

# GETTING TO WORK: ICA'S SOCIAL PURPOSE STAFFING COMPANIES

AN ICA GROUP  
CASE STUDY  
BY  
Susan Eisenberg



THIS CASE STUDY IS ONE IN  
A SERIES OF OCCASIONAL  
PAPERS ON THE  
PERFORMANCE OF  
WORKERS' ENTERPRISES  
PUBLISHED BY THE ICA  
GROUP, NORTH AMERICA'S  
OLDEST CONSULTING FIRM  
SPECIALIZING IN EMPLOYEE  
OWNERSHIP AND  
PARTICIPATIVE  
MANAGEMENT.



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# GETTING TO WORK: ICA'S SOCIAL PURPOSE STAFFING COMPANIES

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# FOREWORD

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BY ICA PRESIDENT

## Why a Case Study on Social Purpose Staffing Companies?

I joined the ICA Group early in 2002 after twenty-five years of successfully pioneering and running large financial services and governmental enterprises. One of the most compelling reasons for me to take this position was the work ICA was doing to create staffing companies that were bringing dignity and opportunity to contingent work. ICA had recognized the disturbing trends that were accompanying the rapid growth of the contingent labor market and in typical fashion, sought to create a solution that would work within the marketplace.

ICA brought solid, hard-nosed business sensibilities to the creation and mentoring of companies that have succeeded at being profitable, while providing the additional pre- and post-placement counseling, on-site job support, and employer relationship management that large national and regional staffing companies find too difficult and expensive to deliver. In essence, ICA has found a sustainable way to make contingent work work for the needs of the urban poor.

To date, ICA's staffing ventures have served over 4,000 people and moved over 700 into permanent placements. Working with a population that on average is more than 85% minority, 80% female and 80% low-income, we have been able to make a significant difference in people's earnings and economic well-being. On average, people have increased their hourly earnings nearly 20 percent working with our staffing companies. The post-placement services we provide have helped individuals overcome work life conflicts, learn new skills, develop career strategies and increase job retention by as much as 50%.

ICA was able to bring decades worth of experience as a venture catalyst into its staffing initiative. The resilience of our companies in Brooklyn and D.C. in the wake of September 11 is testament to careful planning and foresight underlying these businesses and the capacity of our local partners to execute plans and make adjustments with our continuing advice and assistance. Our staffing companies were able to quickly shift recruitment and placement away from the hospitality and financial services industries following the attacks in favor of other sectors that were not as hard hit. As a result, all of our companies returned to profitability within a few months and all ended 2002 in the black.

Financial results, while often the most difficult to achieve, are in many ways the easiest to track. That is why we favor the discipline of market measures as we work to make our companies successful. The human dimension of these enterprises is more difficult to quantify. After all, how can you quantify the impact on self-esteem when someone gets a job for the first time? And how

does that compare with someone who gets a placement making \$2/hour more than her previous job, or the person in recovery whose temporary placement for a whole week is a major accomplishment?

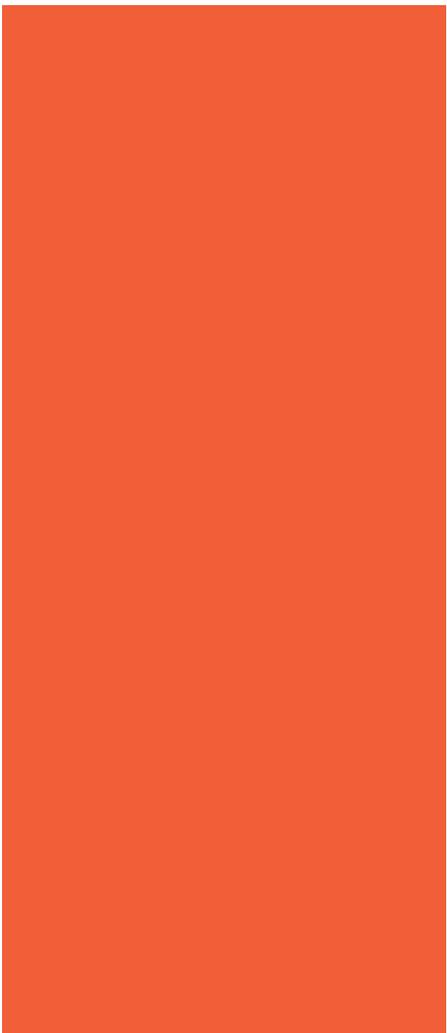
That is why we asked author Susan Eisenberg to complete this first in a periodic series of case studies documenting the impact of our staffing companies. Her 1998 book, *We'll Call You If We Need You: Experiences of Women Working Construction*, was selected as a New York Times Book Review Notable Book for the compelling way it captured the experience of female construction workers. She has brought a similar sensibility to this study, being careful to document the human, as well as the financial impact of our companies. As someone who has spent most of my professional life in pushing and leading organizations to achieve multiple bottom lines, I think Ms. Eisenberg's observations and insights are important guides for policy makers and practitioners who have an interest in this area.

On a personal level, she has provided me with strong confirmation of the potential that I felt ICA and these companies have. I look forward to building on their success and ICA's commitment to create self-sustaining, workforce and economic development engines for urban communities across America.

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Grady B. Hedgespeth  
President & CEO, The ICA Group  
January 2003





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# STAFFING SERVICES

## Initiative of The ICA Group

A STUDY BY SUSAN EISENBERG

**F**or twenty-five years, The ICA Group (ICA), a non-profit economic development consulting firm, has put its financial expertise in the service of a social mission. Based in Boston but with national outreach, ICA has helped form dozens of cooperative business enterprises, introducing groups of workers to the nuts and bolts of business strategies and market plans, and developing a track record among foundations and lenders similarly interested in combining entrepreneurial and social goals. In the 1990s, anticipating that welfare reform would leave many individuals without a means of economic survival, ICA began to incubate the idea for temporary staffing companies, that would help transition the unemployed into permanent jobs with good wages and benefits.

Since 1995, ICA has been an active participant in the creation of three social purpose staffing companies. WorkSource Staffing Partnership in Boston was the first, followed by FirstSource Staffing in New York City, and Enterprising Staffing Solutions in Washington D.C. Several others are in various stages of development. Each reflects its particular local circumstances and personnel. As with all ICA projects, the idea is to set a company in motion, develop the infrastructure so that it can succeed, and encourage opportunity and creativity to take its course.

This study is the result of site visits to the offices of the three staffing companies, interviews with staff (managerial and administrative employees of the staffing companies), customers (companies that hire workers from staffing companies), associates (the workers hired by customers), and data supplied by the staffing companies themselves. It profiles the unique history and character of each company and captures the key points common to their experience and success.

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# WORKSOURCE

## Staffing Partnership, Inc.

*One Harvard Street, Suite 200, Brookline, MA 02445*

**T**he first of ICA's staffing initiatives, WorkSource, models the business approach taken by all three sites: remain firm to the mission and stay flexible in achieving it. An independent for-profit business, WorkSource served as a pilot for the staffing companies ICA later launched in partnership with not-for-profit community-based organizations in Washington D.C. and New York City.

The company whose innovations set the standards for socially-conscious, entry-level temporary staffing placements no longer



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offers that service. Rather than placing associates into temporary work assignments, WorkSource now handles only direct placements, and a significant aspect of their current program involves underemployed, incumbent workers. As the services evolved in response to shifting circumstance, its founding goal of helping low-income, motivated people transition into the workforce broadened. WorkSource now focuses on tapping the potential of the underemployed as well as unemployed, through various programs and partnerships that assist groups of entry-level workers to advance into higher job classifications. The original two-person operation has expanded to a staff of eleven, most of whom work at various customer sites in Massachusetts.

By the end of 2001, WorkSource had placed 465 people into permanent employment and had provided support and career development counseling services to over 1,000. The company was supporting 482 workers at that time, the majority of whom had previously been on welfare. Average wages were \$9.00 per hour and all employees had health care benefits either through their employer or a state program. Since that time the company has continued to grow rapidly and, as of June 30, 2002, was providing support and career development counseling services to about 1,200 entry-level employees. About 90% are employed in the health care industry in positions ranging from Certified Nursing Assistants and Patient Care Assistants to clerical and other support positions.

With welfare reform looming, WorkSource was co-founded in 1995 by president Neil Silverston and vice president of workforce services Mary Culhane, a social worker, to address the situation of many under-prepared individuals who suddenly needed to find

entry into the workforce. ICA served as the incubator for the company. Silverston, with a Harvard MBA, had worked for ICA as a consultant, and informal conversations between Silverston and Jim Megson, then ICA's executive director, grew into serious plans. From its inception, WorkSource was a welfare-to-work strategy, helping individuals transition into the workplace through temporary or temporary-to-permanent placements, but merely placing former welfare recipients onto a payroll was never the goal. Instead, the vision was to use those jobs as a stepping stone toward a permanent living-wage or family-supporting wage job through intensive support and counseling. Departing from traditional not-for-profit thinking, WorkSource was rooted in the belief that fulfillment of its social mission depended on the company's ability to function compatibly within the business world. In Silverston's words, "We started a company because we really wanted to tap potential. And did it in a business model because we understood that unless we'd set this up as a business model that was economically viable, delivering economically viable value to companies, it wasn't ultimately sustainable."

