Social Enterprise in the United States:
WISEs and Other Worker-Focused Models

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PREFACE AND ACKNOWLEDGEMENTS

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As intermediary products, ICSEM Working Papers provide a vehicle for a first dissemination of the Project's results to stimulate scholarly discussion and inform policy debates. A list of these papers is provided at the end of this document.

First and foremost, the production of these Working Papers relies on the efforts and commitment of Local ICSEM Research Partners. They are also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums and Global Meetings held alongside EMES International Conferences on Social Enterprise. We are grateful to all those who contribute in a way or another to these various events and achievements of the Project.

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INTRODUCTION: THE CHANGING FIELD OF SOCIAL ENTERPRISE IN THE U.S.

Social enterprise coalesced as a field throughout the 1990s in the U.S. and Europe (Nyssens 2006) as part of the so-called "third-way" approach to solving social problems, championed by both Bill Clinton and Tony Blair, and spread rapidly to other regions of the world. In the mid-1990s, J. Gregory Dees, an early champion of the social enterprise concept, described the diversity of organizations that made up the landscape of social entrepreneurship as including: "innovative not-for-profit ventures, (and)…social purpose business ventures, such as for-profit community banks, and hybrid organizations mixing non-for-profit and for-profit elements, such as homeless shelters that start businesses to train and employ their residents" (Dees 1998). However, despite the wide-ranging set of for-profit and nonprofit forms described in the Dees definition of social enterprise, the early formation of the field in the U.S. was strongly associated with the nonprofit sector (Alter 2006, Community Wealth Ventures 2008, Kerlin 2009). Kerlin's (2006) comparisons of the early evolution of social enterprise in the U.S. *versus* Europe globally pointed to the emphasis on nonprofit social enterprise activity in the U.S., with legal restrictions on distribution of profits (Anderson and Dees 2006), *versus* a much broader set of social enterprise models in the E.U., including cooperatives, mutuals and associations together making up a unified social economy, with many models allowing for some forms of profit distribution albeit with restrictions. The first wave of U.S. definitions of social enterprise emphasized revenue generation through business initiatives by nonprofit social sector organizations, and included money-generating activities that were purely commercial means to support other social aims of the organization or more blended initiatives that integrated social aims into the business enterprise itself (Anderson 2005, Anderson and Dees 2006). According to European researchers belonging to the EMES Network, which studies the emergence of social enterprise throughout the European Union (Defourny and Nyssens 2006), the definition of social enterprise similarly indicates significant utilization of commercial revenue generation by organizations committed to social benefit, but equally important to the definition of social enterprise in the European context is a focus on participatory democracy within the governance structures—an aspect less emphasized in the emergent social enterprise field in U.S. Rather, given the neo-liberal welfare regime that has dominated in the U.S. since the 1980s, the U.S. field of WISEs emerged in a culture that valorizes entrepreneurship, champions private solutions to societal problems, and places strong faith in markets to efficiency allocate capital (even philanthropic capital) to the most promising and high-performing solutions.

Today, the landscape for social enterprise in the United States has evolved considerably from its roots in nonprofit business venturing. The globally recognized success of Muhammad Yunus' microenterprise strategy for poverty alleviation and the ensuing entrance of many for-profit banks into the microenterprise arena stoked the entrance of a wider range of social entrepreneurial projects, fueled by investors seeking profits but also social impact (Cooney 2010, Eggers and MacMillan 2013, Barman forthcoming). The high-profile examples of initiatives like microenterprise have inspired a new generation committed to social change and ignited a passion for social enterprise among many for-profit entrepreneurs as well. There is now a new generation—the millennial generation, those born between the early 1980s and early 2000s—currently making their way through the education system and out into the working world, who have grown up surrounded by the rhetoric of social enterprise. Attracted by the innovation and potential for large-scale change (Greenberg 2008), social enterprise is a natural draw for millennials. Leading universities such as Harvard, Stanford and Yale all offer a growing complement of courses in social entrepreneurship, social impact investment, social enterprise management and social innovation, typically housed in business schools (Net Impact 2014).

The last ten years have seen the acceleration in the U.S. of for-profit approaches to addressing big social issues such as poverty, environmental issues and human labor abuses, but these innovations in market-based approaches in the for-profit sector occur in a parallel but largely non-overlapping eco-system to the nonprofit social enterprise trend begun in earlier decades. The funding streams supporting each sub-sector of social enterprise projects are fairly different, with for-profit entrepreneurs looking for impact investment and nonprofit entrepreneurs relying on government and foundation philanthropy, as are the field-level networking structures (Barman forthcoming). Unlike the European social economy described by Kerlin, which is made up of a heterogeneous set of organizational models united by a focus on social benefit and a critique of unadulterated capitalism, in the U.S., although we have seen the for-profit models for social enterprise grow rapidly, social enterprise initiatives are primarily constructed as "win-win" endeavors that do not *per se* aim to create an alternative social economy, but rather mix traditional market mechanisms and incentives with social aims (Cooney 2006, Barman forthcoming).

