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Work Integration Social Enterprises in the United States: Operating at the Nexus of Public Policy, Markets, and Community

DOI 10.1515/npf-2016-0009

Abstract: Work integration social enterprises (WISEs) in the United States represent a market based approach for workforce development and labor market integration that offer employment and training opportunities as well as bridges to the mainstream labor market. Historically developed to create separate spaces of work for populations considered less able to compete in mainstream labor markets, such as people with physical and developmental disabilities, as this article will show, WISEs have evolved to target other disadvantaged and marginalized communities such as individuals suffering from homelessness, youth disconnected from both school and labor markets, formerly incarcerated individuals seeking reentry into employment, and welfare recipients required to work for benefits or as benefits are timed out. This article traces the historic evolution of the WISE sector. The review highlights the ways in which the organizational model has been adapted in response to shifting social constructions about appropriate level of integration and employment norms for disadvantaged groups as well as the changing nature of jobs in the entry level labor market. Further, this paper illustrates that newer (non-disability related) WISE organizational models have different resource generation strategies compared to the older WISE models, may be more exposed to market forces in their social business niches, and must contend with the increased vulnerabilities faced by workers in an era of welfare safety net erosion.

Keyword: WISEs neoliberalization welfare reform labor market

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Introduction

Work integration social enterprises (WISEs) in the United States represent a market based approach for workforce development and labor market integration that offer employment and training opportunities as well as bridges to the mainstream labor market (Nyssens 2006, Cooney 2011, Garrow and Hasenfeld 2014, Hockerts 2015). WISEs function as both employers in their own right and workforce development intermediaries that reduce the information asymmetries between potential employees and employers such that mainstream labor market employers may be more likely to hire from a disadvantaged group (Raphael 2014). Historically developed to create separate spaces of work for populations considered less able to compete in mainstream labor markets, such as the physically and developmentally disabled, as this article will show, WISEs have evolved to target other disadvantaged and marginalized communities such as individuals suffering from homelessness, youth disconnected from both school and labor markets, formerly incarcerated individuals seeking reentry into employment, and welfare recipients required to work for benefits or as benefits are timed out. WISE organizations manage multiple goals, including the commercial imperatives of the product and service markets in which their businesses (cafes, bike shops, laundries, recycling centers, restaurants, and others) compete, and the pro-social goals of employment and integration for the disadvantaged communities they hire and train (Borzaga and Loss 2006, Gardin 2006, Nyssens 2006, Nyssens and Platteau 2006, Cooney 2010). The multiple goal structure presents challenges for WISEs due to the fact that these goals reflect different, at times opposing, logics: a commercial logic that emphasizes efficiency, profitability and competitive rivalry versus a service or social welfare logic that aims to maximize a program of supportive intervention to produce results for the beneficiary (Battilana and Dorado 2010, Cooney and Garrow 2010, Besharov and Smith 2014). Further, in contrast to their European counterparts, as new WISEs in the United States have emerged with a broadened focus beyond the sheltered workshop model, the policy supports such as set aside procurements have not been extended to these newer WISEs. The historic evolution of the WISE sector highlights the ways in which the organizational model has been adapted in response to shifting social constructions about appropriate level of integration and norms about employment for disadvantaged groups as well as the changing nature of jobs in the entry level labor market. However, as this paper will illustrate, given the fact that new WISE models evolved in a different era from the older sheltered workshop models which essentially exist in their own separate and unique policy field

(Nyssens 2006), newer (non-disability related) WISE organizational models have different resource generation strategies compared to the older WISE models, may be more exposed to market forces in their social business niches, and must contend with the increased vulnerabilities faced by workers in an era of welfare safety net erosion.

Three Sets of WISEs in Varying Constellations of Norms, Public Policy, and Labor Market Dynamics

The population of work integration social enterprises (WISEs) in the United States has evolved from the early sheltered workshop models, to include the WISEs of the 1990s welfare reform era, and even newer models of networked worker owned cooperatives targeting disadvantaged workers as employees. This paper argues that U.S. WISEs all feature strong imprinting by the broader national context of the “liberal” welfare state regime. The liberal welfare state category is defined by Esping Anderson (1990) as a relation between the state, the labor market and the family marked by modest universal benefits, limited means tested assistance delimited by work ethic norms and state encouragement of markets (p. 26). This paper explores three broad categories of WISE organizations in the U.S., each mobilized at particular historic moments, under varying constellations of political and economic forces shaping each model differently given the timing of their founding epoch. Utilizing data from a unique database on WISEs developed by the author, existing research, as well as an overview of U.S. policies affecting WISEs, this article aims to provide a comparative history of WISE models during three eras of development as they have continued to expand to reach underserved segments of the U.S. workforce.

Methods

Under each of the three broad categories of WISEs, the analysis is divided as follows. First, each model of WISE is explicated in relation to policy landscape in which they are embedded, and a short summary of key evaluation studies of the efficacy of each WISE model is provided.

Second, drawing a WISE database, generated by the author, the resource mix of the WISE models is examined. One of the more challenging aspects of empirical work on WISEs is the lack of a population frame from which to draw a sample.

WISEs are not identifiable from the nonprofit tax forms 990. The earned income in the program service revenues category includes both revenues from government contracts, which could be payments for services offered to beneficiaries, and sales from WISE businesses, which are the locations for beneficiary employment. To generate a list of WISEs, organizations were identified from social enterprise directories, such as the Community Wealth Ventures online directory, from lists developed by WISE related social enterprise networks, such as REDF (formerly known as the Roberts Enterprise Development Fund) who had a list through a research project from a team at Berkeley Haas School of Business, and from social enterprise census lists, such as the effort undertaken in 2013 by Pacific Coast Ventures. From these sources a combined list of 420 WISE organizations was created and EIN organizational identification numbers for each organization were downloaded for active organizations ($n=325$) from the database of a nonprofit charity online watchdog (Guidestar.org). For this paper, a sample of approximately half of the 325 were selected for further analysis. To ensure representation of the disability category of WISEs and the WISEs working with non-disabled populations, first the list was separated into those with NTEE codes associated with disability programs and services and those without those codes, prior to random selection. Then a stratified randomly selected group of from WISEs from the full list ($n=168$ out of 325) was created, and the last five years of financial data for each WISE from tax form 990 data were downloaded from guidestar.org along with other key data, such as organizational ruling year and, where available, number of beneficiaries hired in the WISE for the most recent 5 years.

