

The Fidelity Bonding Program of Michigan
October 23, 2008
Slide Notes

Slide 1: Welcome. This presentation is designed for you to understand the Fidelity Bonding Program of Michigan and to apply its methods to help the customers that you serve become bonded.

The Fidelity Bonding Program (FBP) is also designed to assist in securing jobs for high-risk job seekers.

It is one of many employment programs and services that is offered to employers to attract and retain a qualified workforce. The program is offered to high-risk job seekers to help them obtain jobs that lead to a career.

The state provides a web site for your reference: www.michigan.gov/fidelitybonding

Slide 2: In Michigan, the Department of Labor and Economic Growth (DLEG) is the administrative agency for the FBP.

The State Fidelity Bonding Coordinator, Michael Prus, administers the program. Michael is part of the Labor Exchange Services Division of the the Bureau of Workforce Transformation (BWT).

Slide 3: The passage of the Manpower Development and Training Act (MDTA) in 1962 legally allowed discussions and approval for research projects about Fidelity bonding for Ex-felons by the Federal government.

Section 105 of the MDTA was enacted into law in April 1965 as the Trainee Placement Assistance Demonstration Projects and sparked the creation of the Bonding Initiatives for Ex-felons.

The test trial of the Experimental and Demonstration Projects of Federal bonding was implemented by the establishment of pilot sites in four cities in 1966. The four cities chosen were Chicago, Los Angeles, New York, and Washington, D.C. Later in the year, Kansas City was added in October and San Francisco was included in November.

Slide 4: Under President Lyndon Johnson, the President's Committee On Manpower (PCOM) selected 19 more cities as pilot sites in March 1967. Detroit was chosen as one of the selected 19 cities.

Finally, the official Federal nationwide announcement on January 25, 1971 mandated all State Employment Service Offices to include Fidelity Bonding as part of their services. This was to be known as The Federal Bonding Program (FBP).

Slide 5: The FBP was under Federal administration nationwide until it was expanded into the Job Training Partnership Act (JTPA) State-local network. This action in the late 1980s shifted the administration of the program to the states, but still kept Federal authority of the program intact.

The Federal government decided to reduce budget costs in 1997 by informing the states that they will be responsible for the purchase of FBP bonds in the new Program Year (PY) 1998. The Federal government agrees to provide 10 FBP bonds to each state as a support base only in PY 1998.

Michigan makes its first bond purchase on March 27, 1998.

Slide 6: Fidelity Bonds are insurance policies of the Travelers Property & Casualty Insurance Company and the McLaughlin Company in Washington, D.C. is the nationwide management agent for Travelers.

Slide 7: You are not seeing a misprint. Believe it or not, the FBP offers a Fidelity Bond FREE to employers and job seekers for the first six months of coverage.

The employer may want to continue the bond coverage once the Fidelity Bond expires. If so, the State of Michigan steps out of the bonding process and the employer is put in direct contact with the McLaughlin Company. The employer then is able to purchase additional bond coverage.

Slide 8: Fidelity Bonding provides business insurance coverage for employers against any forms of theft and alleviates employers' concerns about high-risk workers.

Any high-risk worker or job seeker that has been denied by a commercial bonding company may be eligible for a Fidelity Bond.

Slide 9: Eligible target groups are . . .

- Returning Citizens.
- Dishonorably discharged from military service.
- Public assistance recipients.
- Recovering substance abusers, i.e., people with a history of alcohol or drug abuse. The recovering substance abusers cannot be bonded until they have completed their rehabilitation/recovery programs and are officially discharged. Those who attend support groups like AA or NA after their discharge from the rehabilitation/recovery programs are bondable.
- People with poor credit histories.
- Youth lacking work histories – this includes youth who have reached the legal age of 18 that are in apprenticeships. Youth under the legal age of 18 are not permitted to participate in the FBP because they are Minors. There are different laws that applies to minors.

Slide 10: Other eligible people includes anyone presently employed...

- where bonding is required for continued employment.
- who was refused Commercial bonding for any other reason.

Slide 11: Previously stated, the FBP was under Federal administration until the late 1980s, then the administration of the program was shifted to the states.

The Federal Government allows the states to administer the FBP according to their targeted high-risk job seekers.

In Michigan, the State decided to serve all high-risk job seekers as was seen in the previous two slides.

Other states like Ohio, decided to only serve one high-risk group of job seekers: Ex-felons. And some other states dropped-out of the bonding program.

