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Creating Economic Opportunity in 2008



Pacific Community Ventures creates lasting economic and social change by increasing the number and quality of jobs provided to California's underserved communities. PCV invests human, intellectual and financial capital in small businesses to create opportunity and shared prosperity for economically underserved communities.

In 2008, PCV portfolio companies outperformed companies in the United States and California:

- » Overall job growth was 12% at PCV portfolio companies, outpacing the United States and California where employment levels declined.
- » 76% of PCV portfolio companies pay employees a higher median wage than California companies in similar industries.
- » A higher percentage of PCV portfolio companies provide health benefits to hourly employees than companies in the United States and California.

In 2008, PCV worked with 105 companies in California. Ten of these companies have received a financial capital investment. Nineteen of these companies are members of Business ADVANCE, PCV's year-long program that delivers strategic advice and practical business education to entrepreneurs building businesses that contribute to the development of California's economically underserved areas. The remaining 76 companies participated in PCV's CEO Forums, Business Roundtables, Health Care Policy workshops and in the VidaCard Prepaid MasterCard program.

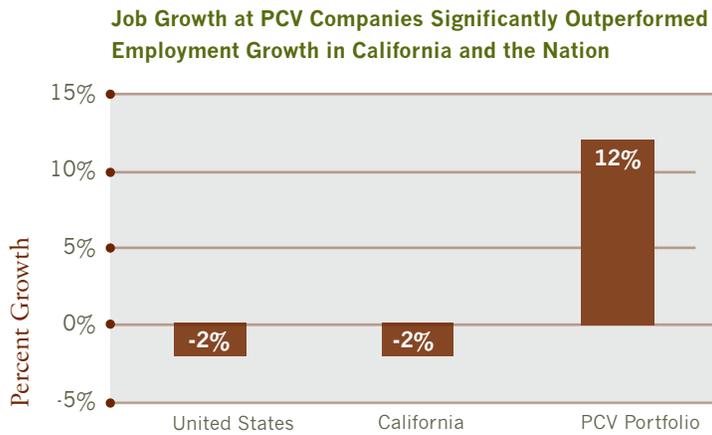
In 2008, PCV collected data from 29 portfolio companies: 10 companies that received a financial commitment from PCV and 19 Business ADVANCE members. Business ADVANCE members include 14 companies in the Bay Area and five in San Diego. Financed companies include nine in the Bay Area and one in Los Angeles. These 29 companies employ a total of 1,262 workers, range in size from revenues of \$270 thousand to over \$15 million, and fall into four industry sectors; manufacturing (36%), consumer services (25%), retail/wholesale (25%) and business services (14%).

“PCV has been an invaluable partner in helping to grow Galaxy Desserts and build an employee centric organization. Together, we have created over 300 quality jobs that offer good wages and benefits for workers living in or around the community of Richmond.”

– Paul Levitan, President and CEO, Galaxy Desserts

Employment Growth

Overall job growth, and hourly job growth, at PCV portfolio companies was up 12% during 2008. By contrast, job growth at private companies declined over 2% in both the United States and California.¹



Creating Quality Jobs: PCV's Job Quality Index

A quality job is critical to economic self-sufficiency. PCV created the Job Quality Index (JQI) in 2002 as a method of assessing overall job quality at portfolio companies. The JQI is a 25-point scale that weights the four components of job quality – wages, health insurance, wealth-building opportunities and access to full-time employment – to assign one comprehensive job quality score.

The JQI focuses on the quality of jobs provided to hourly employees, who make up 72% of the workforce at PCV companies.

Exceptional companies excel in all four JQI categories. They:

- pay a wage above the living wage mandated for the area
- pay over 70% of an employee's health insurance premium, and also pay for a part of dependent coverage,
- employ at least 75% of their workforce full-time, and
- provide a retirement plan with matching funds.

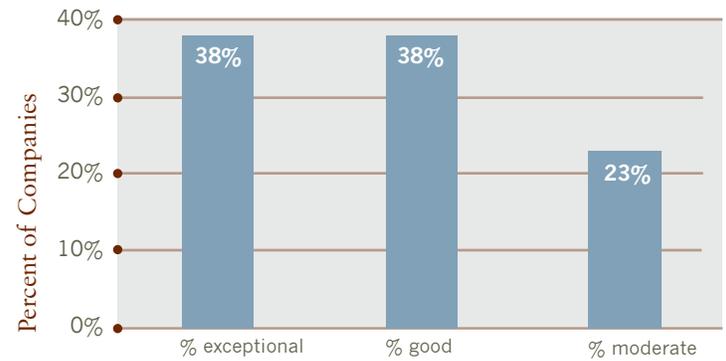
Good companies either excel in three of the four categories, or perform well in all four.