Within each sector in the U.S., the network structure among social enterprise organizations has developed and matured. Nonprofit social enterprise organizations have developed more robust network platforms, connections to policy makers, and sophistication in their approaches. For-profit social enterprises have also proliferated, spurred by dissatisfaction with the constraints on capital investment in the nonprofit sector and by the emergence of new sustainable/ethical product markets developed as a byproduct of environmental and social movements. This infrastructure development has been accelerated through the rise of venture-philanthropy groups (such as Boston Community Capital, Calvert Social Venture Capital, Commons Capital, Investors Circle, New Profit, Inc., Roberts Enterprise Development Fund, and Social Venture Partners), which gained prominence during the 1990s. These organizations and initiatives, such as the Yale School of Management and Goldman Sachs Nonprofit Joint Business Plan contest, increased levels of funding and created a number of incubating vehicles for new social enterprise ventures (Cooney and Lynch-Cerullo 2014, Barman forthcoming). Since 2010 a spate of new legal forms designed to harness business methods in service of social aims have also emerged on the landscape, further marking social enterprise as a field formed by a discrete, identifiable set of organizations with a shared set of aims that distinguish them from other kinds of business enterprise forms (Schmidt 2010, Brakman Reiser 2012, Cooney 2012, Murray 2012). The new legal forms may begin to alter this historic silo of nonprofit sector and for-profit sector social enterprise activity as these forms offer solutions to constraints faced by social entrepreneurs in both the nonprofit and for-profit sectors.

In sum, the current social enterprise landscape in the U.S. is marked by 1) a groundswell of social enterprise initiatives in the for-profit sector, emerging in a way that is largely disconnected from existing nonprofit social enterprise activity, 2) a strong period of infrastructure development and the emergence of network platforms for field building, specific to sector and to some extent industry, and 3) the development of new legal forms for social enterprise. This paper provides an overview of the changing U.S. context for social enterprise as a background for investigating the evolution of the sub-field of organizations using market-based business enterprises to provide employment training and jobs as an avenue for community economic development, often referred to as Work Integration Social Enterprises (WISEs), in the United States. This paper offers a focused examination of recent research on WISEs in the U.S., contextualized within that broader landscape, followed by a look into the future of what new legal forms for social enterprise might promise for the WISE in particular.

DATA

The literature review completed for this paper is analyzed in conjunction with data collected from different U.S. WISE-related studies completed by the author. The initial set of data for the paper were a set of information interviews conducted with leaders of key field-level organizations and networks within the WISE field as part of the ICSEM pilot study. These information interviews included Carla Javitts (CEO of REDF), Kevin Lynch (CEO of the Social Enterprise Alliance), and a senior researcher at Pacific Coast Ventures. Additionally, the executive directors of four WISEs were interviewed in conjunction with their completion of the ICSEM pilot survey. Two additional datasets were gathered as the result of these information interviews. The first is a survey of WISE organizations in the U.S. conducted for REDF by a research team at the Berkeley HAAS School of Business and a report analyzing the survey data. The second is the first wave of Social Enterprise Census conducted by Pacific Coast Ventures, which includes a subset of WISE organizations. Data from an earlier interview study conducted by the author (Cooney 2010) are also utilized to shed light on certain trends reported upon. Finally, findings from early analysis of data collected by the author on the adopters of new legal forms of social enterprise (the benefit corporation and the L3C) are also explored where relevance to WISEs is indicated.

WORK INTEGRATION SOCIAL ENTERPRISES (WISEs)

In the midst of all of this rapid growth in social enterprise activity and innovation in the legal infrastructure exists a broad-based population of WISEs, some of which date back to the earliest chapters of social enterprise in the U.S. Today, the WISE population in the U.S. can be divided into three categories, 1) those emerging out of the sheltered workshop model, primarily working with developmentally disabled and cognitively challenged individuals, 2) the WISEs working with unemployed and disadvantaged workers at the end of the labor queue, and 3) the new clustered worker cooperatives that are emerging in some U.S. cities and are inspired by the large industrial federation of coops at Mondragon, in the Basque region of Spain.

WISEs as sheltered workshops

Sheltered workshops providing employment opportunities for adults with intellectual and developmental disabilities have existed since the 19th century in the U.S. but grew exponentially in the country in the post-World War II period, from less than 100 workshops in 1948 to close to 3,000 by the mid-1970s. Today, there are an estimated 136,000 adults with disabilities employed by sheltered workshops in the U.S. (Developmental Disability Services of Jackson County 2014, Fall). However, the policy context for sheltered workshops has changed dramatically over the past few years as the model has come under greater scrutiny. Beginning with the National Industrial Recovery Act of 1933-1935, legal guidelines were established for a certificate system allowing for sub-minimum wage and productivity-based compensation for disabled workers—practices that have been more or less the norm for most of the 20th century (Hoffman 2013). However, the American with Disabilities Act in 1990 paved the way for large-scale changes to the sheltered workshop model and began a pendulum shift away from sheltered workshops toward an emphasis on community integration. Pressure from grassroots activists and families saw success as some states began to officially change approaches. For example, Vermont in 2007 became the first state to discontinue sheltered 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 had failed (Developmental Disability Services of Jackson County 2014, Fall).