ICA was integrally involved in the company's development. With its long history helping workers form cooperatives and, fresh from the success of its first effort in an industry with a contingent workforce, Cooperative Home Care Associates (CHCA) in the South Bronx, ICA was interested in how a staffing company might replicate the workplace conditions - higher wages, full work week and benefits - of permanent jobs. ICA further imagined that those who remained as employees of the company would transition into worker-owners, in some variation of the many business models ICA had developed over the years. ICA provided Silverston and Culhane with use of an office, strategic and technical support, a business consultant, help with financial contacts and help securing its first major customer, Staples. Later, ICA's lending subsidiary, the Local Enterprise Assistance Fund (LEAF), provided operating capital for expansion. The link between the two groups, which continue to share an office, has remained strong. The expertise developed through the growth of WorkSource has helped shape the conceptualization of the other social purpose staffing firms started by ICA, and Jim Megson, now executive director of ICA's lending arm, holds a seat on the WorkSource board of directors.

When WorkSource opened for operation as a staffing company in November of 1995, its approach was innovative. Many community-based organizations were offering occupation-specific skills training programs and then trying to place their graduates, or offered general career counseling and employment services. Placement was often their weak point. WorkSource saw opportunity in that void: to match up those individuals who had demonstrated initiative by pursuing training with companies that needed motivated entry-level workers. Borrowing from the traditional business staffing model, WorkSource was, from the start, customer-driven. The WorkSource concept was to first reach out to the customer and locate jobs, and then reach into disadvantaged communities through a network of community-

based organizations to find individuals who could fill the positions. In accordance with its mission, WorkSource looked toward growth industries to find or advocate for temporary positions that could become permanent. Believing that the associates they placed, if given the opportunity to advance, could become valuable assets to client companies, WorkSource aimed to shift employer thinking and priorities about their entry-level workers. Silverston explains that he and Culhane sought to "get companies to invest in their frontline workers at the same level that they invest in their middle and upper management workers."

Intensive workplace support was another WorkSource innovation. The idea was to develop an entry-level staffing agency that made a commitment to the growth of individuals toward sustainable full-time family-wage employment, not to place a revolving set of labor units into dead-end jobs. Recognizing that individuals entering the workplace or re-entering it after a long absence might have difficulty adjusting to the culture and routines of the work world, and that individuals with low incomes and low assets have fewer safety nets in times of crisis, WorkSource drew on Mary Culhane's case management expertise to make ongoing support a key component of their service. Counseling sessions, generally one-on-one, were held at the worksite, and crisis intervention in support of associates was considered part of account management. Although in the early days, both partners did some of everything, the areas of major oversight have continued into the present, with Silverston handling sales and finances and Culhane taking final responsibility for the services delivered.

Like any small business, it was essential that WorkSource stay flexible to shifts in the market, political climate, and economic realities in order to survive. When, inevitably, the social mission collided with the business realities of the industry, WorkSource looked for creative solutions that kept the mission intact, and sometimes this meant a shift in operations. For the first few years, the commissions from temporary and temporary-to-permanent placements helped build the business. But since commission rates are commensurate with salary-levels, entry-level temporary staffing required high volume to become profitable. Although it could be argued that WorkSource's interviewing, counseling, and support services made candidates more likely to succeed at their job, the rates WorkSource charged could not exceed those of their industry competitors. This resulted in lower profit margins for the same volume of sales. It became clear that the extensive candidate screening needed for a temp-to-perm placement differed little from that for a direct placement. After a few years, this dilemma propelled WorkSource out of temporary staffing, and into direct placement with support, meaning that rather than billing clients for each hour employees worked, they could be billed a set fee spread out over a twelve-month period. The target population remained the same, with the goal of permanent jobs being achieved via a different route. As Silverston frames the decision,

"We changed it from temp-to-perm over fourteen or sixteen weeks, to direct placement over one year. We basically got paid by the month, over the course of one year, for keeping someone

on the job. So if the fee was \$3,500, we billed \$291 a month for twelve months, as long as the person was still there. As opposed to temp-to-perm, where we were basically charging \$4 an hour as our premium over taxes and wages. So, with lost time we basically would get maybe \$2,200 per placement. We'd rather get \$3,500 over a year than \$2,200 over a quarter. That's what drove that movement to direct placement away from temp-to-perm."

As welfare regulations in Massachusetts changed and new funding opportunities developed, the company adapted. In 1998, WorkSource expanded its scale of operations with its first project that linked training, support, and counseling to a specific employer. WorkSource applied for and received its first welfare-to-work grant for Project RISE in partnership with Partners Health Care (PHC) and Jewish Vocational Services (JVS). Each partner organization manages responsibilities in its area of expertise: WorkSource provides recruitment, case management and counseling services, JVS provides occupational skills training, and PHC provides employment supervision. The partnership remains strong, and has placed and retained 115 low-income Boston residents to date into mainly non-patient-care positions at two major area hospitals, Massachusetts General and Brigham and Women's. It speaks to the quality of the service WorkSource

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delivers that Brigham and Women's was one of the original employers of their temporary-to-permanent associates at the start-up of the staffing company. The multiplicity of occupational paths within a hospital setting, and the cooperative relationship among the project partners, allows WorkSource to provide career counseling to participants that can be followed up with concrete steps toward achieving each individual's goal.

WorkSource developed an expertise in interfacing between employers and capable but "more difficult" employees, those who

lack the professional demeanor that is learned through job experience, or who have childcare or other family concerns that impact employment, or who have weak communication skills in the English language or American culture. It was a natural progression for WorkSource to expand existing partnership projects and to develop new programs that addressed the same population's difficulties to advance within the workplace. Roughly half of WorkSource's current program involves incumbent workers, as the staffing company has increasingly taken on the complex task of moving a group of underemployed workers from one job classification to a higher one within the same industry. A project like the Extended Care Career Ladders Initiative (ECCLI) based in the nursing home and long-term care industry, links the issue of employee retention, so critical to employers, with the issue of advancement, critical to employees. WorkSource has not only helped design and deliver the necessary support services, but has helped employers rethink how career ladders might become more navigable. For example, WorkSource encouraged Brigham and Women's to add a career step between Patient Care Associate, which requires four weeks full-time training, and LPN, a nine-month program.

Now in its seventh year of operation, WorkSource continues to reinvent itself both programmatically and structurally. Ideas from the company's start-up stage about worker-ownership have evolved to reflect the directions WorkSource has moved in. As the business is focused on direct placement and post-placement support, the administrative staff has become the focus for worker ownership. Some of the managers have become stockholders and the issue of extending that benefit to all the staff is currently under discussion.

The staffing company continues its direct placement service and projects such as RISE, Project Success, and Partners in Care that recruit and support individuals for a specific employer. Currently much of its work involves contracts with government agencies and foundations. In the future, WorkSource expects more of its revenues to come from the private sector as the effectiveness of their model comes to be understood in the broader market. This is already beginning to occur. Partners Health Care, a partner in Project Rise, recently decided to underwrite the full cost of Project Rise and WorkSource's services because they recognize the critical role WorkSource has played in recruiting, retaining, and developing front line workers for the hospitals in their network. The complexity of moving the long-term unemployed or underemployed into secure economic footing continually challenges WorkSource to develop new program arenas. Projects are now under development that would expand on existing training/support models by bringing career development services closer to the workers, including on-site satellite classrooms.

## WorkSource Programs (June 2002)

### REACHING INDIVIDUALS STRIVING FOR EXCELLENCE (RISE)

*WorkSource Partners: Partners Health Care, Brigham and Women's, Massachusetts General Hospital; and Jewish Vocational Services*

RISE, the first and longest running WorkSource partnership program, has been ongoing since October 1998. To date, 115 people have been trained for mainly non-patient care positions, such as clerical, clinical records, and parking, in a unique program that combines work, training, and intensive support. For eight weeks, participants recruited by WorkSource through its network of community-based organizations split their time between work and skills training provided by Jewish Vocational Services. For twelve to eighteen months following job placement at one of the participating hospitals, WorkSource supports participants through case management and career development services, resulting in a 79% retention rate at the end of a year. By June 2002, 70 people were receiving support services through

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RISE, and earning an average salary of over \$10 per hour.

### PROJECT SUCCESS

*WorkSource Partners: Dorchester Center for Adult Education, Kentucky Fried Chicken (KFC)*

Project Success, which began operations in 2001, aims to assist non-English-speaking women transitioning from welfare into entry-level positions at KFC, and then support them toward

management positions within two years. The Dorchester Center for Adult Education coordinates the program and has responsibility for the training component. WorkSource provides soft-skills instruction, oversees case management, and interfaces with the employer. The program operates in three stages, and begins with forty hours of skills development for six weeks, divided between ESL in the morning and job training in the afternoon, delivered in Spanish. In the second stage, which lasts six months, participants work half-time and continue their ESL classes half-time. In the third stage, participants move into full-time employment, supported by retention and career development services provided by WorkSource. Since KFC operates on a module training system, employees' pay increases as they demonstrate proficiency at new skill modules. By June 2002, the program had operated for three cycles. Of the twenty-five people accepted for participation, fifteen were placed into jobs, and two have advanced to positions as shift supervisors.

### PARTNERS IN CARE

*WorkSource Partners: Brigham and Women's, Bunker Hill Community College*

During its first three years of operation, Partners in Care, a foundation-supported career development program, has placed ninety people into Personal Care Assistant and other ancillary positions, including dietary and housekeeping, at the Brigham and Women's Hospital. WorkSource provides career ladder coaching and counseling support services, leading to a 95% retention rate. Recognizing the importance of advancement opportunities, WorkSource encouraged Brigham and Women's to introduce a team leader position, Lead PCA, to add a career step between PCA, which requires just under four weeks full-time training, and LPN, which is a nine-month program. The broad spectrum of career tracks in a hospital increases the likelihood that as an individual identifies career goals, they can be assisted in meeting them.



