

Youth Industry

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Laura McLatchy, executive director of Youth Industry, wagged her hand as if she was mixing an invisible bottle of salad dressing. “Combining business and social service is really powerful but the two don’t come together naturally,” she said. “It’s like oil and water: to maintain that dynamic tension, you’ve got to keep shaking the jar.”

As chief jar shaker, McLatchy, 34, watches over the five Youth Industry businesses: Pedal Revolution, a bike repair shop; Recycled Merchandise, a service that collects castoff clothing and housewares for resale; Nu2U and Nu2U2, two thrift stores; and Einstein’s Café.

The remains of McLatchy’s lunch, a tall can of Pringles and a warm bottle of blue Gatorade,

share desk space with a pile of financial reports. Her office is a warren of small rooms carved out of a former living space in a Mission District warehouse. There’s a footed bathtub and a pile of cycle and skateboard magazines in the bathroom next door. Out front, a desktop is wedged against an oven. One wall of the office is a window overlooking Pedal Revolution, a vibrant and orderly universe of new and used bicycles and bike parts.

The Recycled Merchandise collection center, as well as Nu2U and its newer, larger sister thrift shop, Nu2U2, are just a few blocks away. Einstein’s Café, a faithful copy of a popular Berkeley hangout featuring big leafy salads and sandwiches made with thick slices of homemade

whole wheat bread, is across town in San Francisco's Sunset neighborhood.

With the exception of a handful of top managers, all of the employees are homeless or recently homeless youth between the ages of 16 and 22. Literally hiring people off the street, the enterprise places "interns" in one of the businesses for six-month, fulltime jobs.

Making the jobs fulltime serves two purposes: 1) it helps kids save enough money to get a roof over their heads and 2) having a regular schedule gives some shape to their days.

New workers receive clothing vouchers redeemable at the thrift stores. At Ground Zero, Youth Industry's home base, there's a

shower and a closet full of free razors, soap, antiperspirant and other toiletries. And, to make sure no one has an excuse for oversleeping, Youth Industry issues battery-operated alarm clocks.

A challenge of working with youth who have so little and who frequently feel worthless is figuring out what kind of help is supportive and what kind creates dependency.

"If too much stuff is handed out, it's easy to stay in that mentality," said Vida Merwin, director of AMP, a Youth Industry program that matches interns with professional artists in required weekly art and music workshops. "When you have to take stock of your basic needs, it teaches you a greater sense of responsibility."

One Youth Industry benefit designed to foster independence is the housing loan program. The loan, a match for whatever the intern has saved, is paid back through payroll deduction.

Interns, who learn retail, food service or bike

repair skills, are paid between \$5.75 and \$7.50 an hour. For many of them, said McLatchy, this is their first shot at legal work.

McLatchy said the two oldest businesses, Pedal Revolution and Recycled Merchandise, cover their business and social costs and turn a profit. Nu2U and Einstein's Café almost cover both sets of costs and are close to breaking even. Nu2U2, which opened in February of 1999, is expected to be profitable by 2000.

"I don't like to consider a business profitable until it has covered its social costs," said McLatchy. Social costs for the enterprise, which trains around 100 youth a year, are about \$3,000 per intern.

Depending on one's perspective, Youth Industry's businesses are successful because of or despite their reliance on a highly unstable workforce. Many social service agencies that employ "at-risk" youth or adults try to maintain staffing equilibrium by hiring from the general population. Even though Youth Industry's interns are coping with rough issues – homelessness, addiction, gangs, sexual abuse – that make it hard for them to hold jobs, McLatchy feels the benefits of filling all available slots with the youth the enterprise is meant to serve outweigh the costs.

"It's a greater risk but the empowerment for these youth of seeing a peer who has been homeless make enough money to move into a place where he can have his own bed is worth it," she said. "Sometimes living inside is not one of their goals. And nothing we could say could convince them of that. But seeing a peer take that step is a powerful motivator."

Youth Industry offers an affirmative answer to those who doubt that a social purpose enterprise can ever cover both sets of costs and be profitable. But McLatchy thinks the enterprise also presents an important model to those who wonder whether it is necessary to establish a business simply to do job training.

"I think a subsidized program – where it didn't matter what you did – would be one of the worst things for our youth," she said. "They've already been told so many times that they're worthless. But here they see a direct connection between the work they do and the success of the business. When someone doesn't show up, it creates waves that hit everyone throughout the business. This is real. I've heard so many youth say, 'This is the first time I've known I'm needed.'"

