

# InFOCUS

Nan Maxwell, Dana Rotz, and Adam Dunn

## Social Enterprises, Economic Self-Sufficiency, and Life Stability

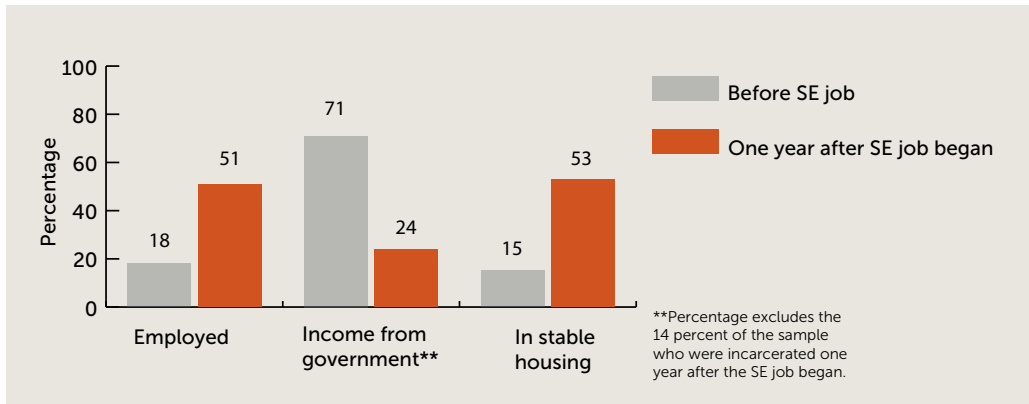
**Social enterprises (SEs) are mission-driven businesses focused on hiring and assisting people who face barriers to work.** In 2011, REDF funded organizations in California to expand and support SEs and commissioned an evaluation to assess this approach. This brief highlights key findings from an outcomes evaluation of 282 SE workers in seven REDF-supported organizations; an impact evaluation comparing outcomes for 154 SE workers and 37 work-eligible individuals not hired by the SE at one organization; and an accompanying cost-benefit analysis.

### SOCIAL ENTERPRISES HELPED IMPROVE ECONOMIC SELF-SUFFICIENCY AND LIFE STABILITY OUTCOMES

Results from the outcomes analysis suggest that SEs may help workers gain employment and move toward economic self-sufficiency and life stability; however, the impact-study results are inconclusive, in part because of small samples. As Figure 1 shows, in the year after workers began their SE jobs:

- **Employment increased from 18 to 51 percent.** The impact study suggests these changes might represent some improvement in workers' employment status relative to a comparison group.
- **The percentage of total income from government transfers decreased from 71 to 24 percent.** Evidence from the outcomes study suggests that SE workers had higher income one year after their SE jobs began. Total monthly income increased by 91 percent, from \$653 to \$1,246. Most of this growth stemmed from increases in wage and salary income, but other sources of income also shifted during the period.
- **The share of SE workers living in stable housing increased from 15 to 53 percent.** However, in the impact study, the estimated change in housing stability was not greater for SE workers than for those who did not work in the SE, even though the change was statistically significant for SE workers.

The social enterprise experience is associated with a tripling of the employment rate.



**Figure 1. Self-sufficiency and life stability one year after the SE job began**

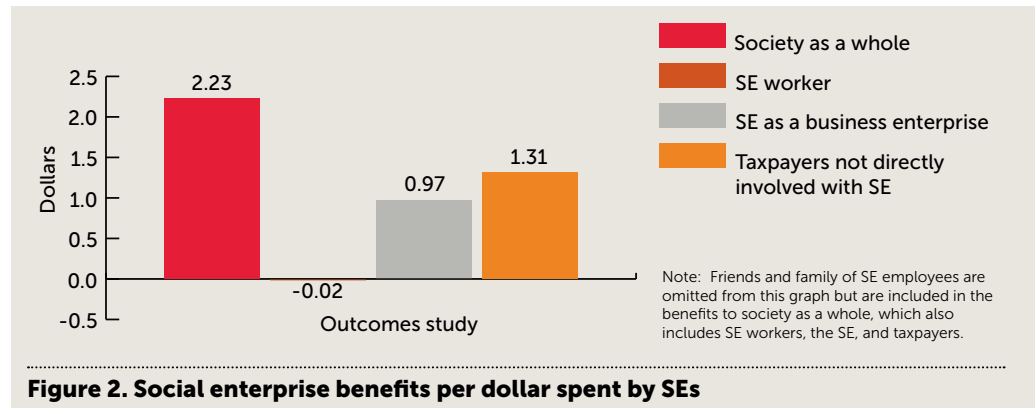
## SELF-SUFFICIENCY AND LIFE STABILITY INCREASED WITH SUPPORT RECEIVED AFTER LEAVING THE SOCIAL ENTERPRISE

About two-thirds of workers reported that they received supports *after* they left the SE, including continued access to case management and services to help with work and life stability barriers. Compared with workers who did not receive these additional services, workers who left the SE and received them reported a 21 percentage point increase in the likelihood of housing stability, a \$428 increase in total monthly income, and a 0.68 standard deviation decrease in the depression index one year after the SE job began. Although results suggest a relationship between these supports and the life stability measures, we cannot conclude that these services caused the differences because they might be driven by factors that are not captured in the analysis (for example, motivation) that would affect both the SE experience and outcomes.

## THE SOCIAL ENTERPRISE EXPERIENCE ADDS VALUE TO SOCIETY

The outcomes analysis suggests that SEs in REDF's portfolio provide a net benefit to society, as depicted in Figure 2. For every dollar the SE spent, the return on that investment was \$2.23 for society as a whole. This includes benefits of \$1.31 to taxpayers from reductions in government transfer payments and increases in revenues, in addition to benefits to the SE business. Workers, however, actually incur a small loss from SE employment. Although they gain in terms of economic self-sufficiency and life stability, their gains do not exceed losses associated with reduced government transfers and lower public subsidies for housing. The SEs, as business enterprises, roughly break even. Looking across SEs, we find substantial variation; the smaller and newer SEs that we studied do not yet appear to produce net benefits to society.

The overall social return on investment in an SE was 123 percent, meaning each dollar the SE spent generated \$2.23 of value for society as a whole.



## LOOKING AHEAD

This evaluation provided evidence that SEs can produce value to society and a net benefit to taxpayers. These benefits were greater among larger and older SEs and for individuals who continued to receive support after leaving the SE. Although we need stronger evidence grounded in a randomized controlled trial to provide more definitive conclusions, our results suggest that it may be beneficial for funders to support the growth and maturation of SEs, as well as SEs' provision of additional support to workers after they leave SE employment.

**This research was conducted by Dana Rotz, Nan Maxwell, and Adam Dunn. The full report is available at [www.redf.org/finalmjs](http://www.redf.org/finalmjs).**

This report is based upon work supported by the Social Innovation Fund (SIF), a program of the Corporation for National and Community Service (CNCS). The Social Innovation Fund combines public and private resources to grow the impact of innovative, community-based solutions that have compelling evidence of improving the lives of people in low-income communities throughout the United States.

