HARVARD | BUSINESS | SCHOOL

N9-320-008
OCTOBER 9, 2019

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Nehemiah Mfg. Co: Providing a Second Chance

On an unseasonably warm afternoon in April 2019, Dan Meyer, CEO and co-founder of Nehemiah Manufacturing Co. (Nehemiah) in Cincinnati, Ohio, changed into a T-shirt and walked outside for his company cookout. In the parking lot, 100 employees—from line workers to product managers—and their families were chatting, enjoying burgers and beers, and tossing a football. It was a scene he had grown to love. But this week's cookout was special: not only was it the first one of the year, but it marked two seminal anniversaries in Nehemiah's history: ten years since the company's founding, and one year since its move to a sparkling new facility in the Lower Price Hill area of Cincinnati. The move had brought Nehemiah's offices, plant, and warehouse together under one roof for the first time.

Meyer chuckled as he recalled Nehemiah's humble beginnings. He thought of how improbable it might have seemed in 2009 that within a decade, he and his business partner Richard Palmer would have their own 180,000-sq-ft. building, annual sales of $59 million, and 10% operating income. The only thing that might have seemed even more improbable is that Nehemiah would accomplish all this with a workforce comprised entirely of men and women with prison records or histories of drug addiction.

When Meyer and Palmer, two fast-moving consumer goods (FMCG)[a] veterans, first conceived of Nehemiah, it was as an initiative to restore economic vitality and quality jobs to struggling Cincinnati neighborhoods. They would do this by building a light manufacturing company driven by "orphan" FMCG brands. Their more specific focus on a "second-chance" workforce had begun as an unplanned experiment, when Cincinnati Social Services persuaded them to take on a few ex-offenders in entry positions. To management's surprise, many turned out to be exceptional employees.

By 2019, a decade's experience had convinced them that second-chance hiring was not only the right thing to do, but also a business asset. "All the stuff we do is common sense," Meyer said. "It's just not commonly practiced." 'Second-chancers' staffed Nehemiah's factory floor and, increasingly, supervisory and management positions, drawing Nehemiah acclaim from business and civic organizations around Cincinnati. And after Meyer had established the Beacon of Hope Business

[a] FMCG, also known as consumer packaged goods (CPG), were short-term use products, including food, clothing, or personal care and cleaning products; as opposed to durable consumer goods (products such as furniture, appliances, or automobiles).

Senior Lecturers Michael Chu and Brian Trelstad and Case Researcher John Masko (Case Research & Writing Group) prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Alliance, a non-profit designed to promote Nehemiah's second-chance hiring model to other area businesses, the company had begun receiving national recognition as well.

As Meyer and Palmer grew the second-chance program, they also grew the business. Since 2009, Nehemiah had not only acquired multiple orphan brands from leading FMCG companies, but licensed packaging and distribution rights for some of Procter & Gamble (P&G)'s best known brands. Now, the company was developing its own brand extensions and using the digital economy as an affordable means to test new product concepts and roll them out on a massive scale.

But increasingly, these steps forward were raising a critical question: should Nehemiah grow as fast as its business opportunities, or should it expand only as quickly as it could incorporate second-chancers? This question raised another: until 2019, Nehemiah had marketed itself as a producer of quality products first, and a second-chance company second. As Meyer had often put it, "If you think our products are great, you should see our people." But in a world where consumers were increasingly motivated by social responsibility, might Nehemiah be better served by aggressively highlighting its dedication to second-chance hiring —a trait few, if any, of its competitors could match?

Dan Meyer and Fast-Moving Consumer Goods

Changing Paradigms

Cincinnati native Dan Meyer had 15 years' experience in FMCG marketing, sales, and management when he tried something new in 1994. He set up a company called Changing Paradigms (CP) just outside Cincinnati, with a focus on building brands for retailers' private label FMCG products.[b]

In the late 20th century, FMCG manufacturing was one of the largest industries in the U.S., accounting for 7% of GDP between 1987 and 2000.[1] It would continue to generate over 5% of GDP into the 21st century. FMCG was traditionally branded, with control concentrated among a handful of $10 billion-to-$100 billion conglomerates, each controlling a portfolio of brands. P&G was an example of this type of structure: the Cincinnati-based company controlled personal and home care brands such as Crest (toothpaste), Old Spice (men's grooming), and Dawn (dish soap).

For several years, CP competed with the giants Meyer had once worked for, including P&G. In 2001, however, with CP having grown to over 500 employees, P&G approached Meyer. At the time, P&G was refocusing its resources on core brands and shedding orphan brands and orphan product lines.[2] These were brands or products that deviated from the company's core focus in ways that created inefficiencies or distracted from the company's production, branding or marketing strategy. Companies like P&G dealt with orphans either by selling them off, or licensing their packaging and marketing (and sometimes production) to other companies in exchange for royalties.

In 2001, P&G offered to sell Meyer a license to produce a line of household cleaning products associated with its Dreft brand (whose core product was laundry detergent for infants' clothes), as well as several orphan products under the Downy fabric softener brand. Meyer licensed the brands. Within five years, CP was producing and marketing a range of P&G products from candles to drain care, and the company had joined a growing number of small (under-$100 million revenue) firms dedicated to building brands licensed from bigger FMCG companies. In 2006, with CP highly profitable, Meyer sold

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[b] Often referred to as "generic," private label brands were produced for sale under a retailer's own name. They were often cheaper alternatives to name brand products.

it: the VCs who had infused capital into CP over the years wanted their money, and his three kids were approaching college.

Cincinnati's Challenges

Having agreed to stay on as CP's CEO for 18 months after the sale, Meyer had time to consider what to do next. A devout Catholic and diehard Cincinnatian, he knew he wanted his next step both to be rooted in his hometown, and to have social impact.

Even before the financial crisis struck the U.S. in 2008, Cincinnati was struggling. Like many other cities in the U.S. "Rust Belt," Cincinnati had come of age in the mid-1800s when an influx of immigrants, mainly from Germany and Ireland, built the small town into a rail and manufacturing hub, and its downtown into a destination for arts, culture, and learning.[3] But also like many of its "Rust Belt" counterparts, Cincinnati's growth slowed in the mid-20th century. Peaking at 500,000 in 1950, its population dwindled to 300,000 by century's end. Demographics shifted as Cincinnati's middle class left for the suburbs, leaving behind a poor and disproportionately African-American urban core.