## EXTENDED CARE CAREER LADDERS INITIATIVE (ECCLI)

ECCLI is a one-year state-funded program that brings together employers, skills trainers, and employee support providers to develop career advancement ladders for incumbent workers in long-term care facilities, mainly nursing homes and assisted living facilities. WorkSource performs outreach to the employees, provides individual career counseling to those recruited, and then links participants to appropriate hard and soft skills training to pursue their chosen career path. WorkSource also offers some of the soft skills training, including bi-weekly workshops that meet for 16 weeks. By December 2001, the end of its first contract year, WorkSource was serving roughly 800 workers at twelve employers.

*Maria is an employee of Genesis Eldercare at Heritage Hall Campus, Agawam, MA, where she has been employed for three years. The transition from Puerto Rico to the states was not an easy one for her. She was uncomfortable with the culture, and found school to be a challenge; she dropped out of high school in her sophomore year. Prior to securing*



*employment at Genesis, Maria struggled to find employment for herself while caring for her two small children, and spent some time on the welfare rolls. Her housekeeping aide position at Genesis, the only position she felt qualified for, started at \$6.50/hr. This wage was quite a struggle for Maria and her family. In June 2001, Maria attended an orientation session discussing the new career development initiative at Heritage Hall. Afterward she spoke with the facilitator privately. During their brief conversation, it was evident to the facilitator that Maria had the potential to advance in the health care field, but needed help with building confidence in her ability to succeed. They set up a meeting for a more in-depth one-on-one session, at which they were able to map out a career plan that would help Maria realize an immediate increase in her income and job responsibilities. Maria applied to and was accepted into the next Heritage Hall sponsored Certified Nursing Assistant training program. After the training program, she was placed in a CNA position in the same building where she had worked as a housekeeping aide. Her new wage became \$9.00/hr. Maria was an exceptional student and was referred to the Director of Nursing for the upcoming Geriatric Nurses' Aid Specialist (GNAS) program.*

*At the successful completion of this class her wage increased an additional \$1.50 an hour, bringing her to wage of \$10.50/hr. The increase in wages and responsibilities resulting from her participation in the employer-sponsored career development activities have motivated Maria to enroll in the next GED class that will be offered at the work site. Her sights have been set on getting accepted into an LPN program as soon as she has her GED. The career development program will continue to provide the support, encouragement, and access to resources that she will need to guarantee her success. Once Maria earns her LPN degree, her wage should jump to between \$16-\$18/hr.*

*Paula, a CNA of 6 years at Sutton Hill (nursing home) was very excited when introduced to the ECCLI project. In February 2001, Paula was starting to plan her career advancement, but without a high school diploma she knew it would be difficult to move forward. WorkSource did her initial career assessment; it was obvious that Paula's first step would have to be a GED preparation course. During this planning period a WorkSource Career Counselor encouraged Paula to enter the GNAS program. Paula had not been in school for many years and was intimidated by the 100 hours of new training. With individual support counseling and staff encouragement Paula was able to complete the GNAS course with honors and earn a raise of \$1.25 per hour.*

*In September 2001, Paula, armed with academic success, once again was looking at her career advancement within the facility but she still had not obtained her GED. With the confidence she had gained from completing the GNAS course and support counseling, Paula now wanted to return to school. To accommodate Paula's (and others') busy schedule WorkSource had academic assessments brought on-site (Northern Essex Community College) and was able to offer specialized tutoring for her and other interested employees. After three months of intense instruction Paula and two other CNAs were ready for the GED exam that was administered by the Lawrence Center For Adult Education.*

*Today, Paula is a high school graduate and certified GNAS with more confidence in her ability to provide quality care to her residents. She has serious plans to continue her education and hopes to one day work as a registered nurse. Supplemental funding will provide Paula and many others like her with the support to continue their career advancement needs. As a next step, WorkSource will work with Paula to help her get into college.*

# FINANCIAL PERSPECTIVE:

## WorkSource

**W**orkSource has experienced steady growth over the years, and is now comfortably profitable.

The company has grown at an average of 45% per annum over its 7-year life. After an initial profitable year the company pursued a growth strategy constantly investing in new staff as it researched new market opportunities. After modest losses in the following 4 years the company again became profitable in 2001 and the first half of 2002. The company now has the new financing and staff in place to continue its explosive growth over the coming few years.

The table below shows the growth of the company. Because of the change in the business model used by the company it has been necessary to consider revenues after direct and statutory employee expenses have been removed for the temporary-to-permanent employees. This restated income is identified as Net Service Fees in the table below. The second half of the table gives an approximate breakdown of the sources of business, after adjusting for the affect of direct wages paid to workers in the temporary-to permanent business.

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	1996	1997	1998	1999	2000	2001	2002**
Net Service Fees	\$66,600	\$131,700	\$141,000	\$222,600	\$296,700	\$491,400	\$305,400
Operating Income	\$ 4,900	(\$10,700)	(\$32,400)	(\$33,400)	(\$27,300)	\$ 27,600	\$ 37,600
Other Income	\$ 1,000	\$ 1,500	\$ 900	\$ 1,300	\$ 300	(\$ 1,700)	(\$ 8,600)
Net Income	\$ 6,000	(\$ 9,200)	(\$31,500)	(\$32,100)	(\$27,000)	\$26,000	\$29,000
Revenue Split (est.)							
Temp-to-Perm	100%	85%	57%	42%	6%	0%	0%
Support/Direct Placement	0%	15%	43%	58%	94%	100%	100%

\*\* Half Year January 2002 to June 2002

# FIRSTSOURCE

## Staffing Services

141 Fifth Avenue, Brooklyn, NY 11217

*ICA Group's local partners:*

*Fifth Avenue Committee and Good Shepherd Services*

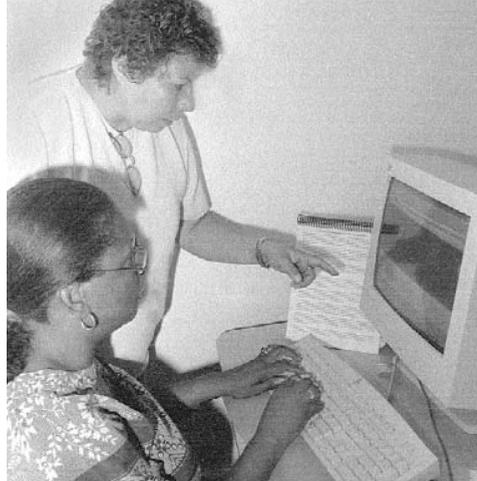
In a South Brooklyn storefront across the street from the Fifth Avenue Committee (FAC) offices, and just a few doors down from Key Foods, the neighborhood supermarket that symbolizes the community's victory in the 1970s against the vacant blight left by urban renewal, the door of FirstSource Staffing Services is open. Anyone walking by receives a friendly welcome from their neighbor, Beverly Vaughan, the office manager. "The community is so diverse right now. We see a lot of people walk by and they see we're a staffing agency and they say to me, what type of work are you dealing with? So I tell them and they bring back their resume so quickly! And then you'll see them on the street when you're walking home, or you're going someplace, and they'll say, Hi, is there any business in yet? Do you have anything for me to go on?" About half the associates employed by FirstSource enter the system as walk-ins.

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**FirstSource**  
**S T A F F I N G**

Like many people who contact FirstSource for employment, manager of recruitment Aurora Brito appreciates, especially since September 11, the chance to work near her home in Brooklyn rather than commute into Manhattan where she worked for a major staffing agency with 200 offices nationwide. She brings to her job at FirstSource the organizational systems learned at a major staffing firm, logging even casual callers into a database, in case a job for which they are qualified appears. She has an industry insider's appreciation for what separates FirstSource from a traditional staffing agency. At her previous job, recruiters working on commissions and a quota-based salary could not afford to spend much time with an entry-level job applicant. Interviews were by appointment only, following what she describes as "heavy screening on the phone. If people didn't have resumes, if they weren't at a particular level, unfortunately we couldn't dedicate time to that kind of personnel.

Here, we're a storefront, right in the community. Many people walk in with no resume, no skills, no work history. They see our sign, they know we're a staffing agency and they're looking for a job, any job. And right there, that's the first step in having to sit with them and say, look, it's not just any job. Let's find out, what are your skills. If you don't have skills, maybe we can help improve skills."



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Co-founded by ICA, FAC, and Good Shepherd Services in the fall of 1998, FirstSource opened for business January 1, 1999. The fiscal vision was to develop a staffing agency that would become a self-sustaining enterprise in three years by offering a valuable service to employers. The social mission was to assist low-income individuals to find the best job for which they were qualified, provide them with the intensive support, skills training, and peer mentoring needed to succeed, and through career counseling and advocacy, help them use that job experience to identify and advance along a career ladder. The target population would primarily be those living or working in the South Brooklyn community, especially residents of the several hundred units of affordable housing managed by FAC, and, secondarily, individuals referred through FAC's extensive citywide network of not-for-profit organizations that offer job training or employment support. But no one who dropped in or called would be turned away.

To date, FirstSource has placed over 100 individuals into permanent jobs; and has provided significant work experience and support to over 365 others. Placements have taken place in a variety of industries, including legal, financial services, retail, and light industrial. Despite the recession and the financial impact of September 11, FirstSource has been able to sustain a gross margin in excess of 29% of sales. Currently, between 20-30 associates are on the weekly payroll, earning an average wage of roughly \$11 an hour, well above New York City's minimum wage of \$5.15.

