Executive Summary of a Comprehensive Assessment

Pacific Community Ventures
Investing for Change

Pacific Community Ventures (PCV) is a pioneer and leader in the field of community development venture capital. PCV supports businesses that provide good jobs with marketable skills and wealth-building opportunities to residents of California’s low- to moderate-income (LMI) communities. PCV provides businesses in its portfolio with advisory services, workshops, and a resource network to help entrepreneurs gain access to existing knowledge and expertise within the business community. In addition, PCV provides equity investments to a subset of companies within its portfolio.

To date, PCV has invested $5.7 million in seven active companies. In addition, a total of 50 companies have been part of PCV’s advised portfolio since its inception.

PURPOSE OF THIS SOCIAL OUTCOME ASSESSMENT

PCV is a double bottom line investor, working to achieve social as well as financial returns on its investments. PCV believes that clear, ongoing measurement is critical to articulating the impact of its work. As there are no “industry standards” for measuring and reporting on social return, PCV has developed its own standards and methodology for measuring the impact of its investments.

In 2000, PCV and BTW Consultants developed social outcomes and indicators and over the past four years have continued to refine and standardize the tools, language, and metrics used to measure the following areas: 1) Job training and employee skill development; 2) Wages and benefits; 3) Wealth creation mechanisms; 4) Overall job quality; 5) Retention and advancement; 6) Community hiring practices; and 7) Employee demographic characteristics. Data for measuring relevant indicators are systematically gathered through employer surveys and interviews and from detailed quarterly employment reports.

In 2003, PCV conducted its first portfolio employee survey, which has provided a better understanding of and appreciation for portfolio employee perspectives and needs.

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EMPLOYMENT IN THE PCV PORTFOLIO

DESIGNATED EMPLOYEES WORKING IN THE PCV PORTFOLIO

While the makeup of PCV’s financed portfolio has changed over the years, the companies within it have all maintained a strong commitment to employing low-income individuals. Between April 2000 and December 2003, PCV financed portfolio companies have employed a cumulative total of 850 designated employees from LMI communities.

Designated employees make up a large proportion of PCV portfolio companies’ overall workforces. These employees generally work on the shop floor or in the warehouse of PCV portfolio companies, and hold jobs such as sewer, packer, butcher, or driver. Designated employees constitute the majority of the workforce in 70% of 2003 PCV portfolio companies. The majority of portfolio employees are male and Latino, and on average live in households with 1-2 children.

WAGES

Wages are a central element of a quality job. 2003 PCV financed portfolio companies paid average wages of $11.59 per hour which is well above San Francisco’s 2003 living wage of $10.25 per hour. The average wage in the PCV portfolio for 2003 was $0.88 per hour less than in 2002. This decline is primarily attributable to two factors: 1) layoffs at higher-paying portfolio companies, and 2) hiring of significant numbers of entry-level employees at expanding companies.

This year’s employee survey provides a first glimpse into individual differences in the employment experience. A number of important findings emerged. Among them, the longer designated employees work at PCV financed companies, the more money they earn per hour. Those working less than six months earn a median hourly wage of $9.38 compared to a median hourly wage of $12.50 for those working at their companies for more than two years.

On average, male designated employees earn more per hour than their female counterparts. The median wage for men is $12.00 per hour while only $10.25 per hour for women, a 15% differential in pay. Also, male employees reach a maximum hourly wage of $28.85 per hour, while women top out at $13.50 per hour.

The 2003 employee survey sheds light into the economic realities of PCV portfolio employees. Thirty-two percent of designated employee households support themselves on a combined annual income of less than $20,000 per year, and another 45% support themselves on a combined annual income between $20,000-$39,999 per year. Despite these relatively low household incomes for the San Francisco Bay Area, 85% of designated employees do not use any public assistance.

1 Designated employees are PCV portfolio employees who: 1) were hired as hourly employees earning a starting wage equal to or less than $2/hr or in positions with a starting salary equal to or less than $40,000 per year, and 2) reside in a low- to moderate-income zip code or were hired from a nonprofit, job training, or Welfare-to-Work agency.
3 The median is the value above and below which half the cases fall, the 50% point or middle wage when wages are ordered from smallest to largest. This is an alternative measure to the mean or average since it is not affected by extremely high or extremely low values.
4 76% of survey participants were male, while only 24% were female.
BENEFITS

PCV believes health insurance, along with paid leave, are crucial features of a good job and invests in companies that share this belief and practice. PCV’s 2003 portfolio has the largest proportion of businesses providing health insurance, dental insurance, vacation, and sick leave to designated employees since tracking began in 2000.

Wealth-sharing opportunities allow designated employees to build assets and share in the economic growth to which they are contributing. In 2003, 100% of PCV portfolio companies provided at least one type of wealth creation mechanism. The most popular vehicles were bonuses and retirement plans – 70% of companies gave bonuses to designated employees and 50% offered participation in retirement plans with matching programs.