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The enterprise addresses the “dynamic tension” between mission and business by teaming each intern with a youth service worker and a business manager. Will Kendall, production manager in charge of back of the house operations at Nu2U2, and Merwin, who is also a part-time youth service worker, are two legs of one such team.

“Somebody’s got to focus on the youth and somebody’s got to focus on the business,” said Kendall. “It’s impossible to do both.”

On a sunny Friday afternoon in early spring, Kendall and six interns haul a couple of dozen 200-lb. bales of used clothes out of Nu2U2 and into the back of a huge moving van. It’s cumbersome, sweaty work but they seem to be having a good time as they stagger to the curb and dump the bales onto the lift at the back of the van. At one point, Kendall tickles a guy carrying a bale and makes him drop it. They all laugh.

Making the job so fun that interns want to keep coming to work is Kendall’s priority. He is sitting in the aerie that overlooks the sales floor. As he talks, his eyes keep darting back to the action on the floor, like a sports fan riveted to a game on television.

“I just like looking at the store,” he said. “I remember when there wasn’t anything here.”

Long aisles are filled with the ingredients – a pea-green Jackie Kennedy coat, jewel-

toned men’s dress shirts with embroidered plackets, a little girl’s Easter dress trimmed in daisies, sandals with black gingham-covered platforms – for some intrepid shopper’s future fashion masterpiece. A sweet-faced guy in neo-punk black and heavy eyeliner watches the register while a young woman with softly



matted white girl dreads works the floor. Tejano music, meant to appeal to the largely Latino neighborhood, plays on the store speakers.

Kendall, 27, started with Youth Industry in 1996 as assistant business manager of Nu2U. While training interns to sort and price merchandise or set up displays, he tries to instill them with confidence in their own marketing judgment. He measures his success as a trainer not just in sales but in how far his interns have gone after they’ve left.

Jessica is managing a San Francisco City Store at Pier 39. Nick, who is getting straight A's in college, returned to Nu2U2 as an assistant manager. Manuel is a silk screener at Ashbury Images. Gabriel is making \$14 an hour as a shipping clerk.

By letting interns be their tattooed, pierced, dyed, stud-ded, shorn selves, Kendall keeps them happy. By showing interns that their good attitudes translate into good customer service which, in turn, translates into better sales, he keeps the company happy.

"We don't let people come in here and just work," he said. The other evening after closing, he sat around for an hour talking about dating with Ducky and Steve, who are both in training to be assistant managers. Most mornings, he meets Ducky for breakfast. "We're going to be friends with them. We're going to talk with them. There's no way we can touch a lot of the stuff these guys are going through in six months, but we can start."

As much as Kendall is engaged in his interns' lives, he doesn't have the time or resources to help them deal with many non-work related issues. This is where Merwin comes in.

"We try to give everybody who comes through the door a job but that does take its toll on the business," she said. "Having someone in the fold of the business for 40 to 50 hours a week is a big commitment. And it's

not always doing someone a favor. If someone is fresh off drugs or still on drugs, working a fulltime job is going to be hard. If they lose the job, that's another failure."

Merwin, 28, meets with each of her interns once a week just to see how things are going on and off the job. Although many of them are resistant to counseling referrals, she can at least get them thinking about what services are available. She also serves as a buffer between the business manager and the intern.

A business manager might come to Merwin and ask her to find out why two interns are fighting. She can talk to the intern and get him to consider the consequences.

"You don't tell them what to do; you pose questions," she said. "You might say, 'You can't deal with your job right now but what happens if you lose your job?' or 'You can't get along with your coworker but if you don't, you might get fired. What will you do then?' We explore outcomes."

The business manager and the youth service worker have to work together to balance the enterprise's double bottom line.

Conflicts between what is best for the business and what is best for the intern usually arise over every day issues, like scheduling. Merwin said that sometimes a youth service worker has arranged for an intern to get counseling but the only time available conflicts with work. Or the youth service work-



ers might arrange a tenant law workshop for all the interns but only a few can be excused from work to attend.

“There are times when I feel frustrated with the way Youth Industry is set up because the business manager is forced to take the side of the bottom line over the youth,” she said. “This isn’t a function of any individual; it’s the dynamic of running a business.”

Although she had several friends who worked with Youth Industry, when Merwin first started at the nonprofit in 1995, she had a lot to learn about homeless young people.

