



## CDFI Small Business Job Quality Demonstration Request for Proposals

### Introduction

The Aspen Institute Economic Opportunities Program (EOP) is inviting CDFIs to apply to participate in a three-year job quality demonstration project. Participating CDFIs will offer advisory services to their small business clients aimed at improving job quality<sup>1</sup>. Selected CDFIs will receive:

- grant funding in the amount of \$100,000 per year for three years to support their job quality efforts;
- access to additional grant funding of approximately \$45,000 per year for three years to provide direct financial incentives to the small businesses they engage in job quality efforts;
- support from EOP and Pacific Community Ventures (PCV) in integrating job quality advising into their small business services;
- the opportunity to refer their small business customers to PCV's free business advising services via [businessadvising.org](http://businessadvising.org), which incorporate use of PCV's Good Jobs, Good Business resources; and
- the opportunity to participate in a learning community with peers.

In addition, participating CDFIs will also have the opportunity to apply for capital investments in the form of low-cost debt to support their small business lending from demonstration partner U.S. Bancorp Community Development Corporation (USBCDC). As part of their engagement in the demonstration, CDFIs will participate in an evaluation of the demonstration that will include periodic peer learning events and other opportunities to share experiences and lessons with other selected CDFIs.

### Job Quality Demonstration Overview

Improved job quality has the potential to increase the economic mobility of low-wage Black, Indigenous, and People of Color (BIPOC) workers. Low job quality is a challenge for millions of workers in the U.S., but the challenge falls disproportionately on BIPOC workers. Decades of stagnant real wages, eroding benefits, and declining employment security means that too many jobs do not provide an opportunity to achieve an economically stable life and pursue economic advancement. Recent research from the Brookings Institution finds that 53 million people in the U.S.—44% of the country's workers—earn low wages, with median annual earnings of only \$18,000 for this group.<sup>2</sup> U.S. wage inequality has been

---

<sup>1</sup> Small business clients can include borrowers and/or technical assistance recipients.

<sup>2</sup> Ross, Martha and Nicole Bateman, *Meet the Low-Wage Workforce*. Brookings Metropolitan Policy Program: Washington, DC. November 2019. Accessed at [https://www.brookings.edu/wp-content/uploads/2019/11/201911\\_Brookings-Metro\\_low-wage-workforce\\_Ross-Bateman.pdf#page=5](https://www.brookings.edu/wp-content/uploads/2019/11/201911_Brookings-Metro_low-wage-workforce_Ross-Bateman.pdf#page=5).

increasing<sup>3</sup> for decades, and in 2019 the minimum wage had 17% less purchasing power than it had in 2009.<sup>4</sup> In addition, low-wage workers are less likely to have critical employment benefits, such as employer-provided health insurance<sup>5</sup> and access to paid leave,<sup>6</sup> and are more likely to struggle with unpredictable scheduling and income volatility.<sup>7</sup> Low-quality jobs are disproportionately held by women, people of color, and immigrants, and the economic instability associated with low quality work can itself be an impediment to individuals' ability to pursue better opportunities and economic advancement.

Small- to medium-sized businesses (SMBs) that employ fewer than 100 workers disproportionately employ low-wage workers, defined by many researchers as those earning incomes less than 200% of the federal poverty line. Nearly 60% of low-wage workers work at businesses with fewer than 100 employees, including the 35% of low-wage workers at micro-businesses with fewer than 10 employees.<sup>8</sup> Thus, improving job quality for low-wage BIPOC workers necessarily includes a focus on improving job quality in SMBs.

SMBs with fewer than 100 employees often face financial and other barriers to improving job quality, but many are ripe for job quality improvements. These businesses often need information, incentives, and encouragement to improve job quality. Rarely, however, are small businesses encouraged to think critically about job quality and consider job design choices as a key element of business strategy and building a successful business. Organizations that understand the challenges SMBs face can play an important role in facilitating job quality improvements among small businesses. Key barriers that limit SMBs in adopting job quality elements (JQE) include:

1. **Capacity.** SMB owners may not have the time or expertise, or the operations and human resources support needed to select and implement JQEs, some of which require external service providers.
2. **Awareness.** SMB owners can lack awareness of their workers' perceptions of job quality, the business benefits of JQE, and/or best practices in terms of service availability and options.
3. **Motivation.** SMB owners may not see the value of offering JQEs to their workers on a personal level or business performance level.
4. **Financial capacity and/or financing.** Many small firms need to strengthen their cash flows or make upfront investments in order to implement and sustain JQEs. Implementation of JQEs that involve high upfront costs or result in uncertain cash flows can sometimes be facilitated by

---

<sup>3</sup> Economic Policy Institute (2019) *State of Working America – Wages 2018*.

