bringing these important demographic characteristics into the analysis complicates the interpretation of results. One can read the results overall as supporting PHS’s claim that it significantly “adds value to people” through employment training and life skills taught in other PHS settings, or one can read the results as confirming that women tend to earn less than men and minorities tend to earn less than whites despite equal employment and life skills training at PI.

As shown in Table 7, men earned a higher wage than women, whether they came from the ex-PI trainee group or the comparison group. Whites earned more than blacks, regardless of which

cohort they came from, and the number of cases from other ethnic/racial groups is too small to permit any conclusions. To make interpretation still more difficult, when the PI trainee cohort is separated by both the referral subgroups and gender, it seems that some of the referral subgroup results may be explained by the proportion of men to women in each subgroup, compromising the interpretations above related to the breadth and duration of the PHS experience. For example, the comparison group has relatively more whites than the PI cohorts; the overall difference in mean hourly wages these two groups earned after release from DOC custody may just reflect the presence of relatively more whites among the comparison group members. Among the PI subgroups, the Pioneer Work Release cohort has 7 women and 37 men, while the DOC group has only 1 woman among its 18 members. The mean wage earned by the DOC group is higher than the mean wage earned by the Pioneer Work Release group, but that may be solely because women tend to earn lower wages than men throughout the U.S. economy.

Table 7. Wages by Demographic Group, 2nd quarter 1998

		Mean Hourly Wage		Mean Hourly Wage	
	n	Men	n	Women	
PI Trainees	56	\$9.35	34	\$7.95	
Comparison Group	45	\$9.59	22	\$8.59	

		White	Black	Native American	Hispanic Origin	Asian	Other
PI Trainees	n	45	41	2	0	2	0
	Mean Wage	\$9.45	\$8.48	\$9.64	n/a	\$10.91	n/a
Comparison Group	n	35	23	2	0	6	1
	Mean Wage	\$10.36	\$8.86	\$6.42		\$8.69	\$11.82

PI Trainees by Referral Group		PHS Work Release	WCCW	KC Work Release	DOC	Other
	Mean Wage	\$8.60	\$7.74	\$10.65	\$9.05	\$12.17
	Gender n:					
	M	37	0	4	17	7
	F	7	25	0	1	1

Multivariate Analysis

Because group membership does seem to be correlated with race/ethnicity and gender, regression equations were estimated to attempt to hold constant the effects of these demographic characteristics while examining the effects of group membership (the PI trainees as a whole vs. the comparison group, or the tenure and referral source variations). Because race/ethnicity and gender are not randomly distributed nor equally matched among the various groups of persons being compared, the statistical problem of multi-collinearity exists, and we should not expect to achieve perfectly reliable results from this experiment in multivariate analysis. In fact, a variety of regression equations were estimated, using either the hourly wage or the total wage earnings as the dependent variable, and group membership dummy variables. “Treatment variables” included dummy variables indicating whether cases came from the PI or comparison groups, and tenure variable based on the tenure groups above for PI case and set to zero for comparison group members. In addition, dummy variables were included for race/ethnicity and gender. Race/ethnicity and gender did not emerge as significant predictors in any of these equations. In fact, tenure was the only statistically significant predictor, and the overall explanatory power of the regression equations was very low. If the “treatment variables” are dropped and only race and sex are used as predictors of the hourly wage or total earnings, the two demographic variables still prove to be very poor, non-significant predictors. This analysis suggests that the treatment variables are the more significant factors in explaining outcomes in the labor market for ex-felons exposed to work release programs. However many unobserved variables such as overall employability and job specific skills may explain much of the variation in earnings and hourly wages that cannot be explained by these very simple regressions. In addition, the small number of cases in these subgroups should be acknowledged.

Summary and Discussion of Findings

This analysis of recidivism and employment records of individuals who were trainees at PI during 1996, compared to a group of persons sent to other work release programs, suggests that PHS programs are having a beneficial impact. Fewer former PI trainees were re-incarcerated after release from DOC custody and up to October 1998, and while virtually the same number of trainee and comparison group members were convicted of new crimes, the ex-trainees committed slightly fewer crimes per individual convicted of new offenses. Considering reincarceration and

convictions data together, the ex-trainees who do re-offend are apparently committing less serious crimes, ones less likely to result in re-incarceration. On the employment side, the trainees overall are not earning quite as much as the comparison group, but the most comparable subgroup of PI trainees housed in a PHS-run work release facility, do perform consistently better in the labor force than the ex-felons referred to other work release programs. In addition, those trainees who stay on as permanent employees at PI after completing training are working many more hours at somewhat higher wages than any cohorts who moved on to other employers from either the trainee or comparison groups. PI has been very successful at training people for its own permanent workforce needs, and in so doing, seems to be fulfilling a major long term purpose of the organization, to provide good jobs for ex-felons, former substance abusers, and others at the margins of society. However, few of the trainees who left PI employment found jobs with other manufacturers, and those ex-trainees are not doing as well as the comparison group members in the general labor market.

