

InFOCUS

Social Enterprise Strengths and Challenges

REDF provides funding, business expertise, and access to networks to help mission-based organizations launch and grow social enterprises that provide quality goods and services while intentionally hiring people who are willing and able to work, but have a difficult time getting a job.

The Mission of REDF Social Enterprises

- Increase employment, earnings, and financial independence
- Improve quality of life
- Develop work-relevant skills
- Increase on-the-job experience
- Decrease taxpayer burden

Social enterprises (SEs) are businesses that intentionally hire individuals who face barriers to employment, while the enterprises remain financially viable. They seek to improve the earnings of the people they employ and help them use fewer government benefits and services, thereby easing taxpayer burden. By developing workers' skills and providing them with resume-building experience, SEs prepare workers to move into permanent long-term employment. Furthermore, by providing employees with meaningful jobs and other supports, they attempt to improve their quality of life.

SOCIAL ENTERPRISES SERVED THE HARD TO EMPLOY.

The people hired by REDF's SEs faced a multitude of employment challenges (Figure 1). Many had little labor market experience, and 26 percent had never held a job. Most had unstable housing (about 60 percent had temporary housing during the year before their hire) and long criminal records (on average, employees had been arrested seven times, not shown). Substance abuse and health were also a challenge, with about 10 percent having a work-limiting health condition. Just before securing their SE job, only 23 percent of average income came from work and nearly all were low income, defined as income below 200 percent of the federal poverty level (below \$22,200 in 2012 for a single individual).

These employment challenges reflect, in part, the parent organizations' efforts to select those facing more substantial employment challenges for SE employment. SE employees appeared, on average, to be less work-ready than other people who sought employment services: they were 13 percent more likely to have used temporary housing in the past year, 60 percent more likely to have a criminal conviction, and 8 percent more likely to have low income.

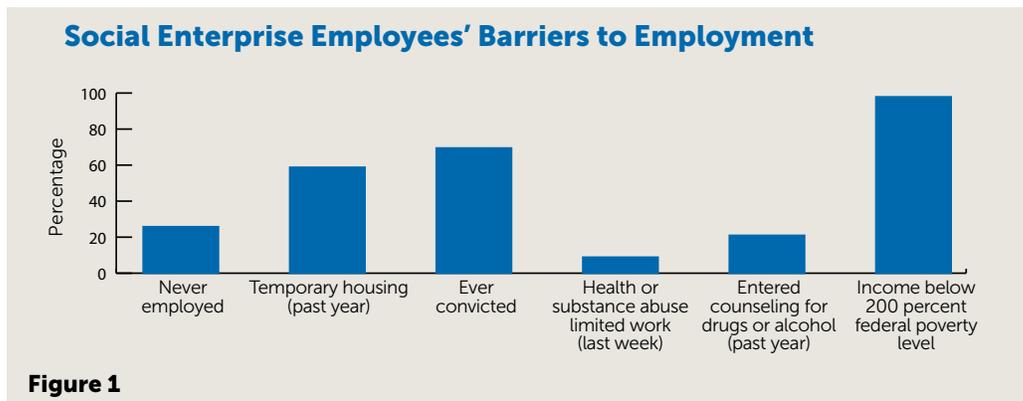


Figure 1

MOST EMPLOYEES VALUED THEIR SOCIAL ENTERPRISE JOBS, PERHAPS BECAUSE THEIR LIVES SEEMED TO IMPROVE AFTER BEING HIRED.

