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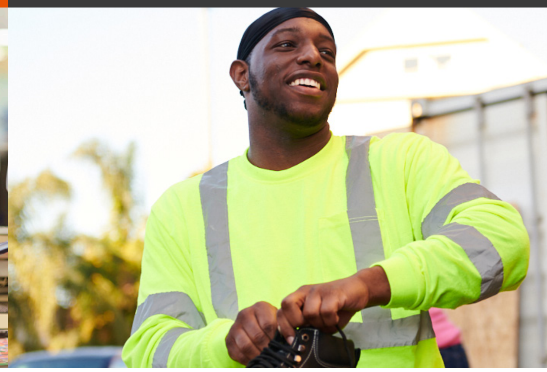
2021 NATIONAL POLICY RECOMMENDATIONS

Employment Social Enterprise:
A Key Component of Inclusive Economic Recovery



EMPLOYMENT SOCIAL ENTERPRISE: AN EVIDENCE-BASED SOLUTION

Employment social enterprises (ESEs) are small businesses with a social mission to provide jobs, income, training, and supportive services to those overcoming workforce barriers. Due to the COVID-19 pandemic, ESEs are facing economic disruptions that impact their employees, who are also among those most vulnerable to the pandemic.

ESEs help their employees stabilize their lives, build skills, and develop a work history. These businesses stimulate the national economy, combat multi-generational poverty, and address economic, gender, and racial disparities. ESEs also decrease taxpayer costs by diminishing rates of incarceration, recidivism, and homelessness and decreasing reliance on the safety net. Research shows this approach works. It leads to greater economic security and mobility for participants and yields a social return on investment of $2.23 in benefits for every $1.00 invested.

ESE employees are among the millions of individuals with histories of incarceration, homelessness, mental illness, substance abuse, and limited education. An impact study of 134 ESEs across 30 states found that nearly 70% of ESE employees were people of color (42% Black, 26% Latinx), highlighting the valuable role that these businesses can play in addressing racial injustice and advancing racial equity across the economy.

RECOMMENDATIONS FOR AN INCLUSIVE ECONOMY

In the midst of a national public health and economic crisis, individuals who are overcoming barriers to employment need jobs and services to help them succeed—and ESEs provide both. In partnership with policymakers, we can drive federal resources to ESEs and their employees, helping more people go to work and cultivate self-sufficiency. Failure to act will lead to increased rates of homelessness and incarceration, a higher dependence on the safety net, and fewer people in the workforce providing their talent and productivity to enhance the economy. By strengthening and expanding existing programs while strategically investing in innovation, policymakers can accelerate economic mobility in a transformative way, breaking down structural barriers to employment. We recommend the following plan to create an economy that works for all Americans:

RECOMMENDATION #1

INVEST IN INNOVATIVE AND EVIDENCE-BASED APPROACHES, INCLUDING ESEs

Policymakers should invest discretionary dollars in interventions with demonstrable impacts on employment, income, and reduced recidivism for those overcoming workforce barriers. Evidence shows that ESE employees are more likely to retain their job one year later versus individuals who only received traditional workforce services, and also had higher levels of income and greater housing stability. *By creating a targeted impact investing fund and reinstating the Corporation for National and Community Service Social Innovation Fund (SIF) with a funding level of $100 million, Congress can provide more resources to ESEs, prioritizing economic equity and inclusion and accelerating change.*

RECOMMENDATION #2

PROVIDE CAPITAL AND A RANGE OF CAPACITY-BUILDING SUPPORT TO SCALE ESEs

Multiple federal programs should be expanded to scale ESEs and provide robust support to their employees and their communities. These include:

SMALL BUSINESS ADMINISTRATION (SBA):

Though ESEs are revenue-generating businesses that create jobs, many cannot access the SBA's valuable resources because of their nonprofit status. *Congress should:*

1. *revise the SBA's definitions to include nonprofit revenue-generating ESEs,*
2. *create a SBA office of ESEs to help these businesses scale, and*
3. *ease eligibility restrictions for individuals with a criminal record for all SBA programs.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF COMMUNITY SERVICES

COMMUNITY ECONOMIC DEVELOPMENT (CED):

CED provides valuable grants to help businesses scale and meet the economic needs of low-income communities, but ESEs are not eligible for this funding. *To effectively create sustainable business development and employment opportunities for low-income individuals and families, Congress should include nonprofits or specifically ESEs in the eligible applicants for CED.*

JOB OPPORTUNITIES FOR LOW-INCOME INDIVIDUALS (JOLI):

JOLI offered competitive discretionary grants to eligible nonprofits to enhance the economic security of low-income individuals. *Congress should reinstate and expand JOLI, prioritizing the selection of grant recipients that support those overcoming barriers to employment like evidence-based ESEs.*

RECOMMENDATION #3

DRIVE EXISTING EMPLOYMENT AND TRAINING RESOURCES TO ESEs

ESEs provide extensive training and wraparound services to help their employees overcome barriers and succeed in the workforce. These businesses are valuable partners for three federal programs that prioritize employment for at-risk populations:

DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM EMPLOYMENT AND TRAINING (SNAP E&T):

