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2023 National Policy Recommendations

Employment Social Enterprise: An Evidence-Based Solution

Employment Social Enterprises (ESEs) are businesses achieving transformative social impact – providing jobs, training, and support to people breaking through barriers to employment. ESEs operate in 48 states and the District of Columbia, and there are nearly 800 ESEs nationwide.

ESE employees are those who the traditional public workforce system often does not serve or serve effectively, including individuals who have experienced incarceration, homelessness, or mental health and/or substance use challenges. Because these experiences are often caused and compounded by structural racism, the majority of people ESEs serve are people of color. ESEs help their employees stabilize their lives, build marketable skills, and develop a work history. In addition to paid employment, ESEs provide a wide variety of crucial wrap-around supports such as financial coaching, housing, child care, transportation, counseling, or help with business attire or work uniforms.

ESEs create jobs, improve lives, and decrease taxpayer costs by reducing rates of incarceration, recidivism, and homelessness and increasing economic self-sufficiency. The ESE model leads to greater economic security and mobility for its employees and yields a social return on investment of $2.23 in benefits for every $1.00 invested.

ESEs have a proven track record and are uniquely positioned to address societal inequities deepened by the pandemic. These businesses stimulate the national economy, combat multi-generational poverty, and address economic and racial disparities. REDF recommends the following to enhance economic opportunity and create an economy that works for *all* Americans.

Recommendation #1 – Strengthen WIOA Training and Support Provisions for Sidelined Populations

ESEs connect diverse talent to economic opportunity, and local workforce development boards should be incentivized to invest in these businesses. **By simply defining ESEs statutorily in WIOA, Congress could encourage investments in hiring and training individuals overcoming barriers to employment.** We recommend the following changes to WIOA in its next reauthorization:

- **Define ESEs in WIOA:** An "employment social enterprise" is a nonprofit or for-profit organization that: (1) is organized as a social purpose corporation, a benefit corporation, or an organization incorporated within a larger organization; (2) demonstrates evidence of a mission to provide employment and social support with on-the-job and life skills training to a direct labor force who are individuals with a barrier to employment (as defined in section 3(24) of Workforce Innovation and Opportunity Act); (3) is evidence-based and utilizes data-driven policies in implementing procedures and measuring outcomes; and (4) is an entity that produces or assembles goods or provides services, or a combination of both.

- **Revise financial incentives related to performance standards and use of funds to align with population needs:** WIOA financial incentives related to performance indicators and measures are harder to meet with the populations served by ESEs creating disincentives for local workforce agencies to deploy funding to this population. For example, individuals overcoming homelessness and/or substance use, or returning from incarceration, may require different types of support and a longer timeframe to obtain living wage employment. Programs focused on opportunity youth and some adults need time to provide behavioral health and trauma-informed support before those being served are ready for job placement. They do not often follow a linear path to a career.

- **Streamline eligibility determinations:** Workforce Development Boards (WDBs) should be able to empower trusted partners like ESEs to provide training and wraparound supports on a provisional basis, pending eligibility determinations and compliance with performance standards. We recommend that the reauthorization bill explicitly allow local workforce boards to delegate these eligibility determinations to training providers with whom they have made a training contract, as opposed to requiring participants to first meet with the local one-stop operator in all circumstances. We also suggest that such providers remain eligible to receive reimbursement even if a participant's eligibility process is formally completed after the participant has begun training, so long as a substantial preliminary determination has been conducted while final paperwork is completed.

- **Strengthen incentives to invest in transitional jobs:** Workforce Development Boards (WDBs) are currently allowed to reserve up to 10% of their funding allocation for transitional jobs, but only a handful of these boards invest anywhere near that amount in a given program year. A study commissioned by the Department of Labor concludes that: "respondents appeared to need more clarity about what exactly the transitional jobs service entails and how they could best fit it into their menu of services." The underinvestment in transitional jobs may be due to employer hesitation around hiring individuals overcoming barriers to employment such as homelessness and substance use, making other permissible uses of funds more attractive. To strengthen the investment in transitional jobs for these populations, Congress should require WDBs to spend at least 10% on transitional jobs and increase the transitional job cap from 10% to 40%, similar to what the California Workforce Development Board did. Additionally, Congress should incentivize the inclusion of ESEs in WDBs, so that ESE leaders can provide the technical and personal expertise needed to address employer concerns around hiring for transitional jobs.

