



## Building a Business One Felon at a Time

By Sarah Pierce

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Most employers balk at the idea of hiring an ex-felon, but John Shegerian knows the value of giving people second chances. Over his nearly two-decade career as an entrepreneur, Shegerian, 47, has given hundreds of ex-felons a second chance at a career when no one else would. As the CEO and co-founder of [Electronic Recyclers International](#), Shegerian says his company not only leads the nation in recycling electronic waste, but also leads the nation in renewing lives.

Shegerian began employing ex-felons and other offenders in 1993 when he helped establish Homeboy Industries, a non-profit organization that began giving jobs to ex-gang members in the Los Angeles area shortly after the Rodney King riots.

“Homeboys was a phenomenal success. I realized back then that you can do business and make a great profit and at the same time leave a better community than what you found,” says Shegerian. “I decided after Homeboys that every business I did was going to have not only a profit bottom line, but also a social bottom line.”

Shegerian went on to start several other companies, each one dedicated in some aspect to providing some social benefit. His current company, ERI, employs more than 60 individuals who were either formerly incarcerated, came out of substance abuse programs, or were on welfare. Several of these employees, he says, have worked their way to the top of management and are “amazing human beings.”

For Shegerian, employing former felons has been a predominantly positive experience. Of course, not every business owner can say their experience with hiring ex-offenders is positive. But a network of organizations are working hard to support efforts like Shegerian's by addressing common misconceptions about what an ex-felon brings to the workplace, from PR challenges to the need for extra risk management.

One of the potential negatives to employing ex-felons is the perception your customers will have about your company. Proving the point, many businesses we attempted to interview for this story did not want to discuss their hiring practices for fear that their customers would take their business elsewhere if they knew they employed ex-felons. Jason Calacanis, CEO of human-powered search engine [Mahalo](#), knows the problems that can come with employees who have criminal histories. He faced a PR crisis when he informed the public his company had hired a man who was convicted of computer crimes (a major failed hacking attempt). Mahalo received backlash from customers who worried their personal data could be exposed to a convicted hacker.

But for businesses willing to hire ex-felons there is even special insurance to help protect the company in case an employee winds up committing a crime against the business. The Federal Bonding Program offers employers who hire “at-risk” employees free insurance against the loss of money or property. Employers can receive between \$5,000 and \$25,000 through this government program.

And the [Fortune Society](#), which helps formerly incarcerated people re-enter society, has good news for employers who worry about the lack of education and job skills ex-offenders bring to the table. COO Stanley Richards estimates that only 31 percent of the ex-offenders his organization places in jobs have graduated from high school. But while they lack education, he says, they have spent a significant amount of time building applicable skills -- as well as a strong work ethic.

“Many of these folks work a tremendous amount of hours while incarcerated and they’re really eager and willing to offer the skills they acquired at these jobs,” says Richards. “They come in so determined and motivated; they’re willing to work 10 hours a day and show the employer and the community that they’re able to change.”

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[Community Partners in Action](#) is a non-profit organization that provides support to ex-offenders. “Many ex-offenders have little work history, are unskilled and have no diploma or GED,” says Beth Hines, who is CPA's director. Her organization helps minimize these challenges by providing education, mentoring, and job training to ex-offenders while they’re employed. They also subsidize employers for hiring ex-felons by paying part of the employee’s wages.

In addition, employers concerned about the time and money it takes to train these employees can also take advantage of the Workforce Investment Act, a federal law that allows states to subsidize on-the-job training costs to employers willing to hire and train ex-offenders. And another government incentive businesses can take advantage of is the Work Opportunity Tax Credit. Each year employers can receive between \$2,400 and \$9,000 per eligible ex-felon they hire, depending on their age and how long they’re employed. In order to be eligible, the individual must be hired within one year of being released from prison.

The U.S. Department of Justice estimates 97 percent of people currently incarcerated will eventually be released. That means each year nearly 650,000 people are released from prisons and 7 million people are released from jails. That adds up to a significant pool of new jobseekers each year. Over half of all ex-felons reoffend within three years after their release from prison, according to the U.S. Department of Justice. But this high recidivism rate is largely attributed to the fact that these individuals cannot find a stable job with their criminal record -- so employers are part of a vicious circle that keeps people in the criminal justice system. Some experts suggest this means it's time for employers to rethink the way they interpret the findings from criminal background checks.

Alfred Blumstein, a professor and former dean at the Heinz College of Carnegie Mellon University, co-authored a study called *Redemption in the Presence of Widespread Criminal Background Checks* that explores when a person's criminal history should no longer be a factor when seeking employment. The study found that, over time, a person with a criminal record is no more of a threat than a person without a criminal record. Depending on the crime committed and the age at which it was committed, an ex-offender who has stayed out of trouble for four to eight years is at minimal risk for re-offending.

"Most CEOs and HR directors have a good heart and want to help people who need a second chance, but the four-letter "F" word gets in the way: fear," says John Shegerian. "My advice to them is to overcome it, because it's a great experience for their company and their community to hire people who need that chance. This is now the time for all businesses across the U.S. to open their hearts and open their doors."