

# REDF

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## 2021 CALIFORNIA POLICY RECOMMENDATIONS

### Employment Social Enterprise: A Key Component of Inclusive Economic Recovery



### EMPLOYMENT SOCIAL ENTERPRISE: AN EVIDENCE-BASED SOLUTION

California's leadership in social innovation is exemplified by the growth and impact of the employment social enterprise (ESE) sector in the Golden State. ESEs are businesses—often small businesses—that offer employment with a specific social mission: to provide income, training, and supportive services to those overcoming workforce barriers so that they can fully participate in the economy. Despite the economic disruptions of the COVID-19 pandemic, ESEs have been remarkably adept in pivoting to continue to support their employees, who are also among those most vulnerable to the pandemic—with many having experienced incarceration and/or homelessness.

ESEs help their employees stabilize their lives, build skills, and develop a work history. These businesses stimulate the economy and help address economic, gender, and racial disparities and multi-generational poverty. ESEs also decrease taxpayer costs and address structural inequities by reducing incarceration, homelessness, and recidivism, while also increasing earnings and decreasing reliance on the safety net. Because their business revenue offsets what would otherwise have to be subsidized, ESEs are financially sustainable and provide transitional jobs at a lower cost to the public. Research shows this approach works. A growing evidence base demonstrates that ESEs lead to greater economic security and mobility for their employees and yield a social return on investment of [\\$2.23 in benefits for every \\$1.00 invested](#).

ESE employees are people with diverse talents and skills who are striving to overcome experiences and institutional failures that have impeded their inclusion and limited their success in the workforce. These employment barriers include histories of incarceration, homelessness, mental illness, substance abuse, and limited education. From 2017 to 2019, the population employed by the California ESEs in [REDF's](#) portfolio was over 75% people of color (including 39% Black and 36% Latinx), with 83% of employees having been impacted by the criminal justice system and 49% with a history of homelessness. Formerly incarcerated Californians are [nearly ten times as likely](#) to experience homelessness as the general population, and while Black individuals comprise 8% of Los Angeles County's population, they make up [34% of those experiencing homelessness](#). Such disparities underscore the disproportionate impacts of incarceration, as well as the state's pervasive economic inequities. By innovatively meeting the needs of the most vulnerable populations, ESEs recognize and address the interconnectedness of the structural inequities that they strive to dismantle. While California has the fifth-largest economy in the world, many Californians—especially the populations to which ESE employees belong—have not reaped the benefits of the state's economic success. Months into the pandemic-related recession, [unemployment](#) remains persistently high for women and Asian, Black, and Latinx Californians, in addition to other communities of color.

## RECOMMENDATIONS FOR AN INCLUSIVE ECONOMY

As we recover from an economic and public health crisis that has exposed our society's deeply ingrained inequities, public policy can accelerate the growth and impact of California's over 150 ESEs so that they can further contribute to the creation of a more equitable and inclusive state. For those who were already on the sidelines of the economy before the pandemic, the impacts of this crisis are particularly acute. As we rebuild and seek innovative ways to expand high-quality, future-forward employment, we must ensure that those who are overcoming barriers to work have access to jobs and services to help them succeed. ESEs provide both.



In partnership with the State of California, we have a special opportunity to drive resources to ESEs and their employees, catalyzing social change and building an inclusive economy where all Californians can find quality employment and cultivate self-sufficiency. [The Future of Work](#) Commission's final recommendations propose that by 2030, the State extend financial and technical assistance to ESEs to create a job guarantee for all Californians with a desire to work. Building on this model, we recommend the following plan to create an economy that works for all Californians, because true recovery requires the inclusion of our most vulnerable populations.

### RECOMMENDATION #1

#### PROCURE WITH ESEs IN RELIEF & RECOVERY INITIATIVES

Many ESEs act as staffing service companies, enabling them to mobilize, train, and support talent rapidly. These businesses have partnered with state and local governments to support pandemic 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; on a statewide level, [Civicorps](#) contracted with the California Office of Emergency Services to assist in food bank staffing. By establishing partnerships with ESEs through large-scale, targeted State procurement and providing technical assistance and capital to help these businesses scale, the State of California can stimulate economic growth and recovery while uplifting economic, social, and racial equity. *As the state rebuilds from the current pandemic and builds a forward-thinking economy to combat impending crises, including climate-related devastation, it should innovatively employ those overcoming workforce barriers in its recovery, infrastructure, and disaster preparedness efforts by prioritizing procurement contracts with ESEs.*

### RECOMMENDATION #2

#### MAKE ESEs ELIGIBLE FOR SMALL BUSINESS AND NONPROFIT RECOVERY FUNDING

ESE employees, many of whom work in the maintenance, food, and retail industries, provide essential services that stimulate the economy. For those who were already on the sidelines of the economy before the pandemic, recovery assistance is vital to ensure that they can continue to safely gain the skills and experience to advance in today's labor market. Many government programs are reluctant to fund ESEs, because they are non-traditional hybrids of businesses—selling products and services to generate earned revenue—and social service organizations—receiving contracts or grants from government and philanthropy. In the midst of this crisis, ESEs need grants and technical assistance to sustain, scale, and connect more individuals overcoming employment barriers to quality jobs. Thus, it is important to directly identify ESEs and their employees as eligible government program participants. Though it is a loan program, the [California Rebuilding Fund](#) demonstrates how an innovative public-private partnership can support small businesses that serve under-resourced communities as they recover from the impacts of COVID-19. *The California Rebuilding Fund should explicitly include ESEs as eligible loan recipients. Building on this model, the State should directly include ESEs in any recovery program it establishes to assist small businesses and nonprofits, acknowledging that ESEs can be both nonprofit and for-profit businesses. Additionally, the State should provide employer assistance grants to ESEs for:*