After a discussion of the policy landscape of the three categories of WISEs, an exploration of the resource mix across WISE categories from the data collected from this WISE database follows.

WISEs as Sheltered Workshops

The earliest form of WISEs, the sheltered workshop model, emerged prior to the founding of the modern U.S. welfare state in the first half of the twentieth century. Early forms of WISEs reflected a nineteenth century focus on work as rehabilitative and relied on private charity rather than state subsidies. Importantly, WISEs created separate, sheltered work environments, based on the societal understanding that intellectually and physically disabled workers required separate, sheltered alternatives to the mainstream labor markets.

The sheltered workshop model used business enterprises to provide structured employment opportunities and vocational training to low income, disabled and otherwise disenfranchised communities. The WISEs were designed to offer

work activities for those deemed unable to succeed in the competitive market while still reflecting a mainstream belief in the inherent value that industriousness affords the worker. The sheltered workshops of organizations such as Goodwill Industries, and other WISE organizations founded at the turn of the last century, including Perkins Institute for the Blind and DePaul Industries, were privately funded, employment based initiatives that aimed to provide productive opportunities for the physically disabled with special accommodations to support their ability to work (Whitehead 1979).

From their founding in the late nineteenth century, sheltered workshops grew exponentially in the United States in the post-World War II period, from less than 100 workshops in 1948 to close to 3,000 by the mid-1970s. By 2014, there were an estimated 136,000 adults with disabilities employed by sheltered workshops in the U.S. (Developmental Disability Services of Jackson County 2014, Fall). This growth coincided with the growth of the U.S. welfare state. Disability WISEs took advantage of two types of new public revenue streams, the first which supported the commercial activities of sheltered workshops through public procurement contracts, and the second which supported the vocational rehabilitation activities of sheltered workshops through funds from the Vocational Rehabilitation Amendments of 1965 and the amendments to the Social Security Act in 1975 (Whitehead 1979). It is estimated that still today, WISEs operating in this space rely heavily on public procurement contracts (Developmental Disability Services of Jackson County 2014, Fall). The public procurement contracting process occurs within a highly regulated space governed by the Ability One network, which acts as a coordinating intermediary for government procurement from disability WISEs. To participate in the Ability One network, and receive procurement contracts from the government, and the WISE workforce must be over 75 % comprised of employees with severe disabilities. As part of the Ability One network participating WISEs receive technical assistance, contract management support, training, and technology development from Source America, an organization funded through small fees attached to each government purchase from the Ability One network.

The Ability One network serves as an effective and powerful coordinating body for WISEs working in this subsector, but also contains rules (such as the 75 % disabled employees rule) that are artifacts of an earlier era and which reflect historic norms about the labor market segregation vs. integration practices for disabled workers. Wage regulations for sheltered workshops similarly highlight historic conceptions of the disabled workers as less than fully able to participate competitively in the labor market. Beginning with the National Industrial Recovery Act of 1933–1935, legal guidelines were established for a certificate system allowing for sub-minimum wage, productivity based compensation for

disabled workers (Hoffman 2013). The Fair Labor Standards Act of 1938 established a minimum wage for many workers, but exempt so called “handicapped” workers. Amendments to the FLSA in 1966 addressed sheltered workshop activity by requiring that wages reflect productivity. However the change did not require sheltered workshops to eliminate sub-minimum wages and this practice has remained more or less in place into the twenty-first century.

The policy architecture undergirding sheltered workshop activity constructed in this earlier era has increasingly come under scrutiny as historic norms regarding the segregation and sheltered work for people with disabilities have shifted. Social movements of the 1960s questioned these practices and pushed for community integration, but it was the American with Disabilities Act in 1990 that paved the way for large scale changes to the sheltered workshop model and propelled the pendulum shift all the way toward community inclusion. The 1999 Olmstead decision by the United States Supreme Court built on previous legislation by deciding that “unjustified segregation of persons with disabilities constitutes discrimination in violation of Title II of the American Disabilities Act” (United States Department of Justice Civil Rights Division, n.d.-b).

Over the last decade, pressure from grassroots activists combined with successful legal challenges resulted in states finally officially shifting approaches to disability services. For example, Vermont in 2007 became the first state to discontinue shelter workshop services and Washington state shifted to using sheltered workshops as an option of last resort, to be entered only after community based employment had been tried and failed (Developmental Disability Services of Jackson County 2014, Fall). In 2011, a national disability rights organization published a report highlighting the lack of widespread action to dismantle the sheltered workshop approach, charging that this violated the basic civil rights protections for the disabled (Hoffman 2013). Subsequently, the U.S. Department of Justice began enforcing the Olmstead decision and targeted states that offer no employment alternatives to sheltered workshops for violating the Americans with Disabilities Act (ADA). In 2014, the Department of Justice reached a historic settlement agreement with the state of Rhode Island, which resulted in a closure of all their sheltered workshops and a rerouting of resources toward community based employment supportive services (Developmental Disability Services of Jackson County 2014, Fall). The Workforce Innovation and Opportunity Act, passed by the Obama administration in 2014, further undermines the existing sheltered workshop rule structure by prohibiting sub minimum wage employment for any individual 24 years old or younger unless first enrolled in vocational rehabilitation and employment transition services (Developmental Disability Services of Jackson County 2014, Fall). While there are exceptions to this policy mandate, the message is clear

that the sequestered work and sub-minimum wage practices that once dominated the sheltered workshop models are no longer normative and transformation in the sector will continue.