ESEs are especially aligned to the SNAP E&T third-party reimbursement model. *The Food and Nutrition Service should define and identify ESEs as effective third-party E&T providers. Congress should increase the federal reimbursement rate from 50% to 90% in the aftermath of COVID-19.*

DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING ADMINISTRATION WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA):

ESEs connect diverse talent to economic opportunity, and local workforce development boards should be incentivized to invest in these businesses. *Through reauthorization of WIOA, Congress should:*

1. *mandate local boards to use at least 10% of their funds for transitional jobs,*
2. *allow long-term WIOA contracts when high impact is demonstrated to help ESEs scale, and*
3. *establish standardized measures of effectiveness that take into account both economic and social impacts to allocate WIOA funding and drive more resources to those overcoming employment barriers.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF FAMILY ASSISTANCE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF):

Research from the 1990s illustrated that individuals with high barriers to work were not able to meet federal work rates, yet ESEs align with TANF work activities by providing unsubsidized employment, subsidized private-sector employment, training, and supportive services. *Congress should replace the work participation rate with access and performance measures to ensure that states serve individuals overcoming high barriers to work. States should be awarded based on how successfully they assist TANF participants in gaining the skills and experience to advance in today's labor market.*

RECOMMENDATION #4

ENCOURAGE PARTNERSHIPS WITH ESEs TO MEET JOB CREATION GOALS

Federal programs aimed at supporting those who have been historically and structurally excluded from the workforce should partner with and invest in ESEs. These include:

DEPARTMENT OF TRANSPORTATION

ON-THE-JOB TRAINING (OJT) PROGRAM:

ESEs are aligned with the OJT program, which requires state transportation agencies to create training and apprenticeship initiatives to support underrepresented populations. *Through congressional reauthorization of the FAST Act in 2021, Congress should incentivize OJT prime contractors to include ESE sub-contractors for the fulfillment of a portion of their federal contract.*

INNOVATIVE TRANSIT WORKFORCE DEVELOPMENT PROGRAM (ITWDP):

ITWDP funds transportation programs that offer training and wraparound services to people overcoming high barriers to employment. *Congress should reintroduce and expand ITWDP, encourage more partnerships with ESEs within the program, and establish standardized measures of effectiveness to build an evidence base and assess the lasting impact of this program.*

U.S. EMPLOYMENT PLAN (USEP):

The USEP provides a federally-approved policy tool for states, cities, and public agencies to encourage private contractors to recruit, train, and provide wraparound support for people who have been historically excluded from the manufacturing sector. *The Department of Transportation should directly include ESEs in USEP language, encourage more public agencies to adopt USEP in federally-funded infrastructure projects, and advise agencies to prioritize contract applicants who commit to ESE partnerships.*

DEPARTMENT OF TREASURY

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND:

ESEs are directly aligned with the CDFI Fund's mission to generate growth in economically disadvantaged communities through a market-based approach. *The Fund should encourage local CDFIs and Community Development Entities (CDEs) to build relationships with and invest in ESEs, track the number of ESEs receiving capital, and create a performance measure that 30% of CDFIs and CDEs fund ESEs. The Fund should offer tailored resources and innovative programs to emerging CDFIs that specifically support ESEs.*

STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI):

The SSBCI program aims to improve access to capital in underserved communities, and ESEs are a valuable partner in the achievement of this goal. *The SSBCI program should focus marketing on ESEs that are active in underserved communities. To accelerate public-private investment in businesses while employing individuals who are overcoming high barriers to work, SSBCI could help states invest in ESEs.*

RECOMMENDATION #5

SUPPORT REENTRY INITIATIVES AND DECREASE RECIDIVISM WITH ESEs

Nearly 80% of ESE employees are justice impacted, and ESEs are valuable partners in supporting reentry initiatives and decreasing recidivism. Multiple federal justice programs could benefit from ESE partnerships:

THE DEPARTMENT OF JUSTICE BUREAU OF JUSTICE ASSISTANCE (BJA) INNOVATIONS PROGRAMS:

BJA includes the Innovations in Reentry Initiative (IRI) and the Innovations Suite, both of which seek innovative ways to decrease recidivism. *BJA should provide specific guidance defining an ESE, encourage ESE partnerships in IRI and Innovations Suite Programs, and invest grant funds in and provide technical assistance to ESEs to expand their evidence base.*

DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING ADMINISTRATION REENTRY EMPLOYMENT OPPORTUNITIES (REO):

REO funds projects to test the effectiveness of successful programs for justice-involved youth, young adults, and adults who were formerly incarcerated. *The Employment and Training Administration should provide specific guidance defining an ESE and invest in ESEs to promote collaboration between justice agencies and the workforce system.*

ABOUT REDF

REDF (the Roberts Enterprise Development Fund) is a pioneering venture philanthropy accelerating the growth of employment social enterprises (ESEs)— mission-driven, revenue-generating businesses that invest the money they make into helping people with diverse talents and experiences who are striving to overcome employment barriers get jobs, keep jobs, and build a better life.

Independent research shows this approach works. Since 1997, REDF has invested in 215 ESEs in 30 states and the District of Columbia. To date, those businesses have earned over $1 billion in revenue that they have reinvested to employ and build the skills of over 68,000 people.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