Racial tensions, which had lurked under Cincinnati's surface since the 1950s, ignited in the aftermath of a 2001 police shooting into a series of destructive nationally-noticed race riots. The pace of "white flight" quickened, leaving many historic neighborhoods derelict, impoverished, and crime-ridden. When Meyer sold CP only a few years later, the city's unemployment rate stood about a percentage point above the national average.[4] When the financial crisis hit, unemployment skyrocketed to 11%, with Cincinnati's manufacturing sector losing 13% of its jobs between 2008 and 2010.[5,6] In 2009, a group ranked Cincinnati's central Over-the-Rhine neighborhood, once a vibrant German immigrant hub, "the most dangerous neighborhood in the United States," beating out Los Angeles' Compton.[7]

CP had been a strongly philanthropic company, donating much of its profit to area charities. But Meyer realized the city needed more from the business sector than CP had been able to give. As he looked to the future, he asked: "This time, how can I give back in a bigger way—in time, talent, *and* treasure?"

An Idea

An early 2009 bus trip to Toledo, Ohio for his daughter's state basketball championship provided the answer. On the bus, Meyer got to talking with another father, a fellow Cincinnati FMCG veteran.. They spoke about their city and particularly about the problem of gentrification in the outskirts, which—even while it drew more professionals back to Cincinnati—was further isolating the pockets of poverty that continued to vex the city. (In 2009, 27% of Cincinnati's population earned below the poverty line.[8]) The conversation eventually led Meyer to meeting the man's business partner, Richard Palmer, a veteran of P&G and Deloitte. The two men had joined to found Cascades Advisory Group, a middle-market brand-building consulting firm.

In the months ahead, Meyer and Palmer continued discussing Cincinnati's future. "As the economy emerged from recession," Palmer recalled, "all the focus was on creating high-paying tech jobs, but there were all these vulnerable populations being left behind." The solution Cincinnati needed, they decided, was not more gentrification or more non-profits—it was blue-collar jobs.

Palmer knew Cincinnati had been trying to revitalize its manufacturing sector for a long time. But during the recession, the city's efforts to attract manufacturing had focused on small companies that could create 30 to 50 jobs. At CP, by contrast, Meyer had employed 300 people in northern Kentucky. That many blue-collar jobs in Cincinnati, Palmer told him, "would be a game-changer."

The Birth of Nehemiah Manufacturing Company

Shortly thereafter, Meyer and Palmer joined forces to form a business in the industry they both knew: FMCG brand building. But this time, Meyer said, they would be building brands while also "building up a community of folks on different rungs of the economic ladder, helping those who need it most through sustainable employment." The company they envisioned would start a movement to rebuild Cincinnati stone by stone, just as the Old Testament prophet Nehemiah had rebuilt the walls of Jerusalem. Their company would be named Nehemiah Manufacturing.

Nehemiah had a slogan before it opened its doors: "Building brands, creating jobs, changing lives." "We had the 'why' before we had the 'what,'" Meyer recalled. But before Meyer and Palmer could bring the "what" to life, they needed an investor. Taking over marketing and distribution for existing brands—even if others did the production—was not cheap, and companies like P&G were careful to entrust their brands only to partners with long financial runways. With a mission to create jobs in Cincinnati, they needed a collaborator who not only had financial muscle and supported their mission, but believed in building a business for the long term.

In mid-2009, they were introduced by a mutual acquaintance to Tom Williams, CEO of a Cincinnati real estate firm. Their timing was auspicious: with the financial crisis paralyzing the real estate industry, it was a perfect time to pitch Williams on a non-real estate business opportunity. A stalwart on several non-profit boards around the city, Williams was "a fantastic individual who cares about people," said Nehemiah COO Mike Pachko. "Business is important to him, but people are, too. It's well balanced in him."

Late that year, Williams' family invested in Nehemiah through a limited liability corporation (LLC) they had created for outside investments, and agreed to a 10-year operating agreement. The LLC provided most of Nehemiah's financial backing, but ownership was split evenly between the LLC and Meyer and Palmer, who shared 51% voting rights. They then set about building a team. They recruited three former executives from CP, including Pachko, along with a principal from Palmer's former company—seven office employees in all by year's end.

Kandoo

After funding and executives, it was time to build the portfolio. Meyer and Palmer reached out to P&G, asking which products in their lineup were orphaned and needed help. Though applying to license P&G products was a rigorous process, Meyer recalled, "P&G had confidence in our years of experience." P&G's answer was Kandoo Flushable Wipes, a $20 million toilet training wipe brand that was losing out to several competitors, including P&G's own $10 billion Pampers brand. "Kandoo," Meyer said, "was on a respirator—which is how we usually get them."

In October 2009, Meyer and Palmer licensed the rights to Kandoo. The deal was typical of the agreements they would make over the following decade (see **Exhibit 1** for a timeline of Nehemiah's product licenses and **Exhibit 2** for its full line of products). As Meyer explained, "Though all our key decisions need to be approved by P&G, we run the business. We control marketing, packaging, and distribution." (Later on, they would add manufacturing as well.) In return, P&G received 7% royalties on Kandoo's sales.

Immediately after licensing Kandoo and purchasing all of P&G's remaining Kandoo inventory, Nehemiah went from $0 to $10 million in annual sales. After exhausting P&G's stock, Nehemiah subcontracted the production of wipes to specialized manufacturers and began packaging Kandoo wipes itself in 2010.

The Mission and Reality

When Nehemiah began packaging Kandoo, it had 19 employees—eight in the office, 10 on the floor, and one manning the warehouse (see **Exhibit 3**). Meyer and Palmer's first facility was a 30,000-square-ft plant and warehouse space on Findlay St. in Over-the-Rhine. Their intent in locating in Over-the-Rhine, Palmer recalled, was "to recreate the sort of manufacturing town Cincinnati had once been."

As Nehemiah established a presence in the area, non-profits began to approach Meyer and Palmer to see if they were willing to consider employing people being released from the jail system. That was when they realized that the people who had served time represented a larger portion of the Over-the-Rhine population than they expected.

