

Working PAPER

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Social Enterprises: Doing Good While Doing Business

February 2016

Abstract

Employment social enterprises incorporate a business mission of financial viability into a transitional jobs model structured to help individuals with employment barriers gain unsupported employment. We assess which factors contribute to their success using a cross-case analysis of qualitative and quantitative data from eight enterprises. Results suggest that more successful enterprises built transitional jobs programs that made soft skills training a central component of support and provided structured intensive job search and job placement supports. Results further suggest that integrating a transitional jobs program into a business could enhance the program by helping to (1) create a real-world work experience for participants, (2) focus transitional jobs in low-skilled work and soft-skills development, and (3) boost support services through supervisor engagement and economies of scale.

The authors thank Linda Rosenberg and Jacqueline Berman for work from which this study emerged. Linda also provided much appreciated feedback on the current study. We also thank Chrissie Grover-Roybal, Mindy Hu, and Jessica McElroy for research assistance and Josh Haimson for helpful input at various stages. This work is based upon work supported by the Corporation for National and Community Service under Social Innovation Fund Grant No. 10SIHCA001. Opinions or points of view expressed are those of the authors and do not necessarily reflect the official position of, or a position that is endorsed by, the Corporation or the Social Innovation Fund program.

Introduction

Employment social enterprises have recently emerged as a model that juxtaposes a business mission with a transitional jobs (TJ) program that uses temporary wage-paying jobs to provide job skills to participants while helping them develop appropriate work habits, build work experience, and manage life issues. The TJ model originated in the 1990s as a way to help long-term welfare recipients but expanded to include other hard-to-serve populations including ex-offenders, individuals with disabilities, and the homeless (Kirby et al., 2002).

The employment social enterprise model, which we refer to simply as the social enterprise model for ease in exposition, changes the typical TJ model by structuring business and social missions to achieve a double bottom line (DBL) (Bull, 2008): financial viability (business mission) and helping individuals with employment barriers gain the workplace and life skills necessary to become productive workers in unsupported employment (social mission). Simultaneously achieving both missions links the TJ program to the business: the TJ program provides the labor needed to staff the business and the business provides TJ participants with transitional employment. This symbiosis causes the business to lose its labor as the TJ program achieves its mission by successfully transitioning participants into unsupported employment. This loss of labor for the business provides a continuous supply of TJ opportunities for new participants, which allows the business to restaff its workforce.

Although the social enterprise model has not been subject to rigorous, large-scale evaluations, preliminary evidence highlights both its potential and the need to understand the conditions that make it successful: some enterprises have efficiently provided positive employment and other outcomes with a return of up to \$1.23 of value over the initial investment, while others have produced negative returns (Rotz et al., 2015). Such differences might result from how enterprises combine their business and social missions and the synergy created between them. Indeed, a success business could promote the success of the social mission by using its revenues to offset TJ program costs or creating strong ties between the TJ program and a business environment (Card, Kluve, & Weber, 2010). Alternatively, the same synergy might be problematic if maintaining a fledging business impedes the social mission by using funding to support the business instead of TJ participants with support services (for example).

Because the social enterprise model is relatively new, no study has systematically examined how the business and social missions might interact to enhance employment gains for TJ program participants. Indeed, evaluations of TJ programs have sometimes included social enterprises as TJ programs rather than assessing them separately as programs that might enhance the model (for example, Valentine & Redcross, 2015). This study uses information from eight social enterprises to assess whether their business or social mission (or both) succeeded and to identify the factors that differentiate more successful enterprises from less successful ones. Although the research must be considered exploratory, partly because we could not compare social enterprises in our sample to traditional TJ programs, it does start building evidence on how business missions might enhance TJ programs and identify which factors might help build social enterprise that achieve business and social missions. Such an understanding is critical to helping policymakers and program heads structure social programs that help those with employment barriers become productive workers and to helping researchers build evidence on the impact of social enterprises by enabling them to better identify strong enterprises to assess.

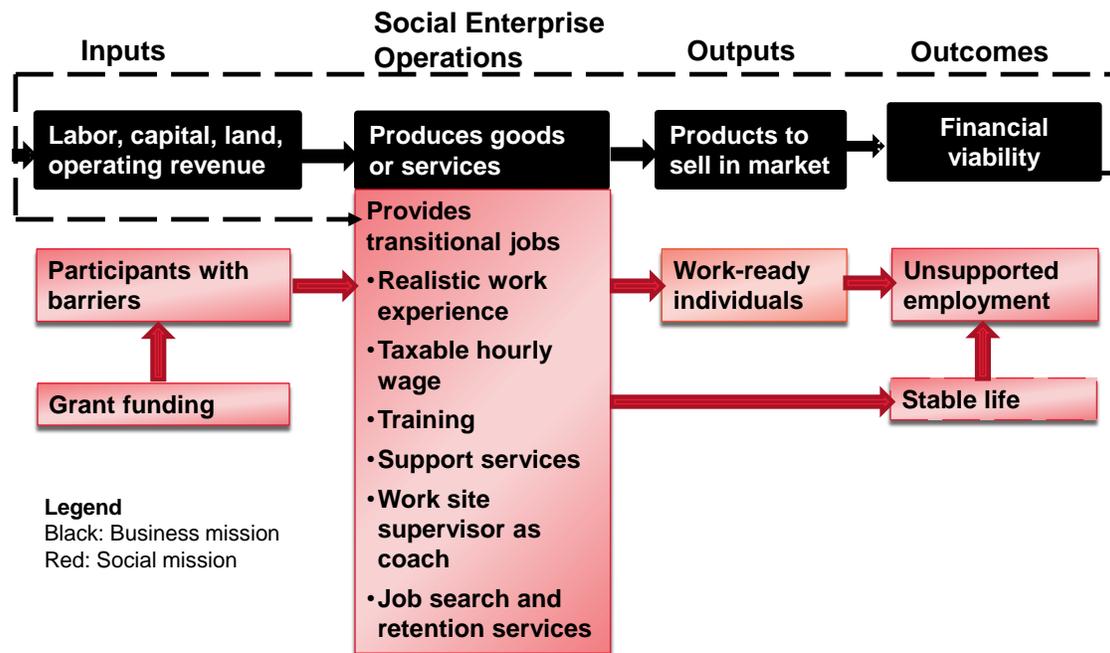
The study has two stages. In the first stage, we used information from financial reporting to gauge whether the social enterprise achieved financial viability (i.e., business success) and from administrative data and participant surveys to assess whether it helped participants gain unsupported employment (i.e., social success). In the second stage, we used quantitative and qualitative information about each enterprise to conduct a cross-case analysis to identify factors that might be associated with achieving only social success or DBL success.

