



REDF

An investment that works.

The Power of Work and the Potential of an Inclusive Economy

REDF Strategic Plan 2021–2025



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Building an Inclusive Economy

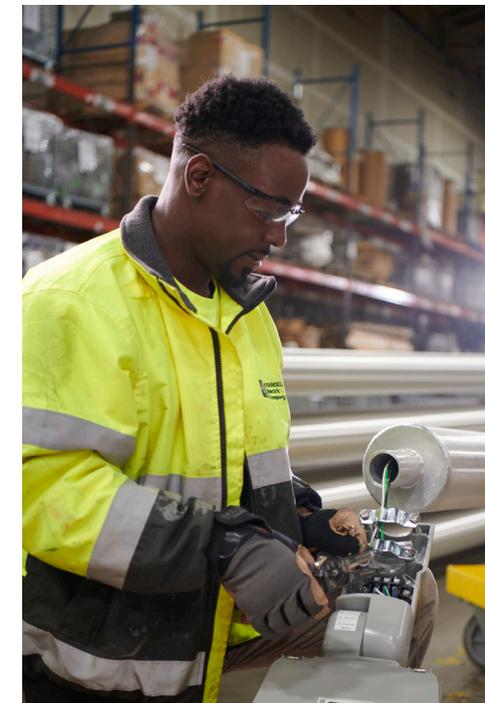
As the United States begins to emerge from a public health crisis of epic proportions, a second pandemic rages on—one of widespread inequality fueled by relentless and systemic racism. As entire industries still grapple with how to return to safe ways of working, life grows increasingly dire for those at the margins of the economy.

As of spring 2021—and the release of this strategic plan—nearly 10 million working-age adults in the United States are unemployed, with Black workers experiencing the most acute repercussions. As the economy begins to recover, they are regaining jobs at much lower rates than any other racial or ethnic group.¹

The job recovery gap in 2021 is rooted in a long history of racially biased policies and practices, which have also led to disproportionately high representation of Black, Latino, and Indigenous people in both the criminal justice system and among those who are experiencing homelessness. All of these disparities have been exacerbated by the pandemic's health and economic impacts.

For people who have had experiences with the justice system, homelessness, mental illness, or addiction² the path to a quality job in this already difficult job market can seem insurmountable, leaving far too many people out of economic recovery efforts, and falling even further behind—despite having the talent and desire to contribute to the economy.

REDF and its employment social enterprise partners across the United States are focused on a solution at the core of this crisis—access to jobs and income. Many of the inspiring entrepreneurs who lead the enterprises are people of color and those who share the life experiences of the people they employ. With a 20+ year track record of results achieved in partnership with these visionary entrepreneurs and the support of committed contributors, we are implementing a bold plan—working to build a thriving and inclusive economy where all people have the jobs and the support they need to realize their full potential.



An Inclusive Economy Shrinks the Equity Gap

In 2020, as frontline workers and workers with lower incomes were disproportionately impacted by the COVID-19 pandemic, a critical backstory was often buried in the headlines.

As Treasury Secretary Janet Yellen made explicit just days after her confirmation hearing, “People worry about a K-shaped recovery, but before the pandemic, we lived in a K-shaped economy...one where wealth built upon wealth while working families fell behind, especially people of color.”³

For hundreds of years, our economy has been excluding people from the workforce and undervaluing their contributions, leaving several generations without the ability to earn a livable income or build wealth for their families, despite hard work.