<sup>4</sup> Economic Policy Institute (2019) *Congress has never let the federal minimum wage erode for this long*. <https://www.epi.org/publication/congress-has-never-let-the-federal-minimum-wage-erode-for-this-long>.

<sup>5</sup> Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, Lower-wage workers less likely than other workers to have medical care benefits in 2019. Accessed at <https://www.bls.gov/opub/ted/2020/lower-wage-workers-less-likely-than-other-workers-to-have-medical-care-benefits-in-2019.htm> (visited July 13, 2021).

<sup>6</sup> Brown, S., Roy, R., & Klerman, J. A. (2020). Leave Experiences of Low-Wage Workers. Produced for the U.S. Department of Labor, Chief Evaluation Office. Rockville, MD: Abt Associates Inc. Accessed at [https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/WHD\\_FMLA\\_LowWageWorkers\\_January2021.pdf](https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/WHD_FMLA_LowWageWorkers_January2021.pdf) (visited July 13, 2021).

<sup>7</sup> Guyot, Katherine and Reeves, Richard V., "Unpredictable work hours and volatile incomes are long-term risks for American workers," Brookings Institution: Washington, DC, August 18, 2020. Accessed at <https://www.brookings.edu/blog/up-front/2020/08/18/unpredictable-work-hours-and-volatile-incomes-are-long-term-risks-for-american-workers> (visited July 13, 2021).

<sup>8</sup> Urban Institute (2007) *Low-Income Workers and Their Employers*.

financing. In such cases, barriers to accessing financing can limit adoption. In other cases, small firms may need to take steps to improve their net cash flows or margins in order to adopt JQEs.

5. **Fit.** SMB owners may have limited understanding of their workers' needs and priorities. JQEs need to be a good fit for workers' current needs and of clear value or uptake will be limited, potentially frustrating both business owners and workers. Small businesses that engage their workers in the process of improving job quality are more likely to avoid these challenges and invest their limited resources and energy in JQEs that will be of value to their workers and worthwhile for their business.

Given this situation, the Bill & Melinda Gates Foundation (BMGF) has invested in a demonstration project managed by the Aspen Institute Economic Opportunities Program that is intended to scale job quality improvements among U.S. small businesses. This project will primarily focus on six different dimensions of job quality that can feasibly be implemented by small businesses and can meaningfully impact the lives and livelihoods of workers:

- Compensation (e.g., living wage, profit sharing),
- Advancement (e.g., formal training, promotion opportunities),
- Employee satisfaction (e.g., stable schedule, worker recognition),
- Basic benefits (e.g., paid vacation, paid sick days)
- Incentives (e.g., subsidized childcare, educational benefits, prizes/awards), and
- Wealth building (e.g., financial counseling, retirement savings, equity sharing).

Across the SMB support ecosystem, financial intermediaries play a critical role and are well-positioned to reach SMBs with the support needed to address barriers to job quality. A large proportion of small businesses have a relationship with a financial intermediary. In addition to providing financing, CDFIs often have a regular ongoing connection with SMBs to provide technical assistance and serve as trusted conveners and advisors. There is recent precedent for financial intermediaries to provide targeted support to promote job quality adoption. For example, CDFIs such as Pacific Community Ventures and Coastal Enterprises (CEI) have been leading in the development of practices to encourage improved job quality, and financial intermediary associations such as Opportunity Finance Network and Community Development Venture Capital Alliance have been featuring content related to job quality for their members.