Incarceration and the Opioid Epidemic in Cincinnati

Like many cities in the U.S., Cincinnati struggled with mass-incarceration and the reintegration of ex-prisoners into society. In the early 2010s an average of 850 per 100,000 people in the U.S. lived behind bars (in Ohio, 790 per 100,000) (see **Exhibits 4** and **5**).[9] In Cincinnati, prisoners were housed primarily at two facilities with about 2,500 inmates each: the Lebanon Correctional Institution, a high-security prison 30 miles north of the city housing mostly violent offenders, and the River City Correctional Center, a county prison within the city limits.[10,11] Each year, an average of 400,000 inmates were released from prison in the U.S., 6,000 into the Cincinnati area.[12] Incarceration was a cycle that could be difficult to break. Of the 400,000 prisoners released nationally in 2004, 68% were re-arrested within three years, 79% within six years, and 83% within nine years.[13] Re-incarceration (or *recidivism*) rates were 20% higher in Cincinnati than the state at large.[14,15] (For more on incarceration, see **Appendix A**).

High incarceration and recidivism rates were also closely linked to the national opioid addiction epidemic (for details, see **Appendix B**). 75% of formerly incarcerated people in the U.S. had a history of substance abuse.[16] In 2017, Ohio's opioid overdose death rate of 39.2 per 100,000 was the second-highest in the U.S., almost triple the national average. Cincinnati also had the state's highest overdose death rate, with 570 in Hamilton County alone in 2017.[17,18] For opioid users who lived with addiction, the disease tended to destroy family and professional relationships, often leading to homelessness and criminality to fund their drug use. After getting clean, many users not only bore the burden of recovery, but had criminal records for offenses ranging from drug crimes to theft, burglary, or larceny.

Longstanding practice viewed ex-offenders and recovering addicts as risky hires. Employers' concerns ranged from high turnover to drain on human resources to workplace safety (successful court cases involving accidents resulting from negligent hiring cost business an average of $1.5 million each).[19] According to one study conducted by the Bureau of Justice in 2014, only 12.5% of employers nationwide were willing to consider hiring a convicted felon.[20] Those with drug histories also faced long odds, with an unemployment rate three times that of the general population. Lack of education and job experience compounded these barriers: with 70% of formerly incarcerated Americans lacking a high school diploma or steady job experience, employers worried about the cost of training new hires for uncertain returns.[21]

Taking a Chance on Second-Chance

Nehemiah's management had the same reservations as many of their peers about hiring ex-offenders or those struggling with addiction. But in mid-2011, when a city Social Services representative reached out to Pachko to ask Nehemiah to consider hiring an applicant with a felony record, he agreed. He thought that with a stated mission to give back to the disadvantaged, Nehemiah could hardly deny the applicant a chance. The company made its first "second-chance" hire, and the employee turned out to be dedicated and productive.

Interested in exploring 'second-chance' hiring further, Nehemiah experimented in late 2011 with recruiting one in three employees from the second-chance population. The experiment yielded mixed results. Most hires seemed motivated when they arrived, but "we were losing people as fast as they came," Meyer remembered. He wondered whether the problem was with second-chance hiring, or simply that Nehemiah did not understand how to on-board and support the new hires.

He turned for answers to an old friend from Cincinnati-based supermarket giant Kroger named Nick Hahn, who now served as chairman of the mental health non-profit Greater Cincinnati Behavioral Health Services (GCBHS). Meyer asked whether GCBHS had a social worker who could help Nehemiah better understand its second-chance population, evaluate applicants, and work with new hires to get them job-ready. GCBHS responded that it could offer Nehemiah the services of one of its social workers, former Cincinnati city caseworker Dana Merida, for one day per week starting in January 2012.

Merida quickly convinced the leadership that, as Palmer put it, "We've found this great untapped workforce. We just need to provide some additional support to help them overcome the barriers they face." Within a few years, Meyer and Palmer discovered that the second-chance employees they hired were fiercely loyal—more so than the general population. Annual turnover at Nehemiah would fall to 15%, compared to industry averages of 40% or more. But getting there entailed significant investment and trial and error, leading to the eventual lesson that each employee required an individualized approach.

Supported Employment at Nehemiah Manufacturing

With each applicant Nehemiah hired, Meyer explained, "We need to understand where they are at in this journey of life: What are the barriers? What are the needs? How does Nehemiah help?" Starting in 2012 and developing over the following seven years under Merida's watchful eye, Meyer and Nehemiah would build an interlocking *supported employment* model to help second-chance employees transition into stable work. "It's very expensive," Meyer admitted, "but it's worth it."

The supported employment process started at the interview. Nehemiah practiced second-chance hiring, but it did not practice *open* hiring.[c] While the company would interview anyone interested in a second chance, Pachko noted, "Not every person who's exiting prison *actually* wants a second chance. There has to be some discernment, which is why our social work team is so critical to our success." Quickly hired as a full-time employee, Merida was given a central role in the hiring process, where she advised executives on whether prospective hires—many of whom projected a tough, 'street' persona—were potential future contributors or just looking for a paycheck.

Those to whom Nehemiah chose to offer provisional employment had a two-week trial period, moving completed items from the factory line to pallets and shelves, so as not to disrupt production. During these two weeks, floor supervisors would evaluate their efficiency, dependability, and teamwork. After a successful two-week trial, new hires would begin a six-month probationary period on the line, after which the company decided whether to make an offer for permanent employment.

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[c] Some second-chance businesses, like Yonkers, New York-based Greyston Bakery, promoted this latter model of employment, in which every person who interviewed was given a chance. (See "The Center for Open Hiring," Greyston Bakery, https://greyston.org/about/the-center-for-open-hiring/)

For those with little prior employment history, Merida often referred them to a two-week job skills training program at a local nonprofit before beginning their two-week trial at Nehemiah.

Merida was adamant that services had to be adapted to each hire's individual barriers. She ensured that each new hire had an employment coach either from Nehemiah's social services team or from a local non-profit to understand their individual needs and connect them with local resources, particularly if addiction or mental health issues were involved. Over time, Nehemiah began to build an infrastructure within the company itself to address the most common barriers hires faced.

The first focus of this infrastructure was housing and transportation. Many hires were homeless or living in drug rehab or halfway facilities when they started at Nehemiah, and most lacked cars. Meyer realized early on that even many housing nonprofits in Cincinnati, supposedly devoted to providing affordable shelter, were out of the price range that Nehemiah's new hires could afford. Taking matters into its own hands, Nehemiah purchased a four-family housing unit in [2016], furnished it, and charged employees half-market rate to live there, "until they get back on their feet." Nehemiah was also conscious of employees' transport needs, buying bus tokens and organizing carpools.