Despite the benefits that many of the employers make available, there are many employees who do not participate in company-provided retirement savings plans or health benefits. One reason for this is that several PCV portfolio companies require their employees to pay a portion of their health-care premiums, and many employees cannot afford or choose not to pay these premiums. Also, according to several portfolio company managers, employees (especially recent immigrants) often have a fear of disclosing or documenting personal information.

CULTIVATING SKILLED EMPLOYEES

All 2003 PCV portfolio companies provide training to designated employees at their companies. The two most common forms of training designated employees receive are trade-specific and customer service training. PCV considers trade-specific training in particular to be valuable to employees because it gives them marketable skills with specific equipment or processes that make them more valuable members of the workforce. While many companies offer training in a variety of areas, most employees participate in one or two types of training, usually through on-the-job peer mentoring or coaching. During her/his first year of employment, the typical designated employee receives, on average, 39 hours of training in the first quarter and 16 hours in subsequent quarters.

EMPLOYEE RETENTION & ADVANCEMENT

Duration of Employment

Remaining in the same job for a number of years creates stability and increased wages for employees and allows employers to capitalize on increased productivity that comes with the time and training invested in each employee. Data from this year’s employee survey show that more than half (52%) of designated employees at financed companies report being at their jobs for more than two years.

Employers attribute this strong retention rate to: a) above average wages and benefits; b) respect and fair treatment for employees; c) full-time positions; d) employees feeling appreciated and supported; and e) employees who are hard workers and learn quickly.

On average, portfolio companies report that about 25% of their positions experience turnover consistently, while the rest stay fairly stable. The majority of employees who leave tend to do so within their first six months.
**Advancement**

PCV financed companies employed more designated employees in management positions in 2003 than in previous years. In 2003, on average, 7% of designated employees held management positions each quarter as compared to only 1.5% per quarter in 2002. Companies are also rewarding and advancing more designated employees through pay raises. In 2003, 36% of designated employees in PCV’s financed companies received pay raises. This is the largest proportion of employees to receive pay raises to date.

**OVERALL JOB QUALITY**

PCV sets high standards for the companies it chooses to advise and invest in. To assess the quality of the jobs that portfolio companies are providing to designated employees, PCV and BTW Consultants created an index that measures job quality on a scale that includes such factors as wages, benefits, training, and wealth creation. All 2003 PCV portfolio businesses provide either high- or medium-quality jobs to their designated employees, representing an overall increase in job quality from 2002. Although overall average wages are slightly lower this year, companies are providing more benefits and training.

![Job Quality Ratings in 2002 and 2003](image)

**LOCATION**

PCV’s vision is of a broad new business network that is not constrained by traditional boundaries. PCV is fostering this network by providing access to capital, expert business advice, and other resources that are not typically available to companies in LMI communities. In turn, PCV portfolio companies are providing quality employment opportunities for individuals who live locally, and are contributing to overall community vitality.

**Business Location**

The largest proportion of 2003 PCV portfolio companies are located in LMI areas of San Francisco County (42%) and Alameda County (33%). This year, PCV expanded its reach and added companies located in LMI areas of Napa and Tuolumne Counties. The most common reasons employers selected their business location are: affordable rent, access to markets, and convenience for employees.

**Community Hiring**

Similar to 2002, almost half (49%) of the designated employees who worked in PCV financed portfolio companies in 2003 lived in LMI neighborhoods in Alameda County. The next largest group (21%) lived in LMI neighborhoods in San Francisco.

All PCV financed companies hire from the areas immediately surrounding their companies. More than half (52%) of the designated employees live within 3.5 miles of their workplaces. Businesses report that their success in community hiring stems from referrals through local nonprofit or employment programs with which they have formed strong relationships, or from word-of-mouth.

**CONCLUDING THOUGHTS**

Since its founding in 1999, Pacific Community Ventures has refined its investment strategies, grown its business support services, and even changed its name (from Silicon Valley Community Ventures) to reflect a new statewide focus. Those changes have grown out of organizational commitments and principles that have stayed constant over time.

Specifically, PCV has remained committed to achieving (and measuring) social impact, ensuring that the companies in its portfolio are providing good jobs with strong wages, benefits, and access to skill development and wealth creation opportunities. The social return data on the 2003 portfolio demonstrate that PCV portfolio companies continue to provide high-quality employment opportunities. They experience manageable turnover, and many of their employees stay for two years or longer. Many employees report that these jobs have helped them to learn valuable new skills and become more financially stable.

PCV has also remained committed to the principle of learning. PCV incorporates knowledge and experience gained from portfolio management and social return assessment into its practice. This has enabled the organization to better serve both the companies and employees in the portfolio.

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5 For more information on the scoring system used in the Job Quality Index please contact Pacific Community Ventures at info@pcvmail.org.