



January 15, 2015

Hon. Curren D. Price, Jr.  
Chair, Economic Development Committee  
Los Angeles City Council  
200 N. Spring Street  
Los Angeles, CA 90012

RE: Council File 14-1371-S2

Dear Chairman Price and Members of the Economic Development Committee,

I have attached a position paper from the Chief Executive Officers of the Corps, Chrysalis and Homeboy with our organization's comments and concerns re: Mayor's Garcetti's proposal to increase minimum wage and its impact on transitional jobs programs.

We believe that the City of Los Angeles and the City Council can assure the success of the Mayor's proposed policy by approving credits up to \$7.00/hour for supports we provide to participants in programs like ours that provide transitional jobs to some of LA's most vulnerable, impoverished and currently unemployable citizens. Included in this amount are the costs to provide employment services, case management, job training, tattoo removal, legal services, counseling and education/specialized training. With these extra services, our participants receive an economic benefit per hour far greater than the proposed wage increases.

The position paper includes information that illustrates the chief benefits of investing in our organizations and supporting our valuable work by granting us an exemption for program participants to the stepped increases associated with Mayor Garcetti's proposal. We're confident that the Los Angeles City Council and Mayor Garcetti will agree that providing us with this exemption will reap returns much greater than the additional wages for our first-time workers.

Please contact me at 213/362-9000 x206 if you have any questions or concerns.

Thank you for your attention to and consideration of this information/our request.

Sincerely,

Wendy Butts  
Chief Executive Officer



## Mayor Garcetti's Proposal to Increase Minimum Wage & Its Impact on Transitional Jobs Programs

The leadership of Chrysalis, Homeboy and the LA Conservation Corps believe that Mayor Eric Garcetti's proposal to increase the minimum wage in Los Angeles is a positive step forward for addressing poverty at the City level. At the same time, **an ordinance to increase minimum wages will play a role in increasing the cost of providing transitional jobs to Los Angeles residents that face significant barriers to employment. It could also interfere with our organizations' goal of increasing our participants' educational and skills attainment and improving their employment outcomes while meeting the needs of employers and growing sectors and industries in the region.**

We agree with Seattle Human Services Coalition's assertion that "Raising the minimum wage fails as a policy if some low income workers' wages increase while other low income, very vulnerable people lose critical services." We also support the LA Times Editorial Board's statement that, "*the moral imperative is to reform Los Angeles so that a minimum wage job is merely a temporary steppingstone on the way to a fulfilling and sustaining career.*"

We believe that the City of LA can assure the success of the Mayor's proposed policy by approving credits up to \$7.00/hour for supports we provide to participants in programs like ours that provide transitional jobs to some of LA's most vulnerable, impoverished and currently unemployable citizens. Included in this amount are the costs to provide employment services, case management, job training, tattoo removal, legal services, counseling and education/specialized training. With these extra services, our participants receive an economic benefit per hour far greater than the proposed wage increases.

The information on the next three pages seeks to illustrate the chief benefits of investing in our organizations and supporting our valuable work by granting us an exemption for program participants to the stepped increases associated with Mayor Garcetti's proposal. **We're confident that the Los Angeles City Council and Mayor Garcetti will agree that providing us with this exemption will reap returns much greater than the additional wages for our first-time workers.**

### *Frequently Asked Questions re: Transitional Jobs Programs*

**What does a nonprofit transitional jobs program do?** The mission of a nonprofit transitional jobs program is to provide work experience, job training and job placement to a narrowly defined, hard-to-employ client base. These nonprofits use social enterprise businesses as tools for meeting their mission rather than making money or producing a product for sale. In fact, most social enterprises are not profitable and any small profit earned is used to employ even more needy clients. Their vision is to lead clients into living wage, career track employment so they can provide for themselves and their families.

**How long does transitional employment last?** Transitional employment is generally temporary employment that can run from six months to two years depending upon the program and needs of the clients.

**With what types of clients do transitional jobs programs work?** It depends upon the mission of the nonprofit. Some work with developmentally disabled clients, others with impoverished youth. Some work with the homeless while others help the formerly incarcerated. All clients have issues that make employment with a traditional business difficult. While they may be able to land a traditional job, they do not have the skills to keep the job long-term.