Our findings suggest that the social enterprises with strongest employment gains for participants made soft-skills training a central component of their TJ program and offered more structured and intensive job-search and job-placement supports. The findings suggest that enterprises that achieved both missions (1) relied on workers with relatively low levels of skills, which might facilitate soft-skills development by reducing the need to invest in job-specific skills, and (2) were larger than other enterprises, which might allow them to provide broader or deeper support services. Enterprises with higher skill requirements did not achieve either mission. They had to devote more resources to vocational training, potentially leaving less time and money for soft-skills development, and were less likely to want to release participants to unsupported employment given their higher investment in skill development.

Employment social enterprises and the double bottom line

Because social enterprises are accountable for meeting social and business missions, they pursue two separate, but interrelated sets of operations. The black boxes in the top row of Figure 1 show how employment social enterprises progress toward their business mission of financial viability and the red boxes below them show how they progress toward their social mission of moving individuals into unsupported employment. Each column of the figure shows a stage of this progress: *inputs* shows the resources needed for the enterprise to operate, *social enterprise operations* describes the activities the enterprise undertakes, *outputs* indicates the goods or services that the enterprise “produces,” and *outcomes* shows the goal each mission strives to achieve.

Simultaneously pursuing both missions leads to parallel but integrated processes: the TJ program supplies the labor to the business (the dashed feedback loop in Figure 1) and, as a result, provides the transitional employment opportunities to TJ participants. In other respects, the business portion of a social enterprise functions much like any other firm. It uses land, labor, capital, and operating revenue (inputs in Figure 1) to produce goods and services (social enterprise operations) to sell in the market (outputs) and maintain financial viability (outcomes), and it uses revenue to pay for costs of production, including the wages of TJ participants and their supervisors. In parallel, the TJ program uses outside funding to help individuals with employment barriers (inputs) become productive social enterprise workers (social enterprise operations), and the TJ program experience in the social enterprise leaves participants work-ready (outputs) and able to move into unsupported employment (outcomes). Of note, the social enterprise, per se, might not bear sole responsibility for ensuring the participants are ready to work in the social enterprise and in unsupported work after the program ends. It can partner with an organization that specializes in providing services to help members of the target population stabilize their lives and become work ready.

Figure 1. Achieving business and social success

TJ models typically contain six components, although programs vary in their implementation (Bloom, 2010; Kirby et al., 2002; Pavetti, 2002). The first five help make participants work ready and the sixth helps them move into and retain unsupported employment.

1. Participants *gain realistic work experience*. The transitional job provides a realistic experience of holding an unsupported job. TJ participants often apply and interview for a job, work 20 to 30 hours a week, and have work expectations and responsibilities that increase with job tenure. They are exposed to the intricacies of all aspects of unsupported employment, from job performance to implicit or explicit norms that define appropriate and inappropriate workplace beliefs, attitudes, and behaviors. In addition, the work experience helps strengthen participants' resumes and provides them with a job reference. This type of experience contrasts with, say, a community service experience that does not necessarily mimic unsupported employment.
2. As part of the realistic work experience, participants earn *taxable hourly wages* that provide income and typically make them eligible for the Earned Income Tax Credit. Wages also help participants understand what it is like to earn a paycheck and reduce reliance on government transfers, pay taxes, and file a W-2 form.
3. Participants typically *receive training* for employment, even in low-skilled jobs. Preparatory training typically occurs before employment and focuses on workplace norms and general behaviors that facilitate success in any work environment (often called soft skills).¹ Jobs requiring higher-skilled workers also provide job-related skills training during the

¹ Soft skills include a broad set of skills, competencies, behaviors, attitudes, and personal qualities that enable people to effectively navigate their environment, work well with others, perform well, and achieve goals. They apply to a wide range of environments and complement technical, vocational, and academic skills (Lippman, et al., 2015; Balcar, 2014).

preparatory training. In addition, programs frequently include some on-the-job training—for job-specific or soft skills or both; the duration and intensity depend on the types of work activities performed.

4. Participants *receive support services*. Case management services are separate from work site supervision, often start before work begins, and continue throughout the TJ employment (or thereafter). Case managers reinforce instructions or disciplinary actions of the work supervisor, and help link participants to services that can help them stabilize their lives, avoid relapse of behaviors such as drug abuse or criminal activity, and obtain life supports related to needs such as child care or housing. Case managers can also help work-site supervisors resolve any problems that arise in the workplace and support participants in their search for and placement in unsupported work.
5. *Work-site supervisors observe participants' work behavior, provide feedback on performance, and supply coaching* as needed to help participants become work ready and transition to unsupported employment. This requirement changes the supervisor's role—in addition to industry knowledge, supervisors must also know how to work with and support individuals who are struggling to overcome employment barriers and stabilize their lives.
6. Participants *receive job search and job retention services* when they are work ready or the program ends. These supports often include assistance with resumes and cover letters, interview preparation, and job searches. Some programs employ job developers and placement services to identify job openings, schedule interviews, and follow up with employers after a participant has an interview. After participants leave the TJ program, retention services help them sustain unsupported employment.

TJ programs typically use a scattered-site approach to providing transitional employment (Bloom, 2010). In such an approach, the program places participants individually in nonprofit or government agencies, and often the organization housing the TJ program—not the one providing the employment opportunity—supplies wages and support services, and helps participants search for an unsupported job. TJ programs have successfully increased short-term employment for people who would have otherwise been unlikely to work and reduced repeated criminal behaviors and welfare receipt, but they have been less successful at increasing long-term employment (Bloom, 2015).

In a scattered-site approach, the TJ program is somewhat distinct from the work experience because the organization providing employment often is not the employer of record. This separation gives the business offering employment opportunities little incentive to provide a “real” work experience or focus training on work readiness (Bloom, 2015). Furthermore, the organization providing employment frequently does not pay all of the participant's wage. As a result, it might not hold participants to the same work standards as its other, non-TJ program employees, which might encourage less-than-optimal work behaviors in program participants.

Replacing the scattered-site model with a social enterprise model might fundamentally change how the TJ program unfolds because the business and social missions are linked, as shown in Figure 1. Participants must be work ready and productive to enable the enterprise as a business to compete with other firms in the market. A business that use ill-prepared workers may face increased costs from excessive support services or turnover and may be forced to increase the price of their products or services or decrease the quality of their products to cover the added

expenses. Either action could make it less competitive and may cause it—and the TJ program—to shut down.