In summary, the WISE sheltered workshop model can be seen as undergoing two distinct transformations since their origins in the nineteenth century as charity funded work houses for the poor and disabled. In their founding era, WISE sheltered workshops offered a charitable solution in the absence of a public one for disenfranchised and disabled individuals unable to support themselves in the labor market whose only recourse in nineteenth century America, prior to the establishment of the welfare state, would have been family support or charity. These disability WISEs expanded with the growth of the welfare state. Their business models were shaped by normative beliefs about the inherent value of work, concerns about idleness, and beliefs about the lower productivity levels of intellectually and physically disadvantaged populations. The decommodified zones created by disability WISEs allowed such workers some protection from market forces in the mainstream labor market and a place to socialize and connect with others. In the current era, these models are again experiencing transformation, driven this time by concerns about discrimination and a push for community integration (Mandiberg 1999; Mandiberg and Warner 2012).

Under the reforms to the model, whereby WISEs offer transitional employment or employment supports for jobs in the mainstream labor market, advocates and policy makers have turned to focus on the quality and consistency of employment opportunities in the competitive labor market as sheltered workshops shift toward community employment. Studies have examined the patterns of labor market attachment and wages received by disabled workers in both WISEs and mainstream labor market competitive jobs. The few studies that have been done to date find higher earnings outcomes for the competitive job recipients relative to sheltered workshop control groups, but lower earnings on average when compared to other workers, low average work hours that amount to half full time work (about 23 hours a week) and declining attachment to the labor market over time (Kregel and Dean 2002; Hoffman 2013; Dlouhy and Mitchell 2015). There is growing concern that the quality of employment opportunities in the low wage, low skill labor market may undercut the success of the community integration effort (Kregel and Dean 2002; Dlouhy and Mitchell 2015). WISEs operating in this space will be forced to evolve their models. This could be done either by integrating non-disabled workers into existing WISE current commercial business enterprises (typical business activities include electronics recycling, document shredding, and light assembly manufacturing) and raising the wages of the disabled employees to minimum levels to reverse engineer community integration and/or by developing more robust work transition

programs that effectively prepare and connect WISE beneficiaries to local employers offering quality job placement opportunities.

The latter approach, combining transitional work in WISEs with workforce development programs bridging to local labor market employers, has been the primary focus for the second group of WISEs, founded in the 1980s, 1990s and 2000s, discussed below.

Post 1980s WISEs for Disadvantaged Workers at End of the Labor Queue

A second set of WISE models in the United States focus on providing supportive work opportunities through commercial business enterprises to a much broader set of underemployed and unemployed adults including individuals with substance abuse issues, housing instability, criminal records, and disadvantaged youth. This newer, more heterogeneous group of WISEs emerged in a very different historic moment than the sheltered workshop model for WISEs described above. If sheltered workshop WISE models flourished at a time when the U.S. welfare state apparatus was growing, this second set of WISE models gained traction in the 1980s and expanded throughout the 1990s and 2000s as neo-liberal restructuring of the welfare state commenced, eroding income supports for welfare recipients and other able bodied, disadvantaged populations (Brenner and Theodore 2002; Garrow and Hasenfeld 2014). The most high profile example of this policy shift was the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which replaced the Aid to Families with Dependent Children (AFDC program) with Temporary Aid for Needy Families (TANF). While AFDC allowed state experimentation with welfare to work pilot initiatives over the decades previous, under PRWORA, federal policy from the top down transformed the entire cash entitlement program for poor families, replacing it with a welfare to work program that had lifetime limits for cash aid (Danziger and Lehman 1996; Riccio and Orenstein 1996).

WISEs founded during this era predominantly took the form of nonprofit business ventures in retail franchises, restaurants, custodial or landscaping businesses that serve as concurrent sites of revenue generation for the nonprofit and work training opportunities for disenfranchised client communities (Cooney 2011). Examples of this category of WISEs include social enterprises like Greyston Bakery, in Yonkers, NY, founded by Buddhist monks in 1982 to offer employment opportunities to the chronically unemployed residents (now over \$10 million in sales), and the Women's Bean Project started in 1989 selling soup to create income opportunities for women shelter residents (now a 1.7 million dollar

enterprise). Initially synonymous with the concept of social enterprise in the United States (a concept that is much broader today), these nonprofit WISEs were often described early on as “win-win” strategies for nonprofits working with socially disadvantaged populations. Seen as innovators and strategic managers of the rapidly shifting political economies in the U.S., work integration related social enterprises in the nonprofit sector in the 1990s and 2000s were heralded as pioneers in developing new market based revenue streams. More than just earned income strategies, the commercial business ventures also added social value by offering hands on work experience for disenfranchised populations looking for a way into the labor market at a time when welfare policies for the poor were restructuring to require labor market attachment (Shore 2003).

Some argue that this second generation of WISE models embodied the institutional logics underlying the neo-liberalization forces surrounding them (Garrow and Hasenfeld 2014). The argument posits that through their hybridization of commercial and social welfare functions, these WISEs do the institutional work of neo-liberalism by legitimating the marketization of the welfare state and the commodification of the poor. However, a contrasting view might argue that these WISE models were themselves experiencing the broader risk shift (Hacker 2006) in society. As the trend grew in popularity throughout the 1990s, the rhetorical characterizations of these WISE market based activities as sustainable sources of revenues for their nonprofit parent organizations echoed the emphasis in the U.S. welfare reform on personal responsibility and the reduction of dependency on social sector supports. In this way, in an era of a shrinking welfare state, WISE commercial activity reflects a reality that for nonprofit organizations, like the disadvantaged workers they aim to serve, survival and growth increasingly depends on their success in generating sustainable revenue streams, including from market based activities (Adams and Perlmutter 1991; Young 1998; Cooney 2007).

