

## Enhancing Employment Opportunities for Women

### 2003 findings from the third round of the Collaborative Fund for Women’s Economic Development

The Ms. Foundation established CFWED, its flagship program supporting women’s entrepreneurship, in 1991 to support organizations helping low-income women start and grow microenterprise, community-based and cooperative businesses.

Between 2001 and 2004, the Ms. Foundation, through the Collaborative Fund for Women’s Economic Development (CFWED), provided funding and technical support to eight women-run organizations across the country that manage social-purpose businesses to create jobs and promote women’s economic empowerment.

Like others, these social-purpose businesses pursue a “double bottom line,” creating both social and financial returns through their business activities. Operating in a range of industries that tend to employ low-income women, CFWED-supported firms differ from traditional for-profit firms in their interest in locating in low-income

communities, creating jobs that pay higher wages, offering cooperative ownership opportunities, or providing better hours and benefits. In addition, many of the CFWED grantees also seek to pursue additional social and economic outcomes such as: promoting women’s leadership development; providing a higher quality of care to the ill, elderly or children; building businesses that support and reinforce the cultures and skills of key ethnic communities; or providing their services in an environmentally sensitive way.

This report describes the business performance of these firms and summarizes key employment outcomes experienced by workers.

CFWED Grantee Organization	Name of Social-Purpose Business	Location	Business Sector
Appalachian By Design, Inc. (ABD)	Appalachian By Design, Inc.	Lewisburg, W. Va.	Clothing
Childspace Cooperative Development, Inc.	Childspace Cooperative Development, Inc.	Philadelphia, Pa.	Child Care
El Puente Community Development Corporation	Rayito De Sol	El Paso, Texas	Child Care
El Puente Community Development Corporation	El Puente Mercado	El Paso, Texas	Retail Sales
El Puente Community Development Corporation	Café Mayapan	El Paso, Texas	Restaurant
New Hampshire Community Loan Fund	Quality Care Partners	Concord, N.H.	Home Health Care
Paraprofessional Healthcare Institute	Home Care Associates	Philadelphia, Pa.	Home Health Care
People Incorporated of Southwest Virginia	Appalmade	Abingdon, Va.	Arts and Crafts
Women’s Action to Gain Economic Security (WAGES)	EcoCare	Mountain View, Calif.	Cleaning Services

## About the Collaborative Fund for Women's Economic Development

The Ms. Foundation established CFWED, its flagship program supporting women's entrepreneurship, in 1991 to support organizations helping low-income women start and grow microenterprise, community-based and cooperative businesses. Since 1991 CFWED's accomplishments include:

- mobilizing \$10.5 million to help low-income women find the means to support themselves and their families;
- bringing together 40 individual, corporate and foundation donors over three grantmaking rounds in one of the first true national funding collaborations;
- contributing knowledge to the field of enterprise development through the publication of research and training manuals.

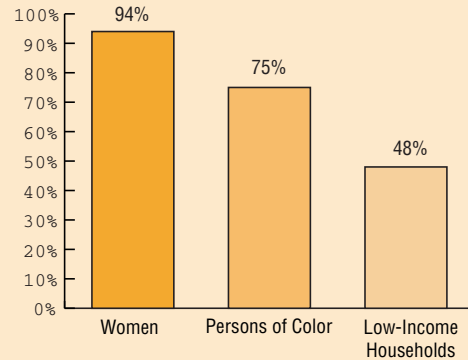
In addition to funding, CFWED provides organizations with technical assistance, training and networking opportunities.

## Social-Purpose Business Performance

CFWED-supported, social-purpose businesses engaged in an annual exercise with the Aspen Institute to assess their businesses' performance against a range of key indicators. This summary highlights the status of the businesses in FY2003 and some of the changes they experienced from FY2002 to FY2003. In the highly competitive sectors (caregiving, cleaning, retail and food service) of the economy where these social-purpose businesses operate, the period from 2000 to 2003 was a particularly challenging one. Surviving over this period as a basic "bottom-line" business was an accomplishment. Surviving as a social-purpose business with a range of ambitious non-financial goals should be understood as an impressive achievement in and of itself.