FirstSource was not the first collaboration between ICA and FAC, a community-based organization that built its reputation in

the 1970s by fighting to stabilize the community against decay, violence, and the flight of services. By the mid-1990s the neighborhood was gentrifying and displacement pressures came from the opposite direction as South Brooklyn's historic brownstones, green space, and proximity to Manhattan attracted new money from the booming economy. To ensure that as real estate values increased, the community would not lose its diversity and dynamism, FAC recognized a need to broaden its approach to community stabilization and development beyond the issue of affordable housing. In 1995 FAC hired ICA to help them weigh options for expanding into job training programs and social purpose business ventures that would create job opportunities so that residents could stay in their neighborhood.

ICA and FAC found their missions compatible and their strengths complementary. At the time, Aaron Shiffman was FAC's first full-time staff member hired to address economic issues. Now Executive Director of Brooklyn Workforce Initiatives (BWI), a FAC-affiliated organization focused on workforce development and job-creation programs, he describes the initial relationship with ICA. "They brought a set of tools that, at that time, we did not have, in terms of business planning and financial analysis. They were values-driven, as are we. We worked with them initially on a couple of smaller discreet projects. They might have been hired to write a feasibility study, but they helped us think about how we should be analyzing it. They helped us think about developing boards. They helped us think about diversifying our revenue base. They had seen and worked with literally dozens of businesses across the country in different sectors that had a similar socio-economic profile of the set of people we were looking to work with." Similarly, the projects gave ICA vice president Newell Lessell a first-hand appreciation of FAC's deep roots in South Brooklyn, decades of organizing experience, wide network within the not-for-profit community, and a staff that was "realistic, competent, and already committed to social purpose enterprise." When ICA decided to look for a community-based partner to replicate the temporary staffing model developed with WorkSource, the Fifth Avenue Committee was an obvious choice.

Good Shepherd Services, a large social service agency in New York City which at the time was significantly involved in skills-training programs, became the third partner. Good Shepherd's infrastructure for skills training added valuable capacity to the new staffing agency, and Good Shepherd anticipated that the graduates of its secretarial skills training program, who were not faring well at their placements through traditional temp agencies, would be better served by a social mission enterprise. As things turned out, due to changes in New York City's funding mechanisms, Good Shepherd would eventually decide to discontinue their training programs. They have, however, maintained their seat on the FirstSource board of directors, and continue as a valued partner.

In designing the governance system for the company, ICA

wanted to ensure both that the founding partners would control the company during the critical start-up years and that long-term workers would have an opportunity to become owners of the company and participate in the governance of the firm as well as share in profits. The company was organized as a "C" corporation initially to be governed by a board of directors elected by the founding not-for-profit organizations. This original board would be responsible for stage one of operations: bringing the corporation to financial stability and a secure business footing. Once the company had achieved financial stability, stage two of operations would involve the inclusion of associates as board members. A membership system was designed to enable eligible workers, those who had completed a six-month probationary period and paid a membership fee, to become shareholders of Class A common stock and form a cooperative. Representatives of the cooperative would gradually assume control of the board. ICA's Newell Lessell has chaired the seven-member board since inception.

After the completion of a positive feasibility study, a detailed business plan was developed, and start-up capital raised, the bulk of it by FAC. Recruiting management proved to be difficult as the founding partners sought someone with a rare blend of conventional business skills, entrepreneurial drive, and sensitivity to the challenges less skilled workers face. Ultimately, the board chose to hire a team of two co-managers, one with a strong background in workforce development and the other with strong business skills. Drawing heavily on leads from FAC's community network, the company beat sales expectations in its first year. Most placements were temporary or temp-to-perm in office settings, including law firms, not-for-profits, and Internet start-ups. There were also light industrial placements, including seasonal jobs with local manufacturers.

By making the initial contact with employers, using an extensive interview process to create a viable match, and preparing candidates well for their interviews, FirstSource aimed to help people land jobs that might have been beyond their reach, while not beyond their capabilities. Particularly applicants with a broken or no work history, or carrying significant life-issue problems, were encouraged to view temporary assignments as an opportunity to demonstrate one's value to an employer. Some temporary jobs became permanent jobs after a trial period, others were stepping stones for better placements elsewhere, either through FirstSource or on their own, and some simply provided an income stream for a short period of time.

In its first two years of operation, FirstSource established its business procedures and client base, and learned from direct experience as a start-up business in the field of staffing. The retention and advancement of its associates was an important element in fulfilling the staffing company's social mission. Responding to employers' feedback about job performance, FirstSource provided associates with job-specific training, offering free computer training classes in their office one evening

a week, and intensive counseling to address "soft skill" areas. At the end of the first year, a part-time trainer was added to the staff. One key original client is a prestigious law firm that needed people to scan documents in the evening. A placement such as this allowed a candidate to earn a good hourly wage and begin to build their resume without needing "office clothes" or demeanor.



The experience of this first stage of operations made clear the need to develop clients for whom FirstSource could fill not only entry-level positions, but a range of placements, both to better enable an associate to move up their career ladder within one company, and to increase FirstSource's profit margin. It was anticipated that associates employed through FirstSource for more than a year, who had not moved onto permanent employment, would become shareholders in the company. But in a strong economy, FirstSource was able to move people from

temporary into permanent placements at a higher rate than predicted, so the shareholding concept was not pursued.

In February 2000, FirstSource achieved a monthly break-even level of operations for the first time, but the company could not maintain this advantage. While the company achieved substantial growth and met business plan projections in the first two years of operations, it was not reaching its desired growth rate. In January 2001, the FirstSource Board concluded that the company had outgrown the talents of the initial management team. The Board determined that a major change in approach was needed, and determined to re-build FirstSource with a manager and staff with industry expertise who would be able to function more competitively within the industry. An executive recruitment firm specializing in the staffing industry was retained and the management transition was completed in the spring. The downturn in the national economy and then, the further disruption of New York City's economy with the terrorist attacks of September 11, presented formidable challenges to FirstSource's growth plans. Entry-level jobs were particularly hard hit. Unfortunately, the new manager was unable to succeed in this difficult environment and FirstSource was forced to replace him.

2002 found FirstSource with a new manager and a locally-based administrative team in place. All have previous experience in the staffing industry and live in the neighborhood. The present four-person staff includes a general manager/president responsible

for sales, a recruitment manager who oversees the accounts, a part-time recruiter with public relations skills, and an office manager. Board member and BWI executive director Aaron Schiffman still maintains daily oversight, and ICA vice president Newell Lessell stays in daily contact by phone. Both the staff and Board express optimism and urgency in bringing the company to its next stage of development. There's a sense of experimentation as they work as a team to find the balance between the efficiency, professionalism, and profit orientation of a traditional staffing agency with social mission goals.

The new general manager, Isaac Schilds, was director of business development at a staffing agency that served not-for-



profits. The biggest difference he identifies between his former agency and FirstSource is the attitude of the candidates who come to FirstSource as walk-ins, either on their own or referred by FAC. "They're harder workers. There's many people out there who haven't had the means to get the job, and if you give them one skill, it's amazing what they'll do with it. They work much harder and are a lot more thankful for what they have. Most staffing agencies, especially in New York City, aren't storefronts. A lot of times the people who walk in are the most persistent. That can help in

finding employment."

Recognizing that carrying out the company's social mission to invest profits in the community - by counseling and mentoring entry-level candidates, offering skills training, paying higher wages than a traditional company, and increasing an associate's pay scale as their skills increase - reduces the profit margin, the new team is looking to build FirstSource's financial future through other strategies. No longer are fees waived for placements or conversions. FirstSource is expanding from temporary and temp-to-perm assignments to target more direct placements with comprehensive support. They have recently completed their first successful contingent search to fill a district manager position. FirstSource is now pursuing not only entry-level positions, but all the staffing needs of an employer, including higher-end jobs that carry a higher fee. The combination of having staff experienced in higher-end placements, as well as the displacement of many professionals caused by the September 11 attacks, has widened FirstSource's candidate pool and capacity.

Schilds identifies the full-placement strategy not as a shift away from entry-level placements, but as a more realistic way to achieve them. "We are targeting all the needs of the company. When we're calling up these individuals, we're not just saying, Do you need temps? We're saying, What are your staffing needs

in the next six months, and we go after the whole thing. The type of positions we target the most are the type of positions like the scanning positions which we can take someone that doesn't have a lot of experience and put them in a position where they can learn a skill and also make a good income. Those are always something that we target. But we now have the ability to staff a company for pretty much all their positions, from temporary to permanent to executive level, which opens up the door to be able to talk to a lot of different companies that literally we couldn't have talked to before. [Many] human resource people won't work with more than one company. Unless you can actually fill all their needs, they have no reason to speak to you." It's hoped that the fees from higher-end placements will pay for staff expansion, adding another recruiter, and that the wider range of jobs being filled will increase the career ladder steps available to all FirstSource candidates. "That way," said Schild, "when the candidates come out of one position, it's much easier to put them into the next level. That's what I'd like to see. You start someone as a secretary. Then, in a year, you can move them to an administrative assistant. Then an executive assistant. Then move into an office manager position."

Fifth Avenue Committee has always been integrally involved with FirstSource, not only referring candidates and clients, but providing a back-up resource of staff, services, and training. A FAC crisis-management counselor has assisted FirstSource associates when domestic violence or other family issues have interfered with their ability to work. Although the goal is to place associates in permanent jobs with benefits, long-term temps are able to buy health insurance through an umbrella policy with FAC. In the future, the company will likely depend more heavily on FAC's Neighborhood Employment Services, especially for candidates who need substantial assistance in developing a resume.