These interpretations of the data are subject to some major caveats. The most significant caution is that demographic characteristics are correlated with referral source within PHS, and this confounding of personal characteristics and presumed “treatment effects” makes it impossible to conclude definitively that the value-adding experience of living and working within the Pioneer system is making a real difference in the lives of the organization’s clients. We do not have the benefit of data from a true experimental design, with nearly identical cases randomly assigned to different treatments, and “multicollinearity” makes it impossible to separate personal characteristics and treatment effects. In addition, the absence of direct measures of treatment effects, such as a definitive graduation or completion date for training, or information about the programs and services these Pioneer clients received during their time at Pioneer, resulted in the use of crude proxies for these treatments. Pioneer is itself collecting data on its clients in a more comprehensive way now, and in the future it may be possible to sort out some of the issues with data on more clients and with more detailed data, particularly on the range of experiences and programs each client participates while living and/or working at Pioneer. Analyses coming out of their TOMS system down the road may clear up some of the unresolved issues raised in this quantitative analysis. In addition, this study only looks at clients after a relatively short period of

time. It may be that PI training leads to better client outcomes farther down the road than this study shows. The TOMS system may be able to discover if this is the case.

FOCUS GROUPS

The third source of data on PHS was collected through a series of five focus group discussions with 32 current or former trainees in the Pioneer Industries' Basic Training program. Of the participants, only three had any previous work experience in manufacturing. Some had long, steady work histories in different fields, while others had little work history at all. Many had spent a significant amount of their lives in prison. Among the crimes mentioned by participants were embezzlement, drug offenses, manslaughter, and sex offenses. Most of the women in the discussion groups had originally entered PI training through the WCCW pre-release program. The men entered from a variety of venues, although most were in work release or under some type of DOC supervision when they applied at PI.

Four of the focus group discussions were held in classrooms at Plant 1, the main PI manufacturing and training facility. Three of those were held during the participants' working hours. The fourth was held after hours, as most of the participants were no longer working at Pioneer. The fifth focus group discussion was held at Helen B. Ratcliff work release house after working hours. The focus groups were designed so that people at roughly the same stage in training were clustered together as follows:

- Group 1: Current trainees currently living in work release
- Group 2: Current trainees in work release who went through the WCCW pre-release program
- Group 3: Current trainees who did not enter PHS through work release
- Group 4: Trainee graduates who are now PHS regular employees
- Group 5: Current or former trainees who no longer work at PHS or will soon leave to work elsewhere.

The basic battery of discussion questions was the same for each focus group. (See appendix for the entire list.) When unique, relevant issues were raised by each group, those were explored further as well. Several key themes emerged from the focus group discussions, and these are reported below.

Most people first learn about PI from friends and fellow prisoners.

Pioneer is well known on the streets, and many people learn about it there or in jail or prison. While some people learn about PI from their work release caseworkers or parole officers, most learn about it long before. It is best known on the streets as a company that will hire people despite a criminal record.

Most trainees apply for PI training to fulfil legal requirements or because they cannot find work elsewhere.

Under Washington state law, all prisoners are required to work, if possible. For women at WCCW, the PI pre-release program is considered the best opportunity because it pays the highest of any prison job and prisoners spend most of the day away from the prison. Nearly all of the women participating in the focus groups said the pay and time away from prison were what motivated them to apply for PI, not a specific desire to learn a trade.

Most of the other participants originally applied to Pioneer because they had been unable to find work elsewhere. Many participants believe that they have the skills to obtain other, better paying jobs. However, they were unsuccessful landing those jobs because employers were unwilling to hire people with criminal records, especially those with more serious offenses. Some participants said that their caseworker or parole officer discouraged them from working at PI because the pay was so low. Others were encouraged to apply by caseworkers or parole officers.

People continue working at PI because it provides an internal support network and because of good benefits.

Focus group participants were almost unanimous in their strongly positive statements about the support they have on the job from fellow employees and supervisors. Most of the people they work with at PI, including supervisors, had the same experiences with prison and substance

abuse. The comfort level this provides allows trainees to seek out assistance with personal problems when they need it. While some trainees go to Employee Assistance to find help, others turn to their co-workers and supervisors. As former trainee explained, PI trainees and employees can joke among themselves about experiences in prison, where they would have to hide that information from fellow workers at another company.