“My impression was that living on the street was an adventure for them,” she said. “But I started to see people who had played out that drama and were ready to leave but there was no way out. No housing. No detox. No home to go back to.

“For a number of them, living on the street is a sign of self respect. Many were choosing to leave situations that were much more destructive than being on the street. Getting out of their homes was a survival instinct.”

At Youth Industry, Merwin has seen many young people move beyond that most basic instinct to the point where they can feel some ownership in the future. Like the store intern who decided her safety and self-respect were worth more than the big, fast money she used to make turning tricks. Or the guy who has given up his “no property, squatter identity” for a set of keys and a new set of options.

“He’s been vagabonding for years,” she said. “When he came here, he didn’t want to ‘blow’ money on rent. A couple months ago, he came looking for a housing loan. Now he’s paying \$400 a month for a room in a hotel. He’s like, ‘I can turn my light out. I can have friends over.’ He used to wear his house on his back – a big coat and layers of clothes and the same grungy pants every day. Now he has a fresh tee shirt on every day. He can dye his hair funky colors because he finally has a sink to do it in.”

Not everyone makes it. Merwin is still grieving for a young woman who worked her way up to assistant manager before her heroin habit crept up on her and drew her back to the street.

“We tried everything we could,” she said. “She was high as a kite on the job and threatening the other interns. We had to fire her. We got her into detox and she lasted twelve days...I saw her on the street the other day and she pretended she didn’t know me.”

Violence is the only thing that will get an intern banished forever. Merwin tries to keep the door open so that people can come back when they are ready. Walking from the Youth Industry office to nearby Café Nidal, the organization’s unofficial headquarters, she runs into another young woman who dropped out of the program. Merwin, who is expecting a baby in a month, compares bellies with the young woman who is also pregnant. There’s nothing caseworkerish about it.

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Jake Sinclair

Merwin, McLatchy and Kendall all believe the source of Youth Industry’s warm, accepting vibe can be traced directly back to the agency’s founder, Dr. Jake Sinclair.

“Jake was such a magnet,” Merwin said. “He drew people to the place in an incredible way. No matter who you are, he makes you feel important.”

It isn’t hard to imagine that somewhere in San Francisco’s Mission District, maybe in a coffeehouse or a back alley club, some kid with a guitar is working on a song called “The Ballad of Dr. Jake Sinclair.” Soap opera handsome with a name to match, his real life is the stuff of modern folk legend.

Verse one would be about a little boy and his two sisters who endured savage physical and sexual abuse at the hands of the adults in their home. He started running away from home at 14 but always ran back. Sinclair, 44, said that’s why he has enormous respect for

the street kids who would rather struggle on their own than return to dangerous and destructive households. Like many of the young people who come through Youth Industry, he did a lot of drugs. In the midst of an acid trip, he says he saw God.

“The thing we do is believe in people for the long term and eventually, they may believe in themselves long enough to take hold of that faith and run with it.”

“I became a dramatic and total Jesus freak,” he said. “I became happy and in the context of becoming happy I got it together and went to school.”

After graduating from UC-Berkeley and getting his medical degree from Northwestern University, Sinclair became a pediatrician. When he hit his mid-30’s, Sinclair and his sister decided to start a nonprofit that would nurture and shelter teenagers – the kind of place they’d needed when they were young.

“This was going to be our family,” he said. “For me, it was a mix of sincere motives and an attempt to heal myself.”

These days, Sinclair is semi-retired and working on a novel in the attic of the Mission District Victorian that he shares with his wife, Lee, a former member of a popular local rock band, and two large dogs. Ruddy, square-jawed and built like a speed skater, Sinclair appears hardy and goofy in black leggings and green quilted booties that look like oversized tea cozies.

In the stories Sinclair tells, the joke is usually on him and he is quick to laugh. He is also ready with praise for others. He proudly pointed out that the attic was built by “a sweet, exceptional kid” – a former Youth Industry intern who is now studying oceanography at UC-Santa Cruz. Of Laura McLatchy, he said almost exactly the same thing she said about him: “She’s my hero.”

Sinclair knows it can take a long time for a damaged kid to heal. He wants Youth Industry to be a crucible for that healing.

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the long term and eventually, they may believe in themselves long enough to take hold of that faith and run with it.”

An open Bible, its pages annotated in graceful inked cursive, sits by the sink. A month’s worth of Wall Street Journals, each folded and still wrapped in plastic, sprawls to one side of the door. “I guess you could say I’m not really into that right now,” he said.