In the last five years, the traditional models of sheltered workshop employment have been subject to more overt legal challenge. In 2011, a national disability rights organization published a report charging that the sheltered workshop approach, predicated on segregated employment often at sub-minimum wage, violated basic civil rights protections for the disabled (Hoffman 2013). The U.S. Department of Justice entered the fray and targeted states that offer no employment alternatives to sheltered workshops for violating the Americans with Disabilities Act (ADA), culminating in a successful case against 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 old approaches to sheltered workshops are no longer normative and transformation in the sector will continue.

The shifting nature of the field (not just the policy environment but also the turn toward market-based enterprises for jobs creation across the social enterprise sector) has pushed sheltered workshop WISEs to shift their practices. Interviews with administrators operating in this space conducted over Fall 2014 as part of the ICSEM pilot suggest that at least some WISEs running sheltered workshops had already begun diversifying away from sheltered workshops throughout the 1990s and 2000s as opportunities presented themselves. In an interview conducted in the early 2000s as part of an exploratory study on WISEs (Cooney 2010) with the business director at a WISE employing developmentally disabled individuals founded in the 1950s, the respondent was quite overt about this paradigm change. When asked about the constellation of business enterprises operating out of the WISE, which included a farm and restaurant, catering service, and horticulture retain operation, she did not want to focus on the business referred to as in-house contracts—"that's more sheltered workshop, mailings and packaging and assembly," she said, "I'm trying to get away from that." When pressed on this point, she continued, "it is sub-minimum wage, I don't know if you'd call it [social enterprise], I'd hate to put it under the ventures, because it's…I see it as something I want to get away from."

It is estimated that WISEs operating sheltered workshops rely heavily on public procurement contracts (as much of 70-80% of total revenues on average) (Developmental Disability Services of Jackson County 2014, Fall). To wit, likely due to the centrality of public policy and funding to support their initiatives, there is a strong network intermediary linking WISEs working in this niche to the public sector. This network, Ability One, is a coordinating intermediary for government procurement for WISEs employing individuals who are blind or living with another severe disability. To participate in the Ability One network and receive procurement contracts from the government, 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, and training and technology development from SourceAmerica (another intermediary, funded through small fees attached to each government purchase from the Ability One network). The Ability One network was mentioned by all of the ICSEM pilot study respondents, either to indicate their participation, or as a point of reference to describe a powerful coordinating entity for WISEs working in this subsector.

WISEs for disadvantaged workers at end of the labor queue

In addition to the long-standing population of WISEs operating in (and emerging out of) the sheltered workshop niche, the last three decades have seen strong growth in WISEs for a much broader set of underemployed and unemployed adults as a piece of rehabilitation for individuals with substance abuse issues, housing instability and criminal records, and general development for disadvantaged youth. This second category of WISEs evolved as "win-win" resource development and mission-enhancing strategies of nonprofits working with socially disadvantaged populations (Adams and Perlmutter 1991, Young 1998, Cooney 2007). Seen as innovators and strategic managers of the rapidly shifting political economies in the U.S., work integration-related social enterprise in the nonprofit sector in the 1990s and 2000s is seen by some (Catford 1998, Johnson 2000) as a direct response to the retrenchment of traditional welfare state mechanisms for addressing social problems. WISEs in this category often take the form of nonprofit business ventures in retail franchises, restaurants, custodial or landscaping businesses. The businesses are concurrent sites of revenue generation and work-training opportunities for disenfranchised client communities.

Such initiatives thrived throughout the 1990s and early 2000s' era of welfare reform—a perfect response that provided hands-on work experience for a new cadre of welfare clients needing to quickly find work in the labor market before benefits ran out under shifts in welfare policy in the U.S. 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)—a combination that fits in well with the aims of the welfare reforms of the 1990s and related workforce development policies (Altstadt 2007). Most WISE organizations have the ability to operate in the broader social service arena, where they receive government (and/or foundation) programmatic funding to support their vocational rehabilitation mission with disadvantaged clients, while concurrently launching businesses that compete in product and service markets with traditional for-profit businesses.

These WISEs take pains to differentiate themselves from the older form of sheltered workshops for the blind and developmentally disabled, staples of the nonprofit sector in the U.S. since the 19th century. Late 20th century and early 21st century WISEs in these niches consider themselves more market-oriented, with less sheltered businesses and facing stronger competition with other mainstream 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. A key challenge for WISEs is that the businesses that are easiest to launch and best suited to absorb large numbers of unskilled workers may be located in the same low-wage labor market sectors out of which these interventions are designed to catapult workers. In a study of U.S. WISEs specifically looking at the labor market location of WISE business ventures, Cooney (2011) finds that the vast majority of WISEs establish businesses in low-skill industry and occupations. This finding is corroborated by a national survey conducted in 2013 by the Berkeley Hass School of Business, which also identified janitorial, catering, recycling and light manufacturing as the top categories of WISE businesses (Axelrad et al. 2013).