Currently, there are five states that decided not to participate in the bonding program. They are Kentucky, Nevada, Oregon, Rhode Island, and Virginia.

Slide 12: Eligible business are:

“For profit”, private or public, and employers who hire individuals from certain “high-risk groups”.

Slide 13: Some of the benefits of bonding insurance for employers are:

- It’s FREE! That’s right! The bonds are free of charge for the first six months,
- It’s a job placement incentive,
- It’s easy to implement, and
- It helps protect employers from loss due to any form of theft. An employer will receive the full amount of the bonding insurance as stated in the Offer of Employment letter and the Fidelity Bond Certification Form if after investigation, it is proven the high-risk worker was the person responsible for the theft. No deductible is subtracted from the stated bonding amount.

These factors are the ingredients for the program’s success!

Slide 14: Employer requirements:

Bonding must be a condition of hire for the particular high-risk job seeker.

It must be a full-time and steady job for 30 hours or more a week for the life of the Fidelity Bond guaranteed by the employer.

It could be a temporary job which meets the six months of continuous employment at 30 hours or more per week requirement. Temporary agencies may assign the worker to numerous employers performing various job assignments throughout the week as long as the total hours of employment equals 30 hours or more per week.

The employer must give the job seeker an Offer of Employment letter.

Federal taxes must be withheld from the worker's wages by the employer.

Slide 15: Although the program covers the losses for any type of theft endured by the employers who hires high-risk workers, it does not cover all employment risks.

It does not cover liability due to poor workmanship, job injuries or work accidents. These factors are a normal part of doing business whether the employees are high-risk or not.

It does not cover a bail or court bond for the legal system. It is not a "Free: Get-out-of-jail" card.

It does not cover a contract bond, performance bond or license bond needed to be self-employed.

While the program doesn't solve all problems for employers, it has increased the employment rate for high-risk job seekers who would not have been hired without bonding insurance.

Slide 16: Even though the FBP tries to cover all employers and people, there are some that are ineligible.

Ineligible employers and people include entrepreneurs—people who are starting their own businesses, independent contractors—people who work for employers that do not withhold taxes from their wages, and self-employed people.

Slide 17: Job seekers may initiate the bonding process by:

- Asking the employer for an Offer of Employment letter with the previously listed details.
- Providing a copy of the Offer of Employment letter to the MWA service provider.

Now, let's look at the benefits of Fidelity Bonding for job seekers.

Slide 18: The FBP not only provides benefits for employers, but also provides benefits for job seekers. And the best benefit of all—it's FREE!

And if that's not enough excitement, another benefit is that the FBP is an extremely simple process. Would you believe only ONE piece of paper, i.e., an Offer of Employment letter from an employer, is all that is needed by the job seeker to be bonded?

Whoever heard of a requirement that only ONE piece of paper is needed to be enrolled into a governmental program? It's that simple!

Other benefits include a regular paycheck, work experience, and self-improvement. These benefits may lead to the biggest one of all: A springboard to a better life; this may include promotions to higher positions, self-support, larger increases in wages, an excellent work record, an upgrade in self-esteem, and the elimination of returning back to prison!

Slide 19: The requirements for job seekers are that they:

- Must have been rejected for bonding by a commercial bonding insurance company (except Ex-offenders)
- Must be of legal working age, and
- Must have a firm Offer of Employment on an employer's letterhead.

Slide 20: This is a graphic representation of the process. The process begins with the employer who must first offer the high-risk job seeker employment and prepare the required Offer of Employment letter.

- The employer gives the Offer of Employment letter to the job seeker.
- The job seeker delivers the letter to the local MWA bonding coordinator where a Fidelity Bond Certification Form is completed.
- Then, the Offer of Employment letter and the Fidelity Bond Certification Form are sent to Michael Prus who is the State Fidelity Bonding Coordinator in the Department of Labor and Economic Growth.
- After both documents are approved, they are mailed to the McLaughlin Company in Washington, D.C.
- In the final step, the employer receives the bonding insurance policy from the McLaughlin Company.

Slide 21: Let's explore the requirements for the Offer of Employment letter that must be addressed by the employer:

- An Offer of Employment letter must be on the company's letterhead.
- The name, address, city, state, and zip code of the job seeker must be included. This information must be where the job seeker is residing at the present time.
- Job title, rate of pay, and conditions of work must be stated. The duties, responsibilities, and equipment that the job seeker will be accountable for the performance of the job must be explained as the conditions of work.