Many employees' difficulties with housing or transportation had deeper financial or legal roots. With criminal records, no savings, and little or no credit history, many struggled to rent an apartment or get a loan for a house or car. Nehemiah therefore offered hires low or zero-interest loans with a local credit union, which the company would guarantee. Over time, these loans would transition from Nehemiah's backstop to traditional bank loans. Nehemiah also partnered with the commercial bank BB&T to provide seminars for employees on basic financial topics like budgeting and checking accounts, and engaged the services of a local attorney to help employees with legal needs ranging from criminal record expungements to driver's licenses. The attorney Nehemiah hired, a second-chancer herself, had between 15 and 20 Nehemiah clients at any time.

Meyer also focused on health, wellness, and education for both employees and their families. Nehemiah split healthcare costs 75/25 with employees. Early on, Meyer had found the company's healthcare costs skyrocketing, mostly because employees lacked primary care physicians and were accessing hospital emergency rooms for basic care. To address this, he hired a nurse practitioner to make regular visits to Nehemiah, advising employees on taking a more preventative approach to their health. Meyer built a fitness center at the plant (where one of the most frequent visitors was reportedly Meyer himself), and offered employees a $500 annual stipend for fitness activities. To assist a workforce ranging from fourth grade to college levels of educational attainment, Meyer hired a non-profit, Education Matters, to customize education plans for specific employees.

Nehemiah invested in efforts to build a community that brought together employees from all different levels of the company. These efforts ranged from summer cookouts to "lunch and learn" sessions with executives, in which leaders discussed corporate strategy and decision-making with line workers. Meyer also made sure that employees' families felt included in the company's mission. Each year, he would arrange the stuffing of 160 to 200 backpacks with school supplies to give to employees' children, and would host a holiday visit from Santa Claus at Nehemiah's headquarters.

At times, Merida was surprised by the degree of Nehemiah's support. Coming from government social work, she recalled her shock early in her tenure when Meyer told her one day to book a group of homeless new recruits at a local hotel and gave her his credit card: "I'm sorry, you want me to just put them up in a hotel?" she told him. "That's unheard of! I'm used to having to look up shelters, and they have openings available." Within only a few years, the infrastructure Nehemiah built generated strong word of mouth among the second-chance community. Soon, Nehemiah would be interviewing hundreds of applicants each year and staffing its entire factory floor with second-chancers.

Succeeding as Second Chancers: Two Examples

Rayshun Holt "I know they call this a second-chance company," Nehemiah production supervisor Rayshun Holt reflected, "but to tell you the truth, this is the first chance I ever got." Holt grew up in a tough Cincinnati neighborhood during the 1990s crack cocaine epidemic. After being convicted of a gangland homicide in 1997 at age 15, he was sentenced to 18 years-to-life in prison. While behind bars, he recalled, "I began to realize that I had to find a way to restore a sense of value to my life." He began taking advantage of the prison's educational opportunities, taking GED-prep and then college courses. He hoped that "one day, maybe, I would get out of prison and be able to fix some of the damage I had done to my own community." When he was granted parole after 18 years, Holt was a changed man. He remembered: "I came home and I thought I had all the tools that were necessary to get back on my feet and get ahead, but then I found out the hard way that your reputation does precede you. Even though my heart was in a good place, I couldn't convince employers of that."

After bouncing between odd jobs for several months to make ends meet, Holt found Nehemiah in 2016. He interviewed with Merida, who was immediately impressed by his poise. Two weeks later, he was invited to meet with Meyer, Palmer, and Pachko. On the strength of his leadership skills, they hired him as second shift supervisor, managing 30 line workers, where he continued to impress with his ability to learn quickly, and his empathy for those he managed. Holt was promoted in the spring of 2019 to his first office job as a commercialization manager in charge of overseeing the launch of new products. The job allowed Holt to work with the company's sales, marketing, supply chain, and R&D teams. He continued, however, to make regular trips downstairs from his office to the factory floor, "so that my example can be a beacon of hope for the workers just starting out."

Michael Taylor Operations Manager Michael Taylor was one of many Nehemiah employees with both addiction and crime in their pasts. A former addict who had served time in jail for burglary and multiple stints in rehab, Taylor managed to stay clean and off the streets after his release in 2010, but struggled to find a job. Nehemiah hired him as a line worker in 2012. He was promoted eight times over five years, through the positions of line captain, forklift operator, and production supervisor, to fill the position of operations manager by 2017. He rose from an hourly wage of $8.75 to an annual salary of $70,000.[22] "When I walked through the door they were constantly telling me there's no limit," he said. "You can raise up, raise up, raise up."[23] In 2017, he bought his first home in the Cincinnati suburb of Norwood and married a second-chance colleague he had met at Nehemiah. He was now looking to inspire Nehemiah's new hires with the same hope he had been given: "Someone took a chance on me. I want to take a chance on someone else. To be able to guide them in the right direction and to move them to have the same type of future I'm looking forward to."[24]

Many line employees were just as grateful for the opportunity Nehemiah offered them to make a dignified living and support their families. In an online post about the company, one warehouse manager wrote: "Nehemiah is not only giving me a second chance at a career, but through their Social Services they are also providing me with the resources and support to build the dreams that I have for my future. . . Their generosity has inspired a spirit of service to this community inside of me."[25] A line captain said of her experience working at Nehemiah: "I now have job skills, I'm responsible, and I'm a leader. I've learned my worth."[26]

Building the Business

Kandoo and Boogie Wipes: Marketing through Sampling

As Meyer noted, however, "none of our mission would be achieved unless we grew the business" (see **Exhibits 6** and **7**). Soon after licensing Kandoo, Nehemiah outgrew its 30,000-sq-ft. space on Findlay St., and moved to a 60,000-sq-ft. manufacturing facility in the Queensgate neighborhood of southwest Cincinnati. Nehemiah's new site, like its impoverished neighborhood, needed help—Nehemiah was its first occupant since a 2004 fire destroyed the barrel factory that had once stood there, necessitating a 15-year chemical cleanup. Around the time that it moved into Queensgate, the company purchased a separate 80,000-sq-ft. warehouse six miles away in Norwood, keeping Findlay St. as an office.

For Nehemiah's first two years, the focus was on growing Kandoo; sales rose 14% from 2010 to 2011. Relying on a single brand, however, left Nehemiah's limited retail shelf space vulnerable to challenges both from big FMCG firms and other competitors. Sure enough, in 2011 Kandoo faced such a challenge from Boogie Wipes, a company founded by two mothers who had patented saline nose wipes for children, manufactured under contract with P&G's Puffs brand.