Although business enterprises in the low-skill occupations (such as custodial work, retail sales, landscaping and street cleaning, and team assemblers) may offer low profit margins for WISEs and may be setting up workers for employment in low-skill, low-wage jobs, they also offer WISEs some advantages. They operate in niches with relatively low entry barriers in terms of startup costs, infrastructure, and specialized knowledge. Further, they offer the opportunity 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. Cooney (2011) did find that a subset of WISEs (although not the vast majority) operate in middle-skill industries, defined in the U.S. as those requiring more than a high school degree but less than a bachelor's (Holzer and Lerman 2007). Since middle-skill industries tend to offer better employment conditions than the entry level labor market, this finding suggests that some WISEs may be strategically locating themselves in business niches where the skills training in a transitional job can provide bridges to higher paying sustainable employment, for the WISE employee.

Given the wide number of disadvantaged populations that WISE models in this category work with, and the fact that many of the coordinating networks that exist among nonprofits are structured along service provision lines (homeless service providers, for example, or health service nonprofits), the field-level development of WISE-specific networks and intermediaries has remained underdeveloped and fragmented in this niche (Interview, Carla Javitts, Director REDF). However, that is beginning to change. A number of networking intermediaries have arisen for WISEs operating within this subsector of the field, and in a promising development for capacity building in the WISE field, one of these intermediaries—REDF—was chosen for a major government investment as winner of one of the Social Innovation Fund awards from the Obama administration. The main networking intermediaries for WISEs in the U.S. are listed and described below.

- *REDF:* REDF began as a social investment fund to provide grants and technical assistance to WISEs on the West Coast. REDF's contributions to the sector include their instrumental efforts in developing the Social Return on Investment approach to measuring social impact to support their venture philanthropy approach to capacity building for WISEs. In 2010 REDF received 3 million dollars from the Obama administration under its newly established Social Innovation Fund (SIF) to further its work as an intermediary and capacity builder in the WISE sector across the U.S. This was followed by another 3 million dollars in 2012. REDF has established a network for WISEs, called SE4Jobs, within the Social Enterprise Alliance, a chapter-based organizing network and convener for social enterprise in the U.S. In addition, REDF aims to use the SIF funding for two main goals: 1) to grow the number of people employed in WISE businesses by 2,500 and 2) to develop a plan for expansion and replication of the core strategy REDF has developed for capacity building. As part of this work, REDF created a learning platform with 150 groups and, through quarterly phone calls, it is constructing the rudimentary sketches of a policy agenda. A main component of the agenda is to grow WISE market penetration through new sourcing policies that include set-asides procurement policies from both government and commercial customers for WISE products and services, community reinvestment credits for activity involving WISE businesses and anchor-based economic development strategies (these strategies are defined in detail below, in the section on worker cooperatives).

- *Social Enterprise Alliance/SE4Jobs:* Convening for the first time in 2010, SE4Jobs is a network operating within the Social Enterprise Alliance under the leadership of REDF to bring together WISEs working across different target populations (youth, unemployed, formerly homeless, formerly incarcerated, substance abusers, those with disabilities and mental health issues) and operating in different business sectors (landscaping and street cleaning, manufacturing, recycling, pest control, retail, culinary, etc.). The aim of this group is to develop field-level awareness for WISE activity, to share information and best practices, to partner for success in business opportunities, and to educate policy makers about the WISE sector.

- *National Transitional Jobs Network (NTJN):* Recognizing the potential for WISEs to offer training and employment to the disadvantaged in the aftermath of the 1996 welfare reform, a set of community leaders, workforce development directors, foundations and advocates in the anti-poverty space formed the NTJN in order to advance and promote effective employment strategies, including Transitional Jobs, to help individuals facing barriers to employment enter and succeed in the workforce. In 2003, Heartland Alliance for Human Needs & Human Rights, an anti-poverty organization in the mid-west, became the NTJN's host agency to provide a platform for their work. Today, the NTJN has grown into a national coalition of over 5,000 stakeholders in over 30 states. The NTJN provides a national clearinghouse for resources, tools, and expertise for building Transitional Jobs programs, and considers itself "the national voice for stakeholders working to help the hardest to employ get and keep jobs" (Network 2014).

- *Alternative Staffing Alliance:* Established after a Ford Foundation study of alternative staffing service providers, the Alliance was developed to meet the needs that many expressed during the study for access to technical assistance, collective action on policy issues and expansion of the sector by supporting other organizations interested in launching similar ventures. With funding from the Charles Stewart Mott Foundation, which has funded several individual alternative staffing service projects, a national alternative staffing association was launched in March 2007 with 13 charter member organizations. Among other activities, the Alliance organizes an annual national conference and also conducts an annual survey to track business and employment outcomes of its members.

Although these networks are symbolic of a growing sense of shared identity and policy agenda on behalf of WISEs working with disadvantaged workers at the end of the labor queue, this subsector of the WISE field and field-building efforts within it remain, with the exception of REDF's recent efforts, somewhat fragmented and disconnected. Carla Javitts explains, "Each organization fits into their channel based on their business, such as economic development or social services. We hope to change that," she reports, "but we're not there right now." 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, one that is not always associated with the WISE sector but one where there is potential for closer ties, given the current resurgence of interest in worker coops in the United States.