Either way, these market oriented/ market exposed WISE initiatives gained popularity throughout the 1990s and early 2000s. A typical WISE model in this category aims to provide a combination of soft-skill building, hard-skill training, and work experience for individuals at the end of the labor queue (Galera 2010) as a transitional job that would bridge eventually, to a position in the mainstream labor market. As such, WISEs operate in a broader policy environment shaped not just by shifts in welfare policy pushing welfare recipients and other vulnerable populations into the labor market, but also in relation to labor market policies more generally (Altstadt 2007). The continuum of approaches to addressing underemployment, unemployment and workforce development range from “passive” policies (such as unemployment insurance and unemployment assistance) that provide income to offset loss of wages to so called “active” labor

market policies aimed at mobilizing and assisting in reemployment, through skills training, job coaching and referral, hiring incentives, supported employment and job creation. Compared to other OECD countries, which roughly devote 60 % of spending toward passive policies, and 40 % to active labor market approaches, the United States spends less money per capita unemployed and what it does spend, it invests more heavily in passive policies (70 % towards passive policies) (Nie and Struby 2011). When adjusted for differences in unemployment rates and size of the economy, the U.S. spends below the OECD average on either type of labor market policy for its citizens (12 percent GDP per unemployed worker in US vs. 25 percent per capita in OECD countries). The spending differential on active labor market policies is even starker with these adjustments (5 % of GDP per capita unemployed in the US vs. 20 % in OECD countries) (Nie and Struby 2011). For WISEs working with this broader set of disadvantaged workers, the minimal levels of ALMP results in a dearth of subsidies for the work integration functions performed. Further, for the ALMP that do exist, such as the Work Opportunity Tax Credit program set up in 1996 to incent the hiring of welfare recipients off the welfare rolls, the credit is limited for nonprofit WISEs since they are tax exempt organizations already. Although PRWORA required increased spending on active labor market initiatives through the welfare to work programs, these ALMP were rolled out temporarily, through short term contracts in the second half of the 1990s and rolled back as the welfare rolls declined. Further, these efforts did not directly engage WISEs in a systematic way although some WISEs did compete for and win welfare to work grants.

While some in the Clinton administration advocated for PRWORA to include public job creation for those welfare recipients who could not find jobs in the private sector, as a job of last resort, there has been ideological opposition to jobs creation programs since former U.S. president Ronald Reagan eliminated the last large scale public jobs program (CETA) in the early 1980s. The U.S. has a history of public job creation programs, including the WPA which provided jobs for over 3 million Americans at its height in 1938, CETA, which at its height, in 1978, created positions for 700,000 disadvantaged workers, and YIEPP, which created subsidized jobs for over 76,000 youth in the late 1970s. However, by the 1980s and continuing through the welfare reform era, the political feasibility of federal support for job creation programs waned as ideological concern with public interference in market activity grew (Johnson 1997 Danziger 1996). However, PRWORA did allow states and municipalities the flexibility to use welfare to work training funds to create work experience opportunities in nonprofit or public organizations so that welfare recipients could complete mandated workfare hours through hands on work experience in community jobs, but these were workfare positions without wages. Some WISEs did compete

for welfare to work grants on the premise that they were uniquely situated to provide both the ancillary supports welfare recipients needed as well as the hands on work experience in the WISE businesses. The coordination of welfare to work grant mandated activities, business production pressures, and labor flow to the businesses along with the short term nature of the welfare to work contracts, made this form of subsidy a complicated one for WISEs (Cooney 2006).

As the result of wide spread unemployment and slow labor market recovery from the 2007–2008 recession, the U.S. has experimented with a more direct and simpler public subsidizing of jobs. The TANF Emergency Fund given to the states under the American Recovery Act of 2009 authorized job subsidy programs that paid up to 100 % of wages of disadvantaged workers hired for several months, a stimulus implemented by 39 states and the District of Columbia (CLASP November 2011). This effort represented “the largest expansion of subsidized employment since CETA in the 1970s” (CLASP November 2011). Currently states and advocacy groups are lobbying to have this program continued or even convert the WOTC to a job subsidy program, but so far the fund has not been reauthorized. In the absence of a survey of employers participating in the TANF Emergency Fund job subsidy program, we do not know to what degree WISEs took advantage of the program. Some state level data collected from employers suggests that small businesses, those with 15 employees or less, were major beneficiaries (CLASP November 2011). The reauthorization of the Workforce Innovation and Opportunity Act (WIOA) in 2014, includes for the first time the ability for states and workforce investment boards to allocate 10 % of their resources toward temporary, transitional jobs for disadvantaged workers. This allocation offers a more stable opportunity for WISEs to receive subsidies for their work integration functions. But for all of these ALMP initiatives, WISEs must be organized and proactive in searching out and availing themselves of these subsidies. Unlike the disability related WISEs whose public procurement contracts are heavily coordinated by the Ability One intermediary, the field level development of WISE specific networks and intermediaries for this second set of WISEs has historically been underdeveloped and fragmented.

In sum, WISEs in this second category operate in a WISE subsector with considerably less market coordination and limited access to WISE specific public procurement contracts available to the disability WISEs. As such, these WISEs operate businesses that face stronger competition with other businesses in their product or service markets. Further, unlike the sheltered workshop model of WISEs, these WISEs typically provide transitional employment with bridges to the mainstream labor market, rather than providing indefinite employment as sheltered workshops have historically done. In doing so, they grapple with the

neoliberal moment a second time, through the employment conditions in the low skill, entry level labor market, which are marked by contingent labor practices, underemployment, unstable hours and low wages (Lambert and Henly 2009).