For many, fear of leaving that comfort zone keeps them working at PI despite low pay and limited chances for advancement. Several participants explained that continuing to work at PI after training gave them stability in their work lives while they went through major changes and upheavals in their personal lives. Some said that they continued working at PI out of a desire to give something back to the organization that helped and invested in them.

Wages and opportunities for advancement should be increased.

Starting wages for PI trainees are \$6 per hour. The top of the wage scale reaches \$10-12 per hour. Those trainees who continue working at PI after finishing training argue that wages should be increased, the wage scale should be increased, and more opportunities for advancement should be created. They argue that PI would benefit through improved morale and better retention of some of the best-trained employees.

Training opportunities on the commercial side should be increased.

Trainees are very aware of the pressure to produce on the non-Boeing, “commercial” side at PI. Supervisors and trainers complain that they do not have enough time to train new trainees on the commercial side in order to achieve higher production goals. Class time has been cut for trainees on the commercial side. Those trainees are concerned that they will not learn enough skills to find a better job in the future. Most trainees agreed that training should be increased on the commercial side to match that available on the Boeing side.

Work release does not contribute to trainees' experiences at PI.

Trainees believe that their PI experiences as a whole were positive, although there is some difference of opinion and some complaints. However, they were uniformly negative about their experiences in work release. Several trainees saw management problems in the work release

facilities. Others said the source of the problem was the complexity of DOC rules and regulations. Still others argued that the work release staff is unprofessional and untrained, and this was the cause of most problems in work release. Most participants said they never fully understood the rules in the houses, and that staff often "play favorites." Several participants stated that they would have preferred to stay in prison rather than go to work release, although others disagreed with that strongly.

Financial barriers to leaving PI

Several participants talked about financial problems that make the transition out of work release very difficult. To leave work release, an inmate must have a permanent address. For many ex-felons, there is no permanent family connection to provide that address, making it necessary to rent an apartment prior to release from DOC custody. However, to rent an apartment, a person must have the first and last month's rent and a security deposit, a sum many work release participants find difficult to assemble. Besides ordinary living expenses while on work release, including food, clothing and transportation, many work release participants have child support or victim restitution obligations that use up most of their paychecks while in custody. As a consequence, PHS' low income housing is the preferred location for many PI trainees as they leave work release. The rents are lower than what other landlords charge, and an applicant's prior criminal record is not a barrier. Other landlords charge application fees up front, and then will often turn down anyone whose application reveals a criminal record. However, there are not enough low income units available in PHS housing to meet the needs of all PHS work release clients or PI trainees, and this requirement for an address remains a barrier to successful completion of work release for many participants.

PHS should provide outplacement services to trainees.

Among former trainees who were continuing to work at PI, there was a general sense of fear that they would not be able to find a good job elsewhere. They talked about their "comfort zones," and of working at PI for the seven years until they would no longer have to mark on a job application that they had a felony record. Former trainees who left PI, however, said that leaving had not been as difficult as they had expected. Both groups agreed that PI should make direct outplacement services available to trainees.

PHS outplacement services, both trainees and former trainees agree, would have several positive effects. It would help trainees find better jobs after training, and increase the likelihood that trainees will avoid falling back into old behaviors after leaving PI. It would increase morale as trainees would watch their friends and co-workers succeed. It would open up new training slots as former trainees leave for new jobs. Most participants said that while they learned much about job hunting and career planning in their classes and Employee Assistance, more direct outplacement services are needed. In particular, participants in each focus group pointed out that Boeing seldom hires PI training graduates, and that PHS should take action to change that. In addition, some people also said that allowing people to continue working only 90 days after graduating from training before they would be forced to leave (if they did not find a job at PI) was too short, and should be extended.

ANALYSIS

After more than a year of interviews with PHS managers, focus group discussions with trainees, and data collection and analysis on trainee outcomes, it is possible to offer some analysis of its work. This chapter begins by placing Pioneer on Dees' social enterprise spectrum, then discusses the pitfalls of managing "double bottom line" conflicts within the organization. Next is a discussion of self reliance in the organizational culture and how it impacts trainees, followed by a section on why trainees choose to stay or leave PHS. We then discuss the impact of "bundled" services, providing training, counseling, and housing to clients. Discussion of how PHS has adapted to change over the years follows. The question of non-random selection of trainees, or "creaming" is next. The section concludes with a discussion of wealth creation and market correction at PHS. This chapter is followed by the final chapter of the report, offering recommendations to PHS, other nonprofits and for-profit businesses.

