

Employment Capability for Individuals with Barriers to Labor Market Entry: The Case of
Work-Integration Social Enterprises

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Introduction

Seeking solutions to the world's most difficult social issues is not a new phenomenon. For decades passionate leaders and citizens have worked to address issues of poverty and inequality, traditionally through the route of the government, nonprofit, or business sectors, though none have persistently successful. Still, these endeavors to address tough social issues have grown in scale and level of sophistication due to economic and social phenomena like the spread of capitalism, the rise of the welfare state, and the decline of the traditional family support structure.¹

Traditionally, private enterprise and nonprofit organizations have existed in two separate spheres, though the conceptual frameworks that separate the world into social and economic realms are evolving. In recent years, the core ideas of business and the law that governs it are being reconsidered – can a business that equates social value with financial value thrive? A new class of organization is emerging, one with the potential to encourage enormous social, economic and environmental benefits. Social entrepreneurship blurs the boundaries between private, public and non-profit organizations to integrate social purpose with market efficiency. Often referred to as the “Fourth Sector,” social entrepreneurship “embodies the enterprising spirit of the private sector and uses the power of economic markets to generate and deliver solutions” to correct social and environmental wrongs.² A social enterprise is a market-driven, commercially viable

¹ Kickul and Lyons, *Understanding Social Entrepreneurship : The Relentless Pursuit of Mission in an Ever Changing World*. New York: Routledge, 2016, 3.

² Ibid., 4.

business in which economic value is created in a way that also creates social value. Social value creation is not at the margins of what the company does, but at the center.

TOMS shoes is arguably the most famous example, albeit one that has drawn criticism. The business employs a buy-one-give-one model; for each pair of shoes sold to consumers, another pair is donated to a child in the developing world. TOMS, formed in 2006, is one of the most prominent and successful examples of social enterprise, and has donated more than 20 million pairs of shoes.³ The one-for-one model TOMS employs has drawn criticism for its possible failure to address the underlying causes of poverty in the regions in which it operates. As TOMS founder and CEO Blake Mycoskie said himself, “if you are really serious about poverty alleviation, our critics said, then you need to create jobs. I realized that they were right...using our model to create jobs is the next level.”⁴ Mycoskie highlights an important point: the creation of jobs and development of skills are a key pillar in the social and economic inclusion of traditionally marginalized populations. Accordingly, many social ventures have evolved that recognize the importance of employment to well-being and the obstacles that many groups face in attempting to enter the workforce and gain employment.

Numerous different types of ventures marketing an array of products and services exist beneath the umbrella of social enterprise. I plan to focus specifically on work-integration social enterprises (WISEs), a subset of social enterprises whose primary goal is job creation for individuals who face barriers to entry in the workforce, either by permanently employing said individuals, or providing services that help them transition

³ Leigh Grogan. "TOMS launches eyewear mission". *Sacramento Bee*. Retrieved March 29, 2017.

⁴ Kevin Short, "TOMS CEO Blake Mycoskie Offers Surprising Answer to his Critics."

back into the labor market. WISEs open job positions exclusively for individuals who experience barriers to employment. In this context, these individuals are those who have been socially disadvantaged or systematically blocked from various rights, opportunities, or resources. Examples include, but are not limited to, individuals with experience of mental illness, homelessness, incarceration, or disability. Historically, WISEs were developed to create work opportunities for those considered less able to compete in the mainstream labor markets, normally the physically or mentally disabled. Eventually the WISE model evolved to target others facing barriers to employment.⁵

As employment is influential in overall well-being, WISEs provide an important function in fostering the social and economic inclusion of those who face barriers to entry in the workforce. In the social sector, the developing field of social enterprise has inspired keen interest and has even been hailed as the future of socially responsible business.⁶ However, the literature on actual social impact of U.S. WISEs is particularly sparse. Some preliminary studies have found WISE work to be low-paid and overwhelmingly concentrated in low-wage, low-skill sectors. In this paper I will examine these studies in order to argue that, based on the capabilities approach as applied to the workplace, WISEs should place emphasis on employment capability, a more holistic and constructive approach for their beneficiaries. This includes more attention to the quality of the WISE work experience and the degree of access beneficiaries have to personal and professional support. In the future, more empirical studies on WISE social impact will be crucial to the expansion of the field.

⁵ Cooney, *Examining the Labor Market Presence of U.S. WISEs*, 436.

⁶ Kickul and Lyons, *Understanding Social Entrepreneurship*, 3.

In this paper, I will begin by defining social entrepreneurship and giving a brief overview of the rise of the field, both for the sake of clarity and for the relative novelty of the concept. The following section will describe barriers to entry in the workforce and best practices for ensuring job quality and the career development of low-skill workers. Then I will detail work-integration social enterprises and provide a few case studies. Next, I will apply the capabilities approach to the WISE work experience and conclude with suggestions for WISEs to add value to work experience in order to ensure job quality and more fully expand the employment capability of their beneficiaries.

Social entrepreneurship, as scholar and social enterprise expert J. Gregory Dees writes, “implies a blurring of sector boundaries.”⁷ Public sector efforts at combating social issues have “fallen far short of expectations, and major social sector institutions are often viewed as inefficient, ineffective, and unresponsive.”⁸ This disconnect has provided fertile ground for the rise of social entrepreneurship.