Moderate companies either excel in two of the four categories or perform well in three or four.

In the JQI, companies are rewarded for paying hourly employees a higher wage than the mandated local living wage, paying a significant proportion of health insurance premiums, employing a majority of workers in full-time jobs, and contributing to retirement and wealth-building programs. Once a score is totaled, a company is categorized as providing either "exceptional," "good," or "moderate" quality jobs.

Creating Quality Jobs (Cont.)

Overwhelming Majority of PCV Companies Provide Exceptional and Good Quality Jobs for LMI Workers

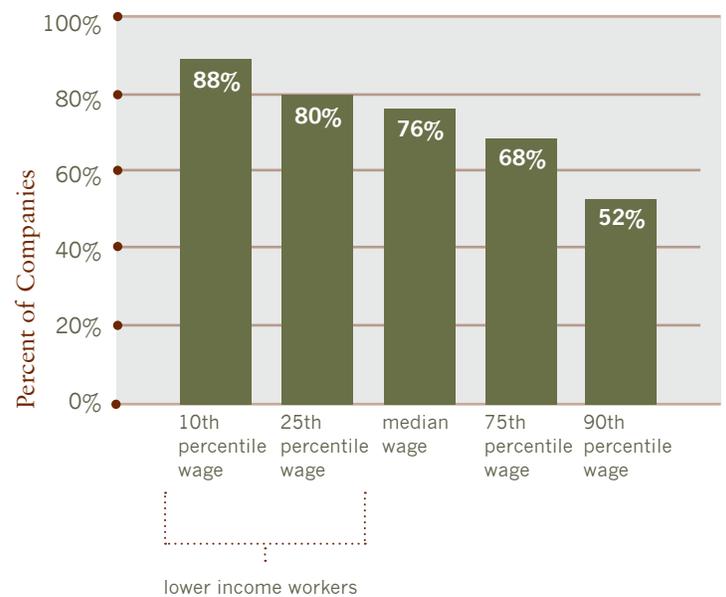


Wages

Hourly employees at PCV portfolio companies earn an average wage of \$13.65. Portfolio company wages compare favorably to living wages in both the Bay Area (\$11.54)² and San Diego (\$10.58).³

The overwhelming majority of PCV portfolio companies pay their workers⁴ more than companies across California in the same industry. More importantly, 80% of PCV companies pay their lower income workers (tenth and 25th percentile earners) more than lower income workers in the same industry in California.

PCV Companies Pay More than Industry Comparables



¹ Bureau of Labor Statistics. www.bls.gov/ces Accessed 2.4.2009.

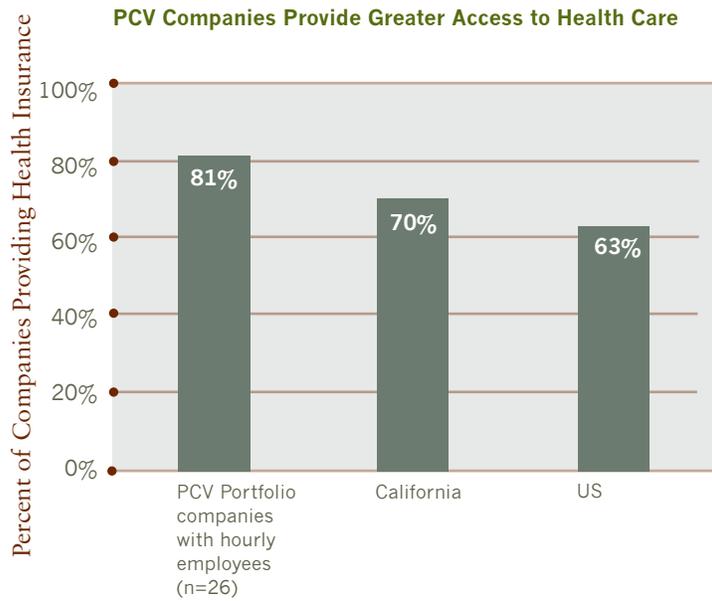
² San Francisco Living Wage Ordinance. For the Bay Area, PCV chose the highest mandated living wage for Bay Area cities where PCV portfolio companies are located. San Jose has a \$9.50 mandated wage, and Oakland has a \$10.78 mandated wage.