In this respect, the business mission of the social enterprise could enhance how the TJ model unfolds (Table 1). Because the enterprise as a business relies on TJ participants to staff its workforce, participants could gain more realistic work experience than in the scattered-site model and the business has a strong incentive to ensure participants have skills needed to perform the job to market standards and appropriate workplace behaviors to be productive (Young & Salamon, 2002). Because participants know their work is central to the enterprise's operation, they might develop strong work habits; gain a sense of responsibility, ownership, and purpose on the job; and take employment seriously (Dees & Anderson, 2003).

Table 1. Social enterprises' changes to the transitional jobs (TJ) model

Core elements of TJ model	How a social enterprise changes TJ scattered-site model	Factors that could enhance the TJ model	Factors that could weaken TJ model
Realistic work experience	Business relies on the labor of program participants and pays their wages as opposed to the TJ model in which the business often does not pay the wage or rely on participants' labor for operations.	Work becomes real and motivates participants to gain work skills and perform well, holding them accountable to market-driven standards of productivity.	Social enterprise selects workers with fewer barriers/higher skills to maintain productivity; this might discourage/disqualify some participants because they cannot meet standards.
Taxable hourly wage			
Training	Participants must be work ready when they start work, or enterprise may not be competitive.	Pre-placement training aligns with market standards, emphasizing skills that prepare participants for work.	Training focuses on job-specific skills that are not as transferable to unsupported jobs as less job-specific training.
Support services	Businesses focus on supports that help participants be productive on the job.	Business revenue subsidizes the cost of support services, which generates greater funding to provide services that facilitate employment.	Business might divert funds from social services to finance the enterprise, weakening support services.
Work site supervisor/ mentor	Supervisors must have industry knowledge and ability to supervise those with employment barriers.	Participants receive direct feedback on job performance from those who oversee it.	Finding managers with strong industry knowledge might come at the cost of their experience with or empathy for the population.
Transition to unsupported employment	Because the social enterprise relies on program participants for labor, it bears turnover (and training) costs when participants transition to unsupported employment.	The empowerment that comes from knowing that their work is central to the business might help participants to take employment seriously and search for opportunities to continue employment outside the enterprise.	Reliance on labor produces an incentive to retain trained workers to reduce training and turnover costs, which stalls transition to unsupported employment.

Still, because the enterprise must be financially viable to stay in business, some aspects of the business mission could weaken the TJ model (Table 1). The business might have an incentive to hire participants with fewer employment barriers to ensure they can overcome those barriers and not become discouraged by the pressure to perform within the four to six months of a typical TJ program. It might also remain competitive by emphasizing firm- or job-specific skills over soft skills—which are more easily transferable to unsupported jobs—and by retaining trained, productive workers instead of moving them into unsupported employment so they can maintain a stable, skilled workforce (Altstadt, 2007). Finally, competitive pressures in the market might lead the business to hire supervisors who have strong industry knowledge but less empathy for participants, or divert funds from support services to business operations.

Social enterprises and participants

The eight social enterprises in this study were selected through a competitive process held by a venture philanthropic funder in 2010. The funder required enterprises to operate in California and have a business mission of financial viability and a social mission of moving individuals with identified work barriers into permanent unsupported employment using the TJ model. It provided the selected enterprises with financial and technical assistance to start or run the enterprise.

All social enterprises were funded by both grants supporting the TJ program and revenues generated from goods and services sold in the market. They operated as for-profit or nonprofit affiliates of nonprofit parent organizations, which were typically older, well-established social service agencies that worked with social enterprise managers to provide the support and job search components of the TJ model. All shared the goal of pursuing a DBL, although they acknowledged this could be a difficult task. As explained by an executive staff member at one parent organization:

Social enterprises are very challenging... You have to strike the right balance between being a business and being a program. You might err on the program side to give people a second chance, to let workers mess up... But you do not want to be so programmatic that you cannot run a business, and the workers need to learn that they need to behave professionally. It's a balance. And where you need to be on the spectrum is challenging.

Despite common missions, the businesses' structures differed (Table 2). One employed nearly 500 TJ program participants annually, while two employed only 10 to 12 participants; two had been operating for more than 10 years, while two started in 2012, right before the study began. In total, they spanned seven industries, with one operating as a for-profit firm and two operating two distinct business lines. Some social enterprises had business lines that required higher-skilled workers (e.g., construction), whereas others required less-skilled workers (e.g., street cleaning). Each social enterprise relied on the labor of TJ program participants to produce products and services to generate revenue in the market, although job duties varied by enterprise, ranging from customer service to pest eradication to maintenance, consistent with different types of businesses.

All enterprises employed program participants with multiple employment barriers, though they targeted participants with different primary barriers (Table 2). The average participant had 4.9 of the following 8 issues: not working in the past year, a mental or physical health issue limiting work, substance abuse, not owning or renting their residence at any point in the past year, being homeless in the past year, ever having been arrested, ever having been convicted of a crime, and lacking a high school diploma or equivalent. Almost all participants reported multiple barriers: 56 percent reported five or more of these issues and only 10 percent had two or fewer.²

Table 2. Description of social enterprises in the study

Social enterprise	Profit status	Business line(s)	Annual participants served	Year began	Target population
A	Nonprofit	Street cleaning	108	201	Parolees
B	Nonprofit	Cafés Janitorial services	18 23	1986 2009	People with mental health disabilities
C	Nonprofit	Retail	36	2012	People with low-income, mental illness, or homelessness; parolees; and youth not in school or the labor market
D	For-profit	Construction	12	2007	Young adults ages 16-25 not in school or the labor market
E	Nonprofit	Maintenance services	30	2007	Homeless
F	Nonprofit	Staffing Street cleaning	500	1991	Formerly incarcerated, homeless
G	Nonprofit	Pest control	10	2012	Homeless
H	Nonprofit	Lobby services	55	2007	Homeless

Note: From Maxwell et al. (2013). Employment data are 2013 estimates. Two enterprises were housed by the same host organization but considered distinct in this study because their funding streams and hiring, training, and production processes were distinct, and participants could not move between them. Evidence of this distinction was strengthened when one enterprise shut down (in 2012) and the other continued.