For-Profit’s Failure

Many of the entrenched social issues of our time exist despite neoclassical economic theory, which claims that the free market, when left to work unencumbered, will operate to the benefit of all members of society. In terms of the disadvantaged, the failure of the free market to operate to their benefit is demonstrated in situations like redlining, where banks deny services to residents of certain geographic areas often on the basis of race, or environmental racism, where disproportionate amounts of toxic waste are dumped in low-

⁷ Dees, *The Meaning of Social Entrepreneurship*.

⁸ Ibid.

income communities with high minority populations.⁹ Examples like these are indicative of wider issues with the free market and its relationship with marginalized segments of society. Private markets have aided in perpetuating such problems and, "if left to their own devices, have little incentive to reverse them."¹⁰ The market does not do a sufficient job of valuing social improvements, public goods and harms, and benefits for those who cannot afford to pay – a large reason for the growth of the nonprofit sector.¹¹

Non-Profit Efforts

Massive transformations in the scope and scale of the role of government in the latter half of the 20th century fueled the growth of the nonprofit sector. Public sector subsidies of charitable giving and partnerships with government in the delivery of social services stimulated the development of thousands of nonprofit enterprises.¹² Sociologist Amitai Etzioni referred to philanthropy as the "Third Sector" for the important space it occupied between the public and private sector.¹³ No doubt the philanthropic world has effected meaningful change in the social sphere, but nonprofit organizations often lack the market efficiency of commercial enterprise. Variable funding from individual donors, private foundations and government organizations can hinder the program capability of nonprofits.

Thus, the time is ripe for social entrepreneurship, an approach that applies best of market practices to the pursuit of a social mission, resulting in a new form of business that blurs traditional boundaries between for and not-for profit.

⁹ Mohai, Pellow, and Roberts. "Environmental Justice." *Environmental Resources Annual Review*, 34 (2009): 405-430

¹⁰ Kickul and Lyons, *Understanding Social Entrepreneurship*, 4.

¹¹ Dees, *The Meaning of Social Entrepreneurship*.

¹² Kickul and Lyons, *Understanding Social Entrepreneurship*, 3.

¹³ OECD Panel Discussion on Social Entrepreneurship, *New Avenues for Job Creation and Social Inclusion*, 2.

Defining Social Entrepreneurship & Social Enterprises

Finding a universally accepted definition of social entrepreneurship is difficult, though J. Gregory Dees' definition is the oldest and most cited. Dees was an early pioneer in the field, as well as one of the first to push for its development into an academic discipline. Dees sees social entrepreneurship to be the best of market practices applied to the pursuit of a social mission, and he defines the term as follows:¹⁴

Social entrepreneurs play the role of change agents in the social sector by:

- Adopting a mission to create and sustain social value (not just private value)
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation and learning,
- Acting boldly without being limited by resources in hand, and
- Exhibiting a heightened sense of accountability

As such, social entrepreneurship and social enterprise are two different concepts. Social entrepreneurship signifies the act itself, the process of innovation and the pursuit of opportunities to solve a social issue. A social enterprise is the operation created by a social entrepreneur, a hybrid organization with social and economic goals. However, due to the undeveloped nature of the field, there are several different conceptions of what the term "social enterprise" can mean.

Issues of Terminology

Varied terminology in the field of social entrepreneurship can be attributed to a fairly recent growth in popularity, as well as the many different forms of hybrid organizations themselves. The notion of social enterprise can encompass anything from non-profit organizations with earned income programs to publicly owned corporations concerned with social or environmental impact.

¹⁴ Dees, The Meaning of Social Entrepreneurship.

Generally, the idea of social enterprise can be conceptualized along a continuum between traditional charity, funded primarily from grants or donations, and traditional business, funded by profits. The primary mission of traditional charity is social value creation, while the mission of business is to maximize financial value. Social enterprises can be inserted between the two, as they have a dual obligation built into their core business model: to “achieve measurable social impact alongside financial return.”¹⁵ Additionally, the for-profit - not-for-profit spectrum was further divided by Dees in 1998. In between profit and not-for-profit are hybrid organizations, which are divided into four categories: nonprofits with income-generating activities, social enterprises, socially responsible businesses, and corporations practicing social responsibility.¹⁶

Figure 1
Where social enterprises fall on the sustainability spectrum



Sources: The Four Lenses Strategic Framework, Virtue Ventures LLC, 2010; A.T. Kearney analysis

For the purposes of this paper, I will focus on work-integration social enterprises, which are most commonly found as either a for-profit subsidiary of a parent non-profit or a self-sustaining business operating in the marketplace.

¹⁵ Dees and Anderson. “For-Profit Social Ventures,” 2003, 12.

¹⁶ Ibid.

Barriers to Entry in the Labor Force

Public opinions and misconceptions about the abilities of those with disabilities and other members of disadvantaged groups create an environment in which there are “few opportunities to engage in activities and types of work where their talents and abilities can be expressed.”¹⁷ In reality, when placed in a work environment that takes into consideration their specific situation, these individuals can engage in a variety of tasks in which their disability or past history is irrelevant to the task’s fulfillment. Still, many face obstacles to attaining employment. For example, an estimated 65 million Americans have a criminal record.¹⁸ A 2015 New York Times/CBS News/Kaiser Family Foundation poll found that men with criminal records accounted for about 34 percent of the unemployed prime working age men surveyed (for reference, the unemployment rate of the general population was 5.3 percent).¹⁹²⁰ The reduced output of goods and services of people with felonies and prison records is estimated at between \$57-\$65 billion in losses.²¹ Pervasive hiring discrimination excludes those with history of incarceration both socially and economically and poses a serious barrier to their re-integration into the workforce.²² In the United States, over 150 cities and counties have adopted the “Ban the Box” initiative to provide job applicants a fair chance by removing the conviction history question on applications, similar to the “Fair Chance Business Pledge” launched in 2015 by the White

¹⁷ Benjamin Gidron, “The Dual Hybridity of Social Enterprises for Marginalized Populations”, *Journal of Social Entrepreneurship* (2016): 5.