- **Include the creation of the Workforce Development Innovation Fund:** Over the past decade, social innovators have developed a growing array of evidence-based workforce development programs that enable workers to build their skills and achieve sustainable careers. The most effective programs, such as ESEs and sectoral training programs, work closely with employers and local stakeholders to meet the demands of local economies while providing targeted support to engage and upskill workers. Compelling evidence shows that these programs can support long-term economic mobility among workers, specifically those without a bachelor's degree, while strengthening America's economy. However, the present workforce development funding system does not target funding for the most effective programs. By creating the Workforce Development Innovation Fund (mirroring the bipartisan Education Innovation and Research program incorporated in the Every Student Succeeds Act), workforce development will incentivize innovation, ranging from early-stage organizations to experienced providers that are ready to scale nationwide. These programs can leverage substantial local and state funding for powerful programs: The now-expired Workforce Innovation Fund funded the creation of LA:RISE (Los Angeles Regional Initiative for Social Enterprise), which has achieved tremendous success in placing participants in competitive unsubsidized local employment and is now funded entirely independently through $15 million in local investment in Los Angeles.

Recommendation #2 – Strengthen SNAP Employment & Training in the 2023 Farm Bill Reauthorization

SNAP E&T has historically been under-utilized, but a renewed focus on the program amid greater urgency for job training for SNAP participants has created new momentum for states seeking to build robust E&T programs with a third-party reimbursement model. ESEs are especially aligned to the SNAP E&T third-party reimbursement model because they serve eligible clients, generate eligible non-federal funds, offer employment services, and have administrative capacity. The Food and Nutrition Service should define and identify ESEs as effective third-party E&T providers. Additionally, Congress can improve SNAP to better serve working individuals and returning citizens.

- Congress should increase the federal reimbursement rate from 50% to 100%. Supporting the Revitalize and Expand SNAP Education and Training for America's Future Act would increase federal reimbursement for certain state employment and training programs under SNAP. This would allow eligible SNAP E&T third-party partners to continue to expand services under their SNAP E&T programs, enabling them to increase the number of clients served, improve upon existing services, and continue to move traditionally harder to serve populations into long term employment.

- Congress recognized the value of transitional jobs and apprenticeships by allowing these types of paid work-based learning activities as E&T services. However, to participate in SNAP E&T an individual must receive benefits that month. If an individual engages in E&T with an ESE and earns minimum wage or more for 40 hours a week, they may lose access to benefits and thus E&T. Congress should exclude SNAP E&T income to ensure that individuals can take advantage of SNAP E&T programming while they earn a living wage and develop skills to support their self-sufficiency.

- Congress should allow returning citizens to be eligible for SNAP when living in transitional housing during reentry, which will also ensure success in a job. Although their home may provide meals, when they go to work at an ESE, they could miss all three meals that day, and must use their daily wage to pay for food.

- Congress should lift the ban on SNAP for those with prior drug convictions, as this policy is exacerbating racial disparities in employment training. Individuals who are valuable members of the workforce are blocked from a necessary tool.

- Congress should analyze other options to make the SNAP E&T program more useful to ESEs and the populations they serve. As with many government programs, local businesses and community-based organizations face high transaction costs as they attempt to access public funding. Technical assistance is essential in helping them bridge this gap. Increasing opportunities for technical assistance and intermediary support will enhance the efficiency and effectiveness of SNAP E&T and increase the number of partners nationally. The success of intermediary support of SNAP E&T can be seen in the launch of SNAP E&T National Partnership Grants which work to expand capacity to serve SNAP participants across the nation. This technical assistance program should be made permanent to increase the number of strong third-party partners, including ESEs.