Percentage of Employees Engaging in Each Activity Before and After Social Enterprise Employment

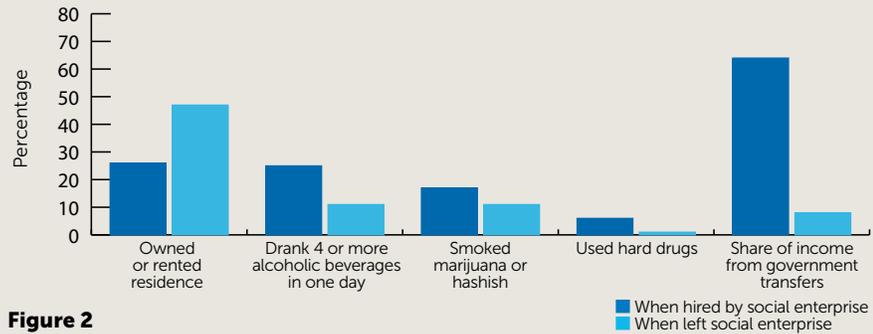


Figure 2

Staff and workers reported that the SE work experience was valuable, especially in bridging employees' soft skills gaps. Furthermore, nearly all employees reported satisfaction with the feedback and support they received at work. Workers' lives also seemed to stabilize during SE employment. For example:

- Owning or renting a home increased by about 75 percent, and substance abuse during employment appeared to fall (Figure 2).
- Before employment, about two-thirds of a \$696 monthly income came from government transfers. In the week before leaving the SE, about 8 percent of a \$1,237 monthly income came from government transfers (Figure 2).
- More than 50 percent of SE employees still worked at the SE or had left for outside employment or training about six months after hire (Figure 3).

Despite these successes, some program benefits were not sustained over time.

- About 14 percent worked only 32 or fewer hours in the SE, with 5 percent not even working a total of 8 hours (Figure 3).
- Six months after being hired, about one-third had left for negative or problematic reasons, including being terminated (23 percent) or dissatisfied with a job (9 percent) (Figure 3).

Employee Status Six Months After Hire

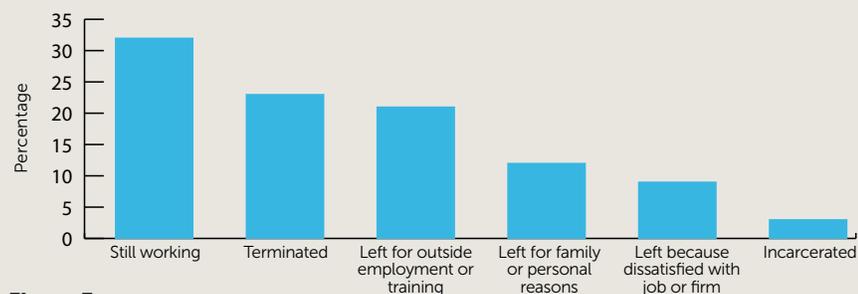


Figure 3

A TRANSITIONAL EMPLOYMENT MODEL PRESENTED CHALLENGES.

Staff in the parent organization and SE expressed concerns about strictly limiting the duration of work. Many staff were resistant to transitioning workers to outside employment after making investments in them, because the business side of the enterprise suffered. They also worried about how a transitional employment model would affect employees they felt were not ready for permanent employment. Some SEs were slow to adopt a transitional model or to transition employees to outside employment, perhaps as a result of these concerns.

LOOKING FORWARD.

REDF will use information from this research to assess how the SE model is unfolding in the organizations and to make midcourse alterations, if necessary, to strengthen operations. Caution is necessary, however, because these are interim results and do not necessarily establish (for example) that workers did or did not do better than they would have without SEs. Further exploration is warranted. The final report, to be completed in December 2014, will contain additional information on longer-term SE outcomes, impacts, and costs.

About the Study

In 2011, REDF placed SE employment at the heart of its five-year strategy to transform how people facing multiple employment barriers transition into the workforce. Through a competitive process, nonprofit-operated businesses were selected to start and expand SEs that offer revenue-generating goods and services and intentionally employ those most disconnected from the workforce.

REDF selected Mathematica Policy Research to design and implement an evaluation of the SE approach to learn more about what works and what needs to be improved. The evaluation, the Mathematica Jobs Study, began in 2011 and will end in 2014.

This research was conducted by Mathematica Policy Research on behalf of REDF. The full report is available at [www.redf.org/mjs].

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