**What types of services do transitional employers provide their clients?** The goal of transitional employment is to increase the employability of clients by providing the soft and hard skills that traditional employers expect. Those skills include arriving to work on-time, working well with others, taking initiative when appropriate and following rules, including safety rules. They may provide certificated training in hard skills such as construction. In addition, transitional employers provide extensive case management. Clients learn how to manage their finances, their health and other aspects of their personal lives that, if not managed, can interfere with job attendance and job performance. Further, transitional employers provide services to clients for at least a year after program exit to ensure they are able to stay in their job placement.

**How would the minimum wage increase impact transitional jobs programs? Why should they be exempted?** In general, transitional jobs programs support a higher minimum wage. In fact, most transitional employers pay their own staff a living wage along with benefits. However, paying an increased amount to clients reduces the number that can be served by the program. The goal is to place clients in career-track employment that will, within five years, pay a living wage (not just the minimum wage). The more clients served, the better it is for the community and for the traditional employers hiring the clients.

## Program Briefs

### **Chrysalis**

Chrysalis' mission is to create a pathway to self-sufficiency for homeless and low-income individuals by providing the resources and support needed to find and retain employment. In 2014, Chrysalis provided employment programs and services for nearly 4,000 individuals. Our clients face significant barriers to employment, including lack of affordable permanent housing, criminal records, poor or insufficient work histories and low levels of education. In 2013, 28% of our clients were homeless and 25% were staying with family or friends. Only 26% of clients entering Chrysalis were living in permanent housing. Forty-five percent had not received a high school diploma or GED. Nearly half (47%) were ex-felons and 58% had some kind of criminal record. Our program offers a host of employment services, through a unique synergy of supportive social services and paid transitional employment, to strengthen clients' employability and help them secure and retain work.

Those clients with limited work experience, challenging criminal background issues and other significant barriers to employment are offered the opportunity to work in one of our transitional jobs businesses. Over the 12 months that clients participate in this part of our program, they not only learn meaningful hard and soft skills that increase their employability, but also increase their motivation, self-esteem, housing and health stability, and overall job readiness. Our two businesses are:

- **Chrysalis Works**—a professional street maintenance company that provides work experience in street maintenance – trash and recycling pick-up, landscaping, graffiti removal, hauling, and street sweeping. Primary customers include nineteen Business Improvement Districts throughout Los Angeles.
- **Chrysalis Staffing**—a temporary staffing agency, allows clients to re-enter the job market through short-term, full-time and part-time work assignments. The ultimate goal for staffing assignments is that they will lead to long-term and permanent employment with the customer's company. Customers include Skid Row Housing Trust, SRO Housing Corporation, the Abode Communities, and The Giving Keys.

While employed in our businesses, clients earn at least the California Minimum Wage and also benefit from all other aspects of the Chrysalis program, including case management, classes and training, transportation, barrier removal scholarships, and other support services, currently valued at approximately \$4.84 per hour. Approximately 220 clients are working in one of Chrysalis' businesses at any given time.

Please contact Mark Loranger, President & Chief Executive Officer, at 213/806-6342 or [markl@changelives.org](mailto:markl@changelives.org) with any questions about Chrysalis' position on this issue.

### **Homeboy Industries**

For over 26 years, Homeboy Industries has provided hope, training, and support to formerly gang-involved and previously incarcerated men and women, allowing them to redirect their lives and become contributing members of our community. We provide re-entry services to over 1000 people a month to the segment of society that faces the most difficult challenges to getting on their feet – former gang members, parolees, and high-risk youth. All of these clients have one or more barriers to employment, including: visible tattoos, criminal records, substance abuse problems, limited education and employment skills.

In the course of a year, Homeboy will serve and train (employ) approximately 300 people in the businesses and other job-training positions in the administrative headquarters and program services. A distinctive feature of Homeboy Industries is our social enterprises, where the most difficult to place individuals are hired in transitional jobs. This provides them a safe, supportive environment in which to learn both concrete and soft job skills while simultaneously building their resumes and work experience. Former rivals soon find themselves working side by side, experiencing true friendship in place of the limited community of gang life. Homeboy's businesses include: Homeboy Bakery, Homeboy Diner at City Hall, Homeboy Silkscreen & Embroidery, Homeboy/girl Merchandise, Homeboy Farmer's Markets, and Homegirl Café and Catering.