WISEs as worker cooperatives

A final category of WISEs are a subset of worker cooperatives, i.e. firms that are owned and controlled by their workers and focus on employment and community economic development. They can be small retail operations, like bookstores and food shops, or large manufacturing firms (Jackall and Levin 1984). Worker cooperatives are legally organized in various ways in the U.S. but a main aim is to structure a corporation in which the employees have both a share of the profits generated and voice in governance of the enterprise—both elements not emphasized at all in the other two categories of U.S. WISEs. In general, in worker-owned cooperatives, shares in the corporation are structured as personal rights rather than property rights; that is, the shares and the associated bundle of rights are not bought or sold but rather conditional on the workers' functional role of working in the firm (Ellerman 1984). In some worker cooperatives, each share still carries a net book value and must be purchased by existing or new employees when workers retire. In other legal arrangements, only membership rights are secured by a share, one per worker, and a separate internal capital accounting procedure keeps track of the profit allocation to each worker based on hours worked (Ellerman 1984). Traditional worker cooperatives are built around a premise of democratic control whereby workers, typically with one vote per employee regardless of the number of shares owned, take part in all strategic decisions of the firm. However there are many variations on this model; many exist where employee power is more attenuated and a hierarchy of tiered rights exists for governance and control (Ellerman 1984).

In recent years, inspired by the success of the large worker-owned federation of cooperatives developed by the Mondragon Corporation in the Basque region in Spain, worker cooperatives have reemerged on the agenda for foundations, unions and city mayors as a strategy for community economic development in the U.S. Inspired by Mondragon's approach, the Democracy Collaborative at the University of Maryland, led by Ted Howard and Gar Alperovitz, has worked to develop the Evergreen Cooperatives in Cleveland, Ohio as a model that many cities are studying and considering adopting. The Evergreen Cooperatives take from Mondragon the concept of developing a federation of cooperatives rather than just a single standalone business to increase the economic impact on the regional economy. Howard worked closely with key stakeholders in Cleveland (including the Cleveland Foundation, University Hospitals, Cleveland Clinic, Case Western University, and the municipal government) to combine the establishment of worker cooperatives with an anchor-based community economic development strategy. Howard and Alperovitz have long advocated anchor-based economic development, where the supply chains of major anchor institutions in a regional economy, such as a hospitals and universities, are targeted as important economic multipliers for the local economy if the business needs of the anchor can be directed toward local suppliers (Williamson, Imbroscio et al. 2002, Alperovitz, Dubb et al. 2007, Dubb and Howard 2012).

Combining an anchor-based strategy with the establishment of worker cooperatives, Evergreen Cooperatives consists of three worker-owned businesses, namely Evergreen Cooperative Laundry, Evergreen City Growers Cooperative and Evergreen Energy Solutions, all developed with the needs of the local Hospital industry anchors in mind. The laundry uses state-of-the-art green technologies to provide industrial laundry services to the major hospitals in the city. The city growers cooperative constructed a large hydroponic growing green house to supply Bibb lettuce, green leaf lettuce, gourmet lettuces and basil to the hospital cafeteria services. The energy solutions business installs solar panels and offers energy audits and retrofitting to anchor institutions, local government and local residents in the Cleveland area.

The vision is to eventually launch and operate ten worker-owned cooperatives in Cleveland as part of the Evergreen Cooperatives Initiative that will be both scalable and sustainable, given the interdependencies with the large anchor institutions, and grow in a way that simultaneously produces wealth for the workers and anchors that wealth in the local community.

Evergreen Cooperatives is not the only U.S.-based initiative inspired by Mondragon. In 2009, the U.S. Steelworkers entered into an agreement with Mondragon Cooperation to set up a series of workers cooperatives in the U.S. The Mondragon-U.S. Steelworkers partnership launched an industrial green laundry in Pittsburgh and also plans to grow slowly but steadily toward a long-term vision of establishing a new foundation of worker prosperity in a growing sector (green jobs) that is largely immune to outsourcing. As the Pittsburgh worker cooperative achieves sustainability, the vision includes expanding geographically to other rust belt cities that have seen their once thriving manufacturing sectors decline, and also to vertically integrate by building and supplying green industrial laundry machinery to the cooperatives as well. Between these two new initiatives, we can see that worker cooperatives are enjoying a kind of renaissance in the imagination of American policy makers, foundations, municipalities and worker advocates.

Similar to the WISEs in the first category, operating sheltered workshops, worker coops enjoy a long history in the U.S., and there are a small group of highly networked intermediaries and research centers that support infrastructure development for these organizations. 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 the analysis of data from a U.S. census on cooperatives, an economic impact assessment study, and the development of a useful economic impact multiplier calculator based on their research and available for public use. 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, and which 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. United around the particulars of a specific legal form these alliances form naturally around a shared interest in learning from each other around issues of governance and coordinating for broader economic impact.

WISES IN THE BROADER SOCIAL ENTERPRISE LANDSCAPE

Despite the heterogeneity of social enterprise at the field level, and the fragmented and disconnection among organizations and organizational networks, even within a subset of social enterprise such as WISEs, two large convening organizations have emerged at the national level in the United States to bring together the full community of social enterprise entrepreneurs, funding bodies and investors. These are the Social Enterprise Alliance (SEA) and Social Capital Markets (SoCap). SEA, founded in 1997, hosts an annual Social Enterprise Summit, coordinates a loose network of (as of 2015, 16) chapters in cities across the U.S., and serves as a platform for virtual organizing along specific shared interests. SoCap, started in 2008 as a platform for investors, now hosts an annual meeting that draws more than 10,000 entrepreneurs, investors, thought leaders and students, among others, has emerged as an important connector in the social enterprise space.