Neil Brenner and Nik Theodore argue that while neoliberalism may contain an array of ideological principles (low corporate taxes, deregulation of industry, reduction of labor union power), these policy proscriptions instantiate themselves in varieties of arrangements shaped by local conditions (Brenner and Theodore 2002). To this point, if WISEs reflect the neoliberal valorization of market based activities and act to hasten the commodification of welfare recipients into a contingent labor pool, they represent specific organizational settings for these principles to take root and flower. Given that many WISEs in this second category are existing nonprofit organizations, in some cases turning to commercial activity in search of additional revenue sources, the WISE business ventures frequently take the form of small scale commercial enterprises that are bootstrapping business growth with small amounts of seed monies and limited access to growth capital and run by staff with little previous entrepreneurial experience (Cooney 2010). A key challenge for these WISEs is that the businesses that are easiest to start and that feature relatively low entry barriers in terms of startup costs, infrastructure, and specialized knowledge may be located in the same low-wage labor market sectors out of which the WISE is designed to move beneficiaries (Cooney 2011). Although business enterprises in the low-skill occupations (such as custodial work, retail sales, landscaping, street cleaning, and team assemblers) allow for immediate work placement for disadvantaged workers, who not only may have low levels of human capital, but also may face multiple additional vulnerabilities including long-term homelessness, mental illness, chronic substance abuse, and so forth, they offer low profit margins for WISEs and may be setting up workers for employment in low-skill, low-wage jobs (Bloom 2009).

Nonprofit venturing into WISE business activities raises two organizational vulnerabilities. First is the potential of increased financial risk associated with commercial activity. Just as important is the question of whether transitional work in a WISE is an effective workforce development intervention to begin with? Impact studies in the U.S. evaluating subsidized transitional job programs for disadvantaged populations show mixed results. Some studies suggest that subsidized work experience in a transitional job does not significantly increase the likelihood of employment, the quality of the job or the earnings over time, except for subgroups of highly disadvantaged individuals such as those with no work experience and long term welfare dependency (Bloom 2009; Bloom et al. 2009; Redcross et al. 2009). Other studies, such as

the influential impact study of the Center for Employment Opportunities WISE's model offering transitional jobs to formerly incarcerated individuals, found that early employment and earnings differences for the treatment group eroded to nothing over time as the transitional jobs expired, even for the most disadvantaged segment, although recidivism was significantly reduced in the treatment group (Redcross et al. 2012). The U.S. Department of Labor and MDRC, a social policy research firm, are both concurrently running evaluation studies to systematically study the effectiveness of these WISE transitional job models for non-custodial low income parents and former prisoners to learn more. But it is becoming clear for WISEs to be effective in generating labor market outcomes, a robust strategy of skill investment for their beneficiaries to graduate them into the segment of the labor market where workers are well compensated, and have access to reliable hours and work arrangements (Holzer 2009). The dilemma for this strata of WISEs centers on the task of managing their own heightened exposure to market risk through their commercial activities while developing effective interventions to connect vulnerable populations to stable, good paying employment opportunities.

In the final overview section, we turn to one more type of social enterprise, the cooperative – with a particular focus on the worker owned cooperative. In the U.S. the cooperative movement is not typically associated with the WISE sector but given the current resurgence of interest in worker coops in the United States, there are increasing opportunities for closer ties.

WISEs as Community Development Worker Cooperative Networks

A final subset of WISEs examined are community development worker cooperatives, firms that are owned and controlled by their workers, and that focus on wealth building as a form of community economic development (Dubb and Howard 2012; Howard 2012). Neither agents of the neo-liberal agenda, nor objects of it, community development networked worker cooperatives are a WISE model that is reflexively and intentionally anti-hegemonic (Alperovitz, Dubb, and Howard 2007). Worker cooperatives in the U.S. are a very small part of the cooperative movement (approximately 1% of U.S. cooperatives are worker owned, 92% are consumer cooperatives) (Artz and Kim 2011), and are not typically associated with the WISE moniker, with the exception of Italy, where there exists as specific legal category of cooperatives that focus on work integration (Type B worker owned cooperatives) (Borzaga and Galera 2012). However, I include them here as a U.S. category of WISE due to the renewed

interest by activists, economic development officials, and mayors in the U.S. for deploying the worker cooperative model for work integration purposes. These new networked models of worker owned cooperatives target low income, disadvantaged residents of high poverty neighborhoods as employees in new enterprises for community economic development purposes. Rather than follow the second category of WISE approach to training disadvantaged workers and building bridges to the unsubsidized labor market, detailed above, these WISE models aim to create an alternative corporate structure within the market that maximally distributes the wealth created by the enterprise among the disadvantaged workers targeted for employment (Alperovitz, Howard, and Dubb 2009). Traditional worker cooperatives are built around a premise of democratic control whereby workers, typically with one vote per member, take part in strategic decisions of the firm. However there are many variations on this model, and many exist where employee power is more attenuated and a hierarchy of tiered rights exists for governance and control (Ellerman 1984; Artz and Kim 2011).

Just as the post 1980s WISEs were shaped by the neoliberal remaking of earlier institutional settlements, this third set of WISEs were born of a particular historic moment as well. In this case, the endeavor reflects a concerted effort to push back against the institutional arrangements constituted through neoliberalization to instead “provide an opening for more progressive, radical reappropriations of city space” (Brenner and Theodore 2002). In recent years, inspired by the success of the large worker owned federation of over 200 industrial cooperatives developed by the Mondragon Corporation in the Basque region in Spain, networked worker cooperative models are being explored by U.S. foundations, unions and mayors as a strategy for inclusive community economic development in cities hollowed out economically by shifts to the manufacturing job base (Kelly and McKinley 2015). Further, although engaging at the same nodal point as the second set of WISEs described above, connecting low income disadvantaged populations to employment opportunities, these networked cooperative models differ in that they focus on restructuring the social and economic relations at the heart of the employment opportunity.