Our comprehensive therapeutic 18-month program costs \$31,000 annually, of which 50% goes towards program-related costs and 50% towards wages. We currently pay trainees \$9.25 an hour and calculate supportive services provided for each trainee at \$7.00 per hour (\$16.25 total/hour). We currently serve 300 trainees annually. A wage increase to \$13.25 by 2017 would force us to reduce the amount of trainees by 43%. We believe this decrease in services could potentially affect public safety and increase recidivism, thus forcing tax-payers/society to pay more in the long haul.

Although Homeboy Industries strives to provide living wage job placements, we know our community does not have the skills to keep a job without our “launching pad” services and job-training. Without these services it’s unrealistic to think they would be able to keep their job, thus increasing the chances of recidivism. Most lack any type of employable skills, and once out in the community, face myriad challenges to gaining access to job skills/training opportunities, including their criminal history, their lack of economic resources and low levels of educational attainment. Nearly all feature highly visible tattoos on their bodies, closing doors for the most part at potential training/skill-building opportunities. In addition, the majority has untreated mental health and substance abuse issues, and lack access to health coverage and treatment options.

For additional questions regarding Homeboy Industries’ job-training program, please contact Thomas J. Vozzo, Chief Executive Officer, at 323/526-1254, ext. 383 or [tvozzo@homeboyindustries.org](mailto:tvozzo@homeboyindustries.org)

## LA Conservation Corps

The LA Conservation Corps is the nation’s largest urban conservation corps, providing more than 900 young adults and teenagers each year with life skills, work experience and marketable job skills. The primary beneficiaries of the Corps’ work are of color (approximately 65% Latino, 34% African American, 1% Asian); 38% are female and 62% are male. Most live in communities in East, Central, South (including Watts) and Northeast (including Chinatown) LA and 100% are low-income.

The corpsmembers who join the Young Adult Corps program are 18- to 24-year-old unemployed young people who have not completed high school. Over the years, the Corps has moved beyond basic skills training by adding more technical courses and advanced work experience opportunities that allow corpsmembers to receive certifications in construction and environmental remediation. The Corps’ Career Pathways Program will provide corpsmembers with industry-recognized certifications in environmental and construction fields as well as technical work experience in their area of interest. By partnering with employers and local colleges, **the LA Conservation Corps Career Pathways Program will be the best way to help young adults succeed in today’s economy.**

To illustrate the Return on Investment of our programming, we have calculated the full hourly compensation a corpsmember receives through participation in the first year of our program. These numbers are based on the first two steps in a corpsmember’s path through the Corps: \$9.00 at hire and \$9.50 after six months and receipt of a positive performance evaluation. These hourly rates are paid to corpsmembers for half of the year; corpsmembers are earning their High School Diploma the other half of the year. Just considering the wages earned during six months of the year, additional supports (bus pass, learning incentives/stipends and scholarships at graduation) provided year-round and the annualized costs of providing a high school education and weekly one-on-one case management to each corpsmember, **we can add \$7.00/hour (to \$16.25/hour overall).**

When a corpsmember graduates from high school, they’ll be enrolled and participate in college-level courses as they earn industry-recognized credentials at LA Trade Technical College or another LA-area community college. In this second year, the hourly rates increase to \$10.00 and then \$10.50/hour as they continue to receive transportation support, payment support for **fees associated with the certifications they’ll receive and weekly case management and other supportive services (to \$16.25/hour overall).** At the end of the second year, corpsmembers will be placed in internships and entry-level jobs at Bridge Employers, a select group of businesses that support the Corps’ mission and agree to continue to support our graduates for 1-2 years after they exit from our program and while they gain additional skills that they’ll need to be successful in traditional, living wage jobs.

Please contact Wendy Butts, Chief Executive Officer, at 213/362-9000, ext. 206 or [wbutts@lacorps.org](mailto:wbutts@lacorps.org), with any questions about the Corps’ position on this issue as presented above.