PHS on the social enterprise spectrum

By placing PHS on Dees' social enterprise spectrum it is possible to see which parts of the organization function more philanthropically and which are more commercial. In each of its key stakeholder relationships, PHS is a hybrid of both. PHS's relationship with its primarily beneficiaries is more philanthropic than commercial, with most services free or subsidized to clients, depending on their ability to pay. PHS's capital sources, on the other hand, are far more commercial, but they include some donations and tax relief. The work force is highly professionalized and paid salaries that are above the average of most nonprofits, but lower in some cases than comparable for-profit businesses. These factors place PHS closer to the commercial side in its workforce relationships. Wages for clients tend to be below market as well, pulling them slightly in the other direction on that same measure. PHS's relationship with its suppliers, both businesses and government agencies, are the most commercial of its stakeholder relationships. However, its relationship at PI with Boeing is more on the philanthropic side than its relationship with its "commercial" customers. Finally, Pioneer's governance is closer to the philanthropic end of the spectrum, with stewardship and self-selection two of its key characteristics.

Generally, then, PHS is mission-driven with its clients but market driven when it comes to customers and suppliers. Its mission, moreover, is to enable clients to function as workers in commercial enterprises, moving them personally onto that end of the spectrum as well. Pioneer leaders must manage the conflicts inherent in this mix of mission- and market-driven activities on a daily basis. They refer to this mix as their double bottom line.

Double bottom line

Much of what PHS does as a business reflects its mission to help clients, and would be considered bad business practice in the for-profit world. The emphasis on job creation, for instance, is in sharp contrast to for-profit firms that strive to minimize all costs beyond what is necessary to meet production goals. PHS consistently looks for ways to *increase* the number of training positions in each enterprise, within fiscal reason. As a business, PHS must ensure that its customers are satisfied, work is completed professionally, and that its business enterprises earn financial revenues. Revenues from PHS's business enterprises are then reinvested in the organization to fulfill its nonprofit role. As a nonprofit, PHS has a responsibility, outlined in its mission, to provide social services for its clients, and train them for work.

In recent years, businesses trying to reduce costs have relied on cutting back on labor costs. Many employers find it cheaper to recruit already trained, qualified and productive personnel than to invest in new entry level employees with minimal skill levels. If PHS wanted to run the most efficient and profitable business possible, then it would not train employees or create new jobs to expand its personnel rolls with trainees. It is the other bottom line, adding value to people, that requires investing in employment training and social services.

The double bottom line creates what some in the organization refer to as a "dynamic tension" between programs and enterprises. Managers at PI must frequently choose between sending trainees to classes or keeping them on the production floor to finish a product run on deadline. Drug and alcohol-free housing managers have to choose between evicting a tenant who cannot pay rent, and advocating for more services for that person. Without the production run or the rent check, PHS loses money, and PHS programs depend on those funds. OJT trainers at PI experience this double bottom line as they go about their daily responsibilities. They feel under

pressure by managers to cut down on the amount of time for training and spend more of it producing the products they make.

Which bottom line is primary? This is a question PHS staff and managers often ask themselves. Some argue that both are equally important. More often, the answer depends on which division the person works in. The cutback in training for non-Boeing trainees at PI shows how the drive for commercial success can lead directly to cutbacks in training. While Boeing provides extra funds for training both through its pricing structures and donations to PHS, other customers at PI do not. These marketplace realities are in a sense part of the “real world training” provided by PI, but from the client’s point of view it sometimes seems that the training mission is being sacrificed for profits.

Decisions that appear to conflict strongly with one or the other of the bottom lines do not sit easily with everyone, and the "dynamic tension" can have a negative side. The ability to manage that tension may become increasingly important as PHS grows in the future and hires more staff from the business world to manage in all the organization’s divisions.

Self-reliance and networking issues

PHS does not pursue government grants, and does not rely heavily on outside donations as a matter of principle. This emphasis on self-reliance from a funding viewpoint pervades all aspects of the organization, as can be seen by examining sourcing decisions for supplies and client career paths within PHS.

One of PHS’s basic business practices is vertical growth, or creating divisions within a company to provide products and services internally that would otherwise be purchased externally. While many for-profit businesses and government agencies prefer to cut costs by out-sourcing or contracting out for products and services needed within an organization, PHS tends to do everything in-house, thus creating more positions and increasing the overall size of the organization. The contract between Pioneer Food Service and Starbucks, for example, arose as a result of PHS's need to provide food services for its own group residential facilities. The facility PHS purchased for this purpose also brought with it the possibility of providing food services for

employees of Starbucks, but the original motivation was just to acquire a kitchen facility capable of supplying the residential facilities. The recent creation of a construction subsidiary is another good example PHS turning a need for services into an additional business and training opportunity. Pioneer Consulting Services, another newly created business unit, provides another example. Many non-profits are interested in how Pioneer operates its businesses; this external interest created a new business opportunity for Pioneer management.