FirstSource is trying to further streamline its office procedures, and make better use of the up-to-date industry software that they have for cross-referencing clients and associates. Careful intake of both clients and associates is given highest priority, since the right match is seen as key to the company's credibility and efficiency. Office manager Beverly Vaughan handles the billing and payroll, and, since she's the one who opens the office, fills the early morning orders for replacements. New candidates are asked to fill out an application form, submit a resume, meet with a recruiter, and undergo skills testing. As Aaron Schiffman states, "People coming through the doors are not necessarily looking for temp work. They may have exhausted their own search options, or recognize that temping might hold potential for building their resume and skill-set." He cites the most important criteria in selecting FirstSource associates as the demonstration of initiative.

Recruiters meet extensively with candidates, trying to identify not only the skills they have, but their goals, and the skills they might

be interested in acquiring. Because a high percentage of FirstSource candidates are bilingual, primarily Spanish speaking, bilingual receptionist and secretarial positions have become a market niche FirstSource is often asked to fill. While each staff person manages specific accounts, placements are a team effort, unlike at traditional commission-based agencies.

The relationship with associates is ongoing. Staff check in by phone, or when employees come in to pick up their weekly paychecks. Associate Kevin Bermudez who has lived in Park Slope most of his life, found FirstSource to be very different from the temp agency he worked for previously "where you come in, get a job, go out, that's it." At FirstSource "they're very hands-on. They always ask me questions. They want to know how you feel, they really do. They want to know that you're actually happy there, because if not, you can always come back and find something else, where you're going to be happy." After succeeding at several short-term temp placements, his recruiter encouraged him to interview for a computer data entry opening in the accounts receivable department of a fire extinguisher company as a temp-to-perm placement. "I'm very happy what I'm doing. It's taken me somewhere that I didn't think I'd be able to go. One step more up the ladder. I didn't think I was qualified. I didn't think I could do it, until I got to really have the experience doing it and that changed my mind. One thing I like about FirstSource, they give you the opportunity to try something new. They pushed me, Go ahead, take the interview. They gave me the chance to try."

The slowed economy means that there are more candidates waiting for jobs than jobs to fill. Anxious for regular employment, they express frustration with the slowness of the process for them. Lovey, a resident of FAC-owned housing has been recuperating from a stroke: "I just want to work. I don't want to sit home. I have to pay my rent. I'm a single mother. Yes, I have health insurance.

But still I got lights, gas, telephone, the rent. That, and two kids. I'm trying." She has been persistent, and has worked at several light industrial temporary assignments, while aiming for an office job. Like a number of other associates, she has been hired for temporary office assignments in the FirstSource and FAC offices, both for the



paycheck and the chance to strengthen her office skills. Recently, FirstSource has begun tapping into state funds that have enabled them to provide more comprehensive support to less work-ready individuals. In this way they have been able to broaden the range of individuals with whom they can

economically work. At the same time, FirstSource is working with ICA to explore several strategies to develop new value-added services that will expand the customer base and increase earnings.



## *A social mission staffing agency interfaces between customer and associate.*

*Executive director Anne Kone discovered FirstSource through word-of-mouth two years ago, when Brooklyn Youth Chorus had a four-person staff. Now three of the full-time expanded staff of seven are FirstSource referrals, and aside from a sign in the window, she "doesn't even advertise for employees or go through other agencies. I've been through ads in the Times and ads on the Internet. It's agonizing." She values working with a local staffing agency, finding that candidates from Brooklyn "are more ready to take a position here. They know the area, they live nearby." FirstSource has helped her determine and fill all her staffing needs, whether temporary, temp-to-perm, or direct hires*

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*with "very customized personal attention." As director of a non-profit agency that works with children from low-income families, she appreciates that the "well-screened, excellent" candidates FirstSource sends reflect the diversity of the Brooklyn Youth Chorus community. "Because the population we serve is diverse, we try to make them more comfortable by having a diverse staff. Because we do report to foundations, we do have to break down our racial profiles." Working with a staffing agency that has a social mission similar to BYC's has made even difficult situations "much more comfortable." When one employee turned out not to be a good match, it was important to Anne Kone that FirstSource not only refilled the position, but offered the laid-off employee training and another placement. When a temp doing Saturday coverage called on a Friday afternoon to say she couldn't come in, FirstSource had someone else there to fill in. "Very responsive, very professional, very flexible."*

*Brenda Winfield's experience as a FirstSource associate echoes that description. The month after the company where Brenda worked as a receptionist went bankrupt, the World Trade Center collapsed, a devastating blow to the NYC job market. "Usually I just find my own jobs in the paper and go out to the interviews myself, but since 9/11 happened, everything has slowed down a lot." After five months of looking for a permanent job, a Fifth Avenue Committee staffer referred her to FirstSource. A week later she was in a temp position as a marketing research recruiter. Because she had no one to watch her young son, the employer and FirstSource agreed to let her work a shortened day,*

*so she could be home before her husband left for his second-shift job. Three months later, childcare in place and able to work full-time, Brenda's temporary job was about to become a permanent one. Although it would pay less than the one she'd lost in Manhattan, being "fifteen minutes from my house on the bus does mean a lot." She planned to take advantage of the computer course offered at FirstSource to improve her marketability, and someday go back to school to become an LPN, and then possibly an RN. "I have a few dreams that I want to accomplish."*

# FINANCIAL PERSPECTIVE:

## FirstSource

### Calendar Year Performance

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**F**irstSource exceeded revenue and earning projections in its first two years of operation. Over the past 6 months, FirstSource performance has lagged projections as three factors have adversely impacted sales. First, the slowing economy, which the staffing industry began to feel in late spring, made it more difficult to attract new clients and hurt the health of existing clients, which in turn reduced their need for staffing support. The second factor was the events of September 11, which had an immediate and dramatic effect on the New York economy. It is estimated that over 100,000 jobs, predominately lower skilled positions of the type that FirstSource handles, have been lost as a result of the September 11 attacks. The third factor has been management turnover at FirstSource Staffing. The company originally hired two co-managers with complimentary skills to manage operations. While the company achieved substantial growth and met business plan projections in the first two years of operations, its growth was not on a consistent basis in keeping with its potential. In January 2001, the FirstSource Board concluded that the company had outgrown the talents of the initial management team. An executive recruitment firm specializing in the staffing industry was retained and Management was replaced in the summer. Unfortunately, the manager hired was ineffective and was deemed to not have the proper social orientation to lead FirstSource. He was replaced in January 2002. This was a disruptive process and the company is only now concentrating fully on business. A strong team is in place and is beginning to rebuild the revenue base while cultivating a stronger permanent placement business.

#### FirstSource Financial Summary

	Year 1 1999	Year 2 2000	Year 3 2001	Year 4 2002
Revenues	261,723	565,656	650,476	707,569
<b>Cost of Services</b>	<b>206,761</b>	<b>395,959</b>	<b>455,333</b>	<b>424,541</b>
<b>Gross Profit</b>	<b>54,962</b>	<b>169,697</b>	<b>195,143</b>	<b>283,028</b>
<b>Gross Profit %</b>	<b>21%</b>	<b>30%</b>	<b>30%</b>	<b>40%</b>
Operating Expenses	151,885	198,163	251,580	292,261
<b>Other Income/(Expenses)</b>	<b>(453)</b>	<b>169</b>	<b>1,120</b>	<b>14,087</b>
<b>Income Before Taxes</b>	<b>(97,376)</b>	<b>(28,297)</b>	<b>(55,317)</b>	<b>4,854</b>

# ENTERPRISING

## Staffing Solutions

614 S Street, NW, Washington D.C. 20001

ICA Group's local partner: Manna CDC

In an old brick building in the heart of Washington D.C.'s Shaw neighborhood, Enterprising Staffing Solutions is headquartered in a sunny, high-ceilinged second-floor office above a courtyard where a small garden and two picnic tables are surrounded by murals drawn by young children and teens. From there Enterprising places candidates into temporary, long-term temporary, and temporary-to-permanent entry-level positions in a variety of fields: clerical, hospitality, light industrial, construction, and environmental services. Also housed in the two-building complex are Manna CDC, New Community Church and Neighborhood Center, and the New Community After School. Together they weave a safety net of services and support for the Shaw community.

This predominantly African-American multi-ethnic community carries the legacies of urban poverty and racism, as well as a lively history of resistance and organizing. Roughly a third of the residents live at the poverty level, caught between the dangers associated with urban blight and the displacement of encroaching gentrification. When Serina, 43, stops on her way home from work

to pick up her week's paycheck at Enterprising, employee coordinator Robin Hill asks about her children and grandchildren before asking how the job as a blow counter with Clark Construction Company is going. "We chit-chat when I pick up my check. It's a nice way to start the weekend." Serina's first assignment through Enterprising, a receptionist position, ended after a week, but Enterprising's general manager Dana Powell called her before the close of business that day, "Would you be willing to go on a construction site?" I had no idea what the job was. I found it to be a very interesting assignment." Clark Construction was so impressed with Serina's conscientiousness as a blow counter, working with the pile driving crew to ensure that piles are driven to the proper depth, that they offered her a position as an apprentice carpenter. Having worked for



numerous temporary staffing agencies, Serina appreciates the "one on one" treatment at Enterprising. "They try to work with you and match you to something you'd like to be doing. Most agencies don't take a whole lot of time to make a good match. They just want to get their fee." The bonus plan at Enterprising particularly impresses her. She had started the assignment with Clark earning \$10 per hour, but was able to raise her hourly wage up to \$11 by being at work and on time every day. "I've never heard of an incentive program like that!"

In carrying out her responsibilities as employee coordinator, Robin Hill makes a point to be in the office for Friday afternoon payroll. Associates can depend on her to be available to answer questions or give an opinion. For Robin, the face-to-face contact lets her keep a pulse on people. "If they look like they've been up all night, I know there's a problem."

