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2022 National Policy Recommendations

Employment Social Enterprise: An Evidence-Based Solution

Employment Social Enterprises (ESEs) are businesses achieving transformative social impact – providing jobs, training, and support to people breaking through barriers to employment. ESEs operate in 48 states and the District of Columbia, and there are over 700 ESEs nationwide.

ESE employees are those who the traditional public workforce system often does not serve or serve effectively, including individuals who have experienced incarceration, homelessness, mental illness, or addiction. Because these experiences are often caused and compounded by structural racism, the majority of people ESEs serve are people of color. ESEs help their employees stabilize their lives, build marketable skills, and develop a work history. In addition to paid employment, ESEs provide a wide variety of crucial wrap-around supports such as financial coaching, housing, childcare, transportation, counseling, or help with business attire or work uniforms.

ESEs create jobs, improve lives, and decrease taxpayer costs by reducing rates of incarceration, recidivism, and homelessness and increasing economic self-sufficiency. The ESE model leads to greater economic security and mobility for its employees and yields a social return on investment of $2.23 in benefits for every $1.00 invested.

ESEs have a proven track record and are uniquely positioned to address societal inequities deepened by the pandemic. These businesses stimulate the national economy, combat multi-generational poverty, and address economic and racial disparities. REDF recommends the following to enhance economic opportunity and create an economy that works for *all* Americans.

Recommendation #1 – Reauthorize and Strengthen 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:

- **Revise financial incentives related to performance standards and use of funds to align with population needs:** WIOA financial incentives related to performance indicators and measures are harder to meet with the populations served by ESEs creating disincentives for local workforce agencies to deploy funding to this population. For example, individuals overcoming homelessness and/or substance abuse, or returning from incarceration, may require different types of support, and a longer timeframe to obtain living wage employment. They do not often follow a linear path to a career. Additionally, programs focused on opportunity youth and some adults need time to provide behavioral health and trauma-informed support before those being served are ready for job placement. Despite these challenges, ESEs have strong outcomes and the populations served by ESEs are among those most in need of the services WIOA can provide. Congress should clear financial disincentives and offer financial incentives so that ESEs and other providers employing and training individuals who are overcoming multiple barriers to employment can benefit from WIOA programs and services.

Furthermore, it is imperative that Congress examine the compliance requirements on entities receiving WIOA funding and attempt to reduce the burden so that more ESEs can participate.

- **Strengthen incentives to invest in transitional jobs:** Workforce Development Boards (WDBs) are currently allowed to reserve up to 10% of their funding allocation for transitional jobs, but only a handful of these boards invest anywhere near that amount in a given program year. A study commissioned by the Department of Labor concludes that: “respondents appeared to need more clarity about what exactly the transitional jobs service entails and how they could best fit it into their menu of services.” The underinvestment in transitional jobs may be due to employer hesitation around hiring individuals overcoming barriers to employment such as homelessness and substance abuse, making other permissible uses of funds more attractive. To strengthen the investment in transitional jobs for these populations, Congress should require workforce boards to spend at least 10% on transitional jobs and increase the transitional job cap from 10% to 40%, similar to what the California Workforce Development Board did. Additionally, Congress should incentivize the inclusion of ESEs in WDBs, so that ESE leaders can provide the technical and personal expertise needed to address employer concerns around hiring for transitional jobs.

Recommendation #2 – Pass the 2022 Farm Bill

SNAP E&T has historically been under-utilized, but a renewed focus on the program amid greater urgency for job training for SNAP participants has created new momentum for states seeking to build bigger, better, and stronger E&T programs with a third-party reimbursement model. ESEs are especially aligned to the SNAP E&T third-party reimbursement model because they serve eligible clients, generate eligible non-federal funds, offer employment services, and have administrative capacity. The Food and Nutrition Service should define and identify ESEs as effective third-party E&T providers. Additionally, Congress can improve SNAP to better serve working individuals and returning citizens.

- Congress should increase the federal reimbursement rate from 50% to 100%. Supporting the Revitalize and Expand SNAP Education and Training for America’s Future Act would increase federal reimbursement for certain state employment and training programs under SNAP. This would allow eligible SNAP E&T third-party partners to continue to expand services under their SNAP E&T programs, enabling them to increase the number of clients served, improve upon existing services, and continue to move traditionally harder to serve populations into long term employment.

- Congress recognized the value of transitional jobs and apprenticeships by allowing these types of paid work-based learning activities as E&T services. However, to participate in SNAP E&T an individual must receive benefits that month. If an individual engages in E&T with an ESE and earns minimum wage or more for 40 hours a week, they may lose access to benefits and thus E&T. Congress should exclude SNAP E&T income to ensure that individuals can take advantage of SNAP E&T programming while they earn a living wage and develop skills to support their self-sufficiency.

- Congress should allow returning citizens to be eligible for SNAP when living in transitional housing during reentry, which will also ensure success in a job. Although their home may provide meals, when they go to work at an ESE, they could miss all three meals that day, and must use their daily wage to pay for food.