¹⁸ Christman and Rodriguez, “Research Supports Fair Chance Policies,” *National Employment Law Project*, 2016

¹⁹ Ibid.

²⁰ Bureau of Labor Statistics. “Job Openings and Labor Turnover Summary.” 2017

²¹ John Schmitt and Kris Warner, “Ex-Offenders and the Labor Market”, *Center for Economic and Policy Research* (2010): 14.

²² Busway, Stoll and Weiman, *Barriers to Reentry? The Labor Market for Released Prisoners in Post-Industrial America*. Russel Sage Foundation: 2007.

House and signed by hundreds of Fortune 500 companies.²³ However, formerly incarcerated individuals still face difficulty finding employment.

Similar barriers to entry extend to members of other disadvantaged groups, such as individuals experiencing homelessness. Widespread stereotypes about the needs, wants, and abilities of homeless job seekers interfere with the ability of these individuals to succeed in the workforce. In January of 2015, over 500,000 individuals were experiencing homelessness on any given night.²⁴ A national survey found that 44 percent of individuals experiencing homelessness worked for pay during the last 30 days, but less than half of these workers had a regular job, though an overwhelming majority expressed the desire for stable employment.²⁵ Providing those experiencing homelessness with a pathway to secure employment and housing is crucial to their well-being.

Pervasive stereotypes about people with disabilities and their ability for employment routinely excludes them from the labor force as well. In 2015, the employment level of working-age individuals with disabilities was only 17.5 percent.²⁶ In contrast, the employment-population ratio for those without a disability was 65 percent.²⁷ A study done by the Department of Labor found substantial potential for job growth among people with disabilities over the coming decade. Transitioning to a strengths-based approach in recognizing the real potential and benefits of employing individuals with disabilities is essential to their inclusion in the workforce. To provide an example, Rising Tide Car Wash is a work-integration social enterprise that employs individuals on the

²³ Fair Chance Business Pledge fact sheet. <https://obamawhitehouse.archives.gov/the-press-office/2016/04/11/fact-sheet-white-house-launches-fair-chance-business-pledge>

²⁴ Shaheen and Rio, "Career Mapping for Chronically Homeless Job Seekers," 5.

²⁵ Ibid.

²⁶ U.S. Bureau of Labor Statistics

²⁷ Ibid.

autism spectrum. Individuals with autism are often exceptionally detail-oriented and logical, and do well in structured tasks and environments, three characteristics that Rising Tide Car Wash used to turn what is viewed as a disability into a competitive asset.²⁸

Structuring a work environment around the diverse needs of those facing barriers to employment is essential, and requires a change in society's perception of the capability of these individuals. WISEs shift the focus from individual history or physical/mental limitations to the social and institutional barriers that bar individuals from employment, enabling WISEs to move past stereotypes and integrate work-marginalized individuals into the workforce.

The Benefits of Employment

Employment in a work-integration, market-oriented social enterprise gives individuals many benefits, both practical and symbolic.²⁹ Waddell and Burton (2006) found that work is (1) central to identity, social roles and social status; (2) is a significant driver of social gradient in mental health; (3) meets important psychosocial needs in societies where employment is the norm; and (4) is essential to earning independent income, which is intrinsic to self-worth and full social participation.³⁰ Practically, employment fulfills a social norm and fosters financial independence, as well as opportunities for social relations, overcoming challenges, and receiving appreciation from others. Symbolically, for those receiving welfare benefits, employment represents a change in status from client in a welfare institution to an employee contributing to society.³¹ Employment is also linked

²⁸ Rising Tide Car Wash, risingtidecarwash.com

²⁹ Gidron, *The Dual Hybridity of Social Enterprises for Marginalized Populations*, 5.

³⁰ Waddell and Burton. "Is Work Good for Your Health and Well-Being?" *Department of Work and Pensions, United Kingdom*, (2006): vii.

³¹ Ibid.

with positive psychological and health outcomes. Studies have found that symptoms of somatization, depression, low self-esteem and anxiety are significantly higher in the unemployed than the employed.³²

Evidence routinely suggests that stable employment is essential not only to physical and mental health, but is also one of the best ways to reintegrate marginalized individuals back into society. For formerly incarcerated individuals, employment reduces recidivism and allows them to contribute to their families and communities. To stay out of the criminal justice system, evidence suggests that a combination of community and family support and economic opportunity is critical. Unemployment strains these crucial family supports and “provides financial incentives to engage in illegal behaviors.”³³ Economic opportunity provides individuals with a constructive approach to participating in the local community.

For those with disabilities, employment is essential to equal participation in society. Due to the diverse nature of different disabilities, it’s difficult to generalize across the spectrum, but generally, employment provides people with disabilities independent income and a constructive way to contribute to their community. In the past, sheltered workshops provided the most common option for employment of individuals with disabilities. In this model, people with disabilities work together in a separate environment and are paid well below minimum wage. Currently, states are phasing out the sheltered workshop model, largely because it fails to teach any actionable job market skills and is rooted in theory that people with disabilities are less productive than workers without disabilities.