In looking to replicate the WorkSource model in the Washington D.C. area, ICA first partnered with social service agencies in Alexandria, Virginia in the fall of 1996. That effort never successfully got off the ground. When the board suspended operations, ICA took responsibility to redevelop the welfare-to-work project with better capitalization, a location accessible to public transportation, a more committed and capable management team, and an entrepreneurial-minded community-based organization as partner. The National Cooperative Bank Development Corporation suggested that ICA link with Manna CDC, an offshoot of Manna Inc., a city-wide faith-based initiative that supports home ownership and other economic empowerment projects for low-income residents of Washington D.C. In August, 1997, Jim Megson, then ICA's executive director, contacted Dominic Moulden, executive director of Manna CDC. The agencies recognized each other as tenacious problem solvers with complementary areas of expertise. Megson saw in Manna CDC a serious and committed partner bringing links to training programs, support services, and "people who need jobs." Moulden sensed that ICA staff were "socially conscious people" who "could provide the technical assistance to make this deal work."

The timing was opportune. Manna CDC, a non-profit started that year by Manna Inc. to reinvigorate the Shaw neighborhood, had completed a listening project, interviewing a hundred area residents about their priorities. The neighborhood listed affordable housing first, and jobs second. Dana Powell, at that time a community organizer for Manna CDC, explains, "People were saying that what makes housing affordable is employment." A Howard University graduate, she represented Manna CDC in the incorporation process. "At set-up, my goals were to employ moderately-skilled entry-level workers who resided in the Shaw neighborhood, and to help them transition into permanent employment." The new staffing company would target Shaw residents as the first priority, then residents of Columbia Heights, then those from elsewhere in Washington D.C. After spending a year establishing the board of directors,

developing a financial plan, and raising capital, the office was set up in space provided by Manna CDC. Two staff were hired: a general manager responsible for sales, and an employee coordinator responsible for the recruitment, placement and support of associates. The vision was to develop a self-sustaining staffing company that would recruit welfare recipients and the unemployed from job readiness programs and place them into one or a series of temporary jobs that would upgrade their skills and lead to permanent employment at a living wage, and return value to workers through intensive support services and ownership options. Customers would be able to stabilize their entry-level workforce while contributing to a social mission. Enterprising opened for business in August 1998.

When after six months it became clear that the general manager hired was not up to the marketing task, the board acted decisively to terminate her, and fully committed itself to seeing the new company to its feet. While a full search was conducted for the position, Dana Powell, chair of the Enterprising board, stepped in as interim manager in November 1998. The board initiated a Business Advisory Board, an innovation key to Enterprising's success, and negotiated a \$50,000 loan from ICA's affiliate, the Local Enterprise Assistance Fund (LEAF). Because Powell had "the right spirit, she's a go-getter," Manna CDC executive director, Dominic Moulden, encouraged her to apply for the permanent position. She did. In January 1999, impressed with her hard work and enthusiasm, the board selected her as the new general manager, and Dominic Moulden became chair of the board.

In Dana Powell, Enterprising has a general manager deeply committed to its social vision, who has participated in every stage of the company's development. "What I like about our agency," says Powell, "is that we don't accept mediocrity. [We] have high expectations and rise to it." That belief in the potential for individual growth characterizes Enterprising's approach not only to its associates, but also to its staff. Although Dana Powell lacked a business background, "the board took a chance, and provided tools for me to grow in that area." Dick Pogue, coordinator of Enterprising's Business Advisory Board and a member of Manna's board, was asked to become Powell's mentor and advisor, to help her translate her skills as a student and organizer into the business arena. A product herself of the working poor, Powell recognizes the associates who work for Enterprising as individuals, "not as 'a victim of gentrification,'



such as Corliss, raising two grandchildren, on a long waiting list for Section 8." With a background as a community organizer, Powell had to adjust to the reality that Enterprising could not prevent its associates from being priced out of their own neighborhood. Earning a steady income could improve circumstances so that multiple families would no longer have to live together in one apartment unit, but the jobs would likely have to be based elsewhere.

As of June 2002, Enterprising has provided employment opportunities to more than 370 people, 74 of whom have moved into full-time employment through the Shaw-based social purpose staffing company. Others have been able to build on their work experience with the company to find permanent employment on their own. Associates earn an average of \$9.06 per hour, well above Washington D.C.'s minimum wage of \$6.15. Those moving into permanent positions generally secure a benefits package while equaling or improving on their temp wages. Despite multiple setbacks, the company achieved its financial goal of becoming profitable by the end of its third year of operation.



Like FirstSource in NYC, Enterprising was organized to be governed by a board of directors elected by Class B (ICA Group) and Class C (Manna CDC) shareholders. A Manna representative has chaired the board since start-up. This original board was responsible for stage one of operations: bringing the corporation to financial stability and secure business footing, measured by two successive profitable quarters, anticipated to be achieved within three years. As originally conceived, stage two of operations would involve the inclusion of associates as board members. A system was devised so that eligible workers, those who had completed a six-month probationary period and paid a membership fee, would become shareholders of Class A common stock, enabling the company to become a worker cooperative. Representatives of the cooperative would gradually replace Class B and C shareholders on the board.

Enterprising is the first ICA-affiliated staffing company to enter this second phase. Under a highly structured and innovative plan, two associates in long-term temporary assignments have become employee owners of Enterprising and receive \$1.25 per hour above their wages, paid into a flexible benefits pool. In January 2002, John, a former employee, joined the board,

replacing an ICA-held seat. John sees the board position as "an opportunity to voice your opinion as a peer" and to "bring on the perspective of the employee." Top on his agenda is helping more Enterprising associates to receive a full benefits package and to find permanent employment, something he is glad to have accomplished.

The company faced two setbacks in 1999, reflecting the vulnerability of a small urban business operation, and the importance of having the back-up of two strong not-for-profit sponsors. In the spring, a rat infestation from the vacant building next door caused Enterprising to move the office to its present location on S street, a move that drained time and energy away from core business tasks. By October 1999, the team had built Enterprising so that revenues, numbers of individuals served, and wages were roughly on target, although permanent placements were lower than expected. Shortly thereafter, a dramatic second setback occurred when Dana Powell was attacked in the office. While the general manager recovered and security issues were addressed, the company went into a three-month tailspin.

Again, the full team rallied, not only to address the short-term crisis of making the office more secure, but to consider the deeper problem of more profitable and more permanent job placements and a more diversified client base. Both ICA and Manna offered Enterprising unsecured \$15,000 loans. Cost-cutting measures were undertaken, including the dismissal of a training manager. Better operating systems were established, and the company upgraded its computer and telephone-answering systems. The Business Advisory Board was called on to help improve and stabilize sales. Chosen for their leadership in the industries to which Enterprising was marketing, Advisory Board members offered advice and connections that helped shift the customer base from small to larger companies, who would be more reliable in paying their bills. For example, Dan Ritchie 'fast tracked' vendor approval for Enterprising at the World Bank; Maybelle Bennett arranged for Dana Powell to make presentations at Howard University Hospital, and Emily Vetter, executive director of the D.C. Hospitality Association, created opportunities for Enterprising associates to work at higher-paying rather than low-end hotels. By summer 2000 Enterprising was back on track and moving forward.

The most difficult aspect of the original Enterprising vision remains permanent placements. In its first four months of operation, as Enterprising registered 150 eager candidates into its database, seventy percent of those interviewed tested at or below a fourth grade level of education. As job matches were made, it quickly became clear that permanent placements would be challenging and would require a longer-term strategy and more intensive support than anticipated. There were two issues. Many of those seeking jobs were handling significant life problems - involuntary homelessness, substance abuse, domestic violence, dependent care - with few or no safety nets

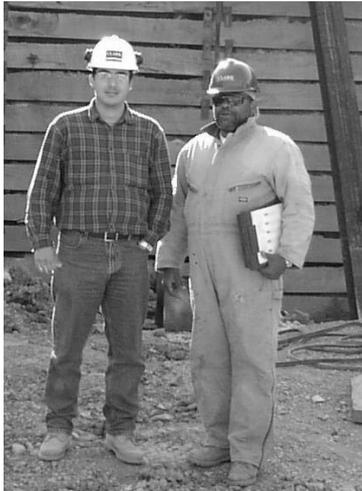
or supports, making a commitment to steady, full-time employment out-of-reach. On the other side, within an economy that increasingly depends on a contingent workforce, employers were not eager to commit permanent positions to individuals with low education and skill levels. Enterprising has taken a multi-pronged approach to tackling this problem.

Enterprising intensified and structured its interviewing, testing, and screening process. Those who need job-readiness skills or particular services are referred to those resources. Presentations are made to participants in training programs, and program counselors are asked to recommend motivated individuals. Before a candidate is sent to a job assignment, forms are filled out with detailed plans and back-up plans for transportation and dependent care. A "pre-flight checklist" has been developed to review expectations with a candidate the day before they start a new position. Staff emphasizes to associates that the success of Enterprising depends on the reliability of the service it delivers to customers. To respond to the inevitable absenteeism, Enterprising updated office software, not only to improve matches, but to respond quickly in finding replacements. Training the staff to effectively use this new software remains an unresolved issue.

Effort has been made to develop temporary assignments that prepare associates for full-time employment, and to match candidates to well-suited jobs that lead toward their defined goal. Although it does not hire new permanent employees, the World Bank provided long-term temporary assignments to twenty-two associates in its first year as an Enterprising customer, making four to ten positions available at a time. Enterprising uses positions at the World Bank as a launch-pad for individuals like John, who returned to the workforce after battling addiction, by working closely with front-line supervisors and giving weekly support to its employees. In June 2000, John began a nine-month stint at the World Bank, gaining experience and a work history that led the Moriah Fund to hire him directly into a permanent administrative secretary position with a good salary and benefits package.