- Congress should lift the ban on SNAP for those with prior drug convictions, as this policy is exacerbating racial disparities in employment training. Individuals who are valuable members of the workforce are blocked from a necessary tool.

- Congress should analyze other options to make the SNAP E&T program more useful to ESEs and the populations they serve. As with many government programs, local businesses and community-based organizations face high transaction costs as they attempt to access public funding. Technical assistance is essential in helping them bridge this gap. Increasing opportunities for technical assistance and intermediary support will increase the efficiency and effectiveness of SNAP E&T and enhance the number of partners nationally. The success of intermediary support of SNAP E&T can be seen in the launch of SNAP E&T National Partnership Grants which work to expand capacity to serve SNAP participants across the nation. This technical assistance program should be permanent to increase the number of strong third-party partners, including ESEs.

Recommendation #3 – Pass Build Back Better Components

Build Back Better provides a wide range of supports for deserving individuals whose talents are often overlooked by the mainstream economy—helping them to overcome barriers to employment and break cycles of homelessness, addiction, and incarceration—utilizing evidence-backed programs that have demonstrated results. The reconciliation package should include the following funding, as reflected in the House version of the Build Back Better Act:

- **Reentry Opportunity Employment Program**: $1 billion for the Reentry Opportunity Employment Program.
- **Subsidized Employment:** $350 million in Civilian Conservation Corps funding for youth subsidized employment.
- **Dislocated Workers and Barriers to Employment**: $150 million to support partnerships in areas with high numbers of dislocated workers or individuals overcoming barriers to employment.
- **State and Local Workforce Board Partnerships:** $250 million for State and local boards to enter into partnerships to place dislocated workers and individuals overcoming barriers to employment in high-demand sectors.
- **Affordable Housing:** The more than $150 billion in funding represents the single largest investment in affordable housing in our nation's history. These funds will expand access to affordable, accessible housing; help 294,000 households afford their rent; build, upgrade, and retrofit over 1.8 million affordable housing units; and help close the racial wealth gap through the first-ever national investment in homeownership for first-time, first-generation homebuyers. There is a $7.1 billion set aside for people experiencing or at risk of homelessness (including people exiting incarceration), and survivors of domestic violence, dating violence, sexual assault, or human trafficking.

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Recommendation #4 – Include ESEs in the implementation of the Infrastructure Investment and Jobs Act (IIJA)

To stimulate the economy, fill the talent gap, reduce recidivism, and curb substance abuse disorder and homelessness, while ensuring that motivated Americans are included in our workforce, it is essential that the Biden Administration use the generational opportunity provided by the IIJA to eliminate barriers to employment and support increased access to jobs by partnering with ESEs on transportation infrastructure projects.

By building on and adopting evidence-based approaches from successful state and local partnerships with ESEs, the Administration can direct IIJA investments in a way that guarantees training, wraparound services, and pathways to the middle class for individuals overcoming barriers to good jobs. Additionally, by partnering with ESEs, IIJA employers can tap into an existing, ready talent pool with transferable skills.

ESEs can be federal or state government partners across a range of sectors, including transportation infrastructure, climate mitigation, and renewable energy. The Biden Administration should take the following steps:

- Encourage contracts where employees overcoming barriers to work can receive wraparound support as they build marketable skills, along with a career pathway within the transportation or adjacent industries.
- Use existing authority to fund the On-the-Job Training Supportive Services (OJT/SS) program and support additional funding in federal appropriations.
- Apply lessons learned from the ITWDP, or restore the program itself, specifically its reliance on partnerships with workforce support organizations, like ESEs.
- Incorporate partnerships with ESEs into the DOT's strategic framework for workforce development.

Recommendation #5 – Reinstate the Social Innovation Fund

Congress should reinstate and target funding of the Social Innovation Fund (SIF) within the Corporation for National and Community Service or another agency. SIF would create evidence-based solutions to some of the toughest challenges facing our country today, including tackling inequities furthered by the COVID-19 pandemic. ESEs sit at the intersection of workforce and economic development, while also addressing homelessness, incarceration, mental health, addiction, and longstanding racial inequities. Because ESEs are true social innovations, they are not well understood by traditional government programs.

As an example of the ways this funding supports innovation, from 2010 to 2017, REDF sub granted $13 million of SIF funds to the ESE sector to grow its capacity to train and support people overcoming steep barriers to employment while building an evidence base and learning lessons for future investments, delivering technical assistance across the US, and leveraging more than 3:1 in private philanthropy. As a result, we built the evidence showing 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. The SIF is one federal program that fostered innovation, with its emphasis on building the evidence base, scaling up promising practices from the local level, and using intermediaries to build capacity and deliver funding.

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About REDF
REDF (the Roberts Enterprise Development Fund) is a pioneering venture philanthropy accelerating a national movement of employment social enterprises—businesses achieving transformative social impact by investing the money they make into helping people striving to overcome employment barriers get jobs, keep jobs, and build a better life. Independent research shows this approach works. It leads to greater economic security and mobility and a significant rate of return to society—$2.23 in benefits for every $1 invested.

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