Meyer and Palmer planned to drive Boogie Wipes out of business, but their contacts at P&G urged a different strategy. Since Kandoo and Boogie Wipes were natural complements (wipes for toddler toilet training and wipes for infants' runny noses), why not acquire Boogie Wipes instead? Meyer and Palmer agreed. Nehemiah acquired the brand and moved its packaging to Cincinnati in May 2012.

Nehemiah's approach to marketing Kandoo and Boogie Wipes relied on a small company's ability to customize and develop personal contacts with retailers and customers, allowing them to deliver more value on low-volume orphan products than a larger conglomerate. Nehemiah's marketing team put this philosophy to the test when they instituted a sampling program for Kandoo with preschools around the country, running a contest which offered free Disney cruises to mothers who signed up the most preschools. The program significantly increased Kandoo's distribution.

Encouraged, Nehemiah replicated the same model with Boogie Wipes starting in 2013, creating a sampling relationship with pediatricians' offices. The program grew to include 23,000 pediatricians nationwide by 2019, each of which interfaced directly with Nehemiah, which sent out 8 million samples per year. Over that period, annual sales of Boogie Wipes doubled from $9 million to $18 million.

According to one executive, this "hustle" was Nehemiah's advantage over its competition. As a business focused primarily on creating jobs, Nehemiah could, for instance, devote its marketing team's time to calling pediatricians' offices when larger competitors could not. "I cannot imagine," the executive said, "a large CPG company having a one-on-one relationship with 23,000 pediatricians."

New Products and New Capabilities

Over the years that followed the Boogie Wipes acquisition, Nehemiah focused on three interrelated avenues for growth: licensing, new product development, and acquisitions.

In 2013 and 2014 Nehemiah acquired licenses to manufacture and package some of the same product extensions that CP had once licensed, including cleaning products under the Dreft, Downy, and Febreeze brands. Since the Dreft and Febreeze products were liquids (and therefore relatively simple to manufacture compared with wipes), Nehemiah built new liquid blending capabilities, enabling it to add value earlier in the production chain (see **Exhibit 8**). Nehemiah's foray into manufacturing required the company to license the intellectual property for these products from P&G in addition to the packaging and marketing rights, increasing royalties due to P&G from 7% to 14% but reducing total production costs.

Nehemiah balanced its licensing strategy by expanding its Kandoo and Boogie Wipes brands, launching its own product extensions. Under Kandoo, Nehemiah used its liquid blending capabilities to introduce new product lines in children's bubble bath and hair products in 2012. Under Boogie Wipes, the company launched a new saline nasal mist and nose drop for infants in 2011 and 2018. Not all innovations worked. For example, in 2015 the company tried to parlay Boogie Wipes' saline wipe patent into an adult version of Boogie Wipes under the new brand Saline Soothers. Despite market research showing that many adults already used saline products for nasal congestion, the product was unable to secure prime retail shelf space and flopped.

In 2017 and 2018, Nehemiah made two new acquisitions. The first was Cotton Buds, a Cincinnati company which packaged travel-sized SKUs of P&G's cleaning and personal care products under the Tide, Downy, and Charmin brands. Nehemiah's adaptation of its factory lines to produce sample-size SKUs for Kandoo and Boogie Wipes gave the company the versatility to go directly into producing travel packs when it acquired Cotton Buds. In 2018, Nehemiah also acquired Sun and Earth, a natural cleaning products company from King of Prussia, Pennsylvania.

Taking the Business to the Next Level

In 2019, one year after consolidating their plant, warehouse, and offices into a new 180,000-sq-ft. facility in Lower Price Hill, Meyer and Palmer looked forward to a bright future. "We have this platform," Palmer said. "Now we need to push the gas pedal." The two executives hoped to grow both Nehemiah's top and bottom lines by 10% per year over the next five years, doubling the company's sales to $150 million by 2024, and employment to 300. Meyer and Palmer also hoped to shift the ratio of own brand products to licensed products from its current 50/50 to 70/30 through further product extensions, acquisitions and new creative approaches to marketing and e-commerce.

Marketing and Distribution

One key advantage Nehemiah had, they believed, was in marketing. In 2015, Meyer had hired Eric Wellinghoff, a young executive from P&G, as Vice President of Marketing. Wellinghoff had been a P&G employee since serving as a college summer intern in the Crest toothpaste brand. A rising star at P&G, Wellinghoff had fully expected to spend the rest of his career there. But after delivering a guest presentation on uses of social media at Nehemiah, he was captivated by the company's mission. When he accepted Meyer's offer, Wellinghoff brought a wealth of expertise in new media and online publicity and an eagerness to adopt the "hustle" mentality of his new company.

Year to year, Nehemiah spent 20% of revenues on marketing. This was a higher ratio than many competitors, but a lower total amount, meaning that Wellinghoff had to be creative in how he invested those resources. Soon after arriving, he implemented a new digital strategy, emphasizing the economical use of online advertising and cheap analytics tools like Millward Brown's eStatic. "We are obsessed with how to efficiently buy media," Wellinghoff said.[27]

But much of Wellinghoff's strategy focused on manpower, not money: "If creating jobs is the focus, rather than mass scale, we are willing to do things that are more labor-intensive," he said. Wellinghoff built Nehemiah's distribution network by applying the same one-on-one relationship approach that had built the Boogie Wipes sampling program. He reached out successfully to regional retailers around the country and developed specific co-vending relationships with makers of complementary products, where each put coupons inside their packages for the other's products.

As he deployed the company's trade-mark "hustle," Wellinghoff also looked to tap the promise of e-commerce, using it to evaluate new products and to capitalize on it as a fast-growing retail channel.

Digital and E-Commerce

At the time of the Kandoo deal in 2009, online channels generated only $70,000 in sales for Nehemiah, but by 2010 that number had grown to $800,000. Over the next several years, Amazon sales of Nehemiah's products grew by 150% a year, eventually eclipsing all but Nehemiah's two largest retail partners: Walmart and Target.

Until 2016, Nehemiah sold its products as an Amazon *first party*, meaning Amazon bought the inventory, set prices, and fulfilled orders. But executives found that many other sellers were also selling Nehemiah's products on Amazon as *third parties,* where the seller would set their own prices and arrange fulfillment. Many of these unofficial sellers were acquiring Nehemiah products at retail stores, and either selling expired product, or jacking up the price to score huge profits. "From a brand perspective," Palmer said, "this represented a major problem. It is terrible not to be able to control your sales channels." To ensure product quality and price, Nehemiah became a third party Amazon seller in 2017, offering competitive prices that lowered the attractiveness to independent third party sellers.