³² Linn, Sandifer and Stein. “Effects of Unemployment on Mental and Physical Health.” *American Journal of Public Health*, 75, no. 5 (2005): 502

³³Christman and Rodriguez, *National Employment Law Project*, 2016.

Expanding employment opportunities, particularly for those who already experience difficulty attaining employment not only aids those who may have had difficulty finding work otherwise, but invests in their physical and mental health.

WISEs provide an important social service in expanding job opportunities for work-marginalized populations, but it is important to note that WISEs differ in what they offer to vulnerable individuals in two ways. Some provide temporary training or employment; the primary function of the business is to aid in placing client workers into the labor force. Others produce a product or service, and the marginalized population is the permanent employees of said organization. For the purposes of this paper, I plan to focus on WISEs that offer permanent employment to their beneficiaries. The next section will provide examples of exemplary WISEs offering different products or services, and targeting different groups of individuals .

WISE Case Studies

The Giving Keys is a Los Angeles-based social enterprise that creates jewelry from recycled keys. Employees of the organization are transitioning out of homelessness, and are provided with full-time jobs at the living wage, in addition to benefits and paid time-off for housing, education and case management appointments. The Giving Keys currently employs 79 people transitioning out of homelessness.³⁴

Juma is a social enterprise that operates 16 venture operations at major sporting venues across the U.S. The enterprises employs low-income students and those ages 16-24 who are both out of work and out of school as food vendors, ice cream scoopers, and baristas. Based on a triple model of employment, educational support, and financial health,

³⁴ The Giving Keys, www.thegivingkeys.com

Juma employees are provided with college access and retention support services, as well as a college savings matching program that matches every dollar a student saves two-to-one. Juma employed 755 youth in 2015, and 92 percent of Juma youth enroll in post-secondary education. The enterprise brought in a revenue of over \$3 million in 2015.³⁵

The Evergreen Cooperative is a connected group of worker-owned cooperatives in Cleveland, Ohio. The initiative was developed to create living-wage jobs in six neighborhoods in the Cleveland area, all with a median household income of less than \$18,500. Rather than give grant money to anti-poverty programs, the founding institutions (Cleveland Foundation, Case Western Reserve University, University Hospitals, the Cleveland Clinic and local government) looked to create jobs that could survive without public subsidy. Seed capital from the funding institutions resulted in three worker-owned cooperatives: Evergreen Cooperative Laundry, Ohio Cooperative Solar, and Green City Growers Cooperative. The three function similarly in terms of employment, but offer different services. The Evergreen Cooperative Laundry is the oldest and most profitable; an industrial laundry service serving local hospitals, hotels, and other businesses. The cooperative owns 4 percent of the local market, and employs more than 75 low-income employees from the local area who receive both on-the-job technical training as well as training from Towards Employment, a workforce readiness program that assists groups that have typically had difficulty transitioning to gainful employment.³⁶ After six months of employment, the employees are considered for membership in the cooperative by peer vote. If admitted, 50 cents of additional salary is collected towards the ownership share, a share that, after a period of 3.5 years, would equal more than \$30,000. Evergreen's unique

³⁵ Juma, www.juma.org/year-in-numbers/

³⁶ Evergreen Coop Laundry, Towards Employment. www.evgoh.com

model of worker self-management and ideology of empowerment is an innovative model of work integration for the social and economic inclusion of low-income individuals.

Studies on WISE Employment

Scholars suggest that with their combined social and economic goals, social enterprises are well-situated to contribute to improved work opportunities and conditions, as the WISEs mentioned above are doing. The ability of social enterprises to reach work-marginalized groups within communities stems from their placement "as mission-driven organisations with a commitment to a specific disadvantaged group."³⁷ By favoring workers who have faced systematic discrimination, WISEs have the unique ability to compete in the wider marketplace while simultaneously creating job opportunities to empower vulnerable workers. The WISE model promises to provide individuals with "both the soft skills like attendance, workplace socialization and discipline, and the harder, more work process specific skills required in particular industry and firm settings."³⁸ In the exemplary WISEs listed above, the organization's mix of personal (counseling, case management support, educational support, etc.) and professional support (training programs, living wages, worker self-management, etc.) goes beyond a job to expand the capability and well-being of their beneficiaries in a holistic manner.

However, there seems to be some discrepancy between claims made in policy literatures that WISEs empower vulnerable workers, cultivate quality working conditions and foster democratic participation, and some empirical studies that find much work in the social sector to be low paid and insecure.³⁹ Some scholars are skeptical of the claims of

³⁷ Buckingham and Teasdale, *OECD*, 5.

³⁸ *Ibid.*, 15.

