

Walgreens

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Testimony of

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on

Work Incentives in Social Security Disability Programs

to

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Chairmen Johnson and Davis, Ranking Members Becerra and Doggett: Thank you for the opportunity to testify today on behalf of our experience employing people with disabilities – including the remarkable women and men who enrich the Walgreens workforce and contribute to our service to families and communities.

My name is Deb Russell, and I am a Corporate Manager at Walgreens. In this role, I am responsible for our efforts to include people with disabilities in our workforce in Supply Chain which serves our 7,600 stores in all 50 states, the District of Columbia, and Puerto Rico. This includes 17 distribution centers, which employ nearly 10,000 full-time employees.

Walgreens is committed to offering and enhancing employment opportunities for people with disabilities. This commitment goes further than simply complying with our legal obligations under the Americans with Disabilities Act, and I appreciate the chance to describe our experience at Walgreens.

The Walgreens experience

Our experience began in 2003, when we were planning for a new-generation distribution center in Anderson, South Carolina. Our objectives were straightforward: First, to build a center that was more productive than any we had ever built, with a new foundation of systems, machines and processes.

Second, we wanted to have an inclusive environment where one-third of the workforce was made up of people with disabilities who might not otherwise have a job. But we also wanted a sustainable business model – an inclusive workplace where people with and without disabilities work side by side, earning the same pay, doing the same jobs and held to the same productivity and other workplace standards.

In the months preceding the opening of our Anderson distribution center in 2007, we worked with local agencies to train and attract people with disabilities for employment at the facility. Anderson was the first facility of its kind to employ a significant number of people with disabilities. Today, nearly 40 percent of the facility's workforce has a physical or cognitive disability, exceeding our goal.

Two years later we opened an identical distribution center in Windsor, Connecticut, with the same design and workforce inclusion elements in mind. Similar to Anderson, employees with disabilities have been trained to work side by side with other team members – with the same productivity goals, earning the same pay. And like Anderson, nearly 40 percent of the workforce is composed of people with disabilities.

Shortly after opening our Anderson distribution center, we quickly learned that employing people with disabilities did not require all the technology and automation associated with our

new design, and that it was applicable to all 17 of our distribution centers across the United States and Puerto Rico. In late 2007, we set a goal to fill 10 percent of the jobs at our distribution centers with people who have disabilities – or about 1,000 in all – by 2010. At the end of this summer, we employ over 970 employees with disclosed disabilities. We continue to move forward aggressively, and this past summer our front-line managers set a new goal to continue increasing the hiring of people with disabilities at our distribution centers by seeking to double our percentage over the coming years.

I say, without equivocation, that our expectations for hiring people with disabilities have been exceeded. We're now broadening our job opportunities for people with disabilities beyond our distribution centers. Last year we launched a pilot program to hire people with disabilities for a significant number of service clerk openings at stores in the area. What led to this new pilot was a partnership between the Texas state vocational rehabilitation agency, DARS (Department of Assistive and Rehabilitative Services), and our distribution center near Dallas that resulted in a successful spin-off training program for our stores in the area. Stores volunteer to work with local agencies in training candidates for store positions with the objective of creating a pool of qualified applicants with disabilities. This pilot has proven to be successful and we will be rolling this out across the country in 2012.

Our experience illustrates the benefits of working in partnership with organizations that serve people with disabilities. In fact, we have found that the variety of partnerships we have with state, county and non-profit agencies are crucial to our efforts to employ people with disabilities – they provide the tools and expertise to help those individuals succeed. Perhaps the success of our employees with disabilities will encourage service agencies and their supporters to focus on competitive employment opportunities and success.

We hope our efforts can open doors for people with disabilities in other businesses. So far, we have partnered with other companies such as Sears, Best Buy and Lowe's, which have since launched their own initiatives. We have thrown our doors open to other businesses that have interest in employing people with disabilities – we are happy to share what we've learned and our experiences. We have conducted tours and hosted "boot camps" where company managers can gain actual hands-on experience in an inclusive work environment. And this includes our competitors. The success of our employees with disabilities is too important not to share with other companies and interested parties.

What we have learned

To help other businesses benefit from our experience, and perhaps help efforts by policymakers to encourage employment of people with disabilities, let me walk through the most important lessons Walgreens has learned – and assumptions and biases we have shattered – as we pursued our commitment.