- **Employee Safety:** Worker protection, COVID-19 testing, public health information, and property modifications to comply with safety guidelines and purchase uncovered PPE;
- **Business Operating Costs:** Costs directly related to facilitating a return to business in a pandemic-compliant manner, such as additional liability insurance for restaurants that convert to delivery and outside dining, mortgage and rent, payroll expenses, inventory, working capital, and utilities;
- **Employee Layoff Aversion:** Subsidized wages, employee assistance including rental assistance for employees and clients, and expenses to allow employees to work remotely (remote access equipment such as phones, computers, printers, etc., software and corresponding licenses, etc.);
- **Child Care:** Costs directly related to child care to ensure that workers never need to choose between taking care of their children and safely returning to work.

### **RECOMMENDATION #3**

#### **CREATE A STATE TRANSITIONAL EMPLOYMENT PROGRAM THAT INCLUDES ESEs**

[Research](#) shows that transitional employment programs enhance economic opportunity and quality of life for individuals overcoming high barriers to employment. These programs create a competitive, productive workforce environment that provides employees with livable incomes, contributes to the well-being of employees and their families, and gives participants the tools they need to contribute their unique talent to today’s labor market. ESEs are a high-value way to provide transitional jobs because they complement subsidy with earned revenue. Currently, [Caltrans contracts for litter abatement](#) through several regional entities that in turn subcontract with local ESEs like the [Center for Employment Opportunities](#) and [Chrysalis](#). With the operation of 58 work crews statewide, this transitional jobs program provides participants with valuable skills and income while decreasing recidivism, homelessness, and drug abuse, among other challenges. ***Building on this model and using SB 1 transportation funds, Caltrans should create a statewide transitional employment program that includes ESEs to:***

- Provide immediate funding for employment programs that will create job opportunities and on-the-job training for those unemployed or underemployed as a result of COVID-19 when it is safe to provide such opportunities;
- Expand employment programs that prepare and reconnect unemployed and underemployed workers to the workforce;
- Partner with local governments to create or expand programs that fill community-specific workforce gaps and meet employer needs; and
- Prevent long-term joblessness and structural unemployment and provide work opportunities for individuals overcoming high barriers to employment.

### **RECOMMENDATION #4**

#### **INVEST APPRENTICESHIP AND PRE-APPRENTICESHIP DOLLARS IN ESEs**

ESEs are directly aligned with the California Department of Industrial Relations’ Division of Apprenticeship Standards pre-apprenticeship and apprenticeship models, which focus on recruiting and training skilled employees to meet industry needs, strengthen California’s economy, and connect participants to meaningful, long-term employment. Using evidence-based approaches, ESEs place their employees on a pathway to permanent employment by connecting individuals who are overcoming high barriers to work with quality jobs, training, and wraparound support services. ESEs leverage pre-apprenticeship and apprenticeship models, allowing their employees to earn income while they build valuable workforce skills. [Kitchens for Good](#), a San Diego-based ESE, operates culinary, baking, and food service [apprenticeship programs](#) that include 12-week life skills, a workforce

training course (360 hours), and 17 months (2,400 hours) of paid on-the-job training with employer partners, paired with ongoing career coaching and support services. Kitchens for Good annually empowers 140 individuals overcoming histories of incarceration, homelessness, and foster care – an impact made possible by the organization’s partnership with a local community college to receive funding from the [California Apprenticeship Initiative](#). To achieve the goal of [creating 500,000 apprenticeships by 2029](#), the State must consider innovative ways to meet the needs of the most vulnerable populations with speed and demonstrable impact. *To prioritize individuals who are overcoming high barriers to work, the California Community Colleges Chancellor’s Office, California Employment Training Panel, and California Workforce Development Board should all support apprenticeship and pre-apprenticeship programs by increasing the amount of Proposition 98 and discretionary WIOA dollars invested in ESEs and assessing program impact on rates of recidivism and homelessness.*

## **RECOMMENDATION #5**

### **INCLUDE ESE EMPLOYEES IN WORK SHARING PROGRAM**

California’s Work Sharing Unemployment Insurance program allows businesses to cover employee wages during an economic downturn while avoiding layoffs. Through the program, impacted employees are eligible to receive a percentage of Unemployment Insurance benefits, and businesses can retain employees until economic conditions improve. Though they would benefit greatly from access to this program in the midst of COVID-19, ESEs and their transitional employees are ineligible for the program, which prohibits the participation of leased, intermittent, seasonal, or temporary service employees. *The California Employment Development Department should create an exemption in the Work Sharing program for approved ESEs since their workforce consists of transitional employees.*

## **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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SF ADDRESS: 101A Clay Street, #103, San Francisco, CA 94111 (415) 561-6677

LA ADDRESS: 801 S. Grand Avenue, Suite 725, Los Angeles, CA 90017 (213) 623-2112

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