While these economic disparities impact people of all races and ethnicities, the amplified inequities for people of color are well documented. Black people living in the United States have been denied rights and opportunity throughout history—from slavery, through segregation and Jim Crow-era policies, to present day. Long-standing racially biased policies and practices in the workplace, education, health care, and the criminal justice system have created and sustained an equity gap that is really a chasm—starkly exemplified by the racial wealth gap. In the U.S the average white family has eight times the wealth of the average Black family and five times the wealth of the average Hispanic family.⁴

The racial wealth gap undermines the U.S. economy and is estimated to cost \$1 trillion to \$1.5 trillion between 2019 and 2028—4 to 6 percent of the projected GDP in 2028.⁵

In California, one-third of the workforce earns less than \$15/hour in a state where housing costs are among the highest in the nation.⁶

An inclusive economy provides a way to address these inequities by providing jobs for everyone who wants one, with good working conditions, a livable income, and the opportunity to advance. It interrupts the cycles of homelessness and incarceration that impact millions of Americans and their families. An inclusive economy welcomes and fully incorporates the enormous human potential, creativity, and talent of all people.

A more inclusive economy will benefit our entire society. **That is why REDF invests in the leaders and the businesses who are building it.**



“California leads the country’s innovation economy fueled by flourishing entrepreneurs across numerous sectors. As we emerge from the pandemic and focus on economic recovery, California can continue to lead the way by creating a much more inclusive economy that opens the door to opportunity for everyone. REDF and the social entrepreneurs at the helm of its employment social enterprise partners are ready to play a key role in making that happen.

Maria S. Salinas, President & CEO, Los Angeles Area Chamber Of Commerce, REDF Board Member



A Proven Model: Ready for Greater Investment

Employment social enterprises (ESEs) are mission-driven businesses that provide paying jobs combined with training and services that help employees gain the stability, skills, and confidence they need to stay employed and build a better life. With this integrated approach, ESEs create pathways to economic mobility for people with so much to offer, but who are not served by the public workforce system or hired by most employers. Many of the successful entrepreneurs at the helm of these businesses share the life experiences of those they employ. Additionally, because social enterprises reinvest their profits in their businesses so they can help more people, they require less outside funding, and are more sustainable.

Over the next five years, REDF will accelerate the growth and impact of the ESE sector, leading to a thriving and inclusive economy. By deepening our capital investment in ESEs, providing specialized capacity building consulting, investing in ESE leadership, and catalyzing public and private sector support and partnerships, REDF will increase demand for this cost-effective solution.



“As a business leader who believes in the power of an inclusive economy, I consider it a privilege and sound social investment to financially support REDF’s work, and I encourage others to do the same.

Lewis Byrd, President, Lanacs Industries, RIIF Board Member



**\$2.23 in benefits
for every \$1.00
spent by an
employment
social enterprise**



Tackling the Equity Gaps in Our Work

As REDF took a deep dive into our data during the creation of our 2021–2025 strategy, we were confronted by three facts that inspired us to address racial and economic inequality more explicitly and assertively.

1

An analysis of long-term earnings and employment data in California revealed that the average earnings of Black and Latino people who entered the workforce following social enterprise employment rose, but not to the same level as other racial groups.⁷

2

We found that earnings of those entering the competitive workforce after social enterprise employment continued to rise for years, doubling from below 25% of median, to just about \$40,000, the median for California wage earners in 2017.⁸ However, this increase was not enough to be considered family-supporting wages.

3

In reviewing our own history and data, we found that REDF's criteria for program eligibility were biased toward ESEs that had already secured funding for growth and evaluation, and that the majority of these ESEs had white leaders. Systemic inequities caused by lower philanthropic investments in organizations led by people of color went unaddressed.

Our new strategic plan includes commitments to advance racial equity in our programs and within our organization, with the goal of increasing our investments in ESEs led by people of color* and those who share the lived experience of the people they employ. These leaders bring invaluable perspective and expertise to their work and to the sector as a whole. This strategy will drive more equitable results by prioritizing REDF programming that addresses the needs of these ESE leaders, who are creating jobs and growing businesses even in the face of racial bias. We are also prioritizing approaches that lead to higher incomes and generate more equitable outcomes across race.



“REDF must be part of the solution and address racial injustice, disrupt harmful narratives, and actively work to ensure that people of color have equitable employment opportunities. We are committed to taking action, measuring results, and learning how to do more to contribute to racial equity through our programs and investments.

