

BIG IDEAS FOR JOB CREATION

*A Policy Brief Highlighting
Job Creating Initiatives*



 **BIG
IDEAS
FOR JOBS**

A project of the University of California, Berkeley
www.BigIdeasforJobs.org

Introduction

November 2011 — Amid the chatter over the nation's stagnant unemployment rate, one thing is clear: The need for job creation will remain in the headlines as long as 25 million Americans need full-time work.

What is less clear is how best to create those jobs.

Conventional wisdom tells us that the federal government must use fiscal and monetary policies, while counting on innovation, skills and trade over the long haul. But the traditional policies are not working as expected. Spending and investment have not materialized, and debate rages about how demand, investment and global conditions can create jobs in the short term.

Throughout, we hear the perennial partisan cries for more tax cuts or more infrastructure investment. We cannot waste any more time. For every job the private sector has added in the past two years of recovery, the public sector has cut half a job. What's more, job losses since the beginning of the recession reflect an ongoing restructuring that has disproportionately affected the most disadvantaged populations, with losses concentrated in construction, manufacturing, retail and administrative and waste services.

Given federal paralysis and partisan debate, states and cities need to step into the job creation arena if the unemployment crisis is to be addressed. But are there good ideas out there that could make a difference in communities across the country?

Recently, the Institute for Research on Labor and Employment at the University of California, Berkeley, supported by the Annie E. Casey Foundation, solicited big ideas about promising programs and policies for job creation.

We found a number of ideas worthy of consideration and potential investment, ranging from direct, FDR-style job creation to tax credits for employers who add jobs. Ideas range from sustainable local food systems to strategies for turning waste into jobs. We asked our big idea generators, a group of academics and practitioners versed in economics and economic development, to design jobs programs for cities and states (with or without federal support) that would lead to net new job creation in the short term — one to three years. We wanted low-cost, readily implementable programs that would create jobs accessible to low-skilled workers. We sought to avoid gimmicks (such as one-time budget transfers) as well as wasteful incentive programs that simply lured jobs from one place to another.

Big Ideas for Job Creation, a project of the Institute for Research on Labor and Employment at the University of California, Berkeley, tapped into the innovative thinking of leading experts across the nation to develop job creation proposals. Every idea had to meet the following criteria: designed for implementation by cities and/or states and will lead to net new job creation in the short-term; practical, sustainable, scalable and already tested; and all jobs created should be accessible for low-skilled workers and offer some career opportunity.

Based on this research, we estimate that for a wide range of costs from — \$1,000 to \$230,000 per job — we could spur the creation of a variety of jobs, from part-time self-employment through full-year, full-time high quality jobs (see table). Taken together, these Big Ideas can create millions of new jobs for our country.

— Karen Chapple, University of California, Berkeley, and
Robert P. Giloth, Annie E. Casey Foundation
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Round Two. Jobs Idea # 1

Social Enterprise

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Problem Statement:

Federal, state and local policymakers have experimented for decades with job-creation strategies and subsidies for individuals who face barriers when seeking employment due to disabilities, former incarceration records, homelessness and other challenges. These efforts have had limited success and, in the face of continuing cuts to social expenditures, may not be financially sustainable without an earned income stream despite the fact that the unemployment of these individuals results in significant costs to taxpayers and communities.

What's the Big Idea?

Employment social enterprises take a “double bottom line” approach of providing employment and training opportunities to individuals while relying on an earned income from the provision of goods and services. They operate at the intersection of economic and workforce development in many communities throughout the U.S. These enterprises focus on the employment of persons who are most disconnected from the workforce because of discrimination or inadequate preparation for employment and other structural barriers due to histories of incarceration, periods of homelessness, a variety of disabilities and other challenges resulting in societal, health, family and other costs that result from the negative consequences of unemployment.

Procurement and hiring policies of government agencies, private institutions and commercial businesses can assist employment social enterprises with large, regular purchases and the hiring of employees prepared by these enterprises, as well as start-up and expansion capital. Most enterprises provide supporting services for their employees that help them to build skills and assist them in finding permanent, non-subsidized jobs in the labor

market. A growing evidence-base demonstrates promising results for the people employed and the sustainability of the enterprises.

How Does This Create Jobs?

Taking a market-oriented approach focused on creating social value, employment social enterprises leverage private resources with public subsidies to create jobs that are suitable to individuals who have had a hard time getting or keeping a job. The sale of goods or services generates income that covers most normal business costs such as wages, benefits and equipment. Subsidies cover the costs of the support systems to assist employees.

Employment social enterprises provide not only an entry point to employment, but they also develop the individual's employable skills. Some, especially those focused on young people, also incorporate formal education. Many such enterprises build relationships and pathways to help their employees, once they have achieved on-the-job success, move on to private-sector employment in companies that need prepared, entry-level workers. This helps to create opportunities for long-term employment for these workers, and the potential for advancement.

What Are the Barriers?

Efforts to scale up the employment social enterprise model face two critical challenges:

- 1) There is insufficient evidence that social enterprise employees have successfully retained unsubsidized private-sector jobs for significant periods of time and that the approach generates public savings.
- 2) The model is too dependent on public procurement policies, rather than private-sector market opportunities.

Case Study: AbilityOne

AbilityOne is a federal program that promotes federal agency purchasing from social enterprises that employ people with severe disabilities. These enterprises sell about \$2 billion of goods and services to the federal government each year, ranging from document destruction to total facilities management, from food processing to landscaping. As a result, they create and provide jobs to more than 100,000 individuals with severe disabilities—many of them in permanent jobs. One-third of beneficiaries are people with mental illnesses, and the remaining two-thirds have physical, developmental, intellectual, substance use and other disabilities.

Two elements of federal policy catalyzed the growth of the AbilityOne network:

- 1) Procurement incentives that promote a sustainable market for the goods and services produced by enterprises within AbilityOne's network. The enterprises must meet specific goals for the employment of people with severe disabilities. As the businesses have become stronger over time they have been able to market their products and services to other private sector customers.
- 2) Business assistance and other supporting services that help the participating organizations maximize earned income. Subsidies for the necessary support services, such as assistance to individuals to help them get a job outside of social enterprise.

How Can This Policy Be Implemented?

Four specific policies are recommended that would make employment social enterprise initiatives more sustainable by generating earned revenue and growing the platform to allow for the ongoing experimentation necessary to hone the model further:

- 1) Create incentives and other policies that encourage routine public and private sector procurement from employment social enterprises, fueling the stability and growth of the sector and creating jobs.
- 2) Extend start-up grants and business assistance to social enterprises so that they can succeed in obtaining private-sector contracts while also fulfilling their workforce development mission. Investments in innovation that develops new business opportunities accepted by the marketplace could result in job creation that does not displace other businesses or employees but adds net new jobs.
- 3) Redirect subsidies toward expenditures on social costs, training and job placement. While earned income can cover traditional business costs, most social enterprises require some subsidy for costs associated with the social mission in the enterprise's "double bottom line."
- 4) Assess results of different enterprise programs, with metrics such as those required by the Workforce Investment Act, which tracks program outcomes for six months once individuals are in unsubsidized employment. This would allow funders to measure the efficacy of social enterprises, compare these outcomes to those of other programs and make improvements to existing programs.

Conclusion

Scaling the employment social enterprise model to the national level entails considerable challenges. Well-crafted public policies and private initiatives that build a sustainable, market-oriented delivery system can lead to more effective outcomes and more efficient uses of subsidies over the long term.

About Big Ideas for Job Creation

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