



TRANSFORMING U.S. WORKFORCE DEVELOPMENT POLICIES FOR THE 21st CENTURY

EDITORS

Carl Van Horn, John J. Heldrich Center for Workforce Development at Rutgers University

Tammy Edwards, Federal Reserve Bank of Kansas City

Todd Greene, Federal Reserve Bank of Atlanta

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Social Enterprise

An Innovative Strategy to Create Real Jobs for People with Disabilities

Elaine E. Katz
Kessler Foundation

With the increasing prevalence of social enterprise (SE) businesses established by nonprofit organizations, it is clear that this promising trend is advancing employment opportunities for individuals with disabilities (Katz 2014a; Katz and Kauder 2011; National Social Enterprise Field Study 2008). These ventures are defined as being socially minded businesses run by nonprofit organizations, which generate new revenue, provide jobs, and benefit local communities. Social enterprises can be a viable alternative to traditional job generation, especially for underserved populations such as people with disabilities.

Kessler Foundation's "Transition to Work" grants program has invested \$30 million over the past eight years toward the goal of creating jobs for people with disabilities, including support for several SE businesses in New Jersey and nationally. Social enterprises are particularly promising in creating new opportunities for individuals with disabilities in emerging industries. These businesses are easily customized to meet a diversity of skill levels for participant employees, and the right stakeholders, planning, and business leadership can provide a new source of jobs and revenue.

SOCIAL ENTERPRISE AS A MODEL EMPLOYER

While there is no common or legal definition of an SE business (Katz and Kauder 2011; Social Enterprise Canada 2010), most agree

that an SE business is socially minded and revenue generating. Sometimes this is referred to as the *double bottom line*, that is, providing both financial and social returns (REDF 1999, formerly Roberts Enterprise Development Fund), or *triple bottom line* (Lamb 2010), when a green component is added. Commonly, a nonprofit organization initiates or launches the SE and may be referred to as the parent organization. Typically, it is responsible for SE operations and capacity (Alter 2000).

However, the main difference between an SE and other earned-income activities is that the main goal of the SE is to achieve sustainability by being planned and operated as a business by individuals with industry expertise (Katz and Kauder 2011; MaRS Discovery District 2014). It sometimes can be thought of as the “missing middle” straddling the intersection of business, government, and nonprofit entities to address social concerns (Social Enterprise Alliance 2014).

Social values and innovation coexist with a bottom line focus. Furthermore, the SE business has distinct resources devoted to its operations and is governed by a nonprofit board of directors. Any excess revenue or profits are reinvested in the organization’s work, reducing the need for external donor dollars to cover program costs or as a means to cross-subsidize other social programs (Alter 2000).

Increasingly, SE businesses are established to improve employment opportunities for groups that are underrepresented in the labor market, such as low-income women, ex-offenders, or people with disabilities, as direct employers of the target populations they aim to serve (Katz 2014a; REDF 1999). The possibility of job creation and income for the parent organization are motivating factors that cannot be ignored. Starting and operating a business is not an easy endeavor, especially for a nonprofit organization. Startups require a substantial investment of time, resources, and expertise. These endeavors frequently require organizations that traditionally have embraced values of social good to shift their focus to marketing, return-on-investment, revenue generation, and other business principles. Because of its mission, Kessler Foundation has chosen to support nonprofit organizations that are well positioned to adopt this strategy for people with disabilities. The two case studies below illustrate how inclusive SE ventures create jobs at living wages and provide opportunities for advancement.

Hudson Community Enterprises, Jersey City, New Jersey

Enterprise Content Management

Hudson Community Enterprises (HCE) began in 1957 as a community rehabilitation program, which throughout the years offered traditional job placement services, along with job preparation, training, and job coaching for individuals with disabilities.

Changing demographics, reduced government funding, and a decrease in local job openings led HCE in 2004 to explore the option of SE businesses and to develop a new operating model that would create employment opportunities for its target populations. Enterprise Content Management (ECM), a company with a suite of document management suite services, was the outcome. ECM met all the right criteria for an SE business opportunity, that is, marketplace potential and employment for people with disabilities in large numbers. Subsequently, Metro Shredding, a mobile shredding business, was launched in 2004.