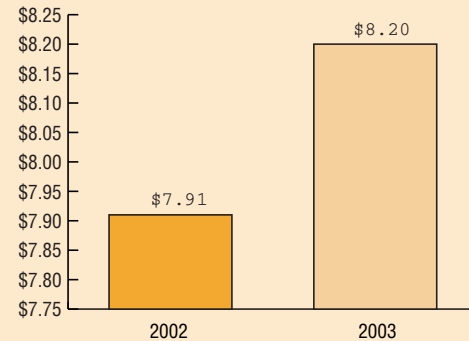
**Social-purpose businesses engaged in strong targeting.** Overall, the social-purpose businesses achieved strong outreach to disadvantaged individuals, including: women, persons of color and racial/ethnic minorities, and low-income households. Of 429 total employees during FY2003, 94 percent were women, 75 percent were persons of color, and 48 percent had household incomes below 150 percent of the poverty line.

Disadvantaged Employees as a Percent of all Employees



**Social-purpose businesses in low-wage sectors provided solid employment and income opportunities.** In fiscal year 2003, these social-purpose businesses paid their employees an average hourly wage of \$8.20, an increase from \$7.91 in the previous year. Impressively, 92 percent of employees worked on a full-time basis.

Average Hourly Wages to Social-Purpose Business Employees

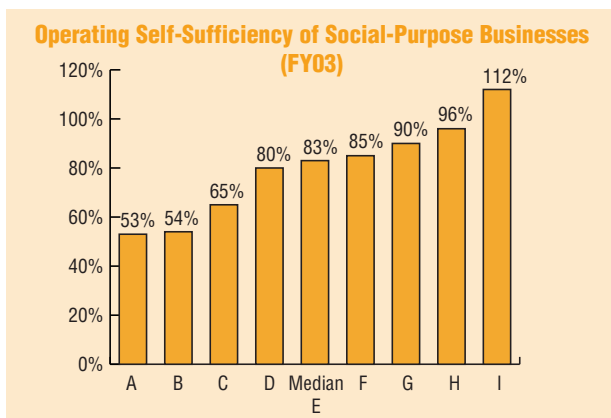


**In the face of challenging business environments, most of the social purpose businesses were able to increase employment levels during 2003, although overall employment declined somewhat by the end of 2003.** From 2002 to 2003, the average number of employees per social-purpose business increased slightly, from 41.4 to 42.6 (the median number of employees increased as well, from 13.5 to 17). Six of eight businesses either increased or maintained the number of full-time employees over the period. However, because the largest social-purpose business experienced relatively high employee turnover in 2003 (though less than it had in 2002), the total number of social-purpose business employees declined from 218 at the end of 2002 to 212 at the end of 2003.

While sales levels held constant or declined, many businesses were able to hold the line on total costs. In FY2003, net sales declined at four businesses, increased at three firms, and held constant at one. Thus, total net sales dipped by \$274,000, from \$5 million in 2002 to \$4.73 million in 2003. However, six of the businesses either lowered or contained business expenses so that total net income declined by just \$106,000. In fact, three of the businesses that realized lower net sales actually increased their net income from 2002 to 2003.

As a group, the social-purpose businesses covered over 80 percent of their operating expenses with earned revenues. While most of the CFWED-supported businesses aspire to cover business costs with business revenues, they face a tradeoff between pushing for profitability and providing better quality jobs for their workers by improving wages and benefits. The median net income for the businesses was negative (-\$31,782), but their median operating self-sufficiency was 83 percent, and one business' operating revenues exceeded its operating expenses.

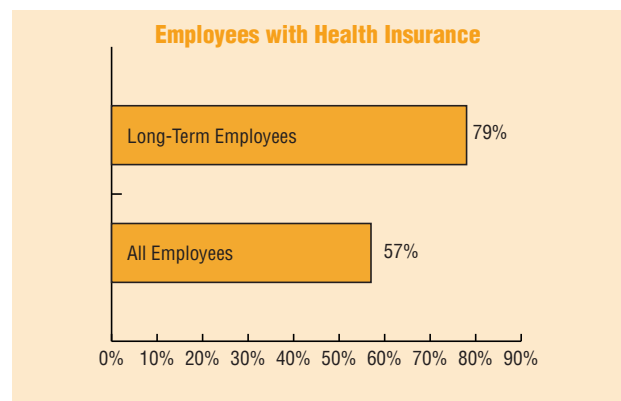
In other words, half of the businesses covered well over 80 percent of their business expenses with earned revenues. Every business reached at least 53 percent operating self-sufficiency.