As the company ramped up its Amazon fulfillment, it sensed another business opportunity. Many of Nehemiah's big FMCG competitors wanted to do the same thing Nehemiah had done—retail individually to customers on Amazon and compete directly against third party sellers. But the infrastructure of large companies was not designed for direct retail; it was accustomed to selling products by case, not by piece. Accordingly, Nehemiah began selling an Amazon pack-and-ship fulfillment service to P&G and other FMCG companies.

By 2019, Nehemiah had dedicated an area of its warehouse and several employees to the Amazon business. They received inventory from companies like P&G, packed individual items, put mailing labels on them (Nehemiah printed 15,000-20,000 labels a week), and sent them back to P&G to ship to customers. Meyer and Palmer expected the Amazon business to earn Nehemiah $1-2 million in annual revenues and create six new full-time jobs by 2020.

More importantly, Amazon also gave Nehemiah new tools for selling its own products, allowing the company to conduct inexpensive market research on new extensions before launching them at scale. Through Amazon, Nehemiah could pilot new product lines at a fraction of what it would have cost previously. Now, Nehemiah could produce a new item in very limited quantities, offer it for sale on Amazon, and depending on the results, redesign the product or make well-informed go/no-go decisions. Amazon had the potential to lift Nehemiah's product development creativity to heights not conceivable just a few years before.

Spreading the Mission

Looking back on ten years in business with Nehemiah, Meyer and Palmer knew that their rapid growth would not have been possible without their high-quality workforce. But to spread their second-chance message outside Nehemiah's walls, they knew they would have to make a business case for it.

Nehemiah's success, Meyer claimed, had depended on two factors: (1) the supported employment model, which had helped most of its employees get back on their feet, and (2) the company's focus on meeting the individual needs of each employee they hired. This included their financial needs: "I will never," he said, "have anybody leave this company because they didn't feel loved, didn't get challenged enough, or didn't get paid enough." The results, Meyer believed, were that his second-chance employees were more loyal, more motivated, and more productive than the average employee. Nehemiah had fired less than 20 people in the last five years, and the median tenure of employees currently working at Nehemiah in 2019 was 3.4 years.

Several Nehemiah employees had risen through the ranks, all the way from line worker to supervisor. As production supervisor Rayshun Holt put it, "All you have to do is do your part, and upper management will notice that and do the rest." Senior employees who had started out at Nehemiah, Wellinghoff noted, provided a powerful example to new hires: "What does it mean when your supervisor is second-chance? It means that people on the line know their supervisor understands them. That's very powerful."

Quantifying Success

The metric that Meyer and Palmer relied on most heavily in gauging Nehemiah's success was employee turnover. In 2018, Nehemiah experienced a turnover rate of 15%, below the industry average (which ranged from 40% to 90% depending on the study). Relying on industry estimates that the cost of training an additional employee amounted to 16% of the employee's annual salary, Nehemiah projected the cost of training a new employee to be $3,500, resulting in a savings of $200,000 annually in training costs over a similarly-sized company (see **Table 1**).

Table 1 Estimated Savings in Hiring and Training from Lower Turnover

Number of Employees at Company	Industry Turnover (60%-90%)	Nehemiah Turnover (15%)	Annual Savings
25	$52,500-$78,750	$13,125	$39,375-$65,625
50	$105,000-$157,500	$26,250	$78,750-$131,250
100	$210,000-$315,000	$52,500	$157,500-$262,500
200	$240,000-$630,000	$105,000	$315,000-$525,000

Source: Company documents.

Turnover, however, created costs beyond onboarding new employees. Nehemiah's experience had demonstrated that the cost of bringing a new employee up to speed could mean a 20% drop in efficiency for 4-6 weeks. At Nehemiah, employees worked in two shifts (7:00 AM to 3:00 PM and 4:00 PM to Midnight), each of which had six manufacturing lines consisting of eight workers each, led by a line captain. If a Nehemiah line was producing a product which it usually produced at a rate of 2,000 cases per hour at a 10% less efficient rate (1,800 cases per hour) due to a new hire on the line, this inefficiency would add 48 incremental minutes to produce the same amount. For the entire shift, assuming a $15-per-hour average salary, this would impose added costs of $96. With an 84% turnover rate for the entire company (which Nehemiah believed some of its competitors had), this would impose an additional $144,000 cost per year on the company beyond its official turnover costs, compared to $24,000 assuming Nehemiah's 15% turnover. Pachko summed it up: "New hires kill production efficiency on our lines."

By 2015, Meyer and Palmer had started looking for ways to spread these discoveries to the business community at large. With only about 80 jobs to offer and turnover well below the industry average, Nehemiah was unable to accommodate the vast majority of the 500 applications it received each year. In order to address this glut of qualified applicants, Meyer founded a non-profit called the Beacon of Hope Business Alliance (Beacon).

Beacon of Hope Business Alliance

When Meyer established Beacon in 2015, several non-profits and government agencies around Cincinnati were already dedicated to fighting poverty through employment and transitioning formerly incarcerated people back to civilian life. Cincinnati Works, for example, was a non-profit with a $3 million annual budget whose counsellors each year placed several hundred unemployed Cincinnatians in jobs. The Hamilton County Office of Reentry, a government agency, served as a resource aggregator for recently-released prisoners looking for food, clothing, shelter, medical care, employment, education, and legal resources. But Meyer noticed that despite these and other agencies' best efforts, they were unable to find enough businesses in Cincinnati willing to hire ex-offenders. Meyer saw an opportunity to use Nehemiah's experiences to educate local businesses on second-chance hiring and place more second-chance job applicants in well-paying positions.

Meyer launched Beacon in cooperation with Cincinnati Works and the City Gospel Mission (a religious non-profit near Nehemiah's Findlay St. office), with a five-year goal of obtaining 500 job pledges for second-chance applicants. To manage it, Beacon hired Katie Schad, who had worked for two years in Nehemiah's social services department after serving as an educator at Lebanon State Prison. She was later joined by a second staffer, Elle Baker.

Beacon's model, Schad explained, was to serve as "matchmaker" between companies and second-chance applicants, meaning that she and Baker had to be equally adept at connecting second-chancers with necessary services and at coaching partner businesses on how to hire and retain second-chancers. While Beacon was willing to "meet business where they're at," Schad said, "Partner businesses had to have three qualities: executive buy-in, understanding from existing employees, and sufficient bandwidth in human resources." Without all three, Schad learned, partnerships were doomed to fail.