First, the biggest challenge was making the decision. We knew there would be obstacles and mistakes along the way. Will this work? Will we find qualified people? Can we train them to be productive and succeed in our work environment? What about the impact on other employees? Will it affect costs and productivity overall? Fear of the unknown and the risk of failure can be the toughest barriers in business, especially when people's lives and livelihoods are involved. Nobody wants to be blamed for good intentions with faulty outcomes. We knew that if we had to answer every "what if" before proceeding, we would never get started. So we decided to learn and adjust as we moved forward. In our experience, if businesses can garner the courage to cross the line and hire people with disabilities, then they will discover the same benefits we have.

Second, good partners are key. We found great partners in the community who could help us find and train potential employees. In Anderson, we worked with the Anderson County Special Needs and Disability Board who opened up and staffed a training center a year ahead of our opening to ensure that we had a pool of qualified candidates. In Connecticut, we worked with the state vocational rehabilitation agency, which coordinated across various providers to bring forth candidates and train them in our training center within the distribution center. In working across the United States, we learned that all potential partners are not the same in terms of resources, focus, the access to pool of candidates, energy and approach. The availability and our assessment of partners' abilities, resources and commitment weighed heavily in our site selection. In all of our Distribution Centers, we rely on the assistance and partnership of local agencies, sometimes the state Vocational Rehabilitation agency, sometimes a coalition of local service agencies with no affiliation with Voc Rehab, and several combinations of both.

Third, we didn't have to create a lot of special accommodations to employ people with disabilities. We have been just as successful in employing people with disabilities at distribution centers without the most advanced technology like Anderson. It turned out that most of the steps we took to make work easier and more productive for people with disabilities made work easier and more productive for all employees. We have found that most of the special accommodations for people with disabilities cost less than \$25 (excluding sign language interpreters) and is money spent wisely to result in a successful employee. For instance, one team member with obsessive-compulsive disorder was failing to make the productivity standard because he was fixated on how he was opening the box rather than on the number of boxes he was completing. We provided a simple card with the number of squares representing the number of boxes that he should complete each hour to help shift his focus, this resulted in his success.

Fourth, we found that the "build-it-and-they-will-come" approach is not good enough. In other words, having an inclusive work environment, an accommodating workplace, and a welcoming attitude may be insufficient to attract people with disabilities to your workforce. Businesses may not have access to these potential employees because they're unaware of the service agencies or partnership opportunities. Or local agencies may not know about the commitment, they may not make employment a priority, or they do not have the resources to help their clients join the

workforce and succeed there. Some people with disabilities who self-advocate may give up trying to find a job after facing repeated disappointment. We had to work harder than we expected to find applicants and work with partners to get them the necessary preparation and job training.

Fifth, we discovered we had our own invisible walls, including how we defined jobs, and how we interpreted laws and regulations. For example, would we risk violating workplace safety rules if we have a forklift driver who is hearing impaired? Would we risk violating equal opportunity protections if we advertise openly that we were seeking people with disabilities (without equal mention of other groups)? Sometimes the rules designed to protect people can seem like barriers to helping people. Sixth, we underestimated the abilities of people with disabilities. We were told, and part of us believed as most people do, that people with disabilities could not work overtime ... that certain people could not do certain jobs ... that “they” could not adapt to new jobs and situations ... and “they” could not perform time-sensitive, fast-paced, high-quality work.

We found these generalizations to be false. Our employees with disabilities showed that they can be successful in highly competitive environments and triumph over these biases every day. These are terrific employees and they meet and exceed the same performance requirements for all employees.

Seventh, for us and for those businesses we have partnered with, this is a movement of attraction not coercion. That is, we have had no problem in finding employees who want to be part of this effort. During our planning phase, as it became known throughout the company I received countless calls from employees in other areas offering their help. When we asked our Dallas/Ft. Worth store managers for volunteers to serve as advocates and training stores, we hoped for ten but got 38 volunteers on the spot.

Finally, it has changed us for the better. In our commitment to employing people with disabilities, great performance was something we hoped for. We have gotten it. We have been rewarded with a safe, dependable and productive workforce.

Along the way, we discovered another, more intangible but powerful benefit. That is the impact our commitment to employing people with disabilities has had on our work environment and on each one of us.

As you walk through these buildings, there is a sense of teamwork, common purpose and mutual respect unlike we had ever experienced. We set out to change the workplace but instead found that we were the ones who were changed.

We learned that working with people with disabilities requires that we view each person as an individual whose gifts may not be readily apparent. Treating each person as an individual is something we in business talk about, but fall short in actual practice. We have found that in making people with disabilities successful, it requires us to be so. As a result, we become better managers and leaders and we all benefit.

More importantly, no matter how different we seem, we are more alike than we are different. In going through the effort to unleash each person's gifts, we have discovered the completeness in all of us. There is no "them" and "us." For those directly involved, it is as if we have been awakened from our slumber of self. The satisfaction of our own success does not compare to the satisfaction of making those around us successful. This has made us better stewards of our work. And more importantly, better parents, better spouses, better citizens and better people.