Intensive support has been an essential factor to the success of direct placements as well. Both John and his supervisor at the Moriah Fund credit Enterprising's employee coordinator with making the match work. According to his supervisor Jennifer, the day-to-day operation of Enterprising is "as professional as any agency," and their temp-to-perm service is better. "What they do real well is keep on everyone that's involved, until everyone's happy with the situation." Enterprising's employee coordinator Robin Hill finds that regular follow-up on placements, so that problems are addressed while they're small, is cost-effective and efficient: "Once an employer's upset, it takes more to get it back." Hill is skillful at facilitating communication so that her participation can be phased out. She speaks to the supervisor and hears their concerns, then listens to the employee's perspective, helping them to set goals that will keep them employed without sacrificing

dignity. John explains that "a lot of behavior has to be unlearned to fit into an office setting. It's real basic, learning how to speak." He credits Hill with being an effective sounding board: "It gives you an opportunity to get some feedback on your opinion, to see if it's worth putting out there, so it's not so defensive, [so it's] more constructive between employer and employee. Personally, I felt she was an ally. I liked her candidness." For her part, Jennifer found it eased tensions to have Hill communicate any work performance concerns to John at the start, acknowledging, "Robin has helped me as well, helped me see his point-of-view so that I was better able to understand where he was coming from. That's unusual. I know most temp agencies don't care about their workers."

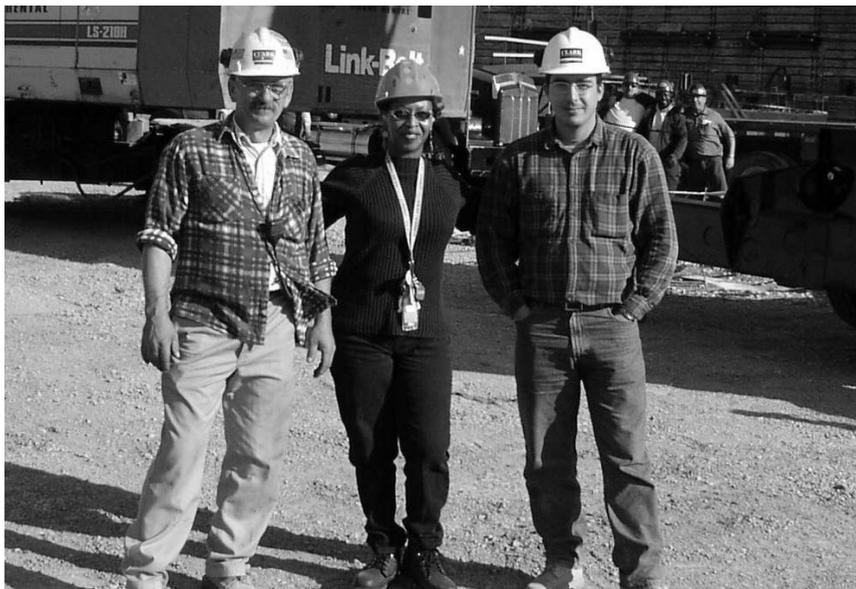


Group placements not only make employee support more cost efficient for the company, but create a peer support environment. Howard University Hospital, a major employer in the Shaw neighborhood area, offers the potential for multiple career tracks and advancement opportunities. It is a key Enterprising client, accounting for more than half of Enterprising's business, and a site the staffing company uses as a pilot model for its systems. The environmental services department, with entry-level positions where workers can start on one function and advance as they are trained on equipment and build their skills, provides an opportunity to demonstrate reliability and motivation. Enterprising associates clean patient rooms, and buff and wax floors. As one of three dayshift supervisors, George takes seriously his responsibility to see that patients are treated respectfully, and that procedures for hygiene and isolations are followed to ensure safety. Mops, for example, must be sterilized after cleaning three rooms. He has recommended all of his Enterprising temps for permanent positions, although the hospital has not acted on that for them all. "Robin has done an excellent job in screening her people. They're well-mannered workers who show interest in the job, who care. The good thing I like about her, when we have problems, she comes. The supervisor, the employee and the employee coordinator from Enterprising meet together." Enterprising has also developed a form to be filled out when an employee does not complete a task. If the equipment was broken at the time, for example, the employee coordinator has that on record and can speak on the employee's behalf. Initially, Enterprising held weekly group meetings for its Howard University Hospital associates after work. The hospital was so impressed with the service that monthly meetings are now held on company time.

The relationship between Enterprising and Howard University Hospital (HUH) provides an example of the ability of a community-based staffing model to compete effectively against a

major staffing chain by providing more reliable service. When Enterprising began its relationship with HUH in March 2000, Labor Ready was the hospital's primary provider for entry-level temporary workers. Of twenty-five positions open at that time, twenty went to Labor Ready and five to Enterprising. By late summer of 2001, largely at the recommendation of frontline supervisors, HUH was using Enterprising exclusively for all new assignments.

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Enterprising continues to be a work-in-progress, adapting to challenges. When the terrorist attacks of September 11, 2001 halted Washington D.C.'s hospitality industry, Enterprising had to adjust to the loss of those jobs, looking to the construction industry to replace them. With the intensive one-on-one support needed, staff burnout looms as a problem. The company finds itself balancing the need to expand its staff with the need to build its profit margin. Having the experiences of two other social purpose staffing companies, WorkSource and FirstSource, to draw on, widens the network of support and expertise for such decisions.

The company plans on almost doubling its size and impact over the next year. Much of that growth would come from partnerships with basic skill training programs financed by the Department of Employment Services and run by Howard University and other academic institutions. Enterprising's role will be to recruit and place people in the courses, provide pre-employment counseling, place them in suitable positions and provide post-placement support. This program is very similar to the work being done by WorkSource. Enterprising drew heavily on their expertise in developing this program. Eighteen people went through a successful pilot program in the spring of 2002. In addition to adding this new program, Enterprising anticipates modest growth in its traditional temporary-to-permanent placement program and doubling its supported direct placements.

# FINANCIAL PERSPECTIVE:

## Enterprising

**F**or a company with such a strong social mission Enterprising has been a modest financial success, growing steadily over the years and becoming profitable by its third year.

In the first nine months of operation (fiscal year ending June 1999) the company generated \$122,000 of revenue and an operating loss of \$74,000, almost exactly in line with plan. In the next two fiscal years the company grew by 175% and 75% respectively, becoming profitable in its third year, one year ahead of plan.

In its fourth year, starting in July 2001, the company got off to a brisk start and grew by 25% in its first quarter. It was well positioned in the hospitality industry and anticipating continuing strong growth in the fall of 2001 and first half of 2002. However the events of September 11 and restrictions on air travel to Washington D.C. devastated the hospitality industry and the job opportunities that management had invested so much time in developing for the fall season. However, new opportunities were generated in the construction industry and by the end of the year the company was able to report growth of 11% in revenues and 6% in profit.

At the start of its fifth year of operations the company was expanding its management team and anticipating strong growth in the year ahead. The fiscal performance of the company since it started is summarized in the table below.

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	Year 1 FY 1999*	Year 2 FY 2000	Year 3 FY 2001	Year 4 FY 2002
Revenues	\$121,750	\$335,400	\$583,900	\$646,200
Cost of Services	\$90,000	\$244,200	\$369,600	\$411,700
Gross Profit	\$31,750	\$91,200	\$214,300	\$234,500
Operating Expenses	\$119,100	\$154,000	\$211,300	\$231,100
Operating Income	(\$87,400)	(\$62,800)	\$ 3,000	\$3,400
In-Kind & Other Revenues	\$13,800	\$3,700	\$3,800	\$3,800
Income Before Taxes	(\$73,600)	(\$59,000)	\$6,800	\$7,200

\*Covers the nine-month period October 1998 to June 1999

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# THE VALUE OF Networking

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ICA and the boards of WorkSource, FirstSource, and Enterprising are concerned with creating an impact beyond the populations directly served by the three staffing companies. This is reflected in a generosity and camaraderie among the sites in sharing expertise, and an attention to creating workable models that can be duplicated. ICA brought the experience of WorkSource, some of it learned through trial and correction, to its development of the sites in New York and Washington D.C. Similarly, the development strategies underway for potential staffing companies in Newark, Wilmington and Milwaukee have the advantage of the additional experiences of FirstSource and Enterprising. "I think there's a lot of sharing going on," explains Neil Silverston of WorkSource. "We have different business models at this point, but we are all in the business of entry-level workforce development. So we're all doing similar things." By encouraging direct networking among the existing sites, ICA has sought to foster the growth of those staffing companies, and to create a support system and think tank available to other social purpose staffing companies, whether or not they were developed by ICA. As the network of companies grows, ICA envisions the opportunity to achieve even greater synergy and economies of scale with a more formal relationship that would enable individual companies to share capital and management talent.

ICA has twice brought together the managers of WorkSource, FirstSource, and Enterprising for face-to-face discussions. The first meeting was held in February 2000. All three companies report finding the meetings a productive exchange, and speak enthusiastically about continuing and expanding direct contact among the existing and future sites. The face-to-face meetings were not only valuable in and of themselves, but "broke the ice," making it easier for one manager to call up another to sound out an idea or for nuts-and-bolts advice. For example, when Enterprising general manager Dana Powell was deciding on a software purchase, she called up FirstSource, and learned what they were using and received advice on the purchase.