All enterprises set a goal of moving these individuals into unsupported employment using a TJ program model and implemented, to varying degrees, all six TJ program components. On average, participants worked 414 total hours during their term of employment, although the average total hours worked varied by enterprise from 80 to 820 and the average commitment ranged from 16 to 35 hours per week. In exchange for this work, program participants received

² Information from baseline surveys shows that about 38 percent of all participants lived in temporary housing when they started the TJ program. More than 80 percent had been arrested, and nearly 70 percent reported they had been convicted of a felony and sent to jail. Nearly 30 percent had dropped out of high school and another 40 percent had no education past high school. Only about half had worked for six consecutive months in the two years before starting the TJ program, 17 percent had been employed in the past week, and nearly all had annual incomes below 200 percent of the federal poverty level. When compared to adults aged 18 to 64 in California with incomes below this threshold, participants had less education, were less likely to have worked in the past week, and had slightly lower total incomes and much lower earnings. The number of issues varied by enterprise and ranged from an average of 3.8 to 2.2 issues. Comparisons of barriers across organizations should be interpreted cautiously, however, because they reflect only the number of separate issues people reported and not their complexity or severity.

wages and the other four components of the TJ model—training, support services, coaching by work-site supervisors, and job search and retention services. Enterprises implemented each of these components to varying levels of intensity. For example, one enterprise offered participants up to 20 weeks of pre-employment training whereas another offered one week of such training. In these same two enterprises, the first generally offered only limited job search and retention services while the second offered weekly access to an employment counselor to support participants' job search, as well as support services for one year after transition to a new job (Maxwell et al., 2013; Rotz et al., 2015).

Methods and data

The study used information from these eight social enterprises to examine whether the social enterprise model might enhance or weaken the TJ model. It used qualitative and quantitative data from eight social enterprises to assess which factors contributed to successful enterprises. We first categorized each enterprise into one of four success profiles: (1) achieved DBL success, (2) achieved only social success, (3) achieved only business success, or (4) achieved neither business nor social success. Although this categorization reflects a point-in-time snapshot of success, it allowed us to conduct a cross-case, qualitative analysis that compared contexts and operations of successful enterprises (DBL success) with those of enterprises that were partially successful (only business or social success) and enterprises that were not successful (neither success) to identify TJ program components that might be associated with success.

Success profiles

We classified an enterprise as achieving social success if employment rates for its participants increased by at least 15 percentage points in one year.³ We used information from each program's administrative data and surveys of 527 program participants shortly before they started the TJ program (baseline) and about one year later (follow-up). The baseline survey captured employment history and barriers and was administered to about 88 percent of all individuals who started TJ employment at one of the eight social enterprises between April 1, 2012, and March 31, 2013. The follow-up survey was administered to 51 percent of these individuals about one year after they began the enterprise job and captured information on program services they received and their employment status.⁴ Baseline and follow-up instruments were identical for all individuals at all enterprises. We estimated the change in employment rate for each enterprise as the difference between the share of individuals who reported being employed just before beginning the TJ program and the share who reported being

³ We selected a gain of 15 percentage points or more rather than any positive employment change because research suggests that individuals seeking employment services, even if they never actually receive the services, typically experience moderate employment gains in the months following their contact with employment services (e.g., Heckman & Smith, 1999). Because individuals often seek employment services immediately after losing a job, many will quickly find a new job, regardless of whether they receive assistance, which leads to a rebounding of employment even in the absence of the provision of any services. We chose a 15 percentage point threshold based on observed employment trajectories in Andersson et al. (2013).

⁴ We could also infer the employment status at follow-up for an additional 4 percent of participants because they were incarcerated and unavailable for surveying. We weight all data for nonresponse weights to mitigate small differences (5 percentage points or less) between respondents and nonrespondents (Rotz et al., 2015). Response rates varied somewhat by social enterprise, with smaller social enterprises having higher response rates, and by participant characteristic. Respondents were more likely than nonrespondents to (1) have worked in the month or year prior to social enterprise employment, (2) have education beyond high school, (3) be female, and (4) be judged by TJ program staff to need more support to succeed in the labor market.

employed at follow-up in any job, including the transitional job (among individuals who provided data at both points in time). Across all social enterprises, 18 percent of participants reported being employed just before starting the TJ program (ranging from 8 to 100 percent across social enterprises). One year later, 51 percent were employed (ranging from 30 to 84 percent).

We classified an enterprise as having business success if it did not have a loss (i.e., it had a profit greater than or equal to zero). We used information from enterprise financial reporting and funder records on the costs and revenues that accrued between April 2012 and September 2013, the period roughly corresponding to when our sample of program participants worked in the social enterprise. We classified whether expenditures and revenues were associated with the enterprises' business or social missions, and estimated business revenue, social revenue, business costs, and social costs (Rotz et al., 2015).⁵ We computed profit as the difference between the totals of business revenues and costs, which were discounted at an annual rate of 8 percent.

Cross-case analysis

We conducted a cross-case analysis to identify factors that might differentiate social enterprises in each success profile. The analysis drew on qualitative and quantitative data from staff and TJ program participants at each social enterprise and examined differences in enterprise contextual factors, inputs (including participant characteristics), and operations (Table 3). We drew qualitative data from document review, telephone interviews with funder staff, and on-site visits to each enterprise, and quantitative data from a checklist completed by staff and participants about available supports and services.

The case-oriented approach assessed configurations, associations, causes, and effects for each social enterprise and each success profile before exploring differences across profiles to arrive at a general explanation of factors that might be associated with success (Miles & Huberman, 1994). We used an analytical template to import all documents, interview notes, and other site visit data into NVivo 9 qualitative software (QSR International, 2010). For each data source, we conducted focused hierarchical coding using a set of pre-determined codes spanning 12 topics, 8 of which were used in this research: (1) characteristics of program participants, including barriers to work and life stability; (2) organizational background; (3) the social enterprise work experience, including work skills and soft skills gained on the job, attitudes toward work, and wages; (4) training received in work skills and soft skills; (5) work-site supervision received; (6) life supports provided; (7) work supports provided; and (8) supports provided to transition participants into unsupported employment. Codes captured both site- and respondent-level attributes and information in the documents and notes and allowed us to retrieve and triangulate information across data sources and respondents, identify themes, and create summary tables.

⁵ We considered expenditures associated with providing goods and services in the marketplace to be business costs and those associated with serving participants to be social costs. Likewise, we considered revenues for goods and services rendered as business revenues and grant funding as social revenue. Both costs and revenues include money spent or received by the social enterprise and the parent organization in support of the social enterprise.