Schad and Baker worked with several agencies including the Hamilton County Office of Reentry and Cincinnati Works to identify second-chance applicants and make sure that each had a coach to walk them through the transition to steady employment. While Beacon relied on other organizations or employers to provide most of applicants' resources, the non-profit did provide one service: a shuttle to and from hires' jobs, for which Beacon shared costs with the employer. The shuttle and Schad and Baker's salaries were Beacon's only expenses. Income came from donations and an annual benefit golf tournament where, Meyer joked, he would "shake down" Nehemiah's suppliers for donations.

By 2019, Beacon had obtained 505 second-chance job pledges from 70 different employers. Client companies ranged from massive retailers like supermarket giant Kroger to midsize manufacturing companies like Gorilla Glue to neighborhood landscaping or home maintenance service providers; and stretched geographically from Batesville, Indiana to Columbus, Ohio (though most were located in greater Cincinnati).

A few clients went all-in right away. Kroger, one of Beacon's high-volume clients, had previously had a policy against hiring felons. After working with Beacon in 2016, however, the company changed those policies and hired 40 new second-chance employees for one of its operations. But Schad and Baker knew that few businesses new to second-chance hiring were likely to hire 40 employees at once. "It's not a bad thing to dip your toe in the water first," Baker explained.

Beacon's clients experienced similarly low turnover to Nehemiah among their second-chance hires (26.7% in 2017 and 15.1% in 2018), and the program's benefits, Palmer said, were societal in scope. While it could be difficult to prove causation, Meyer and Palmer believed that Nehemiah and Beacon's model was having an impact on recidivism rates in Cincinnati. Between 2010 and 2018, 3-year recidivism rates in Hamilton County had fallen from 32% to 27.7%.[28,29] But Beacon's "value-ads," Palmer noted, went beyond the numbers. Beacon, he said, allowed the "sharing of best practices, not only from what we're doing here at Nehemiah, but from other companies who are applying second-chance hiring differently. Having that point of view on what's working and what's not is a huge part of Beacon of Hope's value."

Meyer and Palmer believed Beacon demonstrated that Nehemiah's model was translatable. In 2017 and 2018, they began to take their lessons on the road, sharing best practices with businesses at conferences in New Orleans, Houston, and Charlotte. With 2,500 people getting out of jail every week in the U.S., Meyer said, "the only way to change attitudes on hiring is for businesses to lead. It can't be the government, can't be non-profits. It has to be business."

Where to Go from Here

As Meyer headed out to the barbecue, he smiled at the thought of how far Nehemiah had come. But while his company's future looked promising, a few uncertainties weighed on his mind.

Prioritizing Jobs in an Automated World

Even before Nehemiah became a second-chance company, Meyer and Palmer had one priority above all: to create jobs. At times, this had meant following a business plan that prioritized employee touch over automation. In the Cotton Buds acquisition, Meyer and Palmer had doubled down on Nehemiah's investment in travel and sample-size SKUs, which generally required more man hours on the factory floor than larger retail units. Wellinghoff's marketing strategies, which emphasized individual contacts and customization over outsourcing, were similarly labor-intensive.

On the factory floor, eight-person lines around a conveyer belt still did all manufacturing and packaging, with humans performing many of the tasks (like bottle-filling or cap-screwing) that were done automatically elsewhere. Meyer had repeatedly refused to add automation at Nehemiah: "People come in all the time to tell me they can automate all these lines, and I tell them our business is to create jobs." But as Nehemiah expanded, what was the right balance between labor and automation, especially at a time when technology was profoundly changing the economics of the workplace?

This question also had ramifications on Nehemiah's choices about who to hire. Until 2019, the only factors Nehemiah had considered in hiring were an applicant's need for a second-chance and ability to take advantage of one. The company had hardly considered the physical requirements of the job. However, Meyer had started to notice that his workforce was aging. Given the physical demands of the job—standing up for several hours at a time and doing some heavy lifting—should physical ability factor into the hiring process? Or should technology and equipment be brought in to lighten the load?

And, ultimately, what was the right balance between Nehemiah's growth opportunities and its employment mission? Especially with the promise of e-commerce, Palmer and Wellinghoff saw vast opportunities for the company to grow rapidly. But should Nehemiah limit its expansion to the rate at which it could add second-chancers or was it time to return to a mix of employees? If growth was exponential, to keep up would require tilting the balance towards conventional workers, at least for some time. What would this mean to Nehemiah?

Marketing the Mission

A second question concerned the relationship between Nehemiah's mission and its products. When Wellinghoff had taken over as marketing director in 2015, he had reenergized a discussion that had surfaced from time to time: to what extent should the company highlight its second-chance hiring in its marketing and products? Since founding the company, Meyer and Palmer had been adamant, Wellinghoff recalled, about not "beating our chest about the mission in our products." The reason, Palmer said, was simple: "At the end of the day, the mission doesn't really make a difference as to whether they're going to put our products on their shelves or not, because numbers drive that."

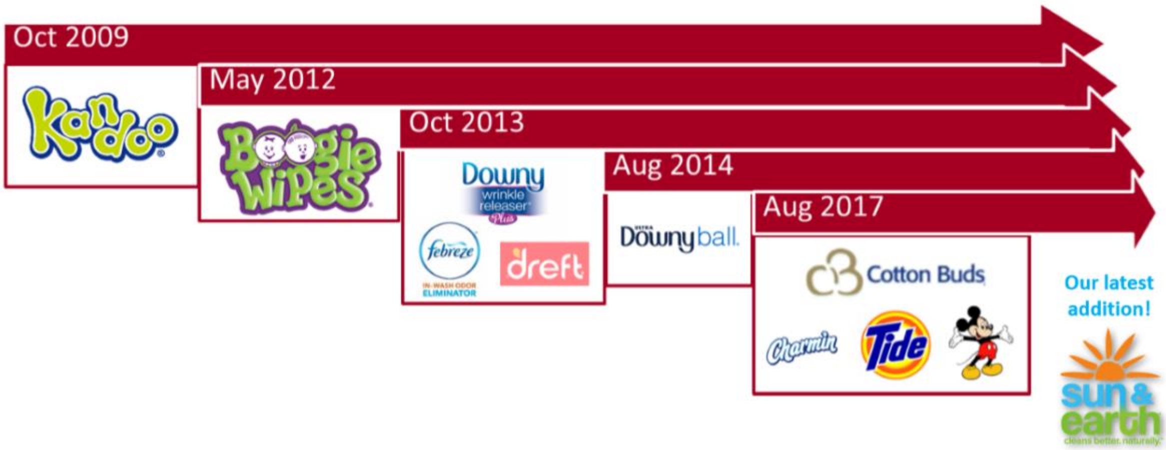
But Wellinghoff thought that from a marketing perspective, the message's time had come. In [2016], Nehemiah had begun cautiously experimenting with cause marketing. Wellinghoff had created a "second-chance" logo (see **Exhibit 9**) that Nehemiah began printing on its packages, and had begun putting hangtags describing the mission around bottles of its liquid products. Wellinghoff also used the internet to begin spreading awareness about the mission. In 2017, Nehemiah applied and was chosen to be featured on Google's Small Business Stories video series. Google and Nehemiah created a video featuring one employee—an Iraq veteran recovering from a combat injury who had become addicted to painkillers and ended up homeless before finding Nehemiah.