There is a current demonstration effort, the Evergreen Cooperatives in Cleveland, Ohio, that is a flashpoint for the renewed interest in deploying the worker cooperative ownership structure as a tool to increase employment and income for disadvantaged populations (Howard, Kuri, and Lee 2010). The Evergreen Cooperatives of Cleveland, Ohio were founded by coordinated efforts by the Democracy Collaborative and the Cleveland Community Foundation, which imported the networked approach to worker owned cooperatives from Mondragon Corporation. The Mondragon cooperatives are widely credited with spurring an economic recovery in the Basque region and anchoring the resulting

economic prosperity in place for many decades. U.S. experiments with the networked worker cooperative models explicitly contrast their approach with the neoliberal economic development policy approaches that have cities competing against cities with tax giveaways and incentive packages to lure corporations to relocate. Instead, the worker cooperative networks in the U.S. are designed around anchor based strategies whereby worker owned enterprises create businesses targeting the service and product needs of large public or quasi-public institutions such as hospitals and universities in their regional economy (Williamson, Imbroscio, and Alperovitz 2003; Alperovitz, Dubb, and Howard 2007; Dubb and Howard 2012). Combining an anchor based strategy with the establishment of a network of worker cooperatives, creates an economic foundation for these businesses that is scalable and sustainable given the interdependencies between the coops and the large anchor institutions. Further, anchors also have a vested interest in seeing these businesses succeed due to the fact that these enterprises simultaneously produce wealth for the workers and anchor that wealth in the local community.

While there are no federal policy initiatives in this area, at the municipal level there are a number of mayors developing public initiatives inspired by the demonstration project in Cleveland. Mayors as varied as Paul Soglin of Madison, Wisconsin, who has pledged 5 million dollars for the development of worker cooperatives, Bill de Blasio and the New York City Council, who have pledged 1.2 million dollars to support the development of worker cooperatives, and Mayor Lovely Warren of Rochester, New York, who has set aside 150,000 dollars to study the potential for emulating the networked model of worker cooperatives, are investing in the idea. Further, the fact that worker coops have a long history in the U.S. provides the new networked community development worker cooperatives with a number of infrastructure supporting organizations that serve as repositories of legal support, governance training, research and incubator services. One of the most well-known is the *University of Wisconsin-Madison Center for Cooperatives*, a large scale research and training center where a number of research projects on all forms of cooperatives are underway, including data from a U.S. census on cooperatives, an economic impact assessment study. Another longstanding organization is the *Ohio Employee Ownership Center (OEOC)* at Kent State University, founded in 1984 to provide outreach and technical assistance to companies considering employee ownership models, that largely works on a consulting basis. A newer intermediary in the field with a specific focus on worker owned cooperatives formed in 2004, the *U.S. Federation of Worker Cooperatives* is a grassroots organization with about 100 members aiming to assist communities with the knowledge, financing and support to start or convert to employee ownership models.

There is great enthusiasm about the potential for this particular form of community development networked worker owned cooperatives to both create better employment conditions for workers and to produce revitalization in the communities in which they are located. Indeed, there is evidence that worker owned cooperatives have historically delivered on the promise of better working conditions for employees in terms of higher pay and benefits compared to conventional firms in the same industries, generate greater employee job satisfaction, offer greater job security and more opportunities for skills training and acquisition (Artz and Kim 2011). However, these models are not without their challenges. Due to the shared governance structure of cooperatives, there are potential limits to efficiency and productivity that might accompany collective decision making (Hansmann 1990a, 1990b; Artz and Kim 2011). Equally important, are the financial hurdles worker owned cooperatives face in capitalization (Hansmann 1990b). For community development focused worker owned cooperatives, because the target worker is low income, launching the businesses with capital from worker shares is challenging if not impossible. In typical scenario for worker owned cooperatives targeting low income employees, worker shares are slowly capitalized through paycheck reductions. The Mondragon Corporation networked cooperative structure also includes a cooperative bank which receives an allocation of profit from each member cooperative used for ongoing support and investment for the cooperative members. Following the Mondragon example, Evergreen set up a holding company, a 501c3, which owns 20% of each cooperative and a CDFI development fund that is able to take advantage of public funding for community economic development, such as the New Markets Tax Credit, which provides capital for qualified low income community businesses. But these economic development capital infusions can be limited leading to situations where the cooperatives may be carrying high levels of debt in their early years, limiting profitability. A second major financial challenge is launching businesses that offer the margins that allow for good wages and profit sharing for the workers as well as long term growth potential (Friess 2014). Like the second category of WISEs, discussed above, the viability of the community economic development mission of these cooperatives is closely tied to their success in the market. Eventually the networked structure of a portfolio of coops aims to provide diversification across the portfolio. The CDFI fund, to which, following the Mondragon model, a percentage of profits from each coop are directed, will serve that stabilization function as well and allow internal cross subsidization across the network. Two findings from recent reviews of the economic impact of cooperatives in the U.S. reinforce how these financial and market challenges can limit the impact of worker owned cooperatives; the low penetration of worker owned cooperatives (1% of all cooperatives,

and 0.004 % of firms) and small size of the average worker owned cooperative (11 employees) (Zeuli and Deller 2007; Deller et al. 2009).

In the next section, a short analysis of the resource strategies of the first two categories of nonprofit WISE models using a sample of WISEs from the WISE database is presented.