³⁹ *Ibid.*, 23.

social enterprise, particularly because the relative novelty of the field reveals a dearth of research on the impact of social enterprises in general, and by extension, WISEs. Critics have suggested that there has been a "tendency to aggregate positive characteristics from a small number of case studies and assume that these must apply to all."⁴⁰ Therefore, it is important to note that not all WISEs offer the same holistic approaches as the case studies mentioned earlier. Little systematic research has been done in the U.S. on WISE antipoverty interventions at the field level.⁴¹

One of the few in-depth studies that exists found that the vast majority of WISEs in the United States are situated in low-skill industries and occupations.⁴² While this sector of the economy has the benefit of being accessible to individuals with few qualifications, as Cooney (2013) argues that many individuals in marginalized groups may be as a result of long periods of unemployment, homelessness, or incarceration, the "dilemma is that work experience in low skill occupations...may only prepare WISE client-workers for employment in low skill, low wage jobs in the unsubsidized labor market, jobs that in the U.S. can feature unpredictable hours and below poverty line wages."⁴³ The study found that 72 percent of the jobs that WISEs train their beneficiaries to perform exist in low skill occupations (jobs with minimal educational requirements, often a high school diploma or less).⁴⁴ Cooney's study also found that only a small number of WISEs were able to offer full-time hours, or part time hours over 24 hours a week, to their client workers.⁴⁵ Cooney's study on WISEs in the United States is, to my knowledge, the only to examine labor market

⁴⁰ Ibid., 20.

⁴¹ Cooney, "WISEs in the United States: Operating at the Nexus of Public Policy, Markets, and Community." *Nonprofit Policy Forum*, 7 no.4 (2016): 10

⁴² Cooney, *Examining the Labor Market Presence of U.S. WISEs*, 165.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Buckingham and Teasdale, *OECD* 21.

presence of and working conditions within the enterprises. Taken together, the examination of labor conditions across the 15 cases, “do describe somewhat unstable working conditions for WISE client-workers where hours are limited or unpredictable and the pay hovers around minimum wage.”⁴⁶

This presents a conflict to the professed mission of WISEs: to aid and empower vulnerable groups in eventually transitioning into an integrated member of the workforce. Low earnings are inextricably tied to poverty, and the difficulty workers experience in advancing from low-income jobs has been well documented.

Outside the United States, research on WISEs is more robust. A 2013 report compiled by the Organisation for Economic Co-operation and Development examined the role of social economy organizations (a European-centric synonym for social enterprises, including WISEs) in the provision of employment. The report, which includes data from 8 countries, not including the United States, found that WISEs find providing security of employment the most difficult aspect of employment quality to deliver. The next three challenges that were the most highly cited were career progression opportunities, adequacy of pay, and provision of training.⁴⁷ This is particularly concerning given the WISE workforce composition of largely vulnerable individuals. According to the data, social economy organizations “employing vulnerable individuals were *more* likely to find most aspects of employment quality more difficult to provide,” further, they were 5 percent more likely to report that individual autonomy at work was difficult to provide.⁴⁸ As the authors note, the data suggests that WISEs see providing high quality employment to work-

⁴⁶ Cooney, “*Examining the Labor Market Presence of U.S. WISEs*,” 160.

⁴⁷ Buckingham and Teasdale, *OECD*, 54.

⁴⁸ *Ibid.*, 56.

marginalized individuals as a vital social goal, though the organizations were struggling to deliver on that promise.

It is important to note that there is little existing literature on job quality of WISEs in the United States, aside from Cooney's 2013 study. The OECD report was compiled from 8 countries not including the U.S.; the exclusion can be attributed to the relative immaturity of the field in the United States as compared to the maturity of the WISE field in such countries as the United Kingdom, Australia, and Portugal (among others). Because of the comparability of these countries in level of social and economic structure, it is safe to assume that the data on WISEs applies similarly to those operating in United States, though there is a crucial need for more studies on WISE work experience and social impact.

High-quality employment is key to any group of society, but it is particularly important to analyze job quality in social enterprises seeking to integrate work-marginalized groups back into the workforce. There must be considerable effort invested into adding value to work experience for these individuals. This would include substantial attention paid to the availability of individualized social support, professional training, job mobility, and working conditions within WISEs. In order to faithfully adhere to a mission of social impact and service of individuals with barriers to employment, WISEs must ensure that their services are investing in the future of and the employment capability of their beneficiaries. To use an example, Greyston Bakery, a WISE in Yonkers, New York, utilizes an "Open Hiring" approach in which the bakery hires individuals directly from a waiting list, no questions asked. The majority of their employees have been chronically unemployed, largely due to language barriers or history of incarceration. In addition to employment, Greyston offers a holistic approach that includes career training, individualized counseling,

childcare, community housing, and a garden program. Greyston supplies over \$5 million of brownies and cookies to wholesale clients like Ben and Jerry's and Whole Foods.⁴⁹ The bakery operates with the philosophy that the Open Hiring model "is not just a job but a pathway forward – providing career training and life skills. Jobs are fundamental and yet insufficient."⁵⁰ WISEs are an innovative model for the social and economic inclusion of marginalized populations, but more attention to the holistic approach (or lack of) that WISEs have for the expansion of the capabilities of their beneficiaries is needed. To determine where WISEs are lacking in job quality, the following section will outline job quality in the general population.

Elements of Job Quality

In analyzing the ability of WISEs to enhance the employment capability of their beneficiaries, to which job quality is integral, it's important to begin with a portrait of job quality as a whole. The OECD includes job quality in its official well-being framework, both as "a key element of individual well-being and as a means to better economic performance."⁵¹ Social science literature clearly points to the impact of employment on individual well-being. Diving deeper than the simple fact of employment, research links workers' well-being to specific aspects of their job, those aspects that comprise overall job quality.⁵² The OECD has developed a multidimensional job quality framework that identifies three complementary dimensions: earnings, labor market security and the working environment. This framework builds on work from the Stiglitz, Sen and Fitoussi

⁴⁹ Julie Charkes, "Bakery's 'Open Hiring' Offers Anyone a Chance." *New York Times*, 2006.

