



JOBS FOR ALL

Employment Social Enterprise and
Economic Mobility in the United States

EXECUTIVE SUMMARY
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Business for Impact

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nuts and bolts for the new economy

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Executive Summary

Closing the Gap: Overcoming Employment Barriers for Excluded Workers

This report, *Jobs for All: Employment Social Enterprise and Economic Mobility in the United States*, explores how employment social enterprises (ESEs) contribute to economic mobility for people who have largely been excluded from the workforce. Our research highlights promising social enterprise solutions that have the potential to address some of America's most persistent and structural employment barriers.

Our research focused on ESEs that employ several key population groups that have traditionally been excluded from work in the United States. These groups include people who were formerly incarcerated; people with intellectual, emotional, and physical (IEP) disabilities; immigrants or refugees; veterans; people from low-income backgrounds, and opportunity youth. The study includes social enterprises that employ individuals who represent more than one of these groups, as these categories of workforce exclusion are highly intersectional. New data sets disaggregated by Census tract, made available through Harvard University's Opportunity Insights program directed by Raj Chetty, have established several important correlates of upward mobility – all of which are grounded in the neighborhoods in which children are raised. For Black Americans, Hispanics, and Native Americans, upward mobility is much lower than their peers of other races and ethnicities who grew up with the same income levels. Traditional approaches to workforce development have not addressed persistent structural injustices affecting upward mobility.

To understand how ESEs contribute to economic mobility for people traditionally excluded from the U.S. workforce, we conducted a literature review, developed a database of more than 500 diverse ESEs operating nationwide, and analyzed in-depth case studies of dozens of ESEs. We examined ESE business models, employment program approaches, and other activities to understand how they work and their levels of effectiveness. From our research, four models of employment social enterprise emerged, each of which effectively contribute to upward economic mobility for people who've traditionally faced work barriers in different ways. We explored enterprises across each of these four categories and developed insights and lessons learned for leaders in the social enterprise field. Finally, we devised recommendations for policy makers, corporate employers, funders, and other key stakeholders who could both support and benefit from leveraging enterprise solutions to drive economic mobility at scale for historically disadvantaged populations.

As the United States emerges from a global pandemic that has decimated entire segments of the economy while confronting systemic racism and discrimination across both public and private institutions, employment social enterprise solutions addressing systemic barriers to employment are vital. Historically, workforce development programs in the United States have focused on education and skills, but they have not addressed all the barriers that impede individuals from getting and keeping jobs. These barriers include systemic racism and other forms of discrimination; lack of income or access to job opportunities, and everyday logistical challenges such as lack of reliable transportation or childcare. This report, *Jobs for All*, makes the case for employment social enterprises as flexible organizations uniquely suited to contribute to economic mobility for people who have largely been excluded from the United States workforce. We suggest that an alliance of employers, policy makers, funders, and ESE leaders could change the face of work in this country by expanding innovative models of intervention that are proven to help individuals attain upward economic mobility.

What is Employment Social Enterprise?

Employment social enterprises (ESEs) are businesses that simultaneously sell goods and services while intentionally addressing employment-related challenges for workers. They employ people facing barriers to entry into the labor market, allowing them to gain job experience while earning an income. These jobs may be temporary, transitional, or permanent. Often, ESEs provide additional social support services that people need to be successful in their jobs.

ESEs span a range of sizes, markets, and industries, and produce a multitude of services and products. Some are lean start-ups operating on modest revenues with a limited number of employees, while others are large national conglomerates with annual budgets in the millions. Perhaps the most important thing to understand about employment social enterprises is what they *are not*: traditional workforce development programs focused on education and training. Employment social enterprises are different because they offer market-based solutions to employment challenges.

Populations that Face Employment Barriers

Our research identified approximately 27 to 35 million individuals (see table below) who want to work but face structural barriers to getting hired, whether due to disabilities, or because they come from low-income backgrounds, are immigrants, refugees, veterans, returning from incarceration, or some combination of factors amplified by systemic inequality and discrimination. Yet only a fraction – approximately 10 percent - currently have access to ESE job opportunities.

Employment Social Enterprise Target Populations (BFI 2021)

Population	Size (million)	Unemployment (%)	Unemployed (million)	Labor force participation (%)
People with disabilities	61.0 ^a	8.0 ^f	4.9 ^f	21 ⁿ
Youth*	47.1 ^b	8.1 ^g	1.5 ^k	62 ^o
Formerly incarcerated	5.0 ^c	27.3 ^h	1.4 ^h	NA
Immigrants, refugees	44.4 ^d	3.1 ⁱ	0.9 ^l	66 ^p
Veterans	18.9 ^e	3.2 ^j	0.3 ^m	49 ^q
Low-income	18.7 ^r	11.8 ^s	0.8 ^t	39 ^u

* These numbers are for all youth, ages 16-24. Opportunity Youth are the subset who are neither in school nor working, estimated to be 4.6 million (Aspen Institute 2019).





