

Employment Social Enterprise: An Effective Solution

With the COVID-19 public health crisis, the employment social enterprise community is facing economic disruptions, and the people they employ are among the most vulnerable. Employment social enterprises are small businesses with a social mission to provide jobs, income, and training to people with extremely low incomes. Employment social enterprises are economic engines that improve the economic mobility of people who are overcoming barriers to work, offering jobs that prevent and end homelessness and recidivism to incarceration. There are over 400 employment social enterprises in 43 states including Alaska and Hawaii.

These businesses provide 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 helping thousands of people overcoming challenges find lasting, competitive jobs.

Given the current disruption of commerce, employment social enterprises, like other businesses, many employment social enterprises will not be able to survive the impact of COVID-19. Such closures would eliminate community assets that will be a critically important part of recovery as the economy starts to rebound, rapidly reaching people in greatest need with productive employment and providing immediate income.

Disaster assistance is necessary now to sustain employment social enterprises that employ vulnerable populations -- individuals who face the biggest economic disruption.

Recommendations

Federal and local governments must provide resources to employment social enterprises, which are experiencing a drastic slowdown in their businesses as a result of the COVID-19 on the economy. Many of them have had to lay off workers and shutdown as they wait for the virus curve to flatten. Our recommendations follow:

1. Include Employment Social Enterprise in Small Business and Nonprofit Relief

Governments must establish a grant fund or zero interest loans to provide immediate relief funds to employment social enterprises that are experiencing a loss of revenue. In increasing access to credit, Community Development Financial Institutions (CDFIs) should provide employment social enterprise owners with low-interest, short-term loans, particularly for disadvantaged and rural communities.

Such grant and loan funds will be used to cover payroll, fixed debts, accounts payable and other bills that cannot be paid because of the economic disruptions caused by COVID-19. This can be part of umbrella funds created for small businesses and nonprofits as seen by Small Business Administration Economic Injury Disaster Loan and Paycheck Protection Program.

Employment social enterprise are at the forefront of placing individuals who face high barriers to work into employment opportunities, using evidence-based and rigorously proven approaches. Because employment social enterprises are a hybrid of both business and social service organizations, it can be challenging for government programs to underwrite. Thus, it is important to call out employment social enterprise eligibility explicitly in legislation. *With any programs Congress or State Legislatures contemplate to assist small businesses and nonprofits, we strongly recommend explicitly including employment social enterprises – noting that some are nonprofits, and some are for profits.*

2. Procure with Employment Social Enterprises in Relief Initiatives

Employment social enterprises employ and train thousands of people, providing many of them with jobs in a variety of service industries. Their business models, which are like staffing service companies, enable them to

mobilize, train and support talent rapidly. This capacity is being tapped to address current relief efforts: In Los Angeles, the City and County have engaged [Chrysalis](#) to help staff the added shelter and hotel capacity required to address COVID-19 among homeless people; [Civicorps](#) has a contract with the California Office of Emergency Services specifically to assist in food bank staffing; in Chicago, [Cara](#) is assisting with hospital cleaning; and in Denver, [Mile High WorkShop](#) is making masks. *Local and State governments should identify activities that require a surge of front line staff as part of the relief, and eventually the recovery effort, and prioritize procurement contracts with employment social enterprises to train and provide the needed workforce.*

3. Provide Fiscal Relief to Maintain Payroll

Many small and mid-size businesses and nonprofits are facing extreme pressure to cut hours or employment. We recommend that governments provide relief to small businesses, nonprofits, and employment social enterprises that are trying to keep workers on the payroll. *To provide the financial means to retain payroll, grant tax relief to firms based on the number of employees working at least 20 hours per week.*

4. Implement Work Sharing Program

As an alternative to layoffs, state governments must implement a work sharing program to help employment social enterprises cover employee hours and wages during an economic downturn. Through such a program, impacted enterprise employees would be eligible to receive a percentage of Unemployment Insurance benefits, and enterprises can retain employees until business conditions improve. Some states, like California, prohibit leased, intermittent, seasonal, or temporary service employees from participating in the work sharing program. *We recommend state governments that do not have a work sharing program to adopt one, and we recommend that work sharing programs have an exemption for approved employment social enterprises since their workforce is comprised of transitional employees.*

5. Defer Business Taxes & Licensing Fees

To provide immediate cash flow assistance to employment social enterprises, governments should defer business taxes and licensing fees with no interest payments, fees, or fines.

6. Guarantee Continuance of Government Contracts

Government should pay even if contractors are currently unable to deliver products or services so that employees will not lose income due to illness or if the employment social enterprise experiences economic disruptions due to COVID-19.

7. Increased Income to Support Households

Many low-income households, including employment social enterprise employees, are losing income and hours, and they will require support whether or not they meet eligibility requirements for safety net programs. Potential options for providing income support to households include:

- *Provide cash aid to current holders of Electronic Benefits Transfer system (e.g. participants in the SNAP program);*
- *Provide a bonus round of the Earned Income Tax Credit (proposed by [Representatives Khanna and Ryan](#));*
- *Reduce withholding to boost take home pay (proposed by [Claudia Sahm](#));*
- *Send checks to most (or all) households (proposed by [Jason Furman](#)) to ensure they can continue their spending on necessities and then help restart the economy when many constraints are removed.*

About REDF (contact: *Carla Javits, CEO, cjavits@redf.org; Manie Grewal, Head of Policy, mgrewal@redf.org*)

REDF (the Roberts Enterprise Development Fund) is a pioneering venture philanthropy galvanizing a national movement of employment social enterprises and investing in their growth and effectiveness. Since 1997, REDF has provided growth capital, specialized advisory services, and shared best practices with 215 employment social enterprises across 32 states. The enterprises have employed and provided training and support to close to 50,000 people who are overcoming significant barriers to work while earning \$992 million in revenue to cover wages, supports, and on-the-job training. Independent research verifies that this on-the-job experience more than doubles job retention and significantly increases wages and total incomes. Nationally, this is a vibrant, growing field, and nonprofit employment social enterprises are joined by for-profit companies increasingly establishing 'second chance' hiring and related initiatives.