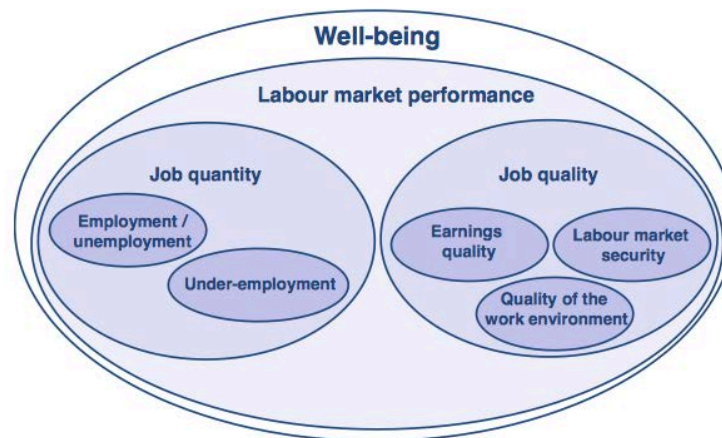
⁵⁰ Greyston Bakery, <http://greyston.com/inclusion/>

⁵¹ Cazes, Hijzen, and Saint-Martin, "Measuring and Assessing Job Quality: The OECD Job Quality Framework." *OECD Social, Employment and Migration Working Papers*, no. 174 (2015), 13.

⁵² Ibid.

Commission, which called for a multi-dimensional approach (following Amartya Sen’s capabilities approach) to “identify the main aspects of jobs found to contribute to workers’ well-being.”⁵³ Thus, in keeping with the capabilities approach, the OECD framework devotes greater attention to individual outcomes rather than country averages.

Figure 3. Job quantity, job quality and well-being



Source: OECD (2015).

The 3 Dimensions of Job Quality:⁵⁴

Earnings quality: Earnings average levels and their distribution are considered due to their importance for individual and overall well-being.

Labour market security: Job security, notably, appears to be a major determinant of individual well-being.

Quality of the working environment: The non-economic aspects of employment seek to capture characteristics beyond good salaries or good career prospects and moves into looking at worker’s chance to fulfill their ambitions and to feel useful in society and build

⁵³ Ibid.

⁵⁴ Ibid., 20.

self-esteem. Thus, factors involving quality of the work environment include its conduciveness to personal accomplishment, the nature and content of the work performed, working-time arrangements, workplace relationships and opportunities for training and job advancement. The OECD aptly notes that the quality of the working environment is an important driver of individual well-being and “depends crucially” on whether workers have autonomy in their job, are given learning opportunities and well-defined work objectives, receive constructive feedback and have healthy colleague relationships.

Applying this knowledge to WISEs means that to ensure the well-being of their beneficiaries (the social mission of their business), WISEs must devote attention to the quality of their employee’s work experience. This includes wage levels, job security, and the components of quality of the working environment that were previously mentioned, in accordance with the OECD framework.

Workforce Development and Career Advancement

While overall employment quality is important to well-being, workforce development and job mobility are crucial components, specifically as a part of the quality of the work environment dimension. Workforce development implies more than employment training; it implies “substantial employer engagement, deep community connections, career advancements, human service supports, industry-driven education and training, and the connective tissue of networks.”⁵⁵

For the general population, career advancement from low-skill work is difficult. 5.6 million jobs are currently unfilled, many because employers are struggling to find workers

⁵⁵ Robert Giloth, "Lessons for a New Context: Workforce Development in an Era of Economic Challenge." *Annie E. Casey Foundation*, (2010): 8

with the requisite skills to fill in-demand positions.⁵⁶ Research finds that adults who find themselves in low-wage employment have difficulty moving to higher rungs of the labor market. One study found that among low earners in the early 1990s (a period of economic growth), over a period of six years only 27 percent increased their incomes enough to climb consistently above the poverty line for a family of four.⁵⁷ In 2014, 12 percent of the population ages 18-64 were working year-round and full-time, but still living below the poverty line.⁵⁸

To promote the issue of career advancement, in 2014 President Obama founded the Upskill Initiative, a public-private effort that targeted employers to "create clear pathways for the more than 20 million workers in front-line jobs that too often lack opportunities to progress into higher-paying, middle-skill jobs."⁵⁹ The demand for middle-skill jobs remains fairly strong. These are jobs that require less than a bachelor's degree, but some degree of training or postsecondary education that employers could provide with relative ease. The Upskill Initiative is founded on an ideology also salient to WISEs: developing the skills and abilities of workers is not only an important feature of job quality, it is crucial to their future ability to contribute more, earn higher wages, and build a fulfilling career.

Studies on earnings mobility of low-wage workers found that nearly half of all transitions out of low-wage employment were associated with changes in employers.⁶⁰

These changes were done in two ways: by redesigning jobs to create career ladders or to

⁵⁶ Bureau of Labor Statistics, "Job Openings and Labor Turnover."

⁵⁷ Holzer, Lane, and Vilhuber, "Escaping Low Earnings: The Role of Employer Characteristics and Changes." *Industrial and Labor Relations Review*, 57, no. 4 (2004): 563.

⁵⁸ DeNavas-Walt and Proctor, "Income and Poverty in the United States: 2014 U.S. Census Bureau." *Current Population Reports*. 65.