## Social-Purpose Business Outcomes

Social-purpose business jobs provided solid employment for those surveyed. The social-purpose business employees who responded to the survey earned a median hourly wage of \$8.40, higher than the median wage for all employees of the businesses. Fifty-seven percent of survey respondents who had health insurance (60 out of 106) got their insurance through the social-purpose business.

Job quality measures show stability and improvement over time. On average, the hourly wage of fifty-two employees who were interviewed in both 2002 and 2004 held steady over the period (at just over \$8.60/hour). Additionally, 79 percent of these 52 long-term employees received health insurance through the business, compared to 57 percent of all 147 surveyed employees. Health insurance is often a benefit that employees earn after meeting certain thresholds of employment. That more long-term employees receive health insurance than all employees indicates one way in which employment quality improves over time for social-purpose business employees.



Business Measure	Median of 8 Businesses	Minimum to Maximum
Net sales <sup>1</sup>	\$190,356	\$27,998 to \$2.8 million
Net income <sup>2</sup>	(\$31,782)	(\$487,270) to \$14,954
Operating self-sufficiency <sup>3</sup>	83%	53% to 112%
Total self-sufficiency <sup>4</sup>	78%	50% to 97%

<sup>1</sup>Net sales is defined as annual gross sales less any allowances and returns.

<sup>2</sup>Net income from operations is defined as total income from operations (excluding grants) less operating expenses (excluding training expenses). It is a measure of the profitability of the business before taking into consideration any extraordinary income or expenses related to the social mission of the business.

<sup>3</sup>Operating self-sufficiency is defined as total income from operations divided by the sum of cost of goods sold plus operating expenses after taxes. This ratio expresses the percentage of business expenses covered by the business' operating revenues.

<sup>4</sup>Total self-sufficiency is defined as total income from operations divided by the sum of cost of goods sold plus operating expenses after taxes plus training and worker ownership-related expenses. This ratio describes how much of the regular operating as well as the extraordinary "social" costs the social-purpose business is able to recover through operating revenues.

## Methodology and Sample Issues

Using a common survey methodology developed by the Aspen Institute specifically for the social-purpose businesses, staff at eight of the businesses conducted interviews with their employees to assess key outcomes of their employment. This summary of employee outcomes represents data from the third round of surveys conducted by the grantees' staff in early 2004. Employees were asked to reflect on their experiences and economic situation in the prior calendar year, 2003.

## Characteristics of Outcomes Sample Population

The eight businesses that reported outcomes data surveyed 147 employees out of a potential sample of 224, for a response rate of 66 percent. Although the survey included a random sampling methodology, in most cases the social-purpose business was more successful interviewing current

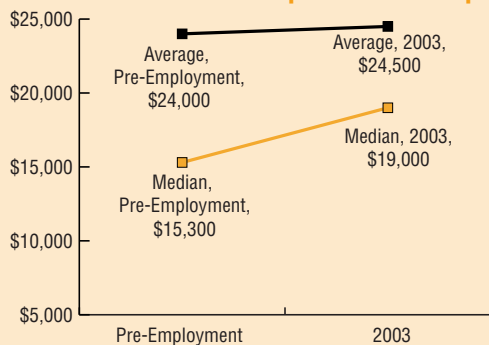
employees (employees or contractors). Almost all of those surveyed (97 percent) worked for the business at some point in 2003, and most (83 percent) still worked for the business at the time of the survey. The median length of time employees had worked for the business was more than 3 years. A high majority (84 percent) of surveyed employees had gone through a substantive training program at the business prior to or during employment. Because outcomes data was not collected from a large number of former employees, the data presented here sheds light on the kinds of outcomes that current social-purpose business employees may experience.

A subset of 52 employees were interviewed twice using the same survey instrument, first in 2002 and again in 2004. Outcomes of these 52 "long-term employees" are presented below, along with outcomes of all 147 clients surveyed in 2004.

**Social-purpose business jobs play a key role in providing income to poor families.** Surveyed employees reported a median household income of \$19,000 in 2003.<sup>5</sup> This is \$3,700 higher than the median household income they reported at the time their employment started. Average household income also rose, though less dramatically.