Resource Mix and WISE Models

To examine the resource strategies between the disability WISEs and newer era WISEs, the following variables were constructed with which to explore the financial data in the nonprofit WISE sample. *Revenue Diversification*: Revenue diversification is measured by the Hirsh Herfindahl Index (HHI) as applied to revenue diversification between earned income, donative revenues, government grants and investment income, following (Kim 2014). The index is constructed as a sum of squares of the percentage of total revenues for each revenue stream. For the HHI index, higher values indicate revenue concentration, and lower numbers signal a more diversified revenue base. *Percent Earned Income*: A continuous variable indicating proportion of revenue an organization receives from earned income (defined from Carroll and Stater (2009) as gross income from program service revenue plus other investment income). *Percent Donative*: A continuous variable indicating proportion of revenue an organization receives from donations (defined from Carroll and Stater 2009 as gross contributions plus gross income from special events). *Percent Government grants*: Following (Kim 2014) and (Yan, Denison, and Butler 2009) government grants are separated out from donative revenues and accounted for separately. A continuous variable indicating proportion of revenue an organization receives from government grants. *Donative nonprofit*: A dummy variable indicating whether or not an organization receives 60 % or more of total revenues from donations, as defined by contributions from both donations and government grants. *Commercial nonprofit*: A dummy variable indicating whether or not an organization receives 60 % or more of total revenues from earned income, as defined above. *Organizational size*: the natural log of total revenues.

The data on revenues and resource mix across the sample in 2014, the most recent year where a majority of WISEs filed 990s ($n = 143$), suggest that WISEs tend toward concentrated revenue mixes (see Table 2). A full 87 % of the organizations can be classified as either donative nonprofits (46 %) or commercial nonprofits (41 %). Even though there are more donative nonprofit WISEs in the group, a larger proportion of the total revenues across the organizations derives from earned income (49 % vs 45 %), suggesting that the commercial

nonprofits may be larger than the donative nonprofits. Next, the nonprofit WISEs were divided into two groups to reflect the first two categories of WISEs examined in this paper. Organizations with NTEE codes that mentioned disabled or services for the blind were placed in the disability WISE category (n = 59) and all others placed in the employment/job training WISE category (n = 120) (see Table 1 for full list of NTEE codes). Of the WISEs in the disability category, 78 % were founded prior to 1980, compared to only 44 % of the job training WISEs, highlighting the rootedness of disability WISEs in the earlier historic era. The resource mix were significantly different between the two sets of WISEs on every indicator (see Table 3). Disability WISEs relied more heavily on earned income (74 % vs. 35 %), have higher mean revenue concentration (0.74 vs. 0.64 HHI) and greater numbers of commercial nonprofits in their ranks (73 % vs. 22 %). Job training WISEs were smaller, relied more on government grants (31 % vs. 16 %) and donations (32 % vs. 8 %), had higher numbers of donative nonprofits in their ranks (63 % vs. 15 %). A larger proportion of the mixed resource strategy WISEs (neither majority donative nor majority commercial) were in the category of job training WISEs (68 %). Other research suggests that mixed resource WISEs

Table 1: NTEE classifications for WISEs.

Employment procurement assistance and job training (J20)	32	20 %
Employment training (J22)	23	14 %
Developmentally disabled services/centers (P82) & (P80)	22	13 %
Sheltered remunerative employment, work activity center N.E.C. (J33)	11	7 %
Homeless services/centers (P85)	10	6 %
Youth development programs (O50), (O53), (P30)	10	6 %
Human service organizations (P20) & (P99)	8	5 %
Employment, job related N.E.C. (J99)	6	4 %
Vocational rehabilitation (includes job training and employment for disabled and elderly) (J30)	6	4 %
Housing development, construction, management (L20) & (L25)	6	4 %
Mental health treatment (F30)	4	2 %
Rehabilitation services for offenders (I40)	3	2 %
Alcohol, drug abuse (treatment only) (F22)	2	1 %
Blind/visually impaired centers, services (P86)&(G41)	3	2 %
Community mental health center (F32) & health services (E21)	3	2 %
Secondary/high school (B25)	2	1 %
Other (AIDS, alliance, autism, community improvement, education, family services, food, funds, international ED, mental health, public housing, housing rehabilitation)	13	8 %
n = 164		
missing n = 3		

Table 2: Descriptive statistics.

Variables		
Commercial nonprofit (=>60 % earned income)	Percentage: 41 %	SD: 49 %
Donative nonprofit (=>60 % government grants or donated income)	Mean: 46 %	SD: 50 %
Percentage of total income (Donative)	Mean: 23 %	SD: 29 %
Percentage of total income (Earned Income)	Mean: 49 %	SD: 37 %
Percentage of total income (Government grants)	Mean: 25 %	SD: 30 %
Organizational size (Natural Log Total Revenues)	Mean: 15.7	SD: 1.5
Revenue diversification (HHI)	Mean: 0.68	SD: 0.22

Table 3: Resource mix sheltered workshop WISEs vs. employment/job training WISEs.

	n	Mean	SD
Percentage of revenue-government grants*			
Sheltered workshop/vocational rehab	53	0.16	0.26
Employment/job training	90	0.31	0.32
T-Test (t value = 3.06, 128 df, $p = 0.0027$)			
Percentage of revenue-majority income*			
Sheltered workshop/vocational rehab	53	0.74	0.29
Employment/job training	90	0.35	0.34
T-Test (t value = -7.35, 125 df, $p < 0.0001$)			
Percentage of revenue-donative*			
Sheltered workshop/vocational rehab	53	0.08	0.11
Employment/job training	90	0.32	0.34
T-Test (t value = 5.35, 121 df, $p < 0.0001$)			
Percentage of revenue-HHI*			
Sheltered workshop/vocational rehab	53	0.74	0.21
Employment/job training	90	0.64	0.22
T-Test (t value = -2.67, 112.4 df, $p = 0.0082$)			
Majority earned income*			
Sheltered workshop/vocational rehab	53	0.73	0.45
Employment/job training	90	0.22	0.42
T-Test (t value = -6.82, 104 df, $p < 0.0001$)			
Majority donative*			
Sheltered workshop/vocational rehab	53	0.15	0.36
Employment/job training	90	0.63	0.49
T-Test (t value = 6.77, 128 df, $p < 0.0001$)			
Organizational size*			
Sheltered workshop/vocational rehab	53	16.13	15.8
Employment/job training	90	15.42	15.1
T-Test (t value = -3.09, 132 df, $p = 0.0025$)			

Note: *Means are significantly different from each other at the $p = 0.001$ level.

embody the hybrid organizational strategy between commercial and donative and tend to grow more slowly (Teasdale et al. 2013).

