

# Testimony before the Select Committee on the Status of Boys and Men of Color in CA

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Good afternoon Chairman Swanson, Members of the Select Committee, public officials, and community advocates. Thank you for convening this important and timely hearing and for including REDF among the presenters.

My name is Jason Trimiew and I am REDF's Director of Business Development. REDF is a San Francisco-based organization founded fifteen years ago to create jobs and employment opportunities for people facing the greatest barriers to work. In my brief remarks, I would like to offer REDF's unique experience in helping men of color attach to the workforce and improve their self-sufficiency through social enterprise employment.

## **Why Does Social Enterprise Matter?**

California's prosperity depends on its ability to offer maximum opportunity for all of its residents. Our state will not realize its full potential until boys and men of color, who face disproportionate challenges, have every chance to thrive. Employment is a fundamental building block for success. A job fosters economic independence for the worker and security for the household. Beyond pecuniary benefits, employment offers dignity and hope. As REDF's founder, George R. Roberts has said: "If people don't have a job, they don't have hope. If you don't have hope, what do you really have?"

While the public and nonprofit sectors have a vital role to play in workforce development, the private sector—and small businesses in particular—are critical for employment. Not only do small businesses create more net new jobs than large businesses but, according to a 2010 report by the Small Business Administration's Office of Advocacy, small firms fill niches in the labor market that are underserved. This includes, relative to large firms, employing higher shares of minorities, individuals with low educational attainment, younger and older workers, and those who are disabled or located in rural areas.<sup>1</sup>

REDF's experience suggests that nonprofit organizations operating small businesses—our definition of "social enterprises"—can play a critical role in job creation and provide a pathway into the workforce for people who face the most challenging barriers. We believe that there is a great opportunity to scale this promising innovation that leverages the power of the marketplace, public and philanthropic investment, and the mission, motivation, and unique expertise of the nonprofit sector to increase employment and self-sufficiency for men of color. Not only this, but social enterprises will help California regain its competitive footing while strengthening those nonprofit organizations serving those who have historically faced high barriers to employment.

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<sup>1</sup> United States. Small Business Administration. Office of Advocacy. *An Analysis of Small Business and Jobs*. By Brian Headd. Small Business Administration Office of Advocacy. Web. 18 Jan. 2012. <<http://archive.sba.gov/advo/research/rs359tot.pdf>>.

## What is Social Enterprise?

Supportive, transitional employment can provide a pathway into the workforce and greater social mobility for young people disconnected from work and school and for adults who have experienced incarceration, homelessness, or who have mental illness. Available opportunities for these individuals, however, fall far short of the need. Not only are there limited funds to subsidize employment, there is a disincentive for the marketplace to employ inexperienced workers, and the lack of a widely replicable model and sufficient capacity among nonprofits to effectively assist them in their transition from chronic joblessness to work.

REDF fills this gap by providing funding and technical assistance to a portfolio of nonprofit organizations in California that operate social enterprises. Four important features of social enterprise are worth noting:

1. **Social enterprises focus on the people facing the greatest barriers to work** including the formerly homeless or incarcerated, and those with mental illness
2. **Social enterprises create jobs** and provide the supports that help employees remain employed and improve their economic potential over time
3. **Social enterprises earn income** selling goods and services and provide both a financial and social return on the investment of philanthropic and public dollars
4. **Nonprofits operating social enterprises are strengthened** by the resources and accountability of the marketplace; diversifying revenue and appropriating business practices that improve their operational efficiency

## Social Enterprise Experience and Outcomes to Date

Since 1997, REDF has provided over \$15 million of grants and many millions more in professional technical assistance to more than 50 social enterprises operated by nearly 20 nonprofits in California. In total, more than 6,000 individuals have been employed. More than \$115 million in revenue has been earned from the sales of goods ice cream, marshmallows, in and screen-printed apparel to services like landscaping, concessions, and maintenance work crews.

Results from a 10-year impact study<sup>2</sup> of REDF's portfolio demonstrate that social enterprise works. Of social enterprise employees interviewed 18-24 months after their initial hire 77% were still working, average wages increased by nearly one third (31%) and, monthly incomes nearly doubled (90%). Despite the high rates of chronic unemployment for men of color, REDF's data suggests that neither gender nor race deterred success in social enterprise employment. In the ten-year study, three-fourths of social enterprise employees interviewed were people of color. Two-thirds were men. These results hold great promise that social enterprise not only works, but does so profoundly for men of color.

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<sup>2</sup> REDF. *Social Impact Report 2010: People Who Face Barriers to Employment are Willing and Able to Work* (2010). Wed. 18 Jan. 2012. <<http://www.redf.org/learn-from-redf/publications/1019>>.

## The Opportunity for Social Enterprise

In 2011, REDF launched a five-year strategy to employ thousands more Californian's facing the greatest barriers to work. Additionally, REDF is developing a scalable social enterprise model that has the potential to positively impact tens of thousands more throughout America. As the nation's only California-based recipient of a Social Innovation Fund federal grant, REDF is poised with this \$6 million investment and other support to impact many communities in California that are struggling to create jobs and employ those hardest hit by the recession.

The Select Committee can play a critical role in the scaling of social enterprise employment for men of color. In closing, I want to offer two specific recommendations for the Committee's consideration:

1. **Facilitate greater access to public procurement by social enterprises through inclusive public sector policies.** For social enterprises to grow, they need to reliably access the market for the goods and services they produce. State agencies contracted for over \$52 billion of goods and services from 2006-2008, of which contracts for non-IT services represented the largest category, with over \$16 billion. With few exceptions, social enterprises do not fit the definitions of targeted procurement programs for Small Business and Disabled Veteran Business Enterprise because of their tax-exempt status. For the SB/DVBE community, these programs have greatly increased access to procurement opportunities without decreasing competition or increasing the State's contract costs. Social enterprises should have the opportunity to compete in this arena.
2. **Realignment presents a unique and timely opportunity to create social enterprise employment for parolees.** Social enterprise employment for parolees has been shown to reduce recidivism and increase public safety.<sup>3</sup> With realignment, there is an opportunity for the innovative use of programmatic funding, coupled with procurement, to employ and support those re-entering our communities after incarceration. A model for this exists. The Center for Employment Opportunities, one of nine organizations in REDF's portfolio, is replicating their successful transitional jobs program in California. Here in Oakland, through a program called *Golden State Works*, CEO has partnered with Caltrans, The California Department of Corrections and Rehabilitation and nonprofits Rubicon Programs and Volunteers of America Bay Area to provide participants with paid transitional work in roadside litter removal but also simultaneously uses that experience to place them into unsubsidized full-time jobs outside of the program. More can be done to replicate the early success of this program.

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<sup>3</sup> MDRC. *Recidivism Effects of the Center for Employment Opportunities (CEO) Program Vary by Former Prisoners' Risk of Reoffending*. (2010) Wed. 18 Jan. 2012. <<http://www.mdrc.org/publications/574/full.pdf>>.