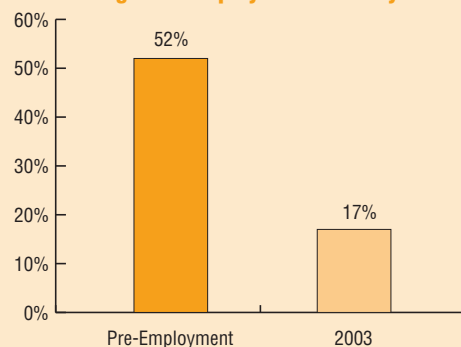
Additionally, while 52 percent of long-term employees were below the poverty line at the start of their employment with the social-purpose business (with an average annual household income of just over \$16,000), only 17 percent remained below the poverty line in 2003 (with an average annual household income just above \$24,300).<sup>6</sup>

### Household Income of Social-Purpose Business Employees



On average, wages earned at the social-purpose businesses contributed almost half of total household income (\$11,000 of \$24,500).

### Long-Term Employees in Poverty



<sup>5</sup>123 out of 147 surveyed employees provided household income data.

<sup>6</sup>42 out of 52 long-term employees provided household income data.

**Social-purpose businesses have a range of important effects.** Half of surveyed employees said they had more income to cover household expenses, had become more involved in their communities, and took on new leadership roles either at work or in their communities. Importantly, 81 percent said that their support network (a qualitative measure of the employees' social capital) had become stronger as a result of their employment.

### **Summary of Observations**

The performance of CFWED-supported, social-purpose businesses has been consistently impressive with respect to outreach and employment of women, persons of color and low-income households. The social-purpose businesses supported by CFWED have been able to provide solid employment and income opportunities for their employees. Even when sales levels declined, social-purpose businesses exhibited disciplined cost containment efforts, making strides toward the goal of profitability.

On the other hand, the findings also illustrate some of the challenges facing these social-purpose businesses. It is a challenge for both the smaller social-purpose businesses as well as for those in highly competitive industries to offer a competitive starting wage rate and benefits like health insurance. Social-purpose businesses also face the challenge of retaining

existing employees. Retention is important to the businesses in order to maintain high quality in their products and services. From a mission perspective, longer-term employees clearly realize higher wages and benefits. Progress on these employment quality issues is more likely to occur in those social-purpose businesses that also succeed in increasing sales while containing management costs, and achieving higher levels of operating self-sufficiency.

Surveyed employees' median household income was \$3,700 higher in 2003 than at the time employment started, and accounts for almost half of the employee household's total income. In addition to skill and income gains from their employment, social-purpose business employees develop social capital – many become more involved in their communities and workplaces in leadership roles, and over 80 percent enjoy a strengthened support network. Importantly, outcomes improve for those employees who remain longer at the social-purpose business.

As it moves forward in its next round of funding, the Collaborative Fund for Women's Economic Development will continue to support and gather data on programs that illustrate the effectiveness of providing women-owned businesses with long-term, qualitative business training and technical assistance.

**The Ms. Foundation for Women** supports the efforts of women and girls to govern their own lives and influence the world around them. Through its leadership, expertise and financial support, the Foundation champions an equitable society by effecting change in public consciousness, law, philanthropy and social policy.

**The Ms. Foundation’s Third Round Donor Partners in CFWED included:**

Appalachian Regional Commission  
Bambi MacDonald Estate  
Brico Fund  
Annie E. Casey Foundation  
Charles Stewart Mott Foundation  
JP Morgan Chase Foundation  
Citigroup Foundation  
Edna McConnell Clark Foundation  
Flora Family Foundation  
French American Charitable Trust  
Ford Foundation  
Carol Guyer

Hitachi Foundation  
Hite Foundation  
Jacobs Family Foundation  
John Merck Fund  
Albert A. List Foundation  
McKay Foundation  
MacArthur Foundation  
Ms. Foundation for Women  
Lindsay Shea  
Alvin and Fanny Thalheimer Foundation  
Wendling Foundation  
Wells Fargo

**For more information, see the overview report:** *Social Purpose Businesses: Enhancing Employment for Low-Income Women*, highlighting findings and lessons learned about the performance of CFWED-supported social purpose businesses in 2002 and 2003. Visit the “Publication and Reports” page on the Ms. Foundation for Women’s Web site at: [www.ms.foundation.org](http://www.ms.foundation.org).

**The Aspen Institute** is an international nonprofit that fosters leadership and open dialogue on contemporary issues. Its FIELD program researches the U.S. microenterprise development, identifying and promoting best practice for industry leaders, policymakers, funders and others. Information regarding FIELD is available at: [www.fieldus.org](http://www.fieldus.org).