

## At the Crossroads Where Economic Development, Job Creation and Workforce Development Intersect

*“All truths are easy to understand once they are discovered; the point is to discover them.”*

— Galileo

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Like a pattern forming in a kaleidoscope, the twin issues of job creation and employee training are emerging as a major focus among groups as diverse as the U.S. Chamber of Commerce and the AFL-CIO, environmentalists and proponents of infrastructure growth. In the face of extraordinary challenges, business, labor, environmentalists, and government are seeking ways to reinvent and revitalize our economy with breakthrough innovations such as “green jobs,” and private-public partnerships to build infrastructure. “Business as usual” is clearly not the road to success.

With job creation at center stage, and unemployment at record levels, how to stimulate economic growth while creating decent jobs that pay a living wage, and preparing a workforce capable of working in new ways and in new industries, has gained more interest than has been the case in many years.

This is both the best and the worst of times to spotlight a solution to the disproportionately high unemployment rates that have persisted for our most vulnerable citizens since long before the current economic downturn. This includes at-risk youth and adults who have experienced homelessness, incarceration, or have not graduated high school. This is the worst of times because of the overwhelming needs of the millions of people recently laid off and now unemployed. But it is the best of times because more of us are now acutely aware of the financial and human costs of unemployment, and more willing than in the past to try new things to solve the problems at hand.

A powerful, cost-effective solution to chronic unemployment—well-suited for the times—is an innovation that blends job creation, economic and workforce development, and training. “Social enterprises” are businesses created for the explicit purpose of hiring hard to employ workers, including at-risk youth and those affected by homelessness and incarceration. Run by nonprofit organizations, these enterprises are cost-effective because they cover a significant portion of their costs through earned income.

They represent a breakthrough in the financing of transitional job creation, a proven model for delivering on-the-job training to help people with high barriers move into the workforce.

## Why This Population and This Solution?

Why is it worthwhile to focus attention on this population and this solution, even in the context of massive unemployment? First, social enterprises result in positive financial and social benefits, saving taxpayers with reduced incarceration and homelessness, while contributing to economic growth through job creation and the delivery of needed goods and services. Employment in social enterprises generates hope, social networks, income, and family reunification for those who get the jobs. It also teaches the work attitudes and basic skills necessary for frontline jobs, while preparing people to participate in education, training, and apprenticeship programs that can help them advance in the future.

This approach to employing those with high barriers delivers against a triple bottom line:

- (1) The positive social and tax benefits that work provides;
- (2) A fast, direct route to economic stimulus; these workers are particularly likely to spend wages quickly on local goods and services; and
- (3) The additional tax savings resulting from reduced use of institutionalization and safety net services, even more critical now as the state, counties, and cities struggle to balance budgets.

## Examples of Social Enterprises

Entrepreneurial nonprofit organizations operate these employment-based enterprises. The enterprises earn revenue by delivering goods and services such as landscaping, screen printing, recycling, maintenance, food services, and property management. While the income earned by the social enterprises covers most of the normal business costs, private philanthropic and public funding for education and other social supports complement the income. The education and social supports in turn help employees succeed, and advance into private-sector jobs.

The jobs they create are deliberately intended as a first step into the workforce. The enterprises combine real employment opportunities with an ethos and management practice that foster the success of people who want to work but who are unlikely to be given the opportunity or the necessary support by traditional employers.

Enterprises in the San Francisco Bay Area include Rubicon Programs, Community Housing Partnership, San Francisco Clean City Coalition, the San Francisco Conservation Corps, New Door Ventures, Juma Ventures, Goodwill, St. Vincent de Paul of Alameda County, and Community Gatepath. These groups, along with others such as Homeboy Industries in Los Angeles and Pioneer Human Services in Seattle, have already helped thousands of the most vulnerable individuals move into the workforce.

## The Impact of Social Enterprise

Individuals who go to work in these employment enterprises learn life and work skills on the job, connect to education and certification as needed, and successfully move into and retain private-sector employment. The enterprises are able to build relationships and pathways to help employees move into traditional private- and public-sector jobs, preparing entry-level workers for careers in companies and agencies that offer the potential for advancement.

## The Evidence

REDF, a San Francisco-based nonprofit providing philanthropic “venture capital” and business assistance to social enterprises, has worked with high-performing groups that have provided a first step into the workforce for more than 3,700 people. These enterprises have helped employees successfully transition into other jobs. Approximately three-fourths of those interviewed two years after hire were still employed, including those working while enrolled in an academic or vocational program. An additional 12 percent were enrolled in academic or vocational programs and not working.<sup>1</sup> A recent study of New York City’s Center for Employment Opportunities, which employs parolees in a social enterprise/transitional jobs model, shows reductions of 10 percent in reincarceration, resulting in millions of dollars saved.

## Scaling Up This Approach

As with any business, social enterprises can create more jobs when they sell more goods and services. To do so, the public and private sectors—businesses and government agencies—must purchase more of their landscaping, screen printing, recycling, and other goods and services. The enterprises also need complementary, cost-effective, public- and private-sector contributions for the supports that help employees succeed and move into private-sector jobs. As government investments in infrastructure and green jobs ramp up, the public agencies and private contractors who receive the funds should consider how to contract with social enterprises to achieve a triple bottom line: job creation, local economic stimulus, and taxpayer savings. Businesses, unions, and public agencies should look to social enterprises for a prepared, frontline workforce that they will need to hit the ground running as the economy recovers and new opportunities for growth emerge.

*As president of REDF, Carla sets REDF’s strategy in partnership with the Board of Directors and oversees its operations. Under her leadership, REDF has helped to create and grow San Francisco Bay Area employment-focused “social enterprises” – nonprofits that earn income while creating jobs for people with high barriers to employment. The enterprises REDF assists have moved more than 3,700 people into the workforce.*

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1 BTW Consultants, “Social Impact Report 2005” (San Francisco: REDF, 2005).