Self-reliance is also an important factor in a client's success in training and employment. From the beginning, potential clients have a better chance of being accepted into training programs and succeeding if they are willing to take responsibility for their personal problems. The "wraparound" system of services, part of what makes the organization unique, represents PHS's attempt to internally provide for all of a client's needs, from housing to counseling to employment. In addition, many PHS social services, such as AA meetings and counseling, are based on a philosophy of self-reliance and ownership of one's own problems. PHS also tends to respond on a case-by-case basis to individual client needs.

Trainees looking to move up in the organization do so by defining their own job paths. This internal system of job paths, leading from such starting points such as work release or drug and alcohol rehabilitation, to training slots and perhaps a permanent job at Pioneer, is another key part of PHS's approach. The positive result of this is that each trainee gets an individualized set of services, depending on what he or she needs.

Because foundation or other charitable grants are a very limited funding source for PHS, the organization is free of the reporting requirements and need to pursue substantive directions of interest to funders. The tradeoff to the independence PHS has realized is a lack of visibility in the non-profit community. By providing all of its own services, PHS loses opportunities to collaborate or form networks with community organizations. The organization also chooses not to provide large-scale community education about their clients, something that many other nonprofit services providers consider important work.

By keeping the job path focus internal and building the individual skills and self-reliance of its clients, PHS loses the chance to strengthen networks with other companies in order to help trainees or other employees move on to better-paying jobs. As a consequence of management discussion of the focus group results reported above, PHS has decided to add staff positions to assist PI employees in resolving problems including finding external jobs if they decide to leave Pioneer after completing training. It is also possible that Pioneer could help its trainees tap into job networks through its welfare to work efforts with Seattle-area CBOs and with the City and County, but this would require a stronger focus on outplacement.

Why trainees choose to leave or stay

Many, if not most, trainees originally apply for the PI training program to meet legal work requirements. Pioneer has a reputation on the streets, among prisoners and among those who work at all levels in the criminal justice system as a company that will hire people with felony convictions on their records, which many clients find a significant barrier to work elsewhere. Many of them are living in work release, facing a two-week deadline to find work, and go to PHS to fulfil that requirement. For the women who applied for the Purdy pre-release program, Pioneer is by far the best-paying option to meet their requirement to work in prison, and it also allowed them to physically leave the prison for several hours on work days. Once in work release, however, those women could seek out better paying employment elsewhere. Many choose to stay at Pioneer.

Trainees who enter PI training from work release or other places apply and continue working despite the low pay. For those trainees who continue at PHS after graduation from training, the pay scale tops out at about \$10-12 per hour. Focus group participants noted that this wage level is several dollars per hour lower than they could make at similar jobs in other companies. However, health care, educational assistance and other benefits are much perceived to be better at Pioneer than at many other companies. Several trainees who came out of prison with significant health problems have had extensive medical treatment paid for entirely by their job-based health insurance. For them, the health care coverage provided by PI is a major incentive to stay on even if the pay scale is somewhat lower than other employers offer.

Most trainees who stay despite the low pay say they do so for two main reasons. First, they enjoy and sometimes need the support of their fellow employees, most of whom have gone through the same experiences on the streets and in prison, and who understand them. They can joke with each other about prison, while in another company they might feel compelled to hide that part of their history. When they face problems, they have a support group of fellow Pioneer employees and supervisors they can turn to for help, and who will not turn them away because of the types of problems or their prison records. Trainees also fear rejection on the job market. They talk about the “comfort zone” they have working at Pioneer. Many trainees and former trainees say that they cannot get a job outside with a felony on their record, or because of the type of felony they committed. Some trainees express frustration that Boeing, who funds their own work and who buys the parts they make, does not hire former PI trainees, and believe it is because of their criminal records. Some trainees choose to stay at Pioneer for at least seven years after their conviction, after which they do not have to inform a potential employer of their felony. The second reason trainees stay at PI is to build a consistent, longer-term work record to show potential employers. Many trainees believe that employers will hire felons who show that they have made a genuine effort to turn their lives around and have worked in the same job for several years.

While some trainees say that they want to find jobs doing the same manufacturing work they trained for at PI, many more either want to go into another field or do not care what type of work they do. Those who want to stay are often people who either had done similar machine shop work before going to prison, or who are under court ban against working in their former profession and thus needed to learn a new set of skills. What do trainees learn from training, then? Almost uniformly, trainees say they learn self-confidence and a sense of success and discipline that enables them to take on new challenges.

Between the safety of Pioneer and the need to build a work history, PI is able to hire many of its own trainee graduates. However, the purpose of the training program is to help them to move out into living wage jobs in other companies. The trainees themselves want to do this, but they consider the lack of systematic assistance in finding those jobs a significant barrier to moving on. Many trainees who stay share a sense of pessimism about their chances on the job market.