Recommendation #3 – Adequately Fund Job Training and Wraparound Support Programs for Returning Citizens, Dislocated Workers, and Others Overcoming Barriers to Employment

As Congress turns to the FY24 appropriations cycle, we urge appropriators to fund the following programs at levels that will guarantee communities overcoming barriers to employment can receive the necessary support:

- **Reentry Opportunity Employment:** $250 million for the Reentry Opportunity Employment Program, including $60 million set aside for competitive grants to national and regional intermediaries for activities that prepare for employment young adults with criminal legal histories, young adults who have been justice system-involved, or young adults who have dropped out of school or other educational programs, with a priority for projects serving high-crime, high-poverty areas.
- **SNAP Employment and Training:** $750 million for Supplemental Nutrition Assistance Program (SNAP) Employment and Training to help SNAP participants gain the skills they need to enter and/or move up in the workforce.

- **Community Violence Prevention:** $500 million for a grant program that supports communities in developing comprehensive, evidence-based violence intervention and prevention programs, including efforts to address gang and gun violence, based on partnerships between community residents, law enforcement, local government agencies, and other community stakeholders.
- **Housing Choice Vouchers:** $32.1 billion for the Housing Choice Vouchers program to renew all existing housing vouchers and to expand assistance to an additional 200,000 households.

Recommendation #4 – Include ESE partnerships in infrastructure programs such as those in the Infrastructure Investment and Jobs Act (IIJA)

To stimulate the economy, fill the talent gap, reduce recidivism, and curb substance abuse disorder and homelessness, while ensuring that motivated Americans are included in our workforce, it is essential that the Biden Administration use the generational opportunity provided by the IIJA to eliminate barriers to employment and support increased access to jobs by partnering with ESEs on transportation infrastructure projects.

The recommendations below build on existing guidance, such as this U.S. Department of Labor posted advisory notice on how the public workforce system can engage in implementing infrastructure projects with strong workforce programs. Both the U.S. Department of Transportation and the Department of Labor worked together to produce FAQs on how state transportation agencies can support, expand, and diversify apprenticeship for infrastructure projects. By building on and adopting evidence-based approaches from successful state and local partnerships with ESEs, the Administration can direct infrastructure investments in a way that guarantees training, wraparound services, and pathways to the middle class for individuals overcoming barriers to good jobs. Additionally, by partnering with ESEs, employers can tap into an existing, ready talent pool with transferable skills.

ESEs can be federal or state government partners across a range of sectors, including transportation infrastructure, climate mitigation, and renewable energy, consistent with DOT's helpful 'Checklist for a Strong Workforce and Labor Plan.' The checklist notes that a strong plan consists of the three components below and provides more detail on each component.

1. Creating good-paying jobs with free and fair choice to join a union.
2. Expanding high-quality training and education programs to help train and place people in good-paying jobs, with a focus on women, people of color, and other populations facing systemic barriers to employment such as people with disabilities and people with convictions.
3. Implementing policies both during procurement and during project implementation that will promote the hiring and retention of underrepresented workers, including contract provisions that prohibit discrimination against justice involved individuals and that comply with equal employment opportunity requirements.

In furtherance of these goals, the Biden Administration should take the following steps:

- Encourage contracts where employees overcoming barriers to work can receive wraparound support as they build marketable skills, along with a career pathway within the transportation or adjacent industries.
- Use existing authority to fund the On-the-Job Training Supportive Services (OJT/SS) program and support additional funding in federal appropriations.
- Apply lessons learned from the ITWDP, or restore the program itself, specifically its reliance on partnerships with workforce support organizations, like ESEs.
- Incorporate partnerships with ESEs into the DOT's strategic framework for workforce development.
- As Congress makes additional appropriations for all or some of these programs, we hope those investments can serve to encourage these types of partnerships and expanded opportunities for communities overcoming barriers to employment.

About REDF

REDF (Roberts Enterprise Development Fund) invests in employment social enterprises (ESEs) — businesses that provide jobs, training, and support to people breaking through barriers to employment. REDF partners with these businesses and the entrepreneurs who lead them — providing capital, capacity, and community — to amplify their transformative impact. Since 1997, REDF has invested in more than 250 ESEs in 33 states and DC. Collectively these partnerships have helped 86,000 people enter the workforce and generate more than $1.6 billion in revenue that is reinvested in employee success—creating a ripple effect that strengthens families and communities and helps build an economy that works. For everyone.

For more information, visit www.redf.org.