Carla Javits, CEO, REDF



* Why We Use “People of Color”

When REDF refers to “people of color,” we are referring to people with specific racial and ethnic identities—including Black, Latino, Asian, and Indigenous communities. People in these communities are more likely to face discrimination and oppression reinforced by centuries of inequitable policies and practices. Data shows Black and Latino individuals are overrepresented among those experiencing incarceration⁹ and homelessness.¹⁰ Given this history, 44% of those served by the ESEs REDF supports are Black and 25% are Latino.

Our Commitments to Advance Equity

To close these equity gaps, we commit to:

- Identify and promote the most impactful approaches that ESEs can put into practice—individually and as a field—to make outcomes more equitable for the individuals they support.
- Increase our partnerships with ESEs led by people of color and those who share the lived experience of the people they employ, driving more of our capital and specialized capacity building consulting toward these leaders and building partnerships of mutual learning and support.
- Do all we can through our work with ESEs to put those served on a path to livable, family-supporting incomes.

To accomplish this, REDF will:

- Select and fund ESEs in a way that values diverse experiences and backgrounds, resulting in a greater share of REDF capital going to a larger number of ESEs led by people of color and those who share the lived experience of the people they employ.
- Continually assess disparities in outcomes across race and ethnicity and co-create and test strategies to reduce those disparities.
- Informed by direct, individual input and feedback from leaders of color and those who share the lived experience of the people they employ, support their development and advancement by facilitating and offering support for peer communities and providing outside expert resources.
- Build the capacity of ESEs to improve diversity, equity, and inclusion at their organizations and create space for all ESE leaders to improve together.
- Strengthen REDF's own understanding of race and equity and increase the racial diversity and cultural competence of our staff.



Our Theory of Change

REDF invests directly in employment social enterprises and their leaders, providing the capital and capacity building services to create quality, supportive jobs for people overcoming barriers to employment. REDF engages in advocacy and creates government partnerships to build an environment in which ESEs can thrive and the demand for their services grows, rooted in evidence of the results achieved. We use data to measure the value of our work and continuously improve programs.

REDF's investment in ESEs results in more jobs for people striving to build a better life and overcome barriers to employment, and more ESEs that are sustainable and able to grow, with replicable business models.

Our aspiration is that everyone in every community across the United States is able to contribute their skills and talents by accessing a quality job with a livable income.

REDF's investment in ESEs will lead to a virtuous circle of increased investment, partnership, and growth. By 2025, more policymakers, business leaders, philanthropists, and nonprofits will demand and invest in ESEs. Together we will build an inclusive economy that works for everyone.



Theory of Change

STRATEGIES

-  Invest Capital
-  Build Capacity
-  Develop Leaders
-  Create Community
-  Advocate for Public Funding
-  Advance Racial Equity
-  Generate Evidence

OUTCOMES

- Greater investment in ESEs led by people of color and people with lived experiences
- Increased capital flow to ESEs from public and private funding streams
- Improved financial sustainability of ESEs
- Larger ESE businesses—through growth, expansion, and replication—that can employ more people
- Better equipped and supported ESE leaders with a strong community of peers
- Stronger supports, training, and outcomes for employees during ESE employment
- Improved earnings and advancement after ESE employment

IMPACT



Employment social enterprises help to reduce economic inequities and advance racial justice by creating new employment opportunities across the country and providing people overcoming barriers to employment—who are disproportionately people of color—with opportunities to succeed at equitable rates.

REDF's Signature Programs

REDF is the only organization in the U.S. that is wholly dedicated to the development and growth of the ESE field. REDF's complementary programs work together to increase the effectiveness and sustainability of ESEs, and create an environment in which ESEs, their leaders, and their employees can thrive.

REDF is known for the quality of our advisory and capacity building services, which are rooted in 20+ years of experience and learning directly from the field. These services complement REDF's capital deployment and leadership development programs. REDF also embeds its long-standing focus on learning and evidence in all programs.



