



A Different Social Impact: Dave's Killer Bread, Others See Hiring Felons as Key to Boosting Bottom Line

By Ambreen Ali

February 19, 2020

<https://karmainpact.com/a-different-social-impact-daves-killer-bread-others-see-hiring-felons-as-key-to-boosting-bottom-line/>

Key Takeaway: A tight labor market and shifting cultural norms are leading more businesses to consider hiring workers with a criminal past or history of addiction. Here's why they think more companies should do the same.

When Crystal Mourlas-Jaun left prison after almost eight years, the 27-year-old needed a second chance. While her peers were attending college and building their work experience, she had been behind bars, thanks to three felonies and a heroin addiction.

Mourlas-Jaun of Portland, Oregon, got that second chance, and it came from an employer in her town her cousin told her to check out. She applied for a position at [Dave's Killer Bread](#), an organic bread bakery based a few miles away in Milwaukie, Oregon. Co-founder Dave Dahl had served 15 years in prison for offenses including burglary, assault and drug distribution.



Crystal Mourlas-Jaun. (Ben Moon / Dave's Killer Bread)

“I got to work beside Dave and hear his story. I was honest with him about mine, and I learned that I don’t have to be ashamed or live with the stigma of being a felon,” Mourlas-Jaun told Karma.

Dave’s Killer Bread was early to the trend of second-chance employment, which offers a shot at work to those who have been left out of the labor market because of a criminal record, addiction or mental health challenges.

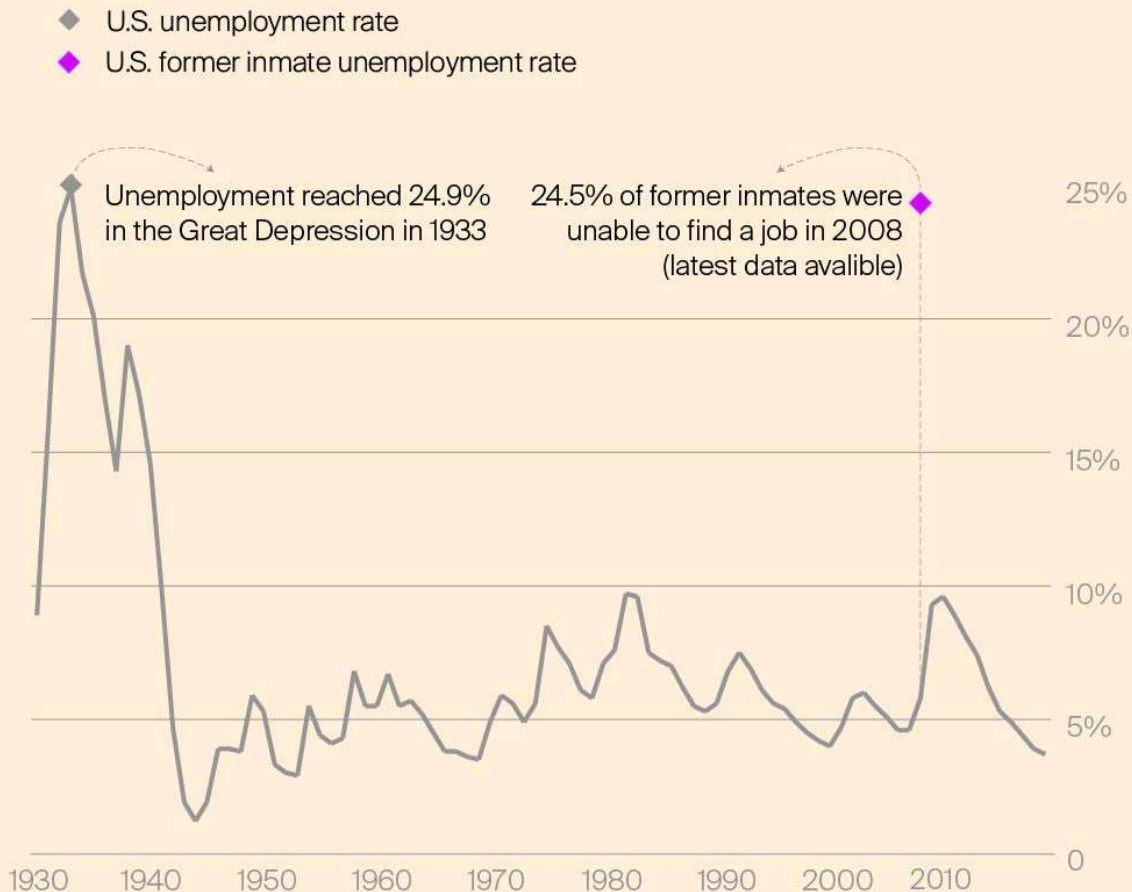
Some businesses do it for social reasons: About [a quarter of U.S. felons](#) are looking for work, according to the Justice Department, and putting former inmates to work is seen as one way to keep them from making a trip back to jail.

Business owners take big risks when hiring felons. Addiction, mental illness, emotional problems and family challenges are among the issues that may make handling a regular job with set hours difficult.

Another hurdle: states can hold companies liable for negligent hiring if an employee commits a crime, according to [The Urban Institute](#). That’s a legal risk that deters many employers from taking a chance on people with criminal records.

“When state-imposed barriers for employment are so burdensome, they can make it hard for someone to rebuild their lives and get a job. That’s a problem for public safety,” said Jeffrey Korzenik, the chief investment strategist for Fifth Third Bancorp, Cincinnati, who is writing a book about second-chance businesses.

High Unemployment for Former Prisoners



Source: BLS, BJS and National Bureau of Economic Research

Karma

Still, the [tight labor market](#) is encouraging some companies to look again at former prisoners, and tax credits have also boosted interest in that population.

