

REDF

An investment that works.

NATIONAL POLICY RECOMMENDATIONS 2018

Social Enterprise: A Bipartisan Anti-Poverty Solution That Works



ABOUT REDF

REDF (the Roberts Enterprise Development Fund) is a pioneering venture philanthropy galvanizing a national movement of social enterprises—purpose-driven, revenue-generating businesses that help people striving to overcome formidable employment barriers get jobs, keep jobs, and build a better life.

Since 1997, REDF has provided seed and growth capital and specialized advisory services to 109 social enterprises in 21 states, which have employed nearly 24,000 people and helped spending for government programs go further while improving lives and communities.¹

THE CHALLENGE

Despite a national economic recovery and the lowest unemployment level in years, many individuals are still excluded from that prosperity, unable to provide a decent life for themselves and their families.

Many face serious challenges like histories of incarceration, homelessness, mental illness, substance abuse, and limited education, making it difficult for them to get a foothold in the workforce. The exclusion of so many individuals negatively impacts the national economy, contributes to multi-generational poverty, and depresses educational outcomes of children whose parents are not working. Taxpayer costs increase due to a rise in recidivism, incarceration, and homelessness. Economic disparities that impact people of color are exacerbated.

These individuals need jobs and specialized services to help them succeed. Social enterprises provide both; that's why REDF invests in them. In partnership with policymakers, we can help more people go to work and get on a path to self-sufficiency.

A BIPARTISAN SOLUTION TO INCREASE WORKFORCE PARTICIPATION

Social enterprises are businesses with a clear social mission, selling high-quality products and services to the market and reinvesting their profits in helping people. These businesses provide real, paying jobs and specialized services that help employees stabilize their lives, build skills, and develop a work history. Supportive services like financial literacy, housing, and counseling help people overcoming challenges find lasting, competitive jobs.

Research shows this approach works. It leads to greater economic security and mobility for participants and a significant rate of return to society—\$2.23 in benefits for every \$1.00 spent.²



¹ Data collected from REDF's national portfolio of social enterprises as of Q3 2017.

² Nan Maxwell, Dana Rotz, and Adam Dunn. "Economic self-sufficiency and life stability one year after starting a social enterprise job." Mathematica Policy Research, 2014.

BIPARTISAN POLICY RECOMMENDATIONS TO INCREASE EMPLOYMENT OF PEOPLE OVERCOMING BARRIERS TO WORK

Public policies should create incentives and invest resources to grow social enterprises. Young people and adults returning home from incarceration, exiting homelessness and foster care, and overcoming other barriers can benefit from evidence-based investments and significant leverage of private sector resources. Five policy recommendations follow:

1. Drive existing federal employment and training resources to social enterprises.

Two federal programs provide resources to social enterprises, and each could do much more: Supplemental Nutrition Assistance Program (SNAP) Employment & Training (E&T) and the Workforce Innovation Opportunity Act (WIOA). SNAP recipients are often eligible for E&T funding, and WIOA helps job seekers access employment, education, training, and support services. *Policymakers should be incentivized to invest more WIOA and SNAP E&T resources in social enterprises with demonstrated outcomes.*

2. Innovatively invest new public dollars into social enterprises.

Policymakers should invest discretionary funds in interventions that yield independently-verified results in terms of employment, income, and reduced recidivism for at-risk populations. Evidence shows that social enterprise employees were more likely to retain a job one year later versus individuals who only received traditional workforce services, and also had higher levels of income and greater housing stability.³ *Policymakers should authorize a significant, multi-year “pay for performance” investment in the growth and sustainability of social enterprises.*

3. Expand the market for social enterprise goods and services.

The public sector should use its purchasing power to drive social enterprise revenue and job growth. Procurement incentives can be utilized to enable social enterprises to expand revenue, allowing them to hire and train more individuals overcoming barriers to employment. *Policymakers should ensure their procurement policies include social enterprises in their business preference program, enabling them to secure contracts and potentially receive business technical assistance.*

4. Expand the Earned Income Tax Credit to social enterprise employees.

The Earned Income Tax Credit (EITC) is a refundable federal credit for low-earning workers. Increasing EITC to include childless adults, who make up a significant share of social enterprise employees, will increase their earning power and help provide for nonresident children. *Policymakers should 1) double the credit for childless workers and 2) increase outreach funding to help eligible workers learn about and use free tax prep assistance to ensure more low-wage workers receive EITC.*

5. Support fair chance employment for formerly incarcerated social enterprise employees.

Given that two-thirds of social enterprise employees have criminal records, reducing felonies to misdemeanors, sealing juvenile records, changing professional credential requirements that exclude people with criminal records, and implementing “ban the box” measures can all aid formerly incarcerated social enterprise employees to access a multitude of opportunities, including employment, education, and housing. *Policymakers should remove unnecessary barriers to employment, enabling qualified individuals with arrest or conviction records to find meaningful jobs, improve economic stability, and reduce risk of recidivism.*

³ Ibid.