³ San Diego Living wage ordinance.

⁴ The US Census takes into account both salaried and hourly workers when calculating percentile wages by industry. In an effort to make the most accurate comparison, these PCV portfolio wages include both hourly wages of hourly workers and hourly wages of salaried workers. The average wage of a salaried worker is determined by dividing the annual salary by 2,080 (the number of working hours in one year).

Health Benefits

Approximately 60% of hourly employees at PCV companies have access to health benefits. While an exact comparison to hourly workers across California and the nation is not available, 57% of workers earning less than \$15 per hour have access to health coverage across the United States.⁵ The majority (81%) of PCV portfolio companies offer health insurance to their hourly workers.⁶ In California, 70% of employers offer coverage to their employees, while 63% of United States employers offer the same.⁷



In 2008, health insurance premiums in California increased 8%.⁸ Employers who do not provide coverage explain that the most important reason for not offering coverage is the high cost of premiums.⁹ In response to rising health care costs, in 2008 PCV launched an innovative health care product, The VidaCard Prepaid MasterCard, a health reimbursement account (HRA) that allows employers to help their employees get access to healthcare. The VidaCard MasterCard is an entirely employer-funded account that employees can use to pay for health expenses anywhere MasterCard is accepted to pay for health care.

“ VidaCard lets us provide a specific benefit at a price we can afford with minimal administrative work. And as a debit card, it couldn't be easier to use. My employees love it! ”

– Doug Ryan, Chief Financial Officer, Farmacia Remedios
San Francisco, CA

5 National Compensation Survey: Employee Benefits in Private Industry in the United States, US Department of Labor, US Bureau of Statistics, August 2006.
6 PCV portfolio companies have no hourly employees, and are not included in measurement of benefits provided to hourly workers, including the JQI.
7 California Health Care Foundation. Employer Health Benefits Survey 2008.
8 California Health Care Foundation. Employer Health Benefits Survey 2008.
9 Ibid.
10 National Compensation Survey: Employee Benefits in Private Industry in the United States, US Department of Labor, US Bureau of Statistics, August 2006.

Wealth Creation

An employee's access to retirement and wealth-building programs is a crucial step toward personal economic self-sufficiency. One key way that PCV helps lower income workers build wealth is through its equity investments in businesses. PCV works with the companies where it makes a financial capital investment to reserve a portion of company equity for lower income workers, enhancing employees' long term economic self-sufficiency while at the same time improving employee productivity and morale.

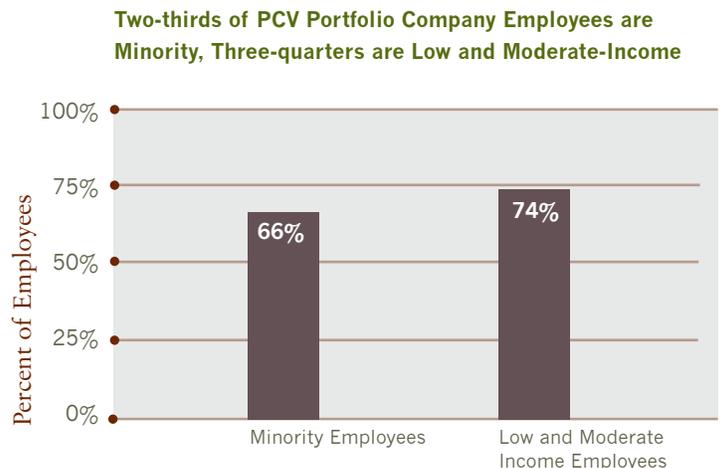
In addition, 42% of PCV portfolio companies provide retirement accounts to their hourly employees, and 47% of hourly employees have access to a retirement plan. Across the United States, 46% of workers earning less than \$15 per hour have access to a retirement account.¹⁰ As an additional frame of reference, in the United States, 48% of businesses offer retirement benefits to their employees,¹¹ and 61% of all workers including both salaried and hourly workers have access to a retirement plan.¹²

In an effort to increase the number of employees who can participate in employer-sponsored wealth-building opportunities, PCV maintains a partnership with the Beyster Institute at the University of California, San Diego, Rady School of Management. Together, PCV and the Beyster Institute work with portfolio companies to educate and assist with implementation of employer-sponsored wealth-building programs. This program offering is another way PCV is working to help portfolio company employees build assets and save for the future.

