

COVID-19 | EMPLOYMENT SOCIAL ENTERPRISE RECOMMENDATIONS

Employment Social Enterprise: A Compelling Solution

With the Coronavirus (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.

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, 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 or shutdown as they wait for the virus curve to flatten. To help these businesses get through this crisis, our recommendations follow:

1. Provide Economic Disruption Funding

Governments must establish a fund or zero interest loans to provide immediate relief funds to employment social enterprises that are experiencing a loss of revenue. Government could offer every business and every self-employed individuals, including gig workers, a zero interest bridge loan guaranteed for the duration of the crisis to be paid back over a 5-year period (proposed by [Andrew Sorkin](#)). 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 loans and relief 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. 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.

New York City (NYC) and San Francisco have created such relief funds. The NYC Employee Retention Grant Program is offering small businesses, including nonprofits, with fewer than 5 employees a grant to cover 40% of payroll costs for two months (an average of \$6,000) to help retain employees. NYC is also starting a Small Business Continuity Fund business with fewer than 100 employees who have seen sales decreases of 25% or more will be eligible for zero interest loans of up to \$75,000 to help mitigate losses in profit. San Francisco will establish a fund for small businesses with an initial investment of \$1 million to provide up to 100 businesses with grants of \$10,000 each in immediate relief.

We recommend that the State of California immediately establish a similar fund initially capitalized at \$1 billion, and that other state governments and local jurisdictions establish funds capitalized according to the size of the local small business/nonprofit/employment social enterprise community.

2. Request Small Business Administration Economic Injury Disaster Loan

Small Business Administration (SBA) now has the authority to offer emergency loans to both small businesses and nonprofits, borrowing up to \$2 million for up to 30 years at 2.75%. These loans are designed to help businesses and nonprofits meet

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financial obligations and operating expenses that could have been met had the disaster not occurred. *State governors must request this disaster relief funding and should provide directly or pay for technical assistance and communication as needed to inform the community, and help employment social enterprises, other small businesses, and nonprofits to apply in order to address their COVID-19 economic disruptions.*

3. **Provide Fiscal Relief to Maintain Payroll**

Many small and mid-size businesses and nonprofits could face 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 Sahn](#));*
- *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 over 200 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 \$845 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.