



**Interview of Carla Javits
President, REDF (San Francisco, CA)**

Interviewed by Steve Dubb, Research Director, The Democracy Collaborative
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REDF [originally called the Roberts Enterprise Development Fund] was founded in 1997 and is an incubator of social enterprises. REDF conducts this work by providing “equity-like” funding and hands-on business assistance to create and grow “double bottom line” enterprises that earn income while employing people who face high barriers. REDF also builds the field by broadly sharing lessons learned and outcomes that demonstrate the effectiveness of social enterprise in helping people with histories of incarceration, homelessness, addiction, mental illness, and/or limited education to successfully retain employment. To date, the organizations with which REDF has partnered have created job opportunities for more than 5,700 people. Carla Javits is President of REDF, a position she has held since 2007. Under her leadership, REDF became the first (and so far only) California-based organization to receive an award from the Corporation for National and Community Service’s Social Innovation Fund competition. With the support of the Social Innovation Fund grant and other donors and foundations, REDF has expanded its operations beyond the San Francisco Bay Area to Los Angeles and plans to operate in other California counties.

What were the origins of REDF?

REDF was founded 15 or so years ago. George Roberts, who is Co-Founder and Co-Chairman of Kohlberg, Kravis and Roberts (KKR), and his wife wanted to do something about the growing homelessness in the Bay Area and see that people could get into the workforce and get jobs. They connected with Jed Emerson, a widely known leader in the social enterprise sector and he took the reins here. At first, they tried a few things that didn’t work that well and then they hit on this idea of supporting nonprofits that employed people who were homeless. Later, the effort expanded to support people with other barriers to employment, such as mental health, addiction issues, or histories of incarceration. Since then we’ve honed that effort in the Bay Area and now we are expanding our work California-wide. Initially, REDF was part of Mr. Robert’s foundation. About 6 years ago, it became a nonprofit. Mr. Roberts is the Chair of the Board. There is a growing board of directors. We made this switch because there was the sense that we had achieved some important outcomes and we wanted to encourage others to get involved and others to invest in something we thought was working.

What are some of the leading achievements of REDF to date?

We have helped a lot of enterprises – more than three-dozen – to either start or expand. We have helped them employ more than 5,700 people. Of those interviewed two years after getting a social enterprise job, three quarters were still working. We see this as an impressive result. Also there are other indicators: income has risen and wages have risen. Those are the outcomes we have seen. Additionally, the nonprofits themselves have earned more than \$100 million in revenue. That is revenue that covers costs that would otherwise be covered by government and philanthropy. And, indeed, in a very real sense that is revenue that likely otherwise would have never been dedicated to the sector at all. Our nonprofit partners have demonstrated their ability to run these enterprises, employ people and help them stay in the workforce. Because we have focused on this one thing, we have learned a lot about how to help nonprofits succeed in this area – both in helping people get jobs that would otherwise not be able to get jobs and also how to support the sustainability of the nonprofit enterprises themselves. There have been a lot of similar attempts around the country. Some have worked out and some have not. This is not easy to do! Over time, we have built the knowledge base of what works. This is another really positive result of REDF's work.

Could you tell us how REDF structures its support of the social enterprises that it partners with? How do the partnerships with nonprofits work?

The way it works is that REDF seeks out nonprofits that either have a business or enterprise of some sort or have a strong focus on workforce development and some ideas of a social enterprise they want to start. We very carefully assess the organizations based on criteria we have developed over the years by working in the field. We select a pretty small number of organizations to get involved with. We like to stay involved for 3-5 years, although the length of time can vary according to the needs of a specific partner. During that period of time we agree on objectives in such areas as employment, revenue growth, and other business objectives. We provide financial support in the form of grants and also very hands-on business assistance. This business assistance ranges from marketing to business planning to infrastructure. Every year, both REDF and its partner organizations have a mutual conversation about how things are going and we renew and refine the partnership on an annual basis. We've added some elements to our business assistance that are just getting under way now – one is much more of a focus on employee support to help employees thrive, succeed, and remain in the workforce. Second, we are focused on expanding our business development support. For example, we're now engaging with larger corporations to broker relationships with our partner social enterprises. The idea is to connect them to the supply chain as a way to expand their businesses. We have high hopes for increased success and job growth as a result.