(a) CDC 2018 (b) Statista 2018 (c) PPI 2018 (d) PEW 2017 (e) Statista 2019a (f) BLS 2019a (g) Statista 2019 (h) PPI 2018 (i) BLS 2019 (j) VETS 2019 (k) BLS 2019 (l) BLS 2019 (m) VETS 2019 (n) BLS 2019 (o) BLS 2019 (p) BLS 2019 (q) BLS 2018 (r) Census 2019 (s) BLS 2018 (t) BLS2018 (u) BLS 2018 & Census 2019.

Four Employment Social Enterprise Models

In conducting research for *Jobs for All*, we examined the effectiveness of ESEs in terms of social impact and financial sustainability, demonstrated by participant outcomes and the organization's bottom line. We concluded that employment social enterprises (ESEs) deliver economic security and mobility for individual participants and offer a significant rate of return to society at large. Our research revealed four different types of ESEs: General, Targeted, Connector, and Corporate ESEs. (Figure E3). **General** ESEs work with multiple disenfranchised populations through a variety of programs and services, and typically receive significant funding from philanthropic and government grants. **Targeted** ESEs focus on specific (or "targeted") population groups, offer more tailored services, and tend to generate more earned revenue than General ESEs. **Connector** ESEs place people in jobs by responding to employer demand for skilled workers offering tailored training, language education, supply chain integration and other complementary support services. Finally, **Corporate** ESEs are programs or units embedded within larger companies that employ people from one or more of the key population groups profiled in this report. The *Jobs for All*

report includes case studies of exemplary ESEs operating within each of these models and highlights how various kinds of ESEs simultaneously earn revenue while providing workforce development and other services for their employees.

Business for Impact Employment Social Enterprise Models (BFI 2021)

	GENERAL Model 1	TARGETED Model 2	CONNECTOR Model 3	CORPORATE Model 4
 TARGET GROUP	Multiple target groups	One specific target group	Based on client need	Based on need for skills
 TYPICAL FUNDING	Philanthropy + government grants	Philanthropy and earned revenue mix	Mostly earned revenue	All earned revenue
 DRIVERS	Broader social impact, many business activities	Deeper social impact, tight business model	Bridge social needs and corporate demand for diverse talent	Corporate demand for diverse talent
 INDUSTRY EXAMPLES	Catering, food service, and handmade goods	Software development, health services	Staffing, back-office services, and supply chain integration	Staffing diversification

Challenges and Opportunities

While our research demonstrated that ESEs across each of these four models can be highly effective at employing people traditionally excluded from the workforce and creating pathways for upward economic mobility, we also identified several challenges that prevent many ESEs from scaling up and reaching more people. One of the challenges relates to a critical element common across most ESEs: “Transitional work,” or paid employment programs, which is essential to worker and ESE success. However, many of the people employed by ESEs depend on public benefits for income support and access to social services such as health care which are tied to their unemployed status. If they are paid to work, they risk losing their eligibility and face the “benefits cliff.” This presents a significant barrier to both ESE employers and their workers.

Another common complication is that many ESEs are structured as for-profit businesses, which can prevent them from accessing funding offered through public workforce development agencies and can also be an impediment to receiving grants or gifts from philanthropic donors. It’s a paradox: while ESEs have been proven to generate positive social impact and economic mobility for workers, because many are incorporated as LLCs or other types of commercial enterprises and generate earned revenues, their eligibility for foundation funding and public program participation is reduced.

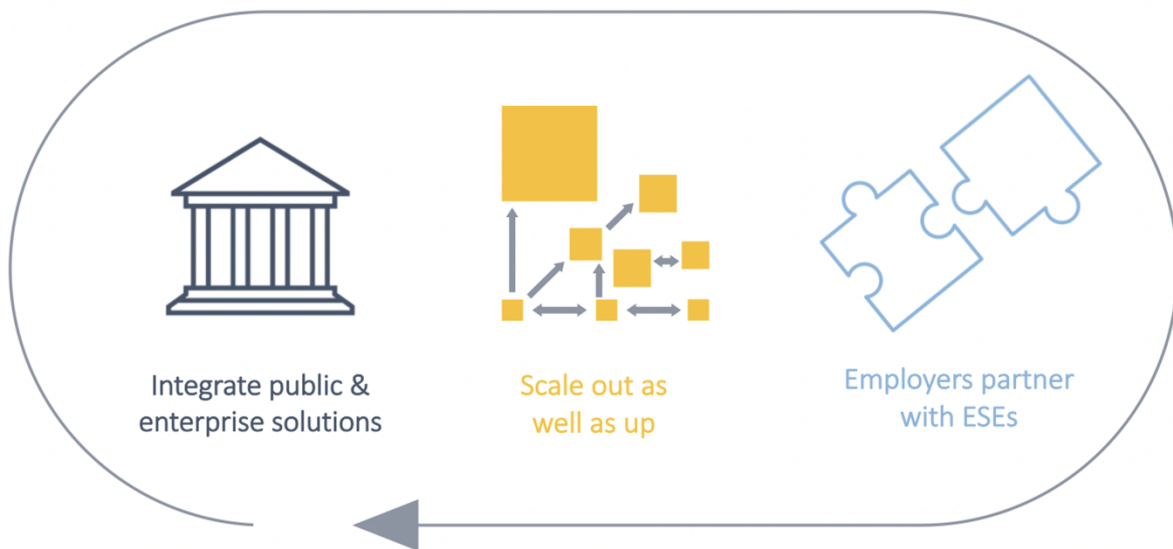
Finally, ESEs are largely disconnected from mainstream private employers. Most large corporations and “main street” businesses are not aware of the opportunity to work with ESEs to fill their talent pipelines. Because of this, employers are missing an opportunity to tap into a pool of skilled, ready-to-work employees, and ESE workers can’t access wider labor markets.