This Request for Proposals seeks to identify CDFIs interested in adding new services or expanding their efforts to provide job quality supports to SMBs.<sup>9</sup> Successful applicants for this project will be CDFIs that have at least three years of experience in small business financing and are actively engaged in ongoing

---

<sup>9</sup> Fintech firms also have the potential to play a key role in encouraging uptake of job quality elements. Several fintech firms have built business models around the provision of financial products and supports to small businesses. These firms provide products and services that small businesses have been challenged to access at reasonable cost and have developed significant reach into the small business sector, creating the potential to provide products and services that support job quality improvements.

Community development finance organizations and fintech companies offer different levels of reach and services to varying sizes and types of SMBs, and as such have potential to influence different aspects of job quality. The demonstration will also include work with fintech companies aimed at understanding the role they can play in encouraging improved job quality; and it is expected that there will be opportunities for learning across institutional types about strategies to encourage better job quality in SMBs.

development or expansion of small business financing. In addition, we are looking for organizations that have a focus on racial and social equity and an interest in issues of job quality. Applicants need not have ongoing work or experience in efforts to advance job quality but should demonstrate a strong organizational commitment to integrating job quality as a central and ongoing part of their work, and as part of their commitment to improving the economic mobility of BIPOC and low-wage individuals and communities and addressing issues of racial and economic inequality.

## Application Process

Interested CDFIs are asked to submit an application that includes:

- a narrative statement (see below for details);
- a completed version of the Summary Data Sheet template, including summary information on your CDFI's small business activities;
- a completed version of the Project Budget template; and
- a copy of audited financial statements for three most recent fiscal years; interim statements for most recent year are fine if audit is not yet complete

### Narrative statement

Please provide a narrative statement that addresses the key topics and questions described below. Given the organizational variety among applicants, we have not established a page or character limit for the narrative statement but expect 5-10 pages would be sufficient. We encourage applicants to be concise. You may also include attachments other than the financial statements and summary data sheet requested above, but please be aware that lengthy additional attachments may not be read in their entirety.

#### ***Overview of small business lending program design and goals***

- Briefly describe your organization's small business loan products. If there are revenue, employment, industry, or other targeting or eligibility guidelines for a product or products, please include that information. For example, if a loan product targets businesses with certain revenue thresholds or in specific industries, please specify. Please also include any summary data you have on the average or median employment and revenues of small businesses in your portfolio, and the industry profile of your borrowers.
- Briefly describe your CDFI's small business technical assistance, coaching and/or advisory services. Please include in this description information about your key target markets and/or typical customers for these services (e.g., our typical clients are immigrant women with food or retail businesses, or business owners of color operating construction, day care, or personal services firms, or firms with 5 or more employees seeking credit to expand their business). Please also include any summary data you have on the average or median employment, revenues, and industries of the small businesses owned by the entrepreneurs you serve through your technical assistance, coaching or advisory services.
- Please describe your current staffing for your small business technical assistance, coaching, or advisory services. Provide detail on the number of positions (FTE) and identify roles/job titles for these team members.

- Describe the geographic region served by your small business products and services.
- What are your key strategic goals for your small business program over the next 1-3 years? [For example: our goals are to scale our lending by X%; to increase our lending to certain target groups; to expand geographically; to deepen our work with borrowers to help them to grow more quickly/effectively; etc.]

***Experience with and interest in small business job quality and racial equity work***

- In what ways are efforts to improve job quality, particularly for BIPOC workers, aligned with the mission of your organization? How would you describe your CDFI's current knowledge about the quality of jobs among your small business clients?
- Do you have any plans to incorporate or explore efforts related to job quality into your small business work? If so, what are those plans? If not, why not? Do/how do these plans relate to the strategic goals described above? Has any of this planning or discussion taken place with your CDFI's board of directors?
- Describe any past or existing work that your organization has done to engage with or support your small business clients on addressing issues of job quality. Please include any lessons you derived from your past work on this issue.
- How is your organization approaching addressing issues of racial equity, particularly in the context of its small business work? What are the key metrics and outcomes that your organization tracks as it works to monitor and strengthen its impact on racial equity?