Could you provide an example of a nonprofit that you worked with and have now exited and talk about how this process worked?

One example is New Door Ventures – a San Francisco group that we got involved with fairly early on in REDF's history. It was a shelter for homeless people. The leadership there got the idea of screen- printing t-shirts to employ people coming into the shelter as a way to generate revenue. They started the operation on a shoestring budget with very basic equipment. We started

working with them. Over a period of years, we provided millions of dollars. We delivered a whole suite of business services, both to build the infrastructure of the organization and the enterprise (marketing, strategic planning), helping get the right people in place to coach the enterprise leadership, and helping to develop markets for the screen-printed items. That was a tiny start-up at the beginning. It now has a state-of-the-art headquarters building and state-of-the-art screen-printing equipment. They also set up a second business, a bicycle repair and sales shop in San Francisco. Over those years, they changed their focus from helping homeless people to helping young adults with barriers to employment. Both of their businesses have employed young people who face a lot of different challenges including dropping out of school, histories of incarceration, involvement with gangs, and being in the foster care system.

Around 2006 we ended the portfolio relationship. Our support tapered off over a couple of years. New Door continues to develop these ventures. With REDF's new business development work, seeking contracts from corporations, we have helped New Door secure a screen-printing contract from Safeway. So even though New Door is no longer in our portfolio, our relationship continues. Our work continues to be informed by theirs. They are also participating in a new working group that we formed called the Social Enterprise for Jobs Working Group ("SE4Jobs"). It is a forum for practitioners to learn best practices from one another.

Could you explain how the organization has changed since you became executive director four years ago? What are some of REDF's priorities going forward?

We worked for a couple of years to develop a new strategy that our board adopted for 2011-2015 – a five-year strategy. We are really excited about it. We have two major goals. One is to expand statewide and help 2,500 more people move into the workforce. The second is to develop a replicable model of social enterprise that can be carried out by many more groups and communities. We are just halfway through the first year. We were extremely fortunate to receive a Social Innovation Fund grant from the Corporation for National and Community Service, a program of the federal government that is trying to scale up and establish an evidentiary basis for promising practices. We received a two-year, \$3 million grant, which was just renewed for another two years. That has allowed us to issue two requests-for-qualifications to select our nonprofit partners. In the first round, we selected six groups. We are assessing the second round applicants now. Of the first six, there are two enterprises in Los Angeles -- that represents our first foray outside the San Francisco Bay Area.

I noticed on your website that one of your projects involved getting more local produce in high schools. Could you talk about the local produce project?

One of the business start-ups is with a nonprofit group called Buckelew Programs, which is based in Marin County. Buckelew serves people with mental health challenges. This is a new business for them. They run a couple of businesses now including a cafe, but they are expanding into this new business line — a commissary that brings fresh produce to institutional buyers like schools and hospitals. They are just settling on a new facility. It should be up and running shortly. Obviously with the emphasis and focus on fresh local food, institutional buyers like

hospitals and schools are more and more interested in accessing that supply. There is a real business opportunity there.

Is REDF is trying to launch a similar business in Los Angeles?

We are looking into this. Having a wider reach helps with replication. We want to see what can be replicated. Different markets have different drivers and cost structures. We want to figure out what can be replicated and what cannot; what can be done nationally or, if not done everywhere, might still be replicated in many more places across the country.

Could you discuss the other new enterprises that you are presently partnering with?