Metro Scanning, a document imaging and digital archiving business, was launched in 2005, with \$100,000 in seed funding from Kessler Foundation. Job applicants completed a nine-week document imaging specialist-training course before employment. HCE rapidly acquired new contracts, which soon necessitated being a full-service shop for its customers. Subsequently, Metro Digital Mail Management, a service bureau using high-speed scanners to open envelopes, capture images, and classify and distribute data via a secure Internet portal, was created in 2008 with \$387,700 in start-up funding from Kessler Foundation, supplemented by loans and other private and public monies. In 2012, HCE further expanded its business line using a \$250,000 grant and a \$250,000 no-interest loan from Kessler Foundation to build a microfiche laboratory to fulfill government contracts (Katz 2014a).

As HCE expanded employment opportunities, success stories became more commonplace. Hired in 2011, Phillip was initially referred by the New Jersey Commission for the Blind and Visually Impaired because of the inability to maintain employment due to depression, substance abuse, and vision loss. Phillip's potential as a self-starter and talented employee soon became clear, and within one year, he was leading a key scanning project at the Jersey City Surrogates Office. He became the go-to person for this project, overseeing production and tracking

employee hours with minimal supervision. Gradually, Phillip became a valued employee, setting a strong example for others, and was promoted to his current position as team leader, which entails assisting other workers and overseeing general production.

Today, HCE operates a continually expanding family of SE businesses that saves clients money and contributes to a sustainable environment. By the end of 2013, ECM employed 139 people, approximately 85 percent with disabilities, scanned more than 12 million images per year, and processed more than 23,000 containers of records. Entry-level pay is \$8.50–\$10.50 per hour, with employees eligible for productivity incentives that can increase earnings up to \$14.00 per hour. All employees—full and part time, with and without disabilities—receive a full fringe benefit package. Business revenue was almost \$3.4 million in 2013 and accounts for close to 32 percent of overall agency income. Net revenue is projected to be \$369,000, meaning that the enterprise is financially self-sustaining.

Success for HCE has meant careful planning and attention to the bottom line by staff experienced in business, specifically, the content enterprise field. Operating a green business in a growth sector was the result of market research, business planning, and a blending of a social mission focus with revenue generation. Regular assessment and opportunities for advancement or movement to outside employment are available to all employees.

The Center for Head Injury Services, St. Louis, Missouri

Destination Desserts

Since 2006, the Center for Head Injury Services (CHIS) has been providing vocational placement for persons with brain injury and other neurological impairments in the greater St. Louis region. Job development and placement has become increasingly more difficult for vocational staff over the past few years, owing to the poor economy. Social enterprise ventures were explored as a way to provide training opportunities and new jobs. Since many of CHIS's clients had previous job success in the hospitality industry, food service was targeted as an area to explore. The key was to identify an SE business that relied on assembly-style steps and a diversity of job skills to accommodate different skill levels. With a \$50,000 planning grant from the Kessler Foundation in

2012, CHIS explored a business concept centered on a door-to-door cookie bakery service, which delivered sweets to college students as a nightly snack option, similar to a pizza delivery business. Through market research, CHIS identified potential difficulties with product delivery and thus eliminated the idea. In addition, the costs of renting space and outfitting a commercial bakery/kitchen were considered too high. Although the bakery concept was scrapped, the diversity of job skills needed, such as mixing, baking, ordering, shipping, and cashiering, could accommodate individuals with memory or learning impairments and facilitate learning new tasks and strategies at all levels of ability.

With the help of a small-business consultant who pointed out the importance of an expanded customer base and target markets, Destination Desserts, a new, staged business concept was developed. Desserts and beverages would be sold from a food truck at events and office parks throughout the St. Louis metropolitan area. Telephone and Internet sales would supplement truck sales. The mobile unit would itself serve as a key marketing tool, taking product to customers while operating as an additional training and employment site. CHIS secured a local grant to build a commercial kitchen at its offices and hired an experienced bakery manager to begin recipe development. CHIS began selling cookies, cupcakes, and brownies to local corporations and the community, while simultaneously finalizing recipes, developing training protocols, and testing sales. During a four-month test phase, CHIS sold 6,000 cookies and cupcakes and grossed approximately \$30,000 in revenue.