- “That employment is conditional upon the job seeker receiving a Fidelity Bond” must be stated verbatim in a sentence. Without this statement, the job seeker will not be bonded at the Michigan Works! Agency service center.
- The date of job offer. Another term for this is Date Affirmed. This date is not to be confused with the starting date. The date that a job offer is made by the employer may be the same as the starting date, however, the two dates are usually different from each other.

Slide 22: Other requirements for the Offer of Employment letter include:

- Amount of bonding coverage requested by the employer from \$5,000 to \$25,000. A standard bond is \$5,000 and needs no justification by the employer. Amounts of \$10,000; \$15,000; \$20,000; and \$25,000 require a justification. A justification is usually one sentence describing the reason why extra bonding is needed, for example: An employer orders more inventory during the Christmas season where the high-risk job seeker will be handling the extra merchandise. This is a valid justification. An employer who states that extra bonding is needed because the high-risk job seeker was convicted of larceny, i.e., theft of goods, does not have a valid justification.
- A statement that the employment will be full time, i.e., 30 hours or more per week for six months. The employer states the days and time of the job seeker’s work schedule.
- The start date for employment. Another term used is the Bond Effective Date. The starting date is the actual date that the job seeker begins to work for the employer. It may be the same date as the date of the job offer, however, the starting date can never occur before the date of the employment offer. Any employer who employs a high-risk job seeker before the stated starting date in the Offer of Employment letter IS NOT INSURED by the Fidelity Bond for those dates.
- And finally, the hiring authority’s signature and position title. The typed name and position of the hiring authority plus the original signature will complete the requirements. The signature must be original. Any other signature form will not be accepted and the bond will not be issued.

Slide 23: The Fidelity Bond Certification Form is the instrument used to bond job seekers.

It is an Intradepartmental form that is used only by the MWA bonding coordinators and the State Fidelity Bonding Coordinator.

The original form or copies are not to be given, circulated, or utilized by any other person than the MWA bonding coordinator and the State Fidelity Bonding Coordinator. Any attempt to circumvent this process will void a submitted form.

Slide 24: Terms and definitions are located on the reverse side of the Fidelity Bond Certification Form.

Slide 25: This chart shows the Dollar value for 1-5 units of bonds. An employer first calculates the maximum amount of property or money a job seeker would be responsible for. Let's say, for example, an employer wants to hire a high-risk worker, such as an ex-offender, to work in a warehouse loading trucks and the employer calculated the worker will be responsible for \$15,000 worth of property or money. Then the employer would request three bond units or \$15,000 insurance coverage and explain in the justification for the need of extra bonding in the Offer of Employment letter.

One bond unit equals a stamp that is affixed to the Fidelity Bond Certification Form before it is sent to the MacLaughlin Company in Washington, D.C.

Slide 26: Here's a blown-up picture of a Fidelity Bonding stamp. The original stamp is smaller and greener.

Slide 27:

The original Offer of Employment letter and the original Fidelity Bond Certification Form are mailed to Michael Prus, who is the State Fidelity Bonding Coordinator located in Detroit, Michigan.

The mailing information above is provided.

Slide 28: The Michigan Works! Agencies (MWAs) are the service providers that have available bonding coordinators ready to successfully serve job seekers and employers alike in the Fidelity Bonding process.

Slide 29: What else can be said? Fidelity Bonding—51% Placements v. No Fidelity Bonding—12% Placements. That's the FBP advantage!

Slide 30: The success of the Fidelity Bonding Program nationwide since 1966 is just a little over 98%

In Michigan, there has not been any defaults which means 100%
Michigan: 100 Feds: 98

The PY 2007 Report indicates the following:

- Over 726 employers and 11,438 job seekers were made aware of the FBP
- 29 Fidelity Bonding stamps were issued
- 332 inquiries about the FBP
- No defaults or claims have been filed.

Slide 31: There is a misconception that after a high-risk job seeker like an Ex-felon leaves prison even with the help of the Fidelity Bonding Program, that the best that Ex-felon can achieve in the job market place is either a fast-food restaurant dishwasher or a lifetime janitor. Yes, the custodial or maintenance field is one that is readily available to Ex-felons, however, there are others. Just look at the most frequently bonded occupations!

Slide 32: For assistance call or mail your inquiries to the State Fidelity Bonding Coordinator's address listed here.

Slide 33: Remember: It is the individual high-risk job seeker is being bonded and not the fellow co-workers or the position.

Slide 34: No notes.