Table 3. Qualitative data sources

Data source	Description of information obtained	Sample and timing of collection
Enterprise documents	Intake and assessment forms, job descriptions, staffing information, employee handbooks, organization charts, and training curricula.	87 documents collected from staff at enterprises and parent organizations. Collected mainly in February through April 2013.
Telephone interviews with funder staff (notes)	Enterprise organizational background, development of partnership with enterprise, the training and technical assistance provided by the funder, and social enterprise implementation challenges and successes.	10 staff interviewed at funder, including executive officers, consultants, and staff who worked directly with enterprises. Conducted mainly from February through May 2013.
In-person interviews with social enterprise staff (notes)	Enterprise operations, challenges in setting up and running enterprises, services and supports offered, intake and assessment of participants, and characteristics of program participants.	36 staff interviewed: 8 enterprise directors and 28 frontline staff. Conducted during site visits in December 2012 through April 2013.
In-person interviews with parent organization staff (notes)	Enterprise operations, challenges in setting up and running enterprises, services and supports offered, intake and assessment of participants, and characteristics of participants.	23 parent organization staff interviewed, including 7 executive directors and 16 frontline staff. Conducted during site visits in December 2012 through April 2013.
Focus groups with participants (notes)	How participants were selected for the program, experiences working in the social enterprise, supports and services offered, challenges faced, and plans for the future.	13 focus groups conducted with 68 current and former social enterprise participants. Conducted during site visits in December 2012 through April 2013.
Checklist of supports and services	Checklist (yes-no) of whether specific supports and services were made available to participants before, during, and after social enterprise employment.	64 checklists, completed by 8 parent organization executive directors, 7 enterprise directors, 37 frontline staff, and 12 participants. Administered during site visits in December 2012 through April 2013.

Note: All data collection activities were timed to occur after all initial social enterprise set-up activities had been completed to represent typical social enterprise operations.

We used data display techniques to summarize similarities and differences, condense information across social enterprises and then across success profiles, and identify cross-cutting themes. Toward this end, we created thematic conceptual matrices, organizing data related to themes in a chart (Miles & Huberman, 1994). The focal themes included social context and inputs (e.g., participant characteristics, financial capital and budget priorities), and the six TJ model components. By first analyzing patterns across social enterprises within each success profile and summarizing the patterns within a profile, we could understand each success profile as a case and examine patterns across success profiles. Finally, we created higher-level cross-case matrix displays of the summary information to compare similarities and differences across success profiles and identify factors that differentiate them. Specifically, we looked for patterns that differentiated enterprises with social success (with or without business success) and those that differentiated enterprises with DBL success from those that did not have such successes.

Findings

The classification of social enterprises into success profiles determined that the enterprises in our study fit into three of the four possible profiles (Figure 2), those with: social success only, DBL success, and neither social nor business success. No social enterprise had business success without social success. Profits (business success) ranged from -15 to 1 percent across all enterprises. Three enterprises achieved business success and had profits of zero or just above it (Figure 2).⁶ Changes in employment rates (social success) ranged from -16 to 50 percentage points, with a median of 32 percentage points. Five enterprises achieved social success (irrespective of business success) and had an average employment gain of 38 percent. The three enterprises that demonstrated DBL success had profits of zero or just above it and an average change in employment of 43 percentage points. The three enterprises that did not demonstrate business or social success had substantial financial losses (-8 percent) and an average change in employment of -12 percentage points. The two enterprises that demonstrated social success but not business success operated at losses, with one facing a 6 percent loss, but showed employment gains of 30 and 33 percentage points.

Figure 2. Success profiles: business and social success

		Business							Average Employment rate increase
		Success			Not success				
Social	Enterprise	Profit	Employment rate increase	Enterprise	Profit	Employment rate increase	Profit	Employment rate increase	
		Success	F	1	34				
A	0		32	B	< 0	33			
H	0		64	C	-6	30	-1.2	38.4	
Not success	none	n.a.	n.a.	E	< 0	-31			
				D	-9	11			
				G	-15	-16	-8.3	-12.0	
Average		n.a.	0.3	43.3	n.a.	-6.4	5.4	-3.9	19.6

Note: No social enterprise achieved business success without achieving social success. Profit numbers are percentages and employment rate numbers are percentage points. Business success is defined as a profit greater than or equal to zero. Social success is defined as employment increases of at least 15 percentage points. Financial reporting for three social enterprises did not provide information that was specific enough to determine exact levels of profits. For these enterprises, we discussed whether the enterprise had positive profits with the funder and enterprise staff and assumed a conservative -1 in profit when computing averages.

n.a. = not applicable.

The cross-case analysis elaborated on this pattern by exploring factors that were common to (1) all success profiles, (2) enterprises that achieved social success—with or without business success, and (3) enterprises that achieved DBL success.

Factors common across all success profiles

Several factors we identified characterized all enterprises in our study and might support social or business success: a meaningful and valuable work experience, taxable wages, and effective work supervision. The factors were ubiquitous, so we could not differentiate their role

⁶ We could only determine whether profits were less than or greater than zero for three social enterprises because financial statements did not provide enough specific information to determine exact profit levels. We determined whether these enterprises had positive profits through discussions with the funder and enterprise staff.

in achieving success. Because some enterprises providing these program components did not achieve DBL success or social success, our findings suggest that providing these elements might be a necessary but not sufficient condition to ensure those successes.

Because all social enterprises in our study operated as businesses and relied on the participants' labor to operate, they provided a realistic work experience and paid participants a taxable wage (on an hourly basis) at or moderately above the state or local minimum wage. Participants across enterprises characterized their work experience as meaningful and valuable, reporting that it built their confidence and self-image, and helped them learn various workplace behaviors and skills. Similar to others, one participant said that through the experience:

I get a sense of independence. I feel productive. I feel like I've grown... I love the fact that when I walk into my building everyone is happy to see me. I feel needed...I feel good and fortunate and blessed to have a job....I feel independent; I have money in my pocket. I can pay my bills. I just bought me a car.

In addition, work supervisors in all enterprises provided feedback to participants on their job performance. Nearly all participants valued this feedback and reported that supervisors helped them to develop transferable job skills and become more productive by providing realistic assessments of their skills in line with industry standards. The majority reported being satisfied with the feedback they received from supervisors and with their work in general.⁷

Despite participants' praise for supervisors, we found evidence of a potential conflict between the business and social sides of the social enterprise because supervisors needed to have both industry experience and empathy for participants. Some supervisors realized and adapted to these barriers more successfully than others. At two enterprises, neither of which achieved DBL success, supervisors lacked experience working with individuals with employment barriers and struggled to provide guidance to participants. An employment counselor at one of these enterprises described the problem at the work site:

[Supervisors are] not social services, they don't know how to interact with or communicate with people with these types of barriers. We're working on building that awareness and giving them the skills and knowledge to learn how to deal with that. My challenge has been to be the mediator between conflicts between management and employees. That's not my role; the managers need to learn how to work with their populations.