⁵⁹ Upskill Initiative. <https://obamawhitehouse.archives.gov/the-press-office/2015/04/24/fact-sheet-administration-announces-new-commitments-support-president-ob>

⁶⁰ Paul Osterman. "Improving Job Quality: Policies Aimed at the Demand Side of the Low-Wage Labor Market." *Upjohn Institute for Employment Research*, (2008): 208.

enlarge the content of existing jobs, or secondly, increasing the quantity of training available to lower paid employees “in the hope that this will lead to career advancement.”⁶¹ Further, the studies found that the best practice elements of these workplace changes were “substantial investments in their clients.” Long training periods and higher levels of support to clients in terms of financial assistance and counseling were found to be the most substantial and valuable investments. Other work by economist Harry Holzer advances that best practices to increase opportunity includes access to on-the-job training that equips workers with the skills to advance to better jobs, and providing clear pathways upward for those who develop and demonstrate skills. For companies with low profit margins, technology-enabled learning offers a lower-cost distribution, less time consuming, engaging way to achieve this.

Overall, employers play an important role in enhancing the development and well-being of their employees. However, as noted, in many firms in the United States there is “no natural constituency with power pushing for investment in the low-wage workforce,” as American firms are “notorious for the relative weakness of the human resources function.”⁶² Contrasting WISEs with their for-profit counterparts, it is clear in this instance that the WISE social mission demands a greater degree of obligation for investment in the low-wage workforce (their beneficiaries).

The next section will argue that given the WISE workforce composition of work-marginalized individuals, the capabilities approach developed by Amartya Sen and Martha Nussbaum implies that WISEs have a responsibility to confirm that their practices are

⁶¹ Ibid., 220.

⁶² Osterman, *Improving Job Quality*, 230.

ensuring the optimal development of human capability within their workplaces, which includes workforce development, job mobility, and personal support, among other factors.

The Capabilities Approach

The capabilities approach was introduced in the late 1970s by Amartya Sen as a substitute for the traditional emphasis on economic growth as an indicator of development at the time. Sen's interpretation emphasizes a shift away from measuring poverty as deprivation of income and towards identifying functionings (the states of being and activities which individuals value and realize through choice and agency), and capabilities (the different combinations of functionings which individuals can achieve).⁶³

According to the capabilities approach, individuals should have access to the means and resources they need to live the life they have reason to value. For example, working is a functioning many people have reason to value. Having access to all of the means and resources needed to work and be physically healthy is part of an individual's overall capability set, which is the different combination of functionings which individuals can achieve. It is important to note that the capabilities approach is heavily multi-dimensional. Income is only one of many resources that individuals need, such as skills, social support, eligibility and competitiveness for available jobs. Focusing solely on earned income would devalue these other crucial factors. Rather, evaluating capabilities "shifts the axis of analysis to establishing and evaluating the conditions that enable individuals to take decisions based on what they have reason to value."⁶⁴

⁶³ Sen, Amartya and Nussbaum, Martha. *Capability and Well-Being*, in *The Quality of Life*. Oxford: Clarendon Press, (1993): 30-53.

⁶⁴ Walker & Unterhalter 2007:3

The capabilities approach was further developed by philosopher Martha Nussbaum with her list of the 10 central capabilities. The final capability Nussbaum lists is control over one's environment – the ability to “...seek employment on an equal basis as others... In work, being able to work as a human, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers.”⁶⁵ In these enumerated core capabilities is an affirmation of the importance of employment to well-being, but also an emphasis on the social dynamics and equality of opportunity within employment.

In following this line of thinking, WISEs expand the capability of their beneficiaries by providing functioning (employment) for individuals who otherwise face difficulty finding placement in the workforce. However, because the capabilities approach focuses on the freedom of people to choose what they value, it is imperative that, we take into consideration not only the quality of work and its conditions, but also the individual's access to resources to get or improve their job (skill development, job training, career advancement services, etc.) and their ability to identify and take opportunities that they value. The simple possession of a job is not enough to expand the capability of an individual, though earned income is certainly essential. Adhering to this multi-dimensional approach, it is important to analyze the social activities and impact of WISEs in order to determine whether they are expanding not only the financial assets, but the real ability of their beneficiaries to make employment decisions based on what they have reason to value.

What the preliminary studies done on WISE work experience and social impact reveal is that WISEs are lacking in key metrics of job quality. Comparing the OECD job quality framework with the OECD report on WISE work experience, we find that the three

⁶⁵ Martha Nussbaum. *Creating Capabilities: The Human Development Approach*. Cambridge, Harvard University Press, 2011.

dimensions of job quality (earnings quality, labor market security and quality of the work environment) are the same dimensions that WISEs are struggling most to deliver to their beneficiaries. As job quality is tied to overall well-being, this disconnect between the aggregation of positive WISE characteristics and the real WISE work experience is concerning. Though there is not sufficient evidence to conclude that WISEs are overwhelmingly failing to ensure well-being and expand the capabilities of their beneficiaries, largely due to the scarcity of empirical evidence on social impact, the emerging studies certainly paint such a picture.

