

The Golden State Works: Job Creation Through Social Enterprise A Private-Public Partnership

December 2008, Carla I. Javits, President, REDF

Policy opportunity. In the face of extraordinary economic and budget challenges, Californians know that job growth and increased workforce participation are essential elements of revitalization.

While the recent spike in unemployment is an enormous concern for everyone, long before the recent downturn hundreds of thousands of Californians faced both persistent unemployment rates far greater than that of the rest of the population, and the accompanying economic insecurity. With extremely limited assets to fall back on, the current economic crisis is having a particularly severe impact on these men and women who have experienced incarceration and homelessness, and young adults who have not completed high school. They include individuals who have been involved with the foster care system, who are veterans, and who may also have disabilities. While these individuals face serious challenges to workforce engagement, many can work and do work when offered a chance, enabling them to contribute to economic growth rather than depend upon safety net support.

In conjunction with broader efforts to invest in economic growth, policymakers now have an unprecedented opportunity to take advantage of private initiative through social enterprises that help move thousands of these most vulnerable people from chronic unemployment into the workforce. It is worthwhile to include these individuals in larger job creation efforts because it will result in a kind of triple bottom line: (1) the normal positive social and tax benefits of employment; (2) as a fast, direct route to economic stimulus because these workers are especially likely to spend their wages quickly on local goods and services; and (3) the additional tax savings that result from their reduced use of institutionalization, safety net and other services – savings that are even more critical now as the State, counties and cities struggle to balance their budgets.

A powerful precedent for the promotion of social enterprise is the highly successful public-private partnership established by the Javits, Wagner, O'Day (**JWOD**) program, originally enacted in 1938 during the Great Depression as a federal government effort to employ blind people by purchasing the mops and brooms they manufactured. In 1971, Congress amended this Act ([41 U.S.C. 46-48c](#)) to include people with severe disabilities and allowed the program to provide goods *and* services to the federal government.

Over sixty years later, this program works with more than 600 nonprofit agencies – many in California - that provide real jobs and increased independence for 40,000 people with severe disabilities each year, while providing federal customers with more than \$2 billion of products and services, and battling the 70 percent unemployment rate faced by this untapped labor resource.

Policymakers can act to efficiently bring these individuals into the workforce by incorporating nonprofit-run social enterprises that employ them into the supply chain for products and services, using government's purchasing and regulatory authority. By expanding its use of these enterprises as vendors, ***particularly as investments in infrastructure and green jobs ramp up, and in the more routine purchase of goods and services,*** government can increase the number of new jobs that social enterprises create. Social enterprises throughout the US have already helped tens of thousands of the most vulnerable people move into the workforce. A new generation of social enterprises employs not only those with severe disabilities but also other populations; and creates jobs as a transitional step into the traditional workforce.

What are social enterprises? Social enterprises are nonprofit-run businesses -- for example landscaping, recycling, janitorial, food services, and property management -- that create jobs which are deliberately intended to be a first step into the workforce. These businesses employ tens of thousands of people with disabilities, and also young people who have not completed high school (many involved with the foster care or criminal justice system), and adults with histories of incarceration or homelessness. They operate enterprises that, for example, provide recycling or landscaping services; combining these jobs with an ethos and management practices that foster the success of people who want to work, but are not likely to be given the opportunity or the necessary support by traditional employers.

Evidence. REDF, an SF-based nonprofit that provides philanthropic 'venture capital' and business assistance to such social enterprises - has worked with high-performing local groups that have provided a first step into the workforce for more than 3,500 people, helping them successfully move into other jobs, with data on a subset showing 70% of them working two years later, and an additional 11% in educational programs, while incarceration rates plummeted (www.redf.org).

Through these jobs, people learn work skills, connect to formal education and certification as needed, and successfully move into and retain other private sector jobs. The enterprises build relationships and pathways to help their employees move into private and public sector employment, preparing entry-level workers for jobs in companies and agencies that offer the potential for advancement. They enjoy a competitive advantage in job placement because as vendors they cultivate positive business-to-business relationships that lead to placement opportunities.

Operating with tremendous efficiency, these social enterprises earn income by selling goods and services. This income covers the wages and other normal costs of business, while the enterprises also leverage modest private philanthropic investments and routine public funding for the additional educational and social supports that underlie successful outcomes.

The opportunity is at hand for California to be a national leader by adapting JWOD's basic approach to include social enterprises in the supply chain, and create transitional jobs for tens of thousands more. Social enterprises around California, including those participating in JWOD, have grown and begun to mature. Some of the more prominent include national organizations that incorporate elements of social enterprise, like Goodwill, the Conservation Corps and Youthbuild, as well as local groups.

Case in Point: Corrections. Social enterprise is a proven vehicle for bringing those who have been incarcerated into the workforce, reducing the budget burden for states. California's prison population of 170,000 costs \$40,000 for each incarcerated individual annually. Other states – notably New York which now has 9,000 fewer inmates than 10 years ago – have done more to reverse this trend. Social enterprises like the one operated by the Center for Employment Opportunities (CEO) in New York City are widely credited with helping to achieve this. CEO places more than 1,000 formerly incarcerated people in jobs each year, after employing them in their social enterprise in transitional jobs. State agencies pay CEO to deliver maintenance services in State-owned buildings and refer parolees to join CEO-supervised work crews that paint classrooms and clean courthouse floors. After earning a paycheck and gaining experience, participants receive services from CEO that match them to permanent jobs and keep them employed. Preliminary results of an MDRC evaluation show that the program has cut re-incarceration rates among parolees in half.

Policy proposal. At this challenging moment, the opportunity is at hand to develop an entrepreneurial, efficient and effective private-public partnership that dramatically expands social enterprise in order to help solve the twin problems of chronic unemployment and the growing and unsustainable public sector costs of incarceration, safety net health, and social service programs.

Policymakers at the federal, state and local levels should act to affirmatively incorporate social enterprise into the 'supply chain' for routine purchases and contracts, as well as new investments being made now in infrastructure and the environment. The results will be increased workforce attachment, and a decrease in chronic unemployment and related taxpayer costs.

REDF has recently entered into a partnership with New York's Center for Employment Opportunities to bring their highly successful approach from New York to California. REDF is working with the State Department of Corrections and Rehabilitation to explore replication of CEO's model with California-based organizations. Implementation will require the State to structure the purchase of goods or services from social enterprises so that their business can grow to create the necessary jobs for those who have been incarcerated.

A new set of private-public partnerships that incorporate social enterprises into the supply chain, can moderate the relentless pressure on public expenditures, and enable tens of thousands of people to contribute to the Golden State's recovery, productivity and economic growth.