Interestingly, the number of WISEs that achieved revenues of 50 million dollars or greater (an indicator of achieving scale (Foster and Fine 2007)) in 2014 ($n=9$, 6%) were about evenly split across the two groups (44% disability WISEs, 56% job training WISEs), and all were commercial nonprofits. It is important to note that the commercial nonprofit revenue can be based on different sources of earned revenue (Teasdale et al. 2013). The literature indicates that the sheltered workshop models rely heavily on public procurement contracts set aside for them through the Ability One network (as much of 70–80% of total revenues on average (Developmental Disability Services of Jackson County 2014, Fall)). Without access to these set asides, job training WISEs earned income streams are likely a combination of government contracts for job training or sector specific health, substance abuse or other social services and commercial market sales.

Discussion

This article has reviewed the three varieties of work integration social enterprises in the United States. A main organizing thesis for the review is that although all three WISE categories share certain characteristics, namely a conception of work as central to well-being and an organizational model that operates at the nexus of policy, markets and community, all relate to this axis differently. The disability WISEs have long enjoyed the subsidies and stabilization of public procurement to anchor their activities and allow for the growth overtime of large, mature organizations operating in established business niches. The long standing stability in these models, achieved through government support in the form of robust public procurement and service provisions, have been disrupted by activism in the community. Major policy shifts related to community demands for the end of sub-minimum wage practices and mainstreaming are shaking up the settlements governing these models that have been in place for decades. However, stable public revenues and mature commercial businesses gives these WISEs the foundation to reconfigure their activities to better reflect community demands, even during a time of turmoil when public support for the model is shifting.

The second set of WISEs, emerging post 1980 to serve a broader set of disadvantaged workers, tend to be smaller, less connected to subsidies that support the social costs to provide employment in their social businesses. The

lower levels of public subsidy leaves these WISEs with higher exposure to market. Further, the populations these WISEs employ and the transitional jobs model creates challenges on both the supply and demand sides of the workforce development endeavor. Efforts abound to develop networks, models of best practice, policy supports and industry niches for these WISEs. However, in the current post recessionary moment, these WISE models find it difficult to demonstrate impact. Operating at the intersection of a restructuring labor market and fraying welfare safety net stymies the ability of a single WISE organization, using a fairly risk laden approach, to work on so many fronts with clients experiencing multiple dimensions of disadvantage, when there are few countercyclical public supports left to provide assistance.

Finally, the third type of WISE, the community development networked worker cooperative model diverges from the other two WISE forms in its direct oppositional orientation to the neoliberalization project. Even if, as many proclaimed, the 2007–2008 Great Recession killed neoliberalism by laying bare the folly of belief in self regulating markets, it is, as Jamie Peck asserts, currently “dead but dominant” and will carry on in a “zombie like state” until an “alternative sociopolitical program begins to fill the attendant vacuum” (Peck 2010). The disability sheltered workshops and the post 1980s WISEs both endeavor to reduce the vulnerability and economic risk carried by the poor and disenfranchised by job creation offering supportive employment and bridges to employer pipelines and sector specific training partnerships. However strategic and well-designed these efforts may be, their success will continue to be tethered to the willingness of the employers to hire and to the availability of jobs during a time of continuing economic restructuring an industry. The community development worker owned cooperative networks remove the low income, disadvantaged worker from the contingent labor pool another way, by changing this balance of power, drawing on the vestiges of alternative sociopolitical programs from ages past and reimagining them for the current moment.

Conclusion: Policy Recommendations

In reviewing the evolution of the WISE model from its historic roots in the sheltered workshop to its current iteration in job training and employment creation in entrepreneurial nonprofits and community development focused worker owned cooperatives, it is clear that the policy supports for WISEs too narrowly rely on the outdated sheltered workshop conception of the WISE. As disability WISE models pivot to offer transitional jobs to community

employment in less segregated settings, one possibility is that the Ability One intermediary, which so efficiently coordinates procurement contracts for the sheltered workshop WISEs, broadens its membership to include the newer job training and employment creation WISEs discussed above. This would provide the new job training and employer WISEs access to more stable earned revenue streams through government set aside contracts, but also allow these new WISEs, many of them small nonprofits, to build capacity and take advantage of the supportive services available through the Ability One platform. Secondly, the embrace of ALMP to implement the welfare reform of the 1990s have built a foundation of relationships and experience to deploy ALMP for counter cyclical job creation, such as occurred during the response to the 2008 recession. WISEs in the second category discussed above have increased opportunities to receive subsidies for the hiring of disadvantaged workers, but more capacity building and coordination is needed to best position job training WISEs to access the supports that are available through the reauthorization of WIOA and the WOTC. Finally, while it is encouraging that transitional job models of WISEs are receiving more policy attention in the way of impact studies and demonstration projects to understand more fully for whom and with what constellation of employment supports the WISE model is best positioned to perform, the findings need to be interpreted correctly. As these Department of Labor policy demonstration projects and related impact studies on transitional job models in the job training WISEs unfold, it will be important to take note of the context for impact. As argued in the overall framework for this special edition, it is not just the organizational model for training but the conditions in the broader labor market that co-determine the efficacy of WISE interventions on workers future wages, employment hours and benefits, particularly for transitional jobs models. Policy makers and researchers should embrace the lessons underway in experiments like the Evergreen cooperatives, which take seriously the central role of the employment conditions in the labor market, in co-determining the impact of transitional job WISEs.

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