Legal Framework

The absence of a unified structure of legal framework for social enterprises is one reason for the lack of research on the accountability of social enterprises to their social impact. Dees' definition of social entrepreneurship outlined earlier emphasizes both discipline and accountability. "The survival or growth of a social enterprise is not proof of its efficiency or effectiveness in improving social conditions," Dees writes. "It is only a weak indicator, at best."⁶⁶ Because social value is so difficult to measure as opposed to financial value, accountability within social enterprises to their intended beneficiaries is inherently difficult. Further, most legal and economic systems in place in the United States require that a company incorporate as a for-profit or a nonprofit, not a mix of the two. While there are new structures being created, many social entrepreneurs "find themselves in a binary world that may force them to compromise their objectives, complicate their organizational structures, and waste resources,"⁶⁷ though new legislation has been passed in 31 U.S. states that may be the next step

⁶⁶ Dees, *The Meaning of Social Entrepreneurship*

⁶⁷ Heerad Sabeti, "The For-Benefit Enterprise." Harvard Business School, 2011.

towards a meaningful system of accountability and oversight.⁶⁸ Benefit Corporation (B Corps) legislation enables for-profit companies to commit to a “double bottom line” philosophy, or the pursuit of both social and financial value. Similar to the “Fair Trade” certification of coffee, B Corps undergo a rigorous certification process by B-Lab, a nonprofit organization that analyzes standards of social and environmental performance, accountability, and transparency. However, incorporating as a B Corp is time-consuming and costly, and may not be a financially viable option for WISEs that lack high profit margins. The B Corps certification is a promising step towards recognition of dual organizational goals in for-profits (and for-profit subsidiaries of parent nonprofits), but may still take years of fine-tuning to be a realistic possibility for most WISEs.

Conflicting Organizational Goals

Further adding to the difficulty of quantifying social impact are the conflicting organizational goals of WISEs between serving the customers of their commercial operations and the beneficiaries of their social activities. Organization theorists and critics of social enterprise have hypothesized that organizations serving more than one category will attend to the needs of those they depend on for access to resources first, likely their paying customers. WISE employees serve as both beneficiary and employees, a possibly conflicting role. The dual goal structure presents challenges for WISEs because these goals reflect different, at times opposing, logics: "a commercial logic that emphasizes efficiency, profitability and competitive rivalry versus a service or social welfare logic that aims to maximize a program of supportive intervention to produce results for the beneficiary."⁶⁹

⁶⁸ Benefit Corporation, State by State Status of Legislation. <http://benefitcorp.net/policymakers/state-by-state-status>

⁶⁹ Cooney, *Examining the Labor Market Presence of U.S. WISEs*, 436.

Though social enterprises profess to value both social and financial goals equally, this organizational conflict could potentially lead to neglect of the organization's beneficiaries, and prioritization of commercial activities. Little empirical evidence exists of this claim, largely because measurement of such a concern has proved to be vague and difficult to quantify.

The OECD report on social economy organizations that was addressed earlier found there was a “strong sense” in the analyzed WISEs that the costs of employing and supporting vulnerable individuals went over those that would have been “incurred by employing a person not considered vulnerable in this sense.”⁷⁰ Another study found that the costs of operating a business with a social mission dimension increased costs up to 33 percent more than that of a normal business.⁷¹ WISEs face particular challenge in providing high quality employment and support in order to sufficiently serve their target populations, while also keeping costs low to operate in competitive markets. In addition, as some studies have found, the fields in which many WISEs operate are “typically low paid and do not necessarily have high profit margins.”⁷² In other words, WISEs must endeavor to compete with other products and services on the market, while striving to create different job conditions than their for-profit counterparts to cater to the specific needs of their beneficiaries, an effort that likely proves difficult in industries with low profit margins.

Suggestions

The variety of ventures that WISEs operate, combined with the myriad of work-marginalized populations that WISEs serve, prohibits any sort of all-encompassing

⁷⁰ OECD, *Job Creation through the Social Economy and Social Entrepreneurship*, 61.

⁷¹ Ibid.

⁷² Cooney, *Examining the Labor Market Presence of U.S. WISEs*, 2013.

prescription for expanding the employment capability of their beneficiaries. However, ensuring a mix of practices for the optimal development of human capability within the workplace likely includes a mix of personal support and professional development. Personal support includes access to mentoring programs, case management help, educational support, benefits counseling, housing appointments, quality health care, and an overall supportive community environment tailored to individual needs. Professional development implies access to resources like job-specific education and training, career advancement services, networking opportunities and the like. Combinations of the two would differ across sectors and target populations. For entrepreneurs seeking to start a WISE, this may include strategic positioning in a middle-skill industry that could provide clearer pathways upward for beneficiaries.

Further, WISEs in the United States would benefit from a legal framework that could enable them to implement a system of accountability, as well as organize a defined category for further research on the field. The B-Corps framework, if modified to accommodate enterprises with low profit margins and limited time to devote to applications, assessments and corporate restructuring, is likely to be the future of this type of legal incorporation/categorization for social enterprises.

In sum, WISEs face significant challenges to operating a business with dual objectives. Conflicting organizational goals, combined with an overwhelming concentration of labor market presence in low-skill, low-wage areas and a lack of any feasible structure of legal framework suggests precarious employment settings. Employing work-marginalized populations in this setting characterized by low levels of job security, wage adequacy, and job quality is a serious issue when approached from a capability perspective. In order to

ensure the well-being of their beneficiaries (the professed social mission of WISEs), WISEs must invest considerable effort in adding value to work experience, including personal and professional support and significant attention to metrics of job quality. In the future, more attention to the nature of the employment and research on WISE social impact will be key to the field's development. With the right conditions and commitment from social entrepreneurs, WISEs have the unique ability to expand job opportunities for work-marginalized populations and to assist in developing their human capability.

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