REDF Accelerator is a five-month program for ESE leaders to develop and test strategies to improve operations, programs, and financial sustainability within their businesses. At the conclusion of the program, ESEs receive a grant to implement strategies and activate ideas. The REDF Accelerator will serve **160 ESEs** during the strategy period.



The **REDF Growth Portfolio** is a strategic investment portfolio of ESEs with strong growth potential. ESEs receive a **three-year investment** in general operating support combined with customized, one-on-one capacity building consulting. The Growth Portfolio will include **60 ESEs** during the strategy period.



The **REDF Impact Investing Fund (RIIF)** is a debt fund with a social impact focus that provides loan capital and specialized capacity building consulting to nonprofit and for-profit employment social enterprises. RIIF anticipates closing **40 loans** with a **total value of \$10 million** and an **average loan size of \$250K** during the strategy period.

Visit [REDF.org](https://www.redf.org) to learn more about our programs, impact, and our inspiring ESE partners.



The **REDF Community**, launched in 2021, provides a venue for learning, leadership development, and relationship-building opportunities among our vibrant network of **more than 150 ESEs**.



Government Partnerships and Policy informs and influences policymakers to promote the growth of and investment in ESEs and to increase economic opportunity for their employees, mobilizes ESE leaders as advocates, provides specialized capacity building consulting on accessing public support, and offers intermediary services to communities that seek to create public-private partnerships that help grow the ESE field. REDF plays a central role in [LA:RISE](#), the nation's first public-private partnership connecting workforce and employment social enterprise—an example of demand-driven growth of the ESE field.

Visit [REDFworkshop.org](https://www.redfworkshop.org) if you are an ESE practitioner looking to increase your impact and find community.

The Power of Partnerships

REDF's programs are designed to provide the flexible capital and capacity building needed at every stage of an ESE's growth.



- 2017:** REDF Accelerator Fellow and Project Grant Recipient
- 2018:** REDF Impact Investing Fund Borrower and Project Grant Recipient
- 2020:** COVID Relief Grant Recipient
- 2021:** Selected for REDF's First Growth Portfolio Cohort



“REDF has continued their strong partnership with us, making connections, brokering relationships with like-minded organizations, and assisting us with organizational stability and growth. It's hard to see how Better Futures Minnesota could have made it to this point without the level of partnership REDF provides.

A. Charlene Leach, CEO, Better Futures Minnesota



- 2016:** Project Grant Recipient
- 2018:** REDF Accelerator Fellow and Project Grant Recipient
- 2019:** Project Grant Recipient
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“2020 was a year full of unexpected challenges and opportunities for Neighborhood Industries. Having been through the REDF Accelerator really helped us meet those head on. And starting off the year learning we are part of REDF's Growth Portfolio, it feels like the sky is the limit!

Anthony Armour, CEO, Neighborhood Industries



- 2017:** REDF Accelerator Fellow and Project Grant Recipient
- 2020:** COVID Relief Grant Recipient
- 2021:** Selected for REDF's First Growth Portfolio Cohort



“Being a part of REDF's world empowers us to get better at what we do and do more life-changing work. Being selected for the Growth Portfolio is like jumping onto a launchpad: three years of intensive support, in-depth expertise, and transformative investment, all focused on the strength and growth of our social enterprise. We are grateful and excited!

Bettie Kirkland, CEO, Project Return

2021–2025 Impact Goals and Outcomes

Goals

Outcomes

Strengthen Organizations

Increase the number of ESEs that achieve financial sustainability, provide high-quality work experiences and job advancement support for all employees, and deliver outstanding results for every dollar invested.



Larger ESE businesses—through growth, expansion, and replication—that employ more people, experience greater financial sustainability, and deliver a positive social return on investment.

Employ More People

Employ more people overcoming barriers to employment in jobs that lay a foundation for economic stability, long-term success, and reduce racial disparities in economic outcomes.