Since the nonprofit still dominates as the top choice of legal form among WISEs, SoCap is a less salient convening organization than is SEA for WISEs. The WISEs targeting disadvantaged and unemployed workers are the most connected to SEA, through the SE4Jobs network (hosted by SEA). This makes sense, as these WISEs are also the most in need of a coordinating network. While some of the WISEs in category one, above, which evolved out of the sheltered workshop approach, also participate in SEA and have loose ties to other WISEs, they are less represented in the SE4Jobs network, as they already have existing strong intermediaries through Ability One and SourceAmerica, both longstanding and quite extensive. In fact, according to Carla Javitts, the director of REDF and current coordinator of the SE4Jobs network, SourceAmerica and Ability One represent the kind of powerful network that she aspires to build for WISEs more generally. An advantage enjoyed by SourceAmerica is a dedicated funding mechanism funneled through a percentage of the federal procurement contracts secured by members, which allows them to provide robust technical support and training for their network. Finally, the worker cooperatives appear to be the least connected to the wider WISE community, given their lack of participation in the broader WISE and social enterprise networks, although, as measured by their strong field-specific web of research and organizing infrastructure, they seem quite well-connected to each other.

At the field level, existing research in the WISE subsector sheds light on the organizational models that have grown up in the first two categories of WISEs (those working with intellectually and developmentally disabled, and those working with disadvantaged workers). In 2013, a group of MBA students at the Berkeley Haas School of Business developed a survey of the WISE sector, drawing a database from the major work integration social enterprise network directories, including Ability One, Social Enterprise Alliance, the Transitional Jobs Network and the Social Enterprise Census. Using a database of approximately 300 organizations operating WISEs, the Haas study authors identified four types of WISEs that roughly correlated with the WISE target populations as well. The most frequent type of WISE model found working in the mentally ill/disability services subsector were termed by the Haas study authors as "SE Engines"; they are typically umbrella organizations operating a portfolio of social enterprises across many product lines and geographies. The other organizational form associated with this subsector is coined "Service Buffets"; these organizations are described as nonprofits, most typically, operating WISEs as one of many different options for the target population within a multi-service organization. Reflecting the historical dominance of the sheltered workshop tradition in U.S. WISEs and their strong public sector resource dependencies, the study finds that close to half of all the Service Buffets (47%) and the SE Engines (43%) were founded prior to 1980 and that the Service Buffets rely more strongly on government purchasers of their products and services than any of the other models.

The two types of WISE models more highly correlated with the second WISE category (those serving the disadvantaged worker category, such as formerly homeless, formerly incarcerated, at risk youth, but not disabled) include the most commercially oriented of the WISE models, termed the "Brave Souls", in which a sole entrepreneur builds a business with social hiring practices, and the "Wrap-Around Providers", for which employment through internship or apprenticeship is just a part of a total program of rehabilitation or transformational constellation of program and services. Again, adhering to the general understanding of the historical evolution of the field, the WISE models associated with the second category (disadvantaged workers) were also more recently founded, with forty-six percent of the Brave Souls and 56% of the Wrap-Around Providers incorporated in 2000 or later. Further, the Brave Souls were found to be the most "consumer-facing" of all the models, receiving almost 80% of earned income from consumers and commercial clients. Interestingly, the Brave Souls were also the least connected to the WISE-specific network intermediaries at the sector and field level, suggesting that the nonprofit business specific networks, due to their structure, effectively exclude this growing subset of WISEs. By contrast, the other model associated with this category of WISE, namely the Wrap-Around providers, were the most diversified in terms of market customers (public sector, individual consumers, commercial business), pointing to the complexity of the models required to best capture the multiple revenue streams necessary for cross-subsidization to keep businesses staffed with less productive workers in the black and to support the social costs of employing them.

Despite their difference in founding age, none of these models is significantly larger than the other in terms of budget size or number of target clients employed. Overall the HAAS data corroborate the earlier assessment that WISEs founded in the year 2000 and later are increasingly business-centered entrepreneurial start-ups or holistic rehabilitation and employment transition firms with work experience in real businesses as the core of a robust set of complementary job training services. However, the fact that SE Engines, serving the mentally ill and developmentally disabled, which are among the oldest WISEs, are also developing robust portfolios of social enterprise businesses, highlights the aggressive turn toward market and social enterprise that some organizations with roots in the disability services space have taken.

NEW LEGAL FORMS FOR SOCIAL ENTERPRISE IN THE U.S.: L^{3}Cs AND BENEFIT CORPORATIONS

Two new legal forms for socially motivated business enterprises have emerged in the U.S. in recent years; they are explicitly designed to more readily support a blending of business and social goals. The low-profit limited liability company (L^{3}C) and the benefit corporation each attempt in different ways to address the two big constraints to traditional legal forms for social business hybrid activity, namely, the constraints on attracting capital in traditional nonprofits, and the powerful construction of shareholder rights to profit maximization in traditional for-profits.