Trainees who have successfully found jobs at other companies say that it was not as difficult as they expected. Those who have moved on, either before or after completing the training program, generally found their jobs either because individual managers at PHS created personal connections, or by luck. The options suggested by trainees to improve outplacement include bringing in potential employers to recruit PI trainees, PHS compiling a list of employers in the industry that would be willing to hire ex-felons, and improving training to better fits the needs of outside employers.

Bundling services

By owning and administering the work release facilities many of its trainees live in, PHS provides the full range of services those trainees need to see them through each day and the extent of their time in work release. This runs the gamut from housing to meals to work to 12-step programs to health benefits to supervision. Does this provision of “wraparound” services improve outcomes, in terms of recidivism or employment, for PI trainees? The evidence is unclear. Table 1 in Chapter 8 showed that recidivism among trainees who came from a PHS-run work release facility was only slightly lower than a comparison group that did not go through the Pioneer program. In addition, Table 4 showed that trainees referred from a Pioneer-run work release facility were not earning significantly more than those referred from other sources by the second quarter of 1998.

PI trainees say that their experiences at PI are far more valuable than their experiences in work release. In fact, every trainee or former trainee in the focus groups who lived in PHS work release at any time uniformly state that work release did not contribute to their ability to succeed on the job. Some trainees attribute the problems in work release to state DOC rules and regulations. Some say the source of the problem is poorly-trained, unprofessional staffing at the work release facilities. Trainees also point out that living with the same people they worked with all day creates tension between them, as they are not able to separate personal issues from work-related ones. Most trainees paint their work release experience in sharp contrast to their positive experiences in the PI training program.

Trainees view PHS-run apartments differently, though. As mentioned earlier, finding housing is one of the top problems PHS clients face. For many trainees, PHS apartments are places where a felony conviction or spotty rental history will not disqualify them from renting. For clients struggling with drug and alcohol abuse problems, clean and sober housing can provide a much-needed behavior incentive. In addition, for trainees in work release it is necessary to have an address in order to leave work release on the scheduled release date, and affordable housing is difficult to find in the Seattle market. Demand for PHS apartments is high, and there are not nearly enough for every trainee. Sometimes trainees will actually rent an apartment that comes available several months before their release date, in order to have it when they get out. Because PHS has its own housing, the EACs can put trainees on a list for that housing with a minimum of effort.

Adapting to change

PHS is an organization in flux. The last two years have brought about tremendous changes in staffing, organizational structure, program content, and client base. In Pioneer Enterprises alone, three out of four Vice Presidents have been hired within the last two years. PHS's organizational chart has undergone several changes, most notably the movement of training to the Human Resources program group, the addition of an Employment Services unit and the creation of a program group to monitor mission outcomes. A new unit was created, and a new division purchased. Finally, a new president and CEO joined Pioneer in 1999. PHS has reorganized to create the Northwest Youth and Family Services unit. PHS is also enlarging its client base by bringing more people with more diverse needs into the organization. The addition of welfare-to-work clients and outreach to other marginalized groups bring new challenges, but also more training positions and networking possibilities.

PHS managers believe that their flexibility and willingness to take calculated risks enables them to quickly take advantage of new business and program opportunities as they arise. They attribute organizational growth over the past ten years to those very qualities. However, there is a strong recognition that in order to continue providing the high level of services to clients that they do in the midst of such change and growth requires that staff have a shared vision and mission underlying their work. Recent centralization of basic services and functions is designed

in part to help maintain that shared focus on the mission. In other words, what may seem like a contradiction – simultaneous centralization and flexibility – are actually two component parts of successful growth for a social enterprise like Pioneer.

Wealth Creation or Market Correction

Does PHS, or any nonprofit conducting commercial activities, create new wealth through these activities? In a strict economic sense, the answer is unclear. In the classic wealth creation model in economics, land, labor and physically-produced capital are combined in an economic process to create goods and services that are either consumed or invested in a new wealth creation process. In its businesses, PHS certainly does something like that. Still, it may be more accurate to say that PHS has relocated the production process so that its clients can be the source of labor. If Pioneer Industries (PI) did not manufacture parts for Boeing or serve lunches to Starbucks employees, it is likely that for-profit businesses would be filling those needs. Since PI is not bringing new products to the marketplace, economic theory suggests that revenues earned by PI are actually transferred wealth, i.e., that PI is performing tasks for Boeing or Heart Interface that a for-profit entity could do just as well.