More people overcoming barriers to employment have access to jobs, supports, and training through an ESE and are on a path to living wages, long-term self-sufficiency, and well-being.

Equip Leaders

Equip all ESE leaders to advance justice, equity, and the ESE movement, while prioritizing leaders of color and those who share the lived experience of the people they employ.



Better equipped and supported ESE leaders with a strong community of peers, in which ESEs led by people of color and those who share the lived experience of the people they employ are prioritized in REDF's programs and receive increased investments for their ESEs.

Increase Investment

Increase public and private investments in ESEs as an evidence-based solution to address high unemployment among those most impacted by homelessness, incarceration, and other challenges; reduce racial disparities in economic opportunity, career advancement, and well-being; and support an equitable economic recovery that benefits people, businesses, and society.

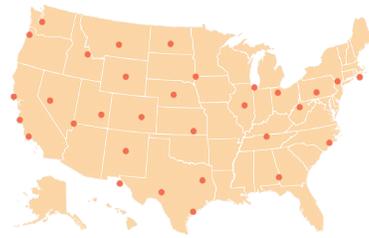


Increased flow of capital to ESEs from public and private funding streams. ESE leaders, funders, and policymakers actively champion ESEs as a vital partner for an equitable recovery and an inclusive economy.

REDF The Ripple Effect of REDF

An investment that works.

REDF's complementary programs work together to increase the effectiveness and sustainability of employment social enterprises (ESEs), and create an environment in which ESEs and their employees can thrive.



219
ESEs supported across 30 states and DC since 1997



73K
individuals supported, skilled, and employed by REDF ESE partners since 1997



\$2.23
Every \$1.00 spent by an ESE results in \$2.23 in benefits to society

REDF Provides Direct Investments in ESEs



Networking opportunities and resources to drive and sustain growth and excellence



ESEs provide wraparound services and supports, resulting in better outcomes

Lives are transformed as people find hope, pride, belonging, and a better future



Government partnerships and policy to support growth of and investments in ESEs



Customized and in-depth capacity-building consulting



Opportunity to develop skills, confidence, and a work history

Results in higher wages and job retention



Helping Create a More Inclusive Economy



Families and communities are stronger



More inclusive economy benefits people, businesses, and society



Capital investments through grants and the REDF Impact Investing Fund (RIIF)

ESEs Support People Overcoming Barriers to Employment

Let's Build an Inclusive Economy, Together

To accomplish our bold vision requires a network of supporters who are committed to investments that create opportunities for those overcoming barriers to employment.

Join REDF and our partners to build a flourishing and inclusive economy that invests in employment social enterprises and the inspiring entrepreneurs who lead them. **Together we can create a future that works for us all.**

Please contact us at development@redf.org to discuss your support of REDF, or visit redf.org/support-redf to contribute.

San Francisco

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

Los Angeles

801 S. Grand Avenue Suite #725
Los Angeles, CA 90017
(415) 561-6677

redf.org



Endnotes

- 1 [Politico: “Black workers, hammered by pandemic, now being left behind in recovery”](#)
- 2 REDF ESE partners also work with people who have refugee status, survivors of domestic violence and/or trafficking, and young people who are not working or in school.
- 3 [Washington Monthly: “Madam Secretary”](#)
- 4 [The Federal Reserve: “Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances”](#)
- 5 [McKinsey: “The Economic Impact of Closing the Racial Wealth Gap”](#)
- 6 [UC Berkeley Labor Center: “The Low-Wage Work in California Data Explorer”](#)
- 7 Workforce summary data provided by the California Employment Development Department, Labor Market Information Division
- 8 Workforce summary data provided by the California Employment Development Department, Labor Market Information Division. American Communities Survey data from the U.S. Census Bureau
- 9 [Prison Policy Initiative: “United States Profile: Racial and ethnic disparities”](#)
- 10 [Homelessness Research Institute: “Demographic Data Project: Race, Ethnicity, and Homelessness”](#)