Low-profit limited liability company (L^{3}C)

The L^{3}C is the first new legal form available to social businesses to develop in the United States. The first L^{3}C-related legislation passed in Vermont in 2008 as an addendum to the general limited liability act (LLC). The L^{3}C is an attempt to allow a "mission-first" social enterprise to utilize one of the most flexible for-profit legal forms (the LLC) creatively to blend philanthropic capital with market rate investment capital, thereby increasing the revenue base for social initiatives. To this end, the legal language of the L^{3}C operating agreement consciously mirrors the IRS[1] requirements for U.S. Foundations to make program-related investments (PRI). PRI are loans or investments made by philanthropic nonprofit foundations at below-market rates to nonprofit or for-profit organizations with strict requirements that the organizations are predominantly mission-oriented. Foundation PRIs are viewed by some as an underutilized source of patient capital for social businesses due to the hesitance of foundations to risk large penalties if the IRS does not recognize a PRI project as "adequately charitable" (Zouhali-Worrall 2010, February 9). Robert Lang, the CEO of the Mary Elizabeth and Gordon B. Mannweiler Foundation and central architect of the L^{3}C legal form, "envisions the [L^{3}C]

[1] The Internal Revenue Service (IRS) is the revenue service of the United States federal government; it is responsible for collecting taxes and administering the Internal Revenue Code.

business structure as a preapproved mechanism for PRI investment" (Zouhali-Worrall 2010, February 9).

To form an L^3C, a company files Articles of Organization with the Secretary of State regulatory body in a state where the L^3C has been established as an alternative form of a limited liability company. Built on the legal structure of a traditional limited liability corporation, which "may be organized and operated for any lawful business purpose", an L^3C must additionally meet three criteria: (1) it must "significantly further the accomplishment of one or more charitable or educational purposes" and it "would not have been formed but for its relationship to the accomplishment of such purposes"; 2) "no significant purpose of the company is the production of income or the appreciation of property (although the company is permitted to earn profit)"; and 3) the company must not be organized "to accomplish any political or legislative purpose" (Social Enterprise 2009, October 28). These three criteria must be specified in the L^3C's membership agreement documents.

L^3C proponents claim that the L^3C structure not only facilitates PRI from Foundations but also helps attract other forms of investment by pooling risk in different tranches. Accordingly, the key is to use "low-cost foundation capital in a high-risk tranche of its structure" and thereby "allocate risk and regard unevenly over a number of investors, thus ensuring some a very safe investment with market return" (Americans for Community Development 2011). Therefore, L^3Cs aim to attract low-profit program-related investments from Foundations and by doing so, create the potential to offer market rate investment opportunities for mainstream investors who may or may not be motivated by the social mission, thus opening up a broader pool of resources to help scale social enterprise initiatives.

Benefit corporations

A second legal form, the benefit corporation, emerged out of a certification scheme launched in 2006 by Jay Coen Gilbert, Bart Houlahan and Andrew Kassoy, the founders of a B-lab, a nonprofit offering certification for environmental and social performance in firms. B-Lab's certified B-Corps scheme and the new benefit corporation legal form aim to solve a different constraint for social enterprises: they aim to help consumers cut through the pro-social, pro-environmental marketing spin that many companies engage in with a rigorous social and environmental certification scheme, and to protect mission over time in for-profit corporations with social goals at their core as ownership is increasingly diluted through investor equity offers. In April 2010, Maryland became the first state to adopt legislation making certified benefit corporations part of official legal statute and a legal option for entrepreneurs. Benefit corporations at the state level differ from the L^3Cs in that they are based on the C-corporation legal status (a common form of business structure in the United States taken by most major companies, whereby the corporation is taxed as a separate entity from the shareholders).

B-Lab runs a certification scheme which requires adherence to a third-party standard for social and environmental performance, and legal changes to the articles of incorporation that institutionalize consideration of a broad set of stakeholders' interests, beyond just shareholders. The third-party standard offered by B-Lab is divided into four categories, based on the types of major stakeholders: governance, workers, community, environment. Within each broad category, more specific aspects of this category are examined. For example, the "workers" section includes assessments of company policies on compensation and benefits, employee ownership, and work environment. "Community" includes supplier relations, diversity and community engagement. The certification lasts for 2 years, at which point organizations must reapply. B-Lab relies on self-reported data for the certification but does perform random audits of the data. Revoking of the certification is B-Lab's recourse if the company falsifies information or fails to meet the bar for social and environmental performance over time.

In addition to accumulating enough points across the four social and environmental impact areas to certify, B-Corps, as part of the certification process, are explicitly constituted to hold the directors and managers accountable to not only shareholders but also "employees, consumers, the community, and the environment" (B Corporation 2010). To this end, B-Corps are required to amend their governing documents to "(1) give legal permission and protection to officers and directors to consider all stakeholders, not just shareholders, (2) to create additional rights for shareholders to hold directors and officers accountable to these interests" but, very importantly and explicitly, the final charge is to "(3) limit these expanded rights to shareholders exclusively—non-shareholders are explicitly not empowered with a new right of action" (B Corporation 2010).