This lack of experience with the TJ program's target population among some supervisors prevented some participants from receiving effective feedback and remediation or caused conflict between participants and supervisors. In particular, many enterprises faced challenges with participants' productivity. For example, participants at one enterprise reported stress from negative interactions with supervisors because the participants could not complete the job satisfactorily under deadline. Staff at the one enterprise that closed operations attributed the

⁷ In surveys, 84 to 100 percent (median 92 percent) of participants at each enterprise were satisfied with the feedback they received from supervisors. In addition, 79 percent to 100 percent (median 93 percent) of participants at each enterprise were satisfied with their work assignments in general.

business' failure partly to their inability to find industry-knowledgeable supervisors who could work with participants to achieve necessary levels of productivity.

Factors common among enterprises with social success

Five of the eight social enterprises in our study achieved social success, with or without business success. When we compared these enterprises with the three that did not achieve social success, two factors seemed to distinguish them: (1) a focus on soft-skills development through structured and unstructured activities and (2) a well-developed model of structured supports to help participants find unsupported employment. These characteristics appeared to be directly related to job readiness and therefore likely facilitated successful transitions to unsupported employment.

Although staff, regardless of the success profile of their enterprise, reported the enterprises offered soft-skills preparation, staff at social enterprises with social success identified soft-skills development as a primary goal of training and supports and offered more opportunities for skills growth through structured and unstructured soft-skills training than those without social success. The five enterprises with social success tended to have TJ programs that required a class or training before employment with the sole focus of classes being soft-skills development, including topics such as communication, appropriate workplace behaviors, and team work (Table 4). Continued growth in soft skills was supported during the TJ program with access to life skills classes in many cases, and working with supervisors and other enterprise staff who helped monitor and adjust workplace behaviors. A staff member at one of these enterprises described their approach:

Through our on-the-job training programs we help people develop work skills and behaviors needed to achieve successful community employment. Participants develop both work and social skills [on-the-job]. Classes are designed to assist people in resume writing, managing symptoms on the job, and making healthy life choices.

Four of these five enterprises also provided structured on-the-job opportunities for performance reviews by supervisors who assessed participants' soft-skills development—such as communication skills and task persistence and completion—and general job performance (Table 4). At one enterprise, supervisors used weekly “passports” to rate employees' performance in five areas: (1) cooperation with supervisors, (2) teamwork and cooperation with coworkers, (3) effort at work, (4) personal presentation, and (5) being on time. These reviews provided evidence of participants' soft-skills growth and highlighted challenges in skill development, which supervisors typically used to provide participants with targeted feedback and employment counselors typically used to guide case management.

Table 4. Enterprises providing skills development and formal feedback on performance

	Enterprises with social success	Enterprises without social success
Structured training pre-employment	5 (Soft-skills focus)	3 (Vocational-skills focus; soft-skills secondary)
Structured activities during employment	5	1
Formal feedback from supervisors on performance	4	0
On-the-job experiences	5 (Soft-skills development focus)	3 (Technical and soft-skills development focus)
Total number of enterprises	5	3

Enterprises without social success appeared to prioritize soft skills to a lesser degree than those with social success, instead focusing on the vocational skills required for the social enterprise jobs. Although all three of these enterprises provided pre-employment training, they generally split the focus of the training between soft skills and vocational preparation for positions, which tended to be relatively higher skilled. The enterprises without social success generally lacked structured classes or activities related to soft skills (e.g., continued access to a life skills class) once participants were employed. Instead, they provided soft-skills training primarily through informal, learn-as-you-go opportunities or mentorships. There were no formal mechanisms for participants to receive feedback from their supervisors on their growth in soft skills.

Although all enterprises in our study generally provided some form of job-transition support, those with social success tended to offer greater access to employment counselors and a more diverse array of supportive services for transition. At enterprises with social success, support services typically included access to an employment counselor while working at the enterprise, regular meetings with the counselor to discuss the job search, and direct efforts to place participants in unsupported employment. In many cases, services also included access to a job coach or counselor after social enterprise employment to help participants retain unsupported employment (Table 5).

Table 5. Enterprises providing services in to transition to unsupported employment

TJ model characteristic	Social success	Neither business or social success
Rules or procedures to determine the point of transition	4	1
Career counseling or job coaching	5	2
Job search assistance	5 (Counselor-directed search)	2 (Self-directed search)
Job placement services	4	0
Job retention services after transition	3	1
Total number of enterprises	5	3

Enterprises with social success also tended to have formal procedures for moving participants from transitional to unsupported employment, defined a maximum employment period (either length of employment or job readiness based on soft-skill assessments or job performance reviews), and specified supportive services to facilitate transition. All but one enterprise with social success had articulated a well-developed TJ model with clearly articulated rules for transition. For example, in the one enterprise that aimed to transition participants within 30 to 75 days of employment, an employment counselor completed weekly reviews of each participant's job readiness based on feedback provided by work-site supervisors. Once participants had satisfactorily demonstrated job readiness, based on these reviews, they became eligible to start the transition process and to receive job placement services.

In contrast, the three enterprises that did not achieve social success tended to have less-developed TJ models for transitioning participants to unsupported work (Table 5). Two of these enterprises were still developing their TJ model at the time of data collection. The third enterprise possessed elements of a well-developed TJ model, including procedures and rules for transitioning workers to unsupported employment, but staff identified crucial gaps in the transitional supports, such as access to an employment counselor at the enterprise. As a result, in these enterprises, participants' connections to transition supports and employment counselors were weaker than in the enterprises with social success. An employment counselor working at a parent organization of one enterprise that lacked the elements of a well-developed TJ model described the process for transitioning workers:

There's no formal process [for transition], it's supposed to be around 4-6 months. I have [the enterprise] give me a heads up when they're close... We try to instill in [participants] that they're responsible for finding themselves a job.

Job search and placement services also were limited or nonexistent in programs associated with enterprises without social success (Table 5). Two of these enterprises offered job search assistance, but staff typically described the search for unsupported employment as the participants' "ultimate responsibility" and said that it was up to participants to "go out and get a job." Staff took a more passive role, such as forwarding job leads via email as opposed to keeping active job logs and discussing strategies with participants. Because these enterprises generally held participants responsible for their own job search, they were less likely to or did not require employees to attend regular meetings with employment counselors, and did not task counselors with closely following employees' job search progress. In the one enterprise that terminated business operations, staff identified missing elements of the TJ model, including weak job placement services and limited connections to an employment counselor affiliated with the enterprise, as a factor in the lack of success in moving participants to unsupported employment.

