

# REDF

An investment that works.

## CALIFORNIA POLICY RECOMMENDATIONS 2019

Inclusive jobs through social enterprise



Despite the state's low unemployment rates, an estimated one million Californians are unable to provide a decent life for themselves and their families.<sup>i</sup> Many face serious challenges like histories of incarceration, homelessness, mental illness, and substance abuse, impeding their entrance into the workforce and contributing to increasing inequality. Fortunately, there is a proven bipartisan solution to employ people overcoming these barriers: employment social enterprise.

Employment social enterprises are businesses with a clear social mission, selling products and services to the market and reinvesting their profits in helping people.<sup>ii</sup> These businesses provide a real, paying job 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.

Since 2017, 65 social enterprises in California funded and advised by REDF—a venture philanthropy—have employed and provided training, certificates, and skill building to almost 17,000 people emerging from incarceration, homelessness, and addiction, as well as young adults who are disconnected from school and work.

Independent evaluation confirms the impact of social enterprise: longer job retention than traditional workforce programs, higher wages and tax payments, and reductions in publicly-funded entitlements. Spending for government programs goes further, and people reintegrating into the community after incarceration or homelessness get and keep jobs—a return on investment for society of 123%.<sup>iii</sup> REDF is working with social enterprises to build a more inclusive society where all people have the pride, purpose, and path to self-sufficiency they have earned.

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**We urge the Governor and the Legislature to provide funding and incentives to social enterprises that create jobs, and offer training and support, to help address some of California's most pressing challenges including recidivism, incarceration, and homelessness.**

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### THE SOLUTION

#### **1. Dedicate discretionary Workforce Innovation and Opportunity Act funding to social enterprises.**

California's Employment Development Department administers federal Department of Labor formula funding and the Governor's discretionary funding (up to 15%) of the annual allocation. Social enterprises serve vulnerable populations through an innovative service delivery model and contribute to WIOA performance goals. In recognition of these benefits, the City and County of Los Angeles have leveraged workforce dollars to scale up the **Los Angeles Regional Initiative for Social Enterprise (LA:RISE)**, a federal and city/county employer/social enterprise partnership managed by REDF that has employed 1,700 people to date.

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**We recommend a set aside of \$15M (roughly 25%) from the Governor's 2018 discretionary funding for the development and growth of social enterprise statewide.**

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**2. California Local Empowerment Fund.** A recent, open bipartisan letter<sup>iv</sup> states that, “Our great state, the fifth largest economy in the world and a global leader in innovation, is now home to the most extreme inequality in the nation. Whether measured in terms of income, educational attainment, or life expectancy, California is falling behind.”

The State of California can significantly enhance the funding and expertise it leverages, use its resources more effectively and efficiently, and accelerate the pace of change by: strengthening ties between the state and local governments and nonprofits, philanthropy and private capital markets; focusing on evidence-based practices; supporting a data and learning infrastructure; and by backing initiatives and financing, like pay for performance, aimed directly at achieving better outcomes.

We call for creation of a new **California Local Empowerment Fund**, initially capitalized at \$100 million per year, to shrink the inequality gap by:

- Achieving better health, educational and employment outcomes;
- Catalyzing the growth of performance-based contracting, results-focused programs, and building the evidence base; and
- Leveraging private resources and initiatives.

The **California Local Empowerment Fund** would provide grants, loans, insurance products, and other financial instruments designed to finance the growth of results-focused social interventions in California, while expanding the base of evidence for the interventions that can solve some of California’s most complex problems.

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**We recommend the creation of a California Local Empowerment Fund with an initial allocation of \$100M, administered by a cross-disciplinary set of state and local government entities, with private sector representation.**

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**3. Fund Capacity Building to Grow Social Enterprise Employment Capacity and Revenue Generation.** To close the gap for underserved Californians—many of whom are revolving through the criminal justice system and homelessness—who could benefit from social enterprise employment, a rapid increase in social enterprise capacity is needed statewide.

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**We recommend \$5M in annual technical assistance funding (through Employment Development Department or the California Workforce Investment Board) which would leverage significant private investments currently being made to create new employment opportunities, increase employee earnings and taxes paid, and generate greater revenue growth for California social enterprises.**

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**4. Incentives and Barrier Removal.** Currently, most social enterprises are not eligible for the contracting incentives available to small businesses or businesses owned by “minorities,” women, or veterans, because many of them are nonprofits. Los Angeles County has passed legislation to create such an incentive in local procurement requirements which can enable social enterprises to grow more quickly and provide more jobs. In regard to the individuals employed by social enterprise, the 70% of them with a criminal record are prohibited by law from hundreds of occupational licenses that would allow them to increase their earnings and support their families.

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**We recommend that the state consider legislation to provide an incentive in procurement for social enterprise.**

**We recommend that the state take legislative and regulatory actions to clear obstacles to professional licensing for individuals with criminal records, with appropriate review of the relationship between convictions and the specific license.**

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## 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 capital and advisory services to more than 90 social enterprises in California, which have provided training for and employed over 19,000 people statewide, helping spending for government programs go further while improving lives and strengthening families and communities.

<sup>iv</sup> Kevin C. Corinth, “Barriers to Work and Social Enterprise: Estimating the Target Population.” AEI, July, 2017.

<sup>v</sup> Social enterprises are business entities defined in the Welfare and Institutions Code Section 18926.7.

<sup>vi</sup> 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.

<sup>vii</sup> <https://economicmobilityca.com/>



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