Since the launching of certified B-Corps in 2010, legislation began to pass at the state level establishing benefit corporations, modeled closely on the B-Corps certification strictures, as a new legal form. Benefit corporations in many states require evaluation by a "a third-party standard" such as (but not exclusively) B-Lab, and typically also require annual reports on the progress toward achieving public benefit and some quantification of measureable impact to be made available to shareholders and even, often, to the public at large (Chan 2010). Benefit corporations are regulated by the states and B-Lab's only interaction with them, from a legal point of view, is to assist them with providing the third-party assessment of performance. However, once the assessment is performed, the implications of the assessment for the benefit corporation's ongoing legal status rest ultimately with the state.

With both of the L^3C and the benefit corporation new legal forms making their way across state legislatures, the L^3C is widely understood as having had a less successful launch, with legislation stalling at just 9 states, and at least one state (South Carolina) repealing the legislation after establishing it. Conversely, the benefit corporation legislation is passed or pending in close to 30 states, including Delaware (a hub for corporate and company legal activity in the United States) and is more deeply established in the legal firmament, although neither of the legal forms have been tested yet in corporate case law (Cooney, Koushyar et al. 2014, December 5).

So what do these new legal forms of social enterprise portend for WISEs? While historically many WISEs have taken the nonprofit form, this might change, given the new legal forms now available to WISEs and other social enterprises. Although state legislative activity passing benefit corporation activity has now outpaced activity passing L^3C legislation, both L^3Cs and benefit corporations continue to grow in the landscape. Popular Internet networking sites for social business, including B-Lab's benefitcorp.net and Intersector Partners estimate that there were approximately 2,000 established L^3Cs and benefit corporations as of December 2014, roughly evenly distributed between the two types. In 2012, the first national social enterprise census, launched by Pacific Community Ventures (PCV), an impact-investing and consulting firm in San Francisco, CA, illuminated the increasing attractiveness of the for-profit legal form for social enterprise initiatives at the field level.

The PCV social enterprise census is still underway, but results as of March 28, 2014 show that 40% of the social enterprises in the census took the for-profit legal form, and 12% of the for-profits were using either the L^3C or benefit corporation forms. Analysis by the author shows that the for-profit social enterprises in the PCV census were significantly more likely to be social enterprises selling environmentally or socially oriented products than those social enterprises which were committed to social-mission-driven hiring practices, such as WISEs. This suggests that for firms in which product markets might be profitably entered, for-profit structures are attractive possibly as they allow these firms to scale more efficiently whereas for firms where the mission lies in processes of production (social hiring, etc.), the nonprofit form remains preferred, likely due to the advantage of providing avenues for public and philanthropic subsidy. For WISEs operating in social and eco-friendly product markets, we may begin to see some crossover. The Haas national survey of WISEs confirms that an overwhelming majority of the WISEs in their sample still use the nonprofit form, but there is a small subset of enterprises experimenting with the new legal forms. On the other hand, early empirical work (Cooney, forthcoming) on the type of firms adopting the certified B-Corps name indicate that the largest cluster of firms are distinguished by high scores on the employee/worker part of the impact assessment. This indication that, among for-profits, regardless of industry, there is concerted focus on employment arrangements as a key pro-social activity is intriguing. Practices measured on the worker impact assessment include: offering a living wage, profit-sharing, worker ownership, including workers in decision-making and hiring workers from disadvantaged communities.

CONCLUSION: LOOKING TOWARD THE FUTURE

What does the future hold for WISEs in the U.S.? As this working paper on the landscape of WISEs in the U.S. has indicated, many new and compelling developments are occurring in the social enterprise arena—particularly for social enterprises focused on work integration, employment generation, worker wealth building and community economic development. There are new legal forms for social business such as the L^3C and benefit corporations firmly established and gaining traction in the landscape. Older forms of social enterprise like WISEs in the disability sector and worker cooperatives are growing in size, becoming more market-oriented, and have been redeployed in new ways, in federated structures and networks, to better address 21st-century social and economic problems. Across the nonprofit and for-profit spectrum business models that blend activity in environmental product and service markets with work integration and economic development goals are expanding their foothold. Professional schools across disciplines of business, nonprofit management, public health, and even engineering have embraced social enterprise and social entrepreneurship as important new additions to their curriculum. The future is difficult to predict, but one thing is clear: the social enterprise sector in the U.S. is poised for continued growth and innovation in the decades to come. As one of the older forms of social enterprise in the U.S., WISEs are building stronger associations with each other to help accelerate field-level development. Together these findings suggest that the WISE subsector of the U.S. social enterprise field is one in which big policy changes and growing social movements related to capitalism are potentially effecting large shifts. As the 21st century gets underway, the WISE sector features large, market-oriented SE Engines from the disability space, an increasingly networked, active and commercial set of WISEs aiming to scale businesses for disadvantaged workers, and new platforms for building alternative organizational forms that privilege robust commitments to employees as stakeholders and worker empowerment. Given the growing sense of shared identity among WISEs in various niches and the increasing visibility and coordination among WISE intermediary organizations, the future appears to hold numerous opportunities for shared knowledge and cross-fertilization that will push the WISE field forward in exciting new ways.

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