Factors common among enterprises with DBL success

Three of the eight enterprises in our study achieved DBL success and we could document two key factors that might facilitate this success: (1) fewer occupational skill requirements for participants and (2) a size that allowed for economies of scale in providing support services.

Enterprises with DBL success offered relatively low-skilled work requiring participants to possess few occupational skills or skills that could be acquired relatively easily on the job. Although all enterprises in the study typically only structured transitional jobs that required participants to have no more than a high school diploma and one year of vocational preparation and on-the-job experience (per occupational characteristics from the National Center for O*NET Development, n.d.), enterprises with DBL success had positions that required fewer skills than other enterprises (Table 6). Occupation task complexity was lowest for enterprises that achieved DBL success and highest for those that did not achieve any success. For example, participants employed in graffiti abatement (a DBL success case) could pick up these skills through a brief period of observing coworkers and supervisors performing the job duties, whereas those employed in construction (neither a social nor a business success case) required pre-employment vocational training and close supervision on the job.

Table 6. Examples of tradeoffs between technical and soft-skills preparation

	DBL success	Social but not business success	Neither social or business success
Typical occupation	Graffiti abatement	Retail clerk	Construction
Median number of knowledge and skills required in jobs	3.0	10.8	15.5
Vocational/technical training required	No	No	Yes
Focus of the work experience	Developing soft skills	Developing soft skills	Developing technical and soft skills
Soft-skills training and preparation provided	More intensive, structured	More intensive, structured	Less intensive, learn-as-you-go

Note: O*NET total count of knowledge and skills from National Center for O*NET Development (n.d).

Because the skill level requirements of the transitional job determine the type of training and work supports needed, structuring job that require lower-level skills may have allowed enterprises with DBL success to focus on soft-skill development to a greater extent than enterprises structuring jobs with higher skill requirements. The training and support needs for lower-skilled jobs would allow the enterprise to focus on soft-skill development and provide more intense soft-skills training (as discussed above). In contrast, an increased need for job-specific vocational training may reduce opportunities for enterprises to provide soft-skills development (Table 5).

Structuring jobs with higher skill requirements might also increase the difficulty of balancing social and business missions by introducing a conflict between the need to retain skilled, productive workers to achieve the business mission and the TJ program's need to transition workers into unsupported employment to achieve the social mission. Because participants take their job-specific skills with them when they transition into unsupported employment, structuring jobs with higher skill requirements would make it more difficult for the business to replace participants lost with new participants. In the words of the director of one enterprise that had achieved neither business nor social success:

The transitional model...is generally preferred ... because it enables the organization to serve more people. However, certain business models don't lend themselves to fixed transition... [The] skill level required, and the time [needed] to attain those skills... forces the enterprise to continually train and try to ramp up skills that are not retained in the organization. When skilled laborers leave the organization, the quality of work declines, and the reputation of the organization is in jeopardy. This cycle is exacerbated by a transitional model.

Thus, lower-skill requirements likely left enterprises in a better position to balance social and business missions, and allowed them to achieve DBL success.

In addition, enterprises that achieved DBL success tended to employ more participants over the course of a year, employing a median 108 participants, compared to 39 in enterprises that achieved only social success and 12 in those that achieved neither business nor social success (Table 7). The larger enterprises seem to benefit from economies of scale in providing support services, which allow them to spread their cost among more participants: median per capita social costs were lower in enterprises with DBL success (\$1,080) than in those with only social success (\$9,999) or those with neither business nor social success (\$7,177).⁸

Table 7. Enterprise size and economies of scale in cost of support services

Type of success achieved	Number of enterprises	Median total workers employed	Median social-mission cost per employee	Median external grant funds per employee
Achieved neither social nor business success	3	12	\$7,177	\$22,053
Achieved social but not business success	2	39	\$9,990	\$12,523
Achieved DBL success	3	108	\$1,080	\$1,679

Note: External grant funds per employee were available for research for only one enterprise that achieved social but not business success.

The increased size of enterprises with DBL success seemed to be driven by job skill requirements and accompanying training needs rather than the enterprise purposively seeking a larger size to achieve economies of scale. For example, one director explained that the training and skill requirements for enterprise work impeded the growth needed to achieve financial stability:

⁸ Other explanations for the divergence in social costs across enterprises were less plausible than economies of scale. For example, even though some enterprises were relatively young, age of enterprise did not seem to affect level of social costs because, in all cases, the parent organization providing training and social supports was relatively mature. Social costs for training were defined as the cost incurred above what training costs for an individual without employment barriers, but enterprises might have interpreted the term differently. There is, however, no reason to believe differences in interpretation varied systematically with size.

As we have grown, we have outpaced that capacity of our training programs to supply us with a ready labor pool and have turned to outside hires. Outside hires frequently need training too, but we don't have the luxury of a 10-week training program before onboarding them to the organization and putting them to work.

This enterprise employed a relatively high-skilled workforce and, perhaps as a result of their training needs, did not achieve either business or social success during the study period. The need for relatively high levels of skill has made it difficult for the enterprise to find participants with barriers (social mission) who could develop the skills needed to perform work at market standards within the time frame of a TJ program without incurring substantial vocational training costs. It therefore appears that economies of scale in providing support services might be a side benefit of using a low-skilled workforce because those economies can sustain a larger enterprise size.

Discussion

Employment social enterprises embed a TJ program into a revenue-generating business and maintain both a social mission and a business mission. Both missions have equal footing as the business relies on TJ program participants for labor and the TJ program relies on the business to provide transitional employment opportunities. We conducted a cross-case analysis of eight social enterprises to explore the potential of a business mission to enhance the TJ program model.

The analysis found two ways in which a business mission might fail to support the TJ model. First, supervisors need to have both industry experience and empathy for participants. In two enterprises, neither of which had achieved both financial viability and substantial gains in employment for participants, supervisors lacked experience with and struggled to provide guidance to participants with employment barriers. Second, businesses have an incentive to retain participants to reduce turnover and training costs, which could slow the movement of participants into unsupported employment. This seems most likely in enterprises that require a higher-skilled workforce.