Although he is frank about the many business mistakes he’s made – failing to check professional staff’s references, hiring kids strung out on drugs to do exacting screen printing work – Sinclair still doesn’t believe

entrepreneurs are grown in classrooms.

“People who get into this have been doing it their whole lives,” he said. “I don’t think you can train for it. I’m always at odds with the MBAs. Training makes sense in corporations but I think getting trained is the worst thing you can do in small business. Success in a small business is a combination of intuition, drive and roll-up-your-sleeves-and-dive-in willingness to work. If you try to analyze it or exercise principles, you’re going to use up too many resources recognizing you were wrong.”

Sinclair seems to favor the Ginger Rogers approach – moving backwards and in high heels to get from point A to point B. In order to finance the nonprofit, he decided to start a small business. About seven years ago he founded Physicians Choice Medical Group, an agency that contracts with hospitals to provide pediatricians and staff clinics after regular office hours.

“Being a doctor is easier than running a small business,” he said with a grim smile. “Now starting a nonprofit – that’s one of the meanest things you could do to yourself.”

As providence would have it, the business was a success. “It’s fortunate that I’m a doctor and can make money,” he said. By his own estimate, it cost him several hundred thousand dollars and countless volunteer hours to launch and sustain what is now Youth Industry.

The first year, the nonprofit was an ill-defined quasi-shelter art therapy program in a converted Mission District warehouse.

Sinclair and his sister spent several months living in the building, which now houses Pedal Revolution.

“We were such bleeding hearts set on helping these poor kids,” he said. “We had 30 or 40 kids in there, some of them as addicted to drama as anything else. It was like, do prostitution and speed all night and come crash here during the day. It was a mess.”

Hiring staff who seemed cool but didn’t understand good business practices caused him more headaches.

“My faith and my nature would say, ‘Believe in people and they’ll always come through’. To try to run a business around that is really tough.”

After several months of chaos, he figured out the critical missing element in services for homeless youth: jobs.

Greg Ellison, a childhood friend whose family has run successful for-profit thrift stores for generations, gave him invaluable advice on how to set up, design and run Nu2U and Recycled Merchandise. Sinclair said that the latter and Pedal Revolution, the two oldest and most successful enterprises, share a simple principal: “Go into a business with free stuff.”

The stores sell clothing collected door-to-door by interns in Recycled Merchandise. Donors, including the San Francisco Police Department, give Pedal Revolution bicycles.

Even with great advice and a successful formula, for the first couple years, most of the money to run the nonprofit was coming out of Sinclair’s pocket. In addition, trying to run the nonprofit and the medical business was wearing him out.



“I begged God to shut us down,” he said. Then his sister met Roberts Enterprise Development Fund executive director Jed Emerson one day when she was out walking her dog. Over the course of two years, that chance encounter led to Youth Industry’s partnership with REDF.

“We were running out of gas by the time they were ready to give us money,” he said.

The money didn’t come easy. Emerson, who was studying for his own MBA at the time, forced Sinclair to get serious about the financial aspects of the enterprise.

“We’re intuitive people and he likes business plans,” Sinclair said. “We were so disorganized. He forced us to organize our thinking. Business has its own jargon and we had to learn it. You’ve got to have the business plan and the financials have to be right. I have an idea and I just want to do it. Jed forced us to create a presentation that other people would accept.”

Emerson and Sinclair clashed over the creation of Einstein’s Café, which opened in 1998. Sinclair wanted to set up a business where kids could learn marketable food ser-

vice skills. Knowing that restaurants are perhaps the trickiest of all small businesses, Emerson resisted.

“Jed was like, ‘You’re a moron,’” Sinclair said with a smile. The smile grew broader. “I just wore him down.”

Although Einstein’s lost \$18,000 the first month, it seems to be turning the corner. The funky little café has caught on with students at nearby UC-San Francisco. Sinclair worked 53 days straight when it first opened, arriving at 5 a.m. to bake and mop and sweep.

“Out of all the businesses I’ve done, I’m most proud of that restaurant,” he said. “Here’s my favorite story of the week. There’s this girl, Tunisha, who came in the other day in her uniform. She’s studying to be a nurse’s aide. When she started at Einstein’s she was pregnant and she was so slow. Now she’s changed – she’s engaged and confident. She’s so proud and I’m so glad this place exists.

“I know it’s not just us. I know it’s a combination of things in her life. But that moment when I saw her in her uniform – every minute of aggravation was worth it.”