***Proposed use of grant funds and small business job quality advisory resources***

Describe how your CDFI proposes to use the grant funding, small business incentive payments, and advisory services offered through this demonstration. Please include:

- Does your organization propose to incorporate use of PCV's [businessadvising.org](https://businessadvising.org) platform into its small business offerings? If so, do you propose to offer the platform to all your small business clients, to current or new borrowers only, or to recipients of/participants in certain products or programs listed above? What is the rationale for your approach to integrating [businessadvising.org](https://businessadvising.org) into your work?
- Alternatively, does your organization have an existing approach to working with its small business clients on aspects of job quality that it seeks to support with the available grant funds? If so, please describe your program. Please also note whether there are ways that your CDFI might want to leverage [businessadvising.org](https://businessadvising.org) or PCV's [Good Jobs Good Business toolkit](#) in its job quality work, and/or the learning community EOP will build with participants.
- Please describe how your organization would use incentive payments to small businesses to encourage job quality. Please describe the methods you would use to communicate the availability of incentive payments and to determine when a business has earned an incentive. If you would prefer not to offer incentive payments, please note that and explain your rationale.

***Evaluation and learning experience***

- Please share the key metrics and data that you use to assess the outputs and outcomes of your small business activities. For example, if your organization produces an annual outcomes or

impact report, or tracks and shares key metrics with your team and/or board, please share your most recent copy of that information. If this data is available online, you can share a link to that information.

- Have you engaged in any research or data collection efforts to understand the experiences and/or outcomes of your small business borrowers or clients? [Note: by outcomes data, we mean data that describe changes in business status (start, survival, revenues, employment, owner income, etc.) some period after a loan is received or services are provided]. If so, please describe: 1) whether you collected the data yourself or worked with a third-party research team to collect the data, and 2) the metrics tracked and the methods you have used to collect the data.
- Has your CDFI participated in any other initiatives that involve formal and large-scale referrals of small business clients to other technical assistance or advisory platforms or programs (Note: here we are not seeking information on informal referrals or small-scale referrals to external partners, but rather efforts to partner or engage with another organization as a core element of your program)? What has been your experience with those efforts and what has your organization learned from them?
- Has your organization engaged any peer learning efforts connected to a formal evaluation or research project? If so, please briefly describe these efforts.
- Please describe your CDFI's current staffing for evaluation, data collection, and/or research. Provide detail on the number of positions (FTE) and identify roles/job titles for these team members.

### ***Implementation team***

- Please share the names and provide brief biographies for key staff who will lead and work on the job quality project.
- Please provide information on the demographic composition of your CDFI's leadership and small business teams.

### Data summary sheet

Please complete and submit the Excel data sheet titled "SUMMARY DATA SHEET - CDFI Job Quality Demonstration." [Click here to download.](#)

### Project budget

As noted, all participating CDFIs will receive \$100,000 per year in grant funding for three years (for a total of \$300,000). Please use this template to provide a budget identifying how your organization proposes to use the grant funding.

**\*\* Please Note: This template was updated on March 25th and now includes an Instructions tab with more details on direct vs. indirect costs, including indirect limits, and on travel costs \*\*** [Click here to download the updated template.](#)

## Submission information

Proposals are due by April 29, 2022 (proposals received after 11:59 PM ET on April 29 may not be considered by the review team). Please submit copies of all materials (narrative, data summary sheet, budget, and requested financials) via our [Google Form](#).

## Proposal review and selection process

Eight CDFIs will be selected to participate in the demonstration. Proposals will be reviewed by a panel of representatives from key program partners and funders including EOP, PCV, USBCDC, and BMGF. The review process may involve interviews with CDFI leadership and requests for additional information. The selection criteria will include the following:

- The strength and scale of the CDFI's existing small business lending and advisory services.
- The CDFI's interest in and commitment to incorporating job quality as a strategic and programmatic focus.
- The geographic diversity of selected CDFIs and the diversity of their leadership teams.
- The extent to which the CDFI is reaching small firms that are owned by entrepreneurs of color and/or employ significant numbers of low-wage workers of color, and/or are seeking to reach and are serving businesses in sectors or regions with large numbers of low-wage workers of color.
- The CDFI's willingness and capacity to participate in the demonstration evaluation.

We anticipate that grant selections will be announced by May 31, 2022, with grant agreements completed and work beginning in June of 2022.

More information can be found on our website, [as.pen/cdfijobquality](https://as.pen/cdfijobquality). For additional questions, email us at [jobquality@aspeninstitute.org](mailto:jobquality@aspeninstitute.org).