Recommendations

Our research demonstrates that ESEs can and do facilitate upward economic mobility for key population groups facing employment obstacles. However, the gap is vast between the number of workers currently reached by ESEs and the millions of potentially employable people from the groups profiled in this report. We propose that ESEs are worthy of greater public and private investment, and access to ESEs should be expanded – especially in tough economic times.

In *Jobs for All*, we offer four recommendations that serve as a call to action for employers, policy makers, funders, and leaders in the ESE field. These are: (1) integrate public policy and enterprise solutions; (2) support ESEs to scale out as well as up; (3) create corporate employer-ESE partnerships, and (4) advocate for systems approaches to workforce inclusion that put ESEs at the center. An integrated approach that incorporates each of these strategies could be transformational for the U.S. workforce system. Better integration would lead to closer connections between ESEs, their workers and long-term employment opportunities; public policy solutions that incorporate ESE approaches; and re-allocation of public and private resources toward financially sustainable ESEs, and away from more conventional training and education programs.

Systemic Change is Needed to Achieve Economic Mobility for All



1. Integrate Public Policy and Enterprise Solutions

ESEs that offer on-the-job learning experiences to vulnerable individuals through paid transitional work must navigate ill-defined legal territory around wages and benefits. This creates an urgent need to change policies on transitional employment. **Public policies and programs should be designed to encourage and support ESEs in offering paid transitional employment** programs without threatening worker access to public benefits during temporary employment. Then, as workers transition to longer-term jobs, policies could allow for gradual adjustments in benefits rather than the traditional “all or nothing” approach. More broadly, policies can be reformed so that public programs support flexible, market-driven ESE models and approaches.

2. Support ESEs to Scale Up and Out

Many ESEs can expand their impact by scaling up, which **requires greater philanthropic funding and “impact-first” investments**. They can also scale out by **developing partnerships with larger organizations** to expand their reach. To support scaling out and up, we must help ESEs build connections with employers and funders. To do this, expanded pools of capital will be required from both public and private sources.

3. Build Corporate Employer - ESE Partnerships

ESEs offer unique, cost-effective opportunities for United States-based employers, whether large or small, to access ready talent and become more supportive and inclusive workplaces in the process. Research shows that diverse teams are good business and support for vulnerable workers pays off for the firm with lower turnover. To invest in greater productivity and greater diversity, equity and inclusion, business leaders can launch “embedded” corporate ESE programs, learning from trendsetters profiled in this report. Business leaders can also **establish partnerships with Connector ESEs and work directly with General and Targeted ESEs** to expand their talent pipelines.

4. Take a Systems View with ESEs at the Center

Currently, employment social enterprises (ESEs) sit outside mainstream employment and workforce development programs. These programs often exclude or overlook ESE approaches to workforce development and economic mobility, and ESEs are largely disconnected from public programs and funding streams. When ESEs do access government funding, rigid definitions and burdensome administrative requirements often create obstacles for implementing enterprise approaches. For example, eligibility criteria for workforce programs can restrict an ESE’s ability to serve people of certain ages or require mandatory “stipends” that are out of line with a program’s lean cost structure.

We recognize that for any of these recommendations to be widely adopted, significant shifts must occur in the United States workforce development field. Leaders from public, corporate, and nonprofit organizations committed to a systematic change can begin by recognizing that economic mobility is a *process*, not an end state. For many in America, achieving upward economic mobility involves making progress and overcoming barriers across multiple dimensions of life, including both professional and personal. When addressing employment barriers, policy makers, corporate executives, and ESE leaders should **adopt a systems perspective that puts ESEs and their workers at the center of any solution**.

Greater economic mobility for more people of traditionally excluded backgrounds will be achieved when different parts of the system work together and enable ESEs to be a key piece of the overall solution.

How will we know when we have arrived?

- ESEs will be “on every corner” – i.e., visible to the public, recognized in every state, selling goods and services in all sectors, and partnering with small, medium, and large-scale employers.
- Government agencies will adopt clear yet flexible definitions for employment social enterprise that allow ESEs to access funding and employees to be paid for transitional work while keeping benefits.
- There will be no penalties for adopting market-driven approaches.
- Employers of all sizes and in all industries will partner with – and even launch - ESEs to fill their talent pipelines.
- Employers will recognize the economic advantage of engaging in social procurement and integrate ESE services and goods in their supply chain.
- The funding landscape will have grown significantly. ESEs will have a variety of options for accessing capital.

When these changes happen, we will have created a system that truly offers jobs for *all*.