While their business relationship with Boeing and Heart Interface looks like ordinary business deals, in some sense PI may have displaced a for-profit company that could do the same things. By choosing to transact business with PI, a strict theoretical interpretation suggests that Boeing and Starbucks are performing acts of philanthropy or wealth transfer. However, if Pioneer Industries provides these products and services at competitive prices and quality standards, then one could equally well argue that the only act of “philanthropy” involved may lie in PHS’s adroit utilization of its nonprofit status to provide competitively priced products and services while legally avoiding some of the tax obligations of a for profit competitor. The difference in tax obligations as noted earlier helps to finance services or program expansions at PHS. The donor or philanthropist in this view is a very distant, hands off one, the federal or state governments and their construction of laws and regulations for nonprofit business enterprises. However one views these matters, the decisions of Boeing, Starbucks, and other businesses to do business with PI does create wealth for the PHS client and the PHS organization.

PHS is also doing something else that can have a long-term positive impact on both of its bottom lines. That is, PHS is correcting for incomplete information in the market. The information failure is the belief of many employers that ex-offenders and people in drug and alcohol recovery programs are not productive labor sources. PHS exists because the people they serve face tremendous obstacles to finding work as a result of that incorrect information. By providing training and social services, PHS helps its clients prove that they already are, or can become, productive laborers, thus correcting a market dysfunction.

RECOMMENDATIONS

This study concludes with three sets of recommendations. The first is to Pioneer, the second to other nonprofits interested in trying out commercial enterprises, and the third is to the private business sector.

To PHS

Improve services and staffing in Pioneer-run work release housing. Create programs to better reinforce what trainees are learning on the job.

Analysis of both quantitative and qualitative data show that the effect of “bundling” services for Pioneer clients cannot be proven to be positive or negative. Trainees who lived in PHS-run work release housing did show better outcomes in terms of employment and recidivism than the comparison group, but the differences were relatively small. Among trainees and ex-trainees who participated in focus groups, those who spent time in a Pioneer work release facility report primarily negative experiences there. The challenge for PHS is to find ways to improve programming and management in those facilities to better reinforce what trainees learn at PI. Currently, the work release facilities rely on monitoring the behavior of residents, and forcing behavior to fall within rigid rule sets. This approach is not considered best practice in the field of criminal justice; a best practice model would try to reinforce behavior between multiple domains including work and residence.

A better model for the work release facilities would include a closer look at staffing at the work release facility, and at how DOC regulations are implemented. The work environment stresses self reliance and critical thinking whereas the work release environment stresses conformance with a large number of rules, some of which impede effective performance in the work environment. These culture differentials should be minimized if that is feasible within the context of DOC regulations. Wherever possible, PHS should attempt to replicate and extend the informal, supportive learning environment for trainees at created at PI. Tighter communication and articulation of services between these two environments is needed.

Create a systematic trainee outplacement program.

PHS is in the process of doing this right now, so this recommendation is simply to encourage Pioneer to make serious investments in this program. Assistance with resume writing, learning to read the want ads and 16 hours of job search time is helpful, but it is not enough. A strong outplacement program is likely to impact not only short- and long-term trainee outcomes, but also raise morale among trainees and increase their confidence in the training they are receiving. Elements of such a program could include creating opportunities for trainees to work in other companies while having access to full PI trainee benefits for a transitional period of time, an idea being discussed by Pioneer's HR managers. It could include placing trainee graduates in three-month probationary positions at other companies, with PHS still providing EAP assistance as needed. Staffing and labor recruiters from other companies could be invited to recruit from the ranks at Pioneer. If graduation were made a prerequisite for outplacement services, this could serve as an incentive to stay in training. No matter what form(s) this outplacement program takes, as former trainees are placed in better jobs the perception that PHS clients "can't" get a job is likely to decrease among trainees. That may lead to more trainees going out to find jobs on their own. An outplacement program can also help trainees avoid an employment gap, which could be a time for them to lapse into old behaviors, or could make it harder for them to find the next job. In the end, this would improve outcomes for trainees.

Ensure that low-skill contract jobs do not become a low-wage dead end for some employees.

PHS has created opportunities for a wider range of people to have access to their services, and they should be commended for that effort. These positions have been created in such a way that low-skill people can enter jobs they are able to do, gain skills, then move up into the PI training program. The potential career ladder is a crucial part of the new opportunities. Pioneer needs to make sure that people who enter the low-skill, lower-wage jobs in Mezza Café and Contract Services get the training they need to move up into better paying jobs. This may require more investments per person than at PI, and may require more intervention by staff, rather than encouraging self-reliance at every stage. These people are likely to need more support and assistance than PHS's traditional client base.

To nonprofits

Plan carefully, even for the unexpected, and be willing to take calculated risks.