Based on successful pilot data, Kessler Foundation awarded CHIS a \$500,000 grant in 2012 to fully launch Destination Desserts. In April 2013, CHIS purchased a 14-foot box truck, which a local conversion company renovated to CHIS's specifications, featuring a customized pink exterior wrap with bold graphics. Truck renovations and equipment cost approximately \$90,000. In May 2013, the truck officially hit the streets, selling fruit smoothies, coffee, lattes, cupcakes, breakfast pastries, cookies, and brownies.

All program participants train in food handling and safety, basic recipe production, and product finishing. Individuals have the opportunity to work hands-on in each of the workstations including measuring, mixing, baking, glazing, decorating, packaging, and cleanup and sanitation, or they can work directly with the public as trainees on the food

truck. Soft-skills training, such as getting to work on time, following directions, and problem solving are also taught (Katz 2014b).

Although Destination Desserts is still in its start-up phase, total gross revenue record for 2013 was \$187,687. Net revenue for calendar year 2013 was \$110,314, which reflects \$85,360 in sales, approximately 81 percent, from its food truck. Of the 17 individuals currently employed, 70.6 percent are persons with disabilities. Entry-level pay is \$7.35 per hour. Staffing is expected to increase by four people later this year, with the introduction of a new food line of cookies with edible logos.

With almost 900 followers on social networks such as Facebook, Twitter, Instagram, and Yelp, the Destination Desserts team desperately needed support in managing its social media. Posting on these sites is critical to attract customers—it is the most common way food trucks publicize their locations around town. Daily posts highlight specials, answer questions, and list truck stops. Postings must occur frequently throughout the day and evening in order to be effective with followers.

Kara, a responsible 22-year-old, came to the attention of Destination Desserts. Though physical disabilities limited her job choices, she was a perfect fit for the position of social media associate for Destination Desserts. She trained with social media professionals and, using her newly acquired skills to market this SE business through various media outlets, helped launch the company's social media presence and branding.

CONCLUSION

Social enterprise businesses can be a viable strategy for nonprofit, community-based organizations to increase employment for individuals with disabilities. Although Kessler Foundation, the Roberts Enterprise Development Fund, and other organizations have invested in such businesses with promising results, it is important to understand the inherent risks taken by the parent organization looking to undertake these types of ventures. Business planning for social enterprises commonly projects break-even at one to two years after start-up, similar to a for-profit business. Excess revenue over expenses (profit) may take longer to develop before a business may be considered self-sustaining.

Therefore, trustees and senior management must commit to long-term support of a social venture to successfully capture a market opportunity.

Often, finding sufficient capital to launch a social venture can be problematic for a nonprofit organization. In the United States, start-ups such as those described in this case study have integrated public and private funding as seed capital. Funds may come from individual or corporate donors, foundations such as REDF and Kessler, or organizations may be eligible for public monies, such as community revitalization or development funds.

Social return on investment is also a benchmark of success. Greenwald and Associates (2012) conducted a study on behalf of Hudson Community Enterprises, which showed that New Jersey gains \$4,745 through reduced entitlements and taxes paid for each person with a disability who is employed in one of HCE's businesses. Furthermore, a job paying \$11,000 a year in salary produces an annual economic benefit of \$6,750, including \$1,650 in combined income and sales tax, and \$5,100 in reduced assistance.

Destination Desserts is still too new a venture for CHIS to evaluate its return on investment. The organization is on target for break-even status at the end of this fiscal year and is currently moving to larger office space to accommodate the growth of its social enterprise. A second business, baking and selling organic dog biscuits, is about to be launched.

Both organizations in these case studies have seen individuals gain real work experience and valuable skills by working in social enterprise businesses. Some individuals have left to accept private sector employment with a work history and references.

Social enterprise businesses that have sufficient capitalization, business expertise, and a commitment to sound business practices can be an alternate model for providing meaningful jobs with living wages for individuals with disabilities. Additional revenue over expenses produced by the venture spun can further reduce the need for other public or private funding for the parent organization.

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