We have six organizations in our portfolio right now. Two are in the San Francisco Bay Area – Buckelew and Community Housing Partnership. The latter has been in REDF’s portfolio for several years – they develop, own and manage supportive housing. From their inception they have made employment of tenants a high priority – they run a desk clerk business, an apartment unit turnover enterprise, and a pest control business. Basically, they are in property management services. In Los Angeles, we are working with Chrysalis and Weingart Center Association. Chrysalis is one of the better-known nonprofits operating social enterprises in the country. Chrysalis Enterprises currently run three businesses: [Chrysalis Staffing](#), a full-service staffing agency for temporary and temp-to-hire work assignments, [Chrysalis Works](#), a professional street-maintenance and cleaning service and [Chrysalis Recycling](#), which collects recyclables from office buildings, multi-family dwellings and schools. Chrysalis is large and is one of the flagships of the social enterprise arena. We are trying to help them expand existing businesses and start a new business. Weingart is on Skid Row in Los Angeles. They have a focus on workforce development, but have not until now operated social enterprises. We are looking at replicating with them the pest control business developed by CHP.

Two others are in the portfolio. The Center for Economic Opportunities (CEO) employs thousands of formerly incarcerated people in New York in transitional jobs on work crews doing maintenance projects. They are seeking to replicate that effort both in Oklahoma and in California. We are helping with their California replication. The assistance to CEO also complements an investment in their expansion by the Edna McConnell Clark Foundation. Cooperative investment for organizations trying to scale can be critical. CEO has started its work in Oakland through an “affiliate” model where it provides support to replicate the CEO model to Volunteers of America, which is also working with Rubicon Programs. CEO is looking to start up its own enterprise in San Diego. Lastly, the portfolio includes an enterprise called Green Streets — a program of the nonprofit Urban Strategies. Green Streets is a social enterprise that provides recycling and composting services in public housing San Francisco. They are affiliated with Urban Strategies which is the nonprofit subsidiary of McCormack, Baron, and Ragan (MBR), a national for-profit affordable housing development firm. The aspiration is to replicate the enterprise in Richmond, California; Los Angeles, and hopefully in other parts of the country where MBR has properties. That business employs young adults who live in and around public housing.

How does placement of employees after the social enterprise work? Where do those who “graduate” from social enterprises go afterward?

We’re not rigid about it — we are trying to figure out what works best in terms of length of employment. That’s different for different people who face different kinds of challenges. We are trying to learn what works and what doesn’t.

One finding from the data is very powerful. It appears that if people can work in a wage-paying job for six months to a year, almost all of the things you would hope to improve — job retention, income, etc.— do improve. Trying to make sure that people stay in the workforce for six months to a year seems to make a big difference long term. We’re focusing more now on employee supports – identifying what helps people make that step into the mainstream workforce and retain the jobs. We want to know what really works in that regard. We are looking at technology, which can pinpoint potential job opportunities by profiling people who employers, even small businesses, want to or prefer to hire. We are not doing a lot with traditional training, such as community colleges, but we are very interested in making that connection. Our perspective on this is that there are a lot of people in this country who can’t even get onto that first rung of the ladder. We are really trying to get people well positioned on that first rung so that they can take advantage of opportunities to climb up from there themselves.

There is a tension, of course, in social enterprise. In terms of the individuals, you might want people to move “up and out” after a year, but high turnover can be difficult in many businesses. From a business perspective, you might want to keep people for 5-10 years.

We are trying to figure that out for different lines of business. We are cognizant of that issue when we are assessing which business niches best fit the social enterprise model. In most cases, most of these businesses have some longer-term positions. So it is a matter of calibrating what percentage needs to be long term and what percentage short term. That is really important. Some of the people in transitional jobs, of course, can move into the permanent jobs at the same social enterprise. So it is really a mix. It is not the case that 100-percent of the employees will be turning over. For some, it makes sense to get in and move on. We are really conscious of that when we are setting up the business — that we are setting these businesses up for at least part of their workforce to be transitory.

Shifting gears and thinking nationally about public priorities for social enterprise, what do you see as the role of public enterprise? Also, to what extent can lessons learned through social enterprise inform how we should structure national workforce development policy?