There is no question that the for-profit market is a powerful tool nonprofits can use to gain many benefits. An organization can widen and increase its funding base, helping it to become more independent of other funders and their agendas. Both of those things can allow a nonprofit to expand existing programs and develop new ones at a pace determined by managers. However, as the literature suggests and this study of PHS shows, a foray into the commercial sector will be successful only if the nonprofit plans very carefully for changes in management and culture, while being willing to take risks and respond rapidly to changing conditions.

For example, when Pioneer bought GSP&M they planned carefully for the introduction of trainees. They developed an intensive training program prior to the arrival of the first trainees, and they held a series of meeting between trainees at PI and employees at GSP&M in order to allay any employee fears about whom they would be working with. However, they were not prepared for the departure of salespeople that resulted from cultural changes at GSP&M. The lesson here is that while careful preparation for organizational and cultural changes are vitally important, there will be unexpected problems and the nonprofit's management will need to be ready to respond to them.

Consider whether opening a new business or buying an existing one is a better option.

Nonprofits looking to the market may want to consider whether opening a new business or buying (or otherwise taking over) an existing one would make more sense financially and in relation to the mission. There are risks inherent in both. The vast majority of new start-up businesses fail within the first year, even if they only have a single bottom line of earning revenues. Buying or taking over an existing business requires deciding what to do with the business' current employees, and it means taking on the company's customers, suppliers and reputation. Cultural change in two organizations, the business and the nonprofit, will have to be managed.

Expect conflict between business-oriented staff and social service-oriented staff.

It will likely be necessary to hire managers from the business world to help run the new commercial enterprise, and those people generally cost more than traditional nonprofit salaries and benefits. This is likely to lead to conflict between low-paid nonprofit staff and higher-paid business staff, and that conflict will need to be managed along with other cultural changes.

Consider the potential impact on the nonprofit's reputation.

A nonprofit going into commercial work should first consider the impact on the organization's reputation. Many people in the nonprofit field have an instinctive skepticism if not outright distrust of businesses and the market sector generally. Going into a commercial venture could lead to strained relationships with other nonprofits or perhaps funders in the community. At the same time, many businesses have an instinctive distrust of nonprofit enterprises, expecting that their products will be of low quality, overpriced, and will not be delivered on time. A new nonprofit business will have to work hard, perhaps harder than an ordinary business, to prove itself to customers and suppliers.

Take advantage of nonprofit laws, but protect the organization legally.

As Pioneer also shows, there are a variety of mechanisms for managing the finances of a nonprofit commercial enterprise that can allow the organization to take advantage of its nonprofit status. However, this must be done very carefully to avoid jeopardizing its nonprofit status with the IRS and state agencies.

Stay focused on the mission.

Whenever a nonprofit undertakes any major change, keeping an eye on the mission is important. When that change is a move into commercial enterprises a constant focus on mission is even more vital. As Dees' spectrum (Figure 1) indicates and this study shows, commercial enterprises will pull the organization away from the mission, because earning revenues is directly tied to cutting costs, and the mission costs money. A nonprofit should first consider whether adding commercial work will undermine the organization's ability to meet its mission. Keeping focused on the mission will help the entire organization as it works through the challenges of adding a commercial enterprise, and can provide the lead when responding to unexpected crises.

To businesses

Invest in workforce training.

Perhaps one of the most powerful lessons from this study of PHS is that it is possible for a for-profit business to train employees and earn profits at the same time, as Pioneer Industries and Pioneer Food Service are doing. Substantial investments in training and benefits do not necessarily preclude earning profits. A business can trade off those costs with slightly lower wages and still keep strong employee loyalty, which will lead to lower turnover costs.

Consider hiring ex-offenders and former substance abusers.

This study demonstrates that hiring ex-offenders and people in chemical dependency rehabilitation is a viable workforce option. While those employees may require additional training and human resources assistance, they will not automatically lead to lower productivity. This lesson is important for the US today, where the percentage of people in prisons is growing annually. The numbers of ex-offenders will rise as they are released, and right now there are not enough training and other programs to ensure that ex-offenders will be able to re-enter the workforce.

American businesses can play a role in reducing recidivism and lowering crime rates by simply giving ex-offenders and the chemically dependent a chance to work. As Pioneer demonstrates, businesses can do this without significantly reducing their profits.

This study describes Pioneer Human Services at a particular point in time, 1998-99. At this time, the organization is going through significant changes, and is unlikely to look the same ten years from now. Still, by stepping back and looking at PHS, it is possible to see a variety of lessons for academics, practitioners and for the organization itself. Theoreticians and nonprofit managers interested in social entrepreneurship, workforce training and criminal justice can all learn from Pioneer's history, current practices, and plans for the future. PHS can learn from the outside perspective offered here by several practitioner-oriented researchers. It is hoped that this document will spur more research into the fields covered here, as well as into the increasing overlap between the private, nonprofit and government sectors.