Work incentives programs

Our relationship with Social Security and our employees who are beneficiaries of SSI and/or SSDI started in 2007. As we started to discover our success with employing people with disabilities, we wanted to look for ways to ensure we could sustain our efforts. The Ticket to Work seemed like a good fit. The program has offered us a way to access resources to sustain needed accommodations like sign language interpreters. In completing the application to be an EN (Employment Network), many components of the program created some complications. Trying to equate how services were defined and translate that to the services and supports we provide our employees was just one small step. We did not want a heavy administrative burden, we did not want to compete with any other EN who could assign an employee's ticket and therefore provide needed supports, and we did not want to have to manage mass inquiries from ticket holders. We wanted to avoid the real or appearance of conflict of interest between being an employer, requiring our employees to achieve high standards and receiving resources for each month the employee remains employed. The Ticket to Work's outcome payment method was a good match for our situation since we employ everyone in our Distribution Centers full time and at a starting pay rate average of over \$12 per hour. This pay level puts all employees above SGA and/or the SSI break-even point. We have had 27 tickets assigned during our time as an EN. The most we have had at one point in time was 16. To date we have collected a little more than \$300,000 through ticket payments. We now have 7 tickets that have reached maximum reimbursement.

Throughout our experience as an EN, each time regulations are proposed and/or changed; it makes it more difficult for us to maintain our status as an EN, since one of our criteria to continue participation in the program is minimal administrative burden. Each round of changes seems to focus on the services an EN will offer prior to employment; since this does not apply to us (we don't assign tickets for people who are not already our employees). However, these usually include more documentation and more administrative burden of information that we do not have accessible as an employer. Throughout our time as an EN, both Maximus and the staff

of Social Security Administration's Office of Employment Supports have worked with us to be sure they have the information needed but that we can deliver it in the easiest way. In addition to the Ticket program, we have interacted with WIPA as well. In Anderson, SC the WISC attended multiple new employee benefits sessions to ensure he fully understood the benefits we offer to employees, this allowed him to provide thorough information to our employees regarding the impact of earnings on his/her benefits. In other buildings, all human resources staff has been educated on where to find the contact information for their local WIPA service. This allows us to ensure accurate information is available to our employees who may have questions about earnings and their benefits.

We have had two requests for letters /information to support subsidy work incentives. Beyond that, we do not have direct knowledge of employees using work incentives.

Closing observations

For many of our employees with disabilities, Walgreens is their first full-time job. We've seen first-hand the improvements in their lives as they earn and receive recognition for a job well done and build relationships with other team members. We have relied on my relationships with employees within the Social Security Administration and the, now sunset, Ticket to Work and Work Incentives Advisory Panel to help us navigate the barriers that inadvertently make it more difficult to participate as an EN. We have no knowledge of any employee terminating their employment with us due to overpayments or the desire to maintain benefits as an alternative to work. As we continue to partner with the disability community, we continue to hear from agencies and parents that these are potential concerns, but not from our employees. I admit many of our employees need assistance with asset development and learning how to manage a life that no longer is deep in poverty but they are not electing to stay home and collect a small check and stay immersed in the "system". As we move our inclusion efforts into the stores, we do anticipate benefits being more of an issue since the nature of the retail industry is lower hourly pay combined with part time and sometimes irregular schedules. Many of our employees will probably straddle employment and some benefits, which is why we will not expand our role as an EN for our store employees. However, we will continue to offer information on local WIPA services to hopefully alleviate doubts and issues that come with remaining part of the benefits system while being successful in a job.

I do not minimize the extraordinary challenges facing people with disabilities in joining the workforce. They may not have access to transportation, they may have difficulty with the application process, they may not interview well, they may not learn in the way we teach or along the same timeline as we are accustomed, and so on.

But the toughest challenge of all is when people with disabilities are seen as "them" and not as "us." A job can change that. A job is more than a paycheck; it is a source of dignity. The workplace can be a productive and fulfilling place – a place where people with disabilities

transform their lives from the margins to the mainstream, and can be seen as the valuable and complete people they are.

Walgreens is fortunate to have made the commitment to invest in employing people with disabilities, people who make such an enormous contribution to our company, customers and community, and who succeed in pursuing their dreams and careers. And for those who have been directly involved, it has provided more meaning and satisfaction than we ever would have dreamed.

Thank you for the opportunity to tell our story.

As I will discuss, we've learned that broadening our workforce by employing people with disabilities is not only the right thing to do, but it also it makes good business sense and has benefits that reverberate across our company and culture.