The big lesson to me is about how to bring people with challenges – mental health, incarceration, and homelessness, etc.— into the workforce. And the short answer is by providing real jobs with a real paycheck and, of course, the appropriate support structures. That appears to have some very promising results and it is worth figuring out how to build on that. A lot of what has been done

to date is through wage subsidy programs that are funded by the government. Those are hard to sustain in a time of reduced government resources. Or, you might have public works projects with directives to hire locally. Unfortunately, too often, those result in limited term employment that doesn't go anywhere. Social enterprise, however, if done right, can be a part of the supply chain that generates revenue that offsets what would otherwise be public subsidies and helps employees succeed in the workforce.

On the practical side, the Social Innovation Fund is an important meaningful experiment. In our case, the question is whether public money can be used to spur the development of a whole tier of social results that the public expects. Traditionally, our funds have come from private sources. I think that it is important to assess what public funding can do. One thing it has done is to cause us to systematize what we do. That's been very positive. There are also some challenges. When you get involved with public funding, the money is less flexible, the expected payoff has to be more immediate, and there is less tolerance for risk. Despite these challenges, public policy can play an important role in supporting social enterprise by aggregating and investing the needed capital.

A second thing to look at is how the government interacts with social enterprise in existing business support programs. For example, most social enterprises work in minority communities and employ the people who live there, yet they don't really qualify under the technical definition of "minority-owned business" because they are nonprofits. The definition matters as we try to get these entities into the supply chain. Right now, there is a bit of an uneven playing field that doesn't make sense given they are meeting an equivalent social goal. Either the social enterprises need to be incorporated differently or the Small Business Administration definitions need to change.

A third thing is that while social enterprises can generate significant revenue, there are still some costs. There is a need for some ongoing subsidy for the support services. It is a vastly reduced subsidy because of the earned revenue, but there is still a need for some subsidy to cover the training piece and the job readiness piece. I think, over time, these enterprises can become part of the workforce development arena by creating jobs, generating revenue, and partnering with others that provide support funded through subsidy that help people move on and retain jobs long-term.

The obvious incentive on the public side is that social enterprises vastly reduce public costs in others areas, by reducing recidivism, reducing homelessness, and, on the revenue side, by increasing incomes and generating the payment of taxes. For years, REDF has talked about what we call SROI — social return on investment. REDF has tried to develop a meaningful approach to assessing what the social return on investment is for social enterprise, and we continue to push that work forward. For the public sector to invest, it needs to be understood that every dollar provided delivers a return to the public.

To what degree do you interact with the U.S. Department of Labor and the Workforce Investment Board system?

We are a little bit to the side of that. I've served for a number of years on the Youth Council of San Francisco's Workforce Investment Board. We are cognizant of that policy arena. Many of the groups we are involved with have at different times been able to access the funding. The WIA (Workforce Investment Act) system in the United States has tended to shy away from people with the greatest barriers and focus on people who just lost a job this year. So it has to some extent had less relevance for people with greater barriers. I think we are showing we can create a system that delivers benefits for people with greater barriers to employment cost-effectively.

There are other federal programs that we have used more frequently. For example, the U.S. Department of Health and Human Services (HHS) operates a Job Opportunities for Low-Income Individuals (JOLI) program and a Community Economic Development program (CED), both of which, over time, have provided capitalization for some of these businesses. DOL (The U.S. Department of Labor) has a transitional jobs program and some other related programs, but generally this has been more of a private sector play.

The place where this comes together with the government is with purchasing. The Center for Employment Opportunities in New York — they use state procurement of building maintenance services. That's a real win-win that can be replicated more widely. Basically, what they are doing in New York is using public resources for public procurement that employ people who would otherwise cost the government a lot of money.

A great example at the federal level is the whole system that exists around the country — through the Ability One program of NISH (formerly National Industries for the Severely Handicapped) — which works with hundreds of nonprofits that employ people with disabilities to do work for the federal government -- landscape military bases, manufacture military uniforms, destroy documents, and maintain buildings among other activities.