The analysis also identified four factors that might help employment social enterprises succeed. First, enterprises that made soft-skills training a central component of supports were more likely to improve employment rates one year after participants started a TJ program. Those with higher skill requirements spent more resources on hard-skills training, which may have left them with fewer resources to develop soft skills. Second, enterprises with more structured and intensive job search and job placement supports to transition participants into unsupported employment were more successful at improving employment rates. Third, enterprises that required relatively lower-skilled transitional workers were more likely to be financially viable and to increase employment rates of participants than enterprises that used higher-skilled workers. Fourth, enterprises that employed more workers were more likely to achieve financial viability and increase employment rates than smaller enterprises. Larger enterprises might be able to hire specialized case managers and job development specialists, while smaller enterprises might only be able to support one staff person to perform both sets of duties, contributing to this result.

These findings suggest that building a social enterprise on a TJ model might lead to increased unsupported employment in at least three ways (Table 8). First, by relying on program participants for labor, the social enterprise ensures that the employment occurs in a realistic work environment. Our research shows that participants both understood and valued this meaningful work experience.

Table 8. Evidence of success in the social enterprise model

TJ component	Evidence
Realistic work experience	Social enterprise workers—irrespective of success profile of the enterprise—reported that the real-world work experience was valuable. The real-world environment was ensured by the work being provided in a business. <i>Indirect evidence.</i>
Taxable hourly wage	
Training	Enterprises that provided structured soft-skills training achieved social success while those that focused on hard-skills training did not achieve DBL success (and one failed). <i>Direct evidence.</i>
Support services	No evidence exists that business revenues changed levels of support service. Evidence exists that economies of scale lowered per capita cost of support services in enterprises with greater DBL success. <i>Direct evidence.</i>
Work-site supervisor/mentor	Enterprises with social success provided participants with formal and structured feedback from supervisors on work performance at regular intervals. <i>Direct evidence.</i>
Transition to unsupported employment	Enterprises with social success were more likely to have a strong TJ model that provided more job search services and more structured job placement services. Average employment rates were higher for enterprises with DBL success than for other enterprises. <i>Direct evidence.</i>

Note: Direct evidence means the cross-case analysis supported the conclusion stated. Indirect evidence means the statement is consistent with our analysis findings, but that the cross-case analysis was not structured to directly support the conclusion (e.g., all enterprises provided realistic work experience, so we could not directly assess its value in the absence of a comparison, but the available evidence suggests that it had value).

Second, our evidence suggests that social enterprises that offer lower-skilled transitional employment are more likely to succeed because they can focus building soft skills that are more transferable to jobs outside the enterprise than job-specific skills developed through more vocational training. Enterprises in our study that relied on higher-skilled transitional workers were not financially viable. Jobs such as construction that have relatively higher skill requirements needed more upfront job-specific training and tended not to be financially viable, and participants in those jobs had lower employment gains one year after participation. Higher skill requirements could create a mismatch between the TJ program model and financial viability by creating an incentive for enterprises to retain the trained, productive workers, rather than transition them to unsupported work to reduce training and turnover costs. After all, if the business bore the higher costs it might reduce its competitiveness, which might cause it to fail and the TJ program to end, as occurred at one such enterprise in our study.

Third, the business mission might boost support services to help job performance in the enterprise and promote unsupported work by involving workplace supervisors in the TJ program. All enterprises in our study had workplace supervisors who were actively integrated into the TJ program and those with the highest employment gains had formal mechanisms to provide feedback on job performance to participants and their case managers. Such information can help workers and case managers better understand the workplace skills and behaviors and participants' need and can help direct needed supports to participants. The business mission

might also boost support services because larger enterprises in our study were more financially viable than smaller ones and had lower per capita costs for support services. Staff at larger TJ programs might be better able to specialize in service provision and lower per capita costs, which might enable them to provide the job search and job placement supports (for example) that we found might be associated with increased employment.

Presumably, a social enterprise that provides realistic work experiences, focuses on soft-skills training that builds generalizable skills, and prioritizes support services for participants would more effectively facilitate the transition to unsupported work than the more traditional, scattered-site TJ model. This study provides initial insights into that potential, by finding stronger employment gains, on average, among participants at financially viable social enterprises than among those at other enterprises. Still, without a rigorous comparison to traditional TJ programs, this study cannot address the potential of social enterprises to outperform the TJ model in increasing employment for individuals who face employment barriers. The strongest evidence of its potential would be a randomized controlled trial that compares employment outcomes among TJ participants in employment social enterprises to outcomes for participants in other programs (for example, traditional TJ programs or programs that offer only supportive services). Such research could provide causal evidence of the effectiveness of social enterprise employment compared to that of alternative programs. Results of this study can be used to help build this evidence by assisting researchers in identifying strong social enterprise models to include in an evaluation, allowing future research to estimate the full potential of the social enterprise approach.

Conclusion

TJ programs help participants acquire work readiness and job skills, develop appropriate work habits, gain work experience, and manage life issues so they can function in permanent, unsupported employment. Employment social enterprises present a variant of this model by integrating a TJ program into a revenue-generating business. This integration leaves the combined business and TJ program with dual missions: financial viability and moving program participants into unsupported employment.

By examining eight employment social enterprises with similar missions but different implementation experiences, our research suggests that embedding a TJ program into a business could enhance that model by helping to build skills for a work environment that closely resembles one participants will find in unsupported employment and to provide supports that help participants focus on work readiness. However, the research also suggests that not all social enterprises provide such benefits. Enterprises that offered jobs for participants that required relatively few technical skills and could take advantage of economies of scale in providing supports because of their larger size yielded employment gains for TJ participants and were financially viable, while those that required higher-level technical skills were not viable and did not yield strong employment gains for participants.

Although the research must be considered exploratory, it highlights the TJ program components that might help participants move into unsupported employment: soft-skills training and structured, intensive job search and job placement supports. Social enterprises might help TJ programs focus on developing general job readiness and soft skills by providing a financial

incentive to develop businesses that use workers in relatively low-skilled occupations, which require soft-skill training as opposed to vocational or technical training.

Social enterprises might also reduce total TJ program costs as financially viable enterprises cover program participants' wages instead of relying on grant funds to subsidize wages. Although this research did not explore this possibility, social enterprises offer a potentially cost-effective alternative to traditional TJ programs. Additional research on ways to strengthen and evolve social enterprises in various contexts, and their relative cost and performance compared to the TJ model, could inform broad policy discussions about improving outcomes for individuals who face severe employment barriers.

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Suggested citation: Dunn, Adam, Maxwell, Nan, Rotz, Dana, and Shoji, Megan. "Social Enterprises: Doing Good While Doing Business." Working Paper 42. Oakland, CA: Mathematica Policy Research, February 2016.

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