Many second-chance businesses attest to having lower turnover than competitors.

Since the last time unemployment was this low, in the late '90s, barriers to employment for ex-offenders have likely increased, Korzenik said. Heightened cultural awareness about those barriers is making second-chance employment more common.

Many states have also passed [“ban the box” initiatives](#) that prevent employers from asking about criminal history upfront in the job application process, giving an applicant

with a record more of a chance of making it to the final round of a job interview before having a conversation about their past.

Profit Motive

Owners are often drawn to second-chance hiring for moral or religious reasons, Korzenik said. Still, they have to balance their wish to do social good with the demand to turn a profit.

“The reality is once you get past whatever the catalyst is for implementing the policy, the model stands alone as a business argument, particularly in a time of high turnover and labor scarcity,” he told Karma.

Common hiring practices — asking an applicant about their criminal history, barring anyone with a record — keep almost 10 million people out of the workforce, according to a [2017 American Enterprise Institute paper](#). The research is carried on the website of the Roberts Enterprise Development Fund, a San Francisco–based investment firm that helps companies that offer second chances. The fund refers to those companies as social enterprises and has identified about 500 around the country, according to CEO Carla Javits.

“This is a growing field. Each year, when we go out with a competition for our accelerator, we get more applicants and more interest,” Javits told Karma.

While some major corporations — including JPMorgan Chase, McDonald’s and Comcast — are willing to consider people with criminal records, social enterprises like [Greyston](#) in New York and [Nehemiah Manufacturing](#) in Ohio are different because hiring felons is central to their business practices. They put recruitment methods in place to screen applicants and try to discern which individuals are most likely to succeed in a work environment. Many offer social services and other types of support to the employees who, in addition to their backgrounds, may also be struggling to find stable housing or with mental health issues.

DAVE’S USES THE FACT THAT 30% TO 40% OF EMPLOYEES HAVE A CRIMINAL BACKGROUND AS A BADGE OF HONOR.

Some partner with nonprofits to do that work, and others bring on caseworkers in-house.

“There are costs they are incurring because they are a special kind of business with a social cause,” Javits said. REDF advises companies to separate out these costs and seek out grants or subsidies for them, rather than incorporating them into their operating expenses. “We don’t want them to build these extra costs into the cost structure, or they might overcharge the market.”

Those additional costs come with their own return on investment. Such enterprises generate \$2.23 in social benefits for every dollar they spend, according to a Mathematica study conducted for REDF. The benefits include breaking the cycle of incarceration, reducing individuals' reliance on safety-net benefits such as food stamps, and reduced crime. "Wages go up 268%. They are now taxpayers," Javits added.



Courtesy of Dave's Killer Bread

Dave's Killer Bread stands out as a highly successful business in this field: its loaves are sold by big grocers, including Costco and Whole Foods, and distribution was helped by the 2015 purchase of the company by publicly traded Flowers Foods. Flowers Foods "understands and appreciates the culture at Dave's Killer Bread," and "is deeply committed to its second-chance initiatives," Paul Baltzer, a spokesman for the parent company, told Karma.

Dave's uses the fact that 30% to 40% of employees have a criminal background as a badge of honor, advertising it on product packaging.

Extra Loyal

“If we just had the mission and not really an awesome product, I don’t think we would necessarily see the level of success we have seen,” brand manager Cristina Watson told Karma. “But having this added thing, our hiring policy, gives people a reason to be extra loyal.”

Watson said that the company doesn’t distinguish between workers who have a record and those who don’t, so there are no special programs that require extra overhead. The brand does invest in mentorship programs and community outreach as part of the overall business approach.

Profit margins can be tighter for some second-chance businesses. Rob Perez owns several restaurants in Lexington, Kentucky, including DV8 Kitchen, a second-chance employer that proactively hires individuals in recovery for drug addiction — a problem he said is pervasive in the restaurant industry. Perez said every worker who is in recovery signs a contract with him and agrees to share documents from their social worker to verify they are complying with their recovery program.

“THEY WANT TO SEE US FLOURISH AND GROW AND BECOME BETTER THAN OUR PAST.”

Crystal Mourlas-Jaun

Perez also requires employees to attend weekly workshops and pays them for it, so the restaurant, while profitable, is much more expensive to run than his others. But DV8’s turnover is also 33% lower than the national average for restaurants, Perez noted, a sign that his employees value the opportunity and that there is a payoff for his approach.

“We have three equal bottom lines: Financial is the most important, but so is the social impact and our higher purpose,” Perez said. He and his wife are Christians who were moved to open the restaurant not only because of their faith, but because they had lost over a dozen employees to addiction. Perez himself struggled with alcohol in the past.

Perez said he had no trouble lining up investors for the restaurant, despite the higher risks. Still, it took some time for customers to embrace the model: he thinks stigma around drug addiction and criminal records kept people from trying the food.

Eventually, they came. Last year, Yelp named DV8 the [40th best restaurant](#) in the country based on customer reviews.

“That bread customers eat has to be awesome to change what they think about hiring someone in recovery,” he said. “My social impact is offering my employees a job and creating a good environment. Their’s is how they do every day with every guest.”

Perez launched an initiative, [Soulfull Enterprise](#), to get other businesses to embrace second-chance employment. He has trained about 25 organizations from five states about how he makes his business model work. “I’m not telling people to hire blindly,” he said. “It’s okay to have accountability.”

Similarly, Dave’s Killer Bread launched [DKBF](#) five years ago to get businesses to embrace second-chance hiring and give people like Mourlas-Jaun a second chance. She has been at the company since 2009 and is now the community outreach coordinator.

“They want to see us flourish and grow and become better than our past,” she said. “I see this every day for people that have been hired.”