How does REDF measure social return of investment and what are some of your recommendations for the field?

We are looking at how many people are employed, how long they are employed, wages, and so on. We are also looking at the business itself, including its revenues and the overall strength of the business, and the nonprofit's ability to run the business. Where it gets more challenging to measure impact is on the larger societal scale: the impact on rates of recidivism, for example — things like that. We are looking to do a random-assignment study to provide more of that data in the future. The Center for Employment Opportunities (CEO), for instance, has been analyzed by MDRC [originally named Manpower Demonstration Research Corporation], which is one of the leading evaluators in the field. The results look very promising, demonstrating that crime and recidivism are reduced for people who have gotten into CEO's program. That's one element of it.

The second area where we are looking to improve the analysis of social return on investment is that we are trying to pilot a way for nonprofits to tie financial information to their social outcomes data. What I mean by that is that most nonprofits are using systems and software for accounting and financial management. And they are also using systems to document results for the people they are helping. But we have no systematic way to tie those two data sets together.

For example, take the seeming simple question of “What’s the cost per job?” These days, when asked this question, usually people do their best to put numbers together on a one-shot basis. We are trying to develop a usable, cost-effective way to tie together financial and client data, so that we can deliver better information that ties costs to results. We are just piloting that now, but we believe it shows some real promise.

How does the Social Innovation Fund program work? Have you found being part of the first round of grantees has provided a useful forum for information sharing with other grantees?

We have to match dollar-for-dollar the federal allocation ourselves and our portfolio companies also have to match the money we give out in sub-grants. Fortunately, some of the match can be earned income from the businesses. As for the program itself, the basic focus is to identify promising practices in the community and deliver the evidence and capacity-building support to take these practices to a larger scale.

It is a really interesting effort for the government to work through intermediaries and venture philanthropy groups like ourselves and others like LISC (Local Initiatives Support Corporation), the Center for Economic Opportunities in New York, New Profit, Venture Philanthropy Partners, the National Fund for Workforce Solutions, and the Edna McConnell Clark Foundation among others. There is a widespread feeling that we need a new model to deliver results with the public dollar. I think this notion that government can work with and through intermediary organizations that also leverage private dollars and are able to work at a direct level with organizations in the community and other actors is a powerful one. It is pretty exciting.

Another benefit of the program is that there is a knowledge network that we have put together. With the latest round of awards from the Social Innovation Fund (SIF), five more intermediaries have been brought into the fold – including the Corporation for Supportive Housing where I worked for 15 years. I am really pleased about that. A question and challenge for us is to integrate what we learn through the SIF into the mainstream of what the government does. That is a real effort that we are going to have to make in the coming years.

What are REDF’s main priorities going forward?

We want to be in multiple jurisdictions in California, working with a variety of businesses employing thousands of people. We want to learn what works to craft what we learn to be used around the country; and we are going to put everything into that over the next five years.

We really do believe this is a powerful way to create some avenues to bring people into the workforce who have been excluded. There are millions of people in this country who want to work, who are capable of working and who aren’t given that opportunity. We need a way to do that and this is one promising way to do it.

Anything else you would like to add?

I do think the work we are doing fits into a larger context to really create more job opportunities especially for people who may be at the lower end of the income scale. That ranges from the worker-owned cooperative enterprises that the Cleveland Foundation and the Democracy Collaborative are involved with to some of the corporations that have been involved in Business for Social Responsibility, to the Hitachi Foundation's program to identify businesses that provide decent pay, benefits, and opportunities to move up to their low wage employees, to some of the work being done in small business development. We have to harness these investments in companies of all stripes that share these goals of creating jobs and real opportunity for people who have been left out of the workforce. There is much more innovation going on. There needs to be greater investment and attention given to all of these efforts.

For more information, please see the website of REDF at www.redf.org