The need for each staffing company to respond to shifting local opportunities means that the pathways for growth are not predictable, making it particularly advantageous to participate in a consortium of like-minded ventures. WorkSource's knowledge about government contracts, for example, is clearly a valuable resource to other sites as they consider growth options. Aaron Schiffman, executive director of Brooklyn Workforce Initiatives credits the efficient start-up of FirstSource to being linked to other staffing companies, and envisions ways the network might evolve:

"Initially we got some basic assumptions on staffing and ratios, in

terms of, How many people are you going to have to see to get to the right candidate, How many people should we send, that kind of thing. Caseload numbers, margin and pricing numbers, each market's different, but we shared stuff like that. What I'd love to see in the future is: lessons learned, tricks of the trade. If somebody's using a better data management system or a better organizational flow of candidates . . . . Who are your biggest clients and why, how'd you get them and are those circumstances ones that hold true in a different market . . . . Successful hires and why . . . . Successful business development initiatives . . . . Ways in which to integrate case management and soft skills . . . . There's no shortage of things to talk about if we were spending a week together, or even two days together. If there are ways we could parlay some lessons learned from the World Bank activities in D.C. to some UN business in New York, great! I believe in the future there will be opportunity to capitalize on some collective thinking about the industry and management.”

Impacting the staffing industry itself may be a more ambitious goal than is attainable at present, given the number and size of the companies. However, the varied nature of the models operating at the current three sites and the cooperative spirit among them, enhances each one's ability to succeed and broadens the resource base of experience that can be mined by community-based organizations in other cities that are interested in forming staffing companies as a means toward economic empowerment.

Going forward, ICA is seeking to expand the network significantly to bring the benefits of its social purpose staffing model to disadvantaged communities across the country. In doing so, ICA intends to develop a more formal network structure that will facilitate strategic planning, support joint marketing efforts and foster collaborative fundraising.



# LESSONS

In conversations with the community partners, managers and associates of ICA's staffing companies, three dominant themes emerge. First the staffing companies have clearly been effective in helping people succeed in the workplace. The workers' pride in their accomplishments and sense of possibility about their futures offer clear confirmation that the strategy is working.

Second, while ICA's staffing companies are market-based, they differ fundamentally from the types of companies that the market typically produces. The market simply does not provide sufficient profit incentive to motivate conventional staffing companies to be as diligent in making mutually beneficial job matches or as comprehensive in supporting workers to achieve their personal goals. It is the premium that the social purpose companies put on social return that justifies the investments they make in the people they serve.

Third, ICA has been vital to each of the companies' success, as a valued mentor and coach to help develop and adapt their market strategies, as a source of financial oversight, and as a nexus for collective creativity and support among the three separate entities.

The 12 lessons that follow are more pragmatic observations that can inform policy makers and practitioners who have undertaken or are considering similar social purpose ventures as a workforce development strategy:

**1. A social purpose staffing company needs to meet or exceed the standards of conventional staffing service companies in quality of candidates, efficiency and pricing, to successfully compete in the marketplace.**

While many employers might desire the chance to contribute to the advancement of highly-motivated, economically-disadvantaged individuals and to the viability of low-income communities, they will not do so to the detriment of their own company or organization. For customers, the social benefit needs to be an enhancement to an equivalent or superior service.

**2. With thoughtful placement, support and advocacy, a temporary job can provide an important step toward a family-supporting wage and permanent employment.**

For someone entering or re-entering the job market, or changing careers, a temporary assignment or a series of temporary jobs provides not only income, but can also help a candidate build their resume, develop skills and self-confidence, and experience a new occupational field while demonstrating their value to an employer and increasing their value to a future employer.

**3. Intervention by a staffing company recruiter can play a crucial role in an associate's ability to be hired, and when a problem arises, to retain his/her job.**

A trusting relationship built with a customer's hiring personnel provides the entryway to encourage them to consider candidates who may lack the exact credentials sought, or need limited assistance or training to perform well in the job. A trusting relationship built with a customer's frontline supervisors allows the account manager, as a concerned third party, to mediate problems between the supervisor and associate. By passing along critical feedback from the employer to the employee, and by helping the employee determine a course of action and/or articulate their point-of-view back to the employer, circumstances that might otherwise lead to the dismissal of entry-level employees can be resolved. The result is a more stable workforce for the employer, and more steady employment for the worker.

**4. For a staffing company serving low-income individuals, the ability to link associates to support services provided by nonprofit agencies is important to both job retention and the company's profit margin.**

Family concerns such as dependent care, domestic violence, or substance abuse can interfere with a person's ability to be a dependable worker. While it may not be feasible for a social purpose staffing company to provide such services directly, identifying obstacles to long-term permanent employment and helping an associate find necessary help is an important aspect of providing career support to candidates, and a reliable service to customers.

**5. A strong customer base is key to a staffing company's success and can be achieved via multiple paths.**

The ICA-affiliated companies have used diverse strategies - business advisory boards, outside consultants, employer connections provided by the community-based partner, and staff links from previous staffing industry employment - to augment sales and marketing by the manager or president and build up their original customer base. All these methods have led to significant sales growth and long-term account relationships. Still, the challenge to diversify persists, and FirstSource and Enterprising rely on single customers to generate a third to half of their respective revenues. Looking ahead, ICA's staffing companies could explore opportunities to approach national employers operating in locations that can be serviced by two or more of the companies as an additional sales strategy.

**6. Business plans for a social purpose staffing company must take into account the financial implications of the social mission.**

Like any small business, a social purpose staffing company needs sufficient capital for start-up and a means of securing additional capital to bridge unexpected downturns. Additionally, carrying a social mission, though it can be an asset in attracting customers, slows down a company's advancement toward

profitability. Policies such as higher wages paid to associates or extra time invested in interviews and counseling mean a lower profit margin. Implicit in capitalizing these businesses, then, is the need to raise more upfront capital than for companies whose sole motive is profit, and to plan for longer lead time needed to assemble the financing. Access to a shared pool of capital for later stage operating needs would help reduce the large start-up capital requirement and the time needed to raise it, as well as provide a source of bridge financing that companies could tap into when needed.

**7. The demands of achieving a dual bottom line makes the general manager position a difficult one to fill, creating a serious point of vulnerability for the business.**

Managing a successful community-based staffing enterprise requires a person with strong marketing skills, social sensitivities and business acumen. Finding, attracting and retaining managers who possess all of these attributes has proven difficult, and extended management searches have been costly in terms of time, money and lost momentum. To mitigate these challenges, the Board should develop strong administrative teams with complementary and overlapping skills while mentoring the general manager to strengthen areas of professional weakness. They should also encourage interaction with other managers as a source of mutual support and learning. Access to shared management talent in the form of a floating manager available to all of the staffing companies would be an advantageous way to bridge skill gaps, provide respite to prevent burnout, and ensure coverage when individual managers leave.

**8. Social purpose staffing companies located in different cities can benefit from sharing information and experiences.**

Given the dynamic nature of the industry and the need to remain flexible to shifting opportunities, sharing best practice models and cautionary tales with others in the field can prepare a company to meet new situations. Companies with similar goals and target populations can advise each other on both practical matters, like the best industry software to purchase, and more complex issues, such as how to creatively resolve the conflict points in balancing financial and social goals. ICA companies' physical proximity to each other on the eastern seaboard has served to facilitate interaction and will benefit NewSource, the new company in Newark, New Jersey. Access by all to a common pool of operating capital, marketing resources and shared management talent would result in even stronger synergies among these and future companies.

**9. A social purpose staffing company has several ways to achieve its social goal to share profits with the associates whose work generates that profit.**

At the outset ICA expected its staffing initiative companies to share profits with employees and long-term associates following a worker-ownership model that would mirror other worker cooperatives it has helped develop. That concept has taken on a different form given the nature of the staffing industry. While

Enterprising in D.C. has appointed a former associate onto its board and issued stock to two employee owners, progress in this direction has occurred more slowly than anticipated. Instead, profits have been returned to associates indirectly by reinvesting them in the training, career counseling, and other supports necessary to move associates toward the financial self-sufficiency of permanent employment, and directly, through a higher salary scale, merit raises and a flexible benefit pool.

**10. The internal function of a social purpose staffing company reflects its social goal to optimize associates' placement and pay opportunities, differentiating it from companies designed to maximize company profits or an account manager's commission.**

In traditional for-profit staffing companies, recruiters working on commission are encouraged to hoard their best candidates and to keep associates in the classification and pay rate at which they started, even if the classification and rate at which the customer is billed increases. In contrast, social purpose staffing companies spend more time on entry-level candidates and work as a team to place each associate in the position best for her/him, and they look for opportunities to advance the associate either with the same employer or another, passing the higher pay rate on to the associate.

**11. The structure of a for-profit social purpose enterprise and the incentives it uses to motivate its staff must be designed to the dual bottom lines, social and financial.**

The governance structure of the company - general manager, board of directors, advisory board - should include a balance of people who collectively hold the company accountable to both of the missions. However, having experienced and motivated staff that are knowledgeable about the industry is key to any business' success. To retain professional staff that could be working elsewhere for commissions requires developing a parallel system of rewards and advancement based on the dual mission. The board of directors is ultimately responsible to ensure that companies strive to maximize both social and financial returns.

**12. The relationship between a community-based partner and the staffing agency it sponsors should be mutually beneficial.**

The personal connections, organizational links, and reputation of a community-based organization can attract both associates and customers to a start-up staffing company. Participating in the development and management of a successful staffing agency can advance the agenda of a community-based-organization by providing an important service to its constituents, and by developing its entrepreneurial skills and opportunities.



# APPENDIX

## FUNDING AND FINANCING

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