Profile of Employees

PCV portfolio companies employ a diverse workforce.¹³ Female employees make up 48% of the workforce; 42% of portfolio company employees are Hispanic or Latino, 17% are Asian/Pacific Islanders, 4% African-Americans, and 4% are either multi-racial or another ethnicity.

As of December 31, 2008, 74% of PCV portfolio company employees are considered low and moderate-income workers; the remaining 26% are considered middle/upper income. As a frame of reference, 38% of all employed Californians live in a low or moderate-income census tract.¹⁴



11 US Bureau of Labor Statistics. National Compensation Survey, Employee Benefits in Private Industry, March 2007. (more recent data is unavailable)
12 US Bureau of Labor Statistics. National Compensation Survey, Employee Benefits in the United States, August 2008.
13 Middle/Upper-income workers earn a middle or upper-income wage, or live in a zip code made up of middle/upper-income census tracts. These workers earn more than 80% of the median family income (MFI) for the metropolitan statistical area (MSA) they live in. Similarly, employees who earn 80% or less of the MFI for the MSA but live in a zip code entirely composed of middle and upper-income census tracts are also considered middle/upper-income. Workers living in upper-income census tracts that earn a lower-income wage are included in this category as they are likely part of a household with another source of income, or would not be able to afford to live in the neighborhood.
14 Calculation based on 2000 US census data. Analysis conducted by Green Info Networks.

Profile of Employees (Cont.)

PCV portfolio companies are significant contributors to low and moderate-income communities. Not only do they provide jobs to employees living in these communities, but 75% of PCV portfolio companies are located in low and moderate-income census tracts. Portfolio companies located in low and moderate-income neighborhoods bring economic activity to these areas and indirectly contribute to further job creation.

Corporate responsibility

PCV portfolio companies are increasingly embracing environmentally responsible business practices. Nearly 60% of PCV portfolio companies have at least two “green” initiatives in place. Several companies are also locally certified “green” companies, and over 40% of all PCV portfolio companies produce eco-friendly products. In addition, over 80% of PCV portfolio companies have at least one philanthropic program in place.

Conclusion

With profits down and unemployment on the rise, 2008 was a difficult year for business owners in California and across the United States. Employers were forced to make difficult choices as to what they were able to provide for their workers in such a difficult business climate.

In this environment, PCV portfolio companies outperformed companies in the United States and California on a number of important measures. By industry, PCV portfolio companies pay employees a higher median wage than California companies, a higher percentage of PCV portfolio companies provide benefits to hourly employees than companies in the United States and California, and the PCV portfolio experienced overall job growth while employment in the US and California declined.

Pacific Community Ventures consistently, and successfully, works to create lasting economic and social change by supporting companies that are working to increase the number and quality of jobs provided to California’s underserved communities.

Methodology

A key objective of PCV’s work is to provide quality jobs to economically disadvantaged individuals. PCV measures progress toward this goal by assessing job growth and job quality for hourly workers. Given that lower income workers are typically paid hourly, PCV collects data on hourly workers as a proxy for lower income employees. PCV worked with BTW-informing change, an independent program auditor, to collect social return data from all PCV portfolio companies to demonstrate the effects of its intellectual, human and financial capital investments.

In 2008, each company completed an online survey with information about employees’ wages and zip codes, job growth, job quality and corporate responsibility. Of the 29 companies in PCV’s portfolio, 28 (97%) companies provided survey data for this report, and 25 (86%) provided wage and zip code data for all employees.

The data in this report were collected by BTW-informing change, a nationally recognized leader in nonprofit program evaluation. BTW-informing change also verified the analysis used to produce this report.

PCV Social Return on Investment Facts at a Glance

PCV Portfolio

\$13.65	Average hourly wage*
12%	Percent workforce growth, 2008
74%	Percent low and moderate-income employees
81%	Percent of companies offering health insurance to hourly employees
42%	Percent of companies offering retirement benefits to hourly employees
77%	Percent of companies providing good and exceptional quality jobs (according to JQI score)

*compare to San Francisco self-sufficiency wage of \$11.54

If you have questions or comments about this report, or would like to learn more about Pacific Community Ventures’ work assessing Social Return on Investment, please email or call Beth Sirull, Director, at bsirull@pcvmail.org, 415.442.4315.