Meyer wondered whether Nehemiah should go even further. In recent years, many examples of the positive commercial impact of "cause marketing" had surfaced, such as clothier Patagonia or eyeglass company Warby Parker.[30] Perhaps Wellinghoff was right, Meyer thought, and it was the right time to place Nehemiah's second chance model at the core of its public image. After all, how many of its competitors could make such a claim?

Beyond Second-Chance Employment

These questions led Meyer to one more nagging, existential question about Nehemiah's mission. What if the business world at large adopted Nehemiah's example and made second-chance hiring a standard practice? Might Nehemiah be a victim of its own success and lose its competitive advantage in loyalty and low turnover? Would it be time for the Meyer, Palmer, and Williams to declare victory, sell Nehemiah, and search for another problem to solve?

Exhibit 1 Nehemiah Product Acquisition Timeline, October 2009 to August 2017

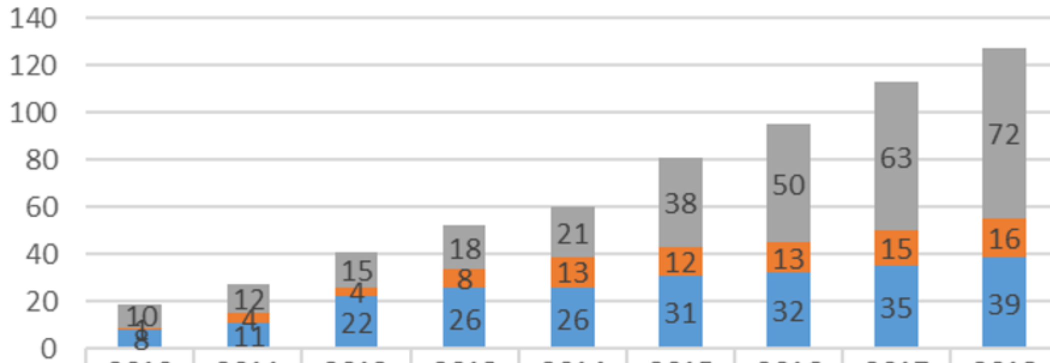


Source: Company documents.

Exhibit 2 Nehemiah Product Portfolio in 2019

Source: Company documents.

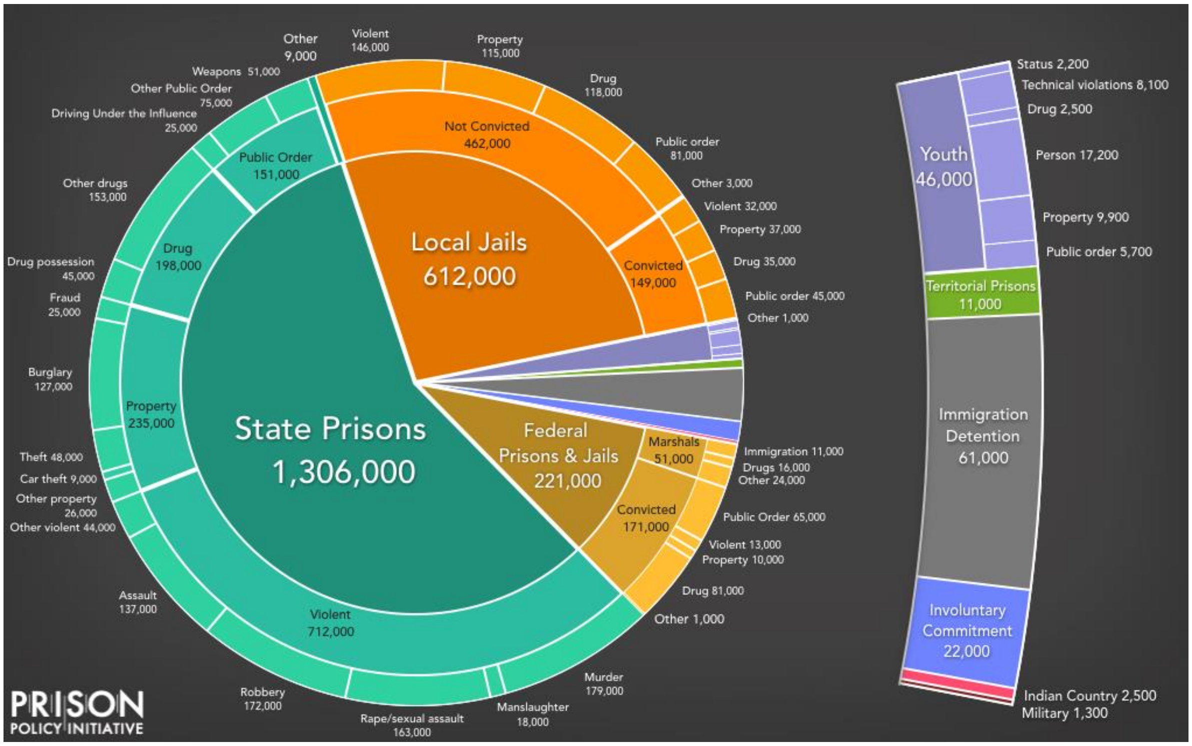
Exhibit 3 Nehemiah Annual Employment Levels, 2010 to 2018



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Production	10	12	15	18	21	38	50	63	72
Warehouse	1	4	4	8	13	12	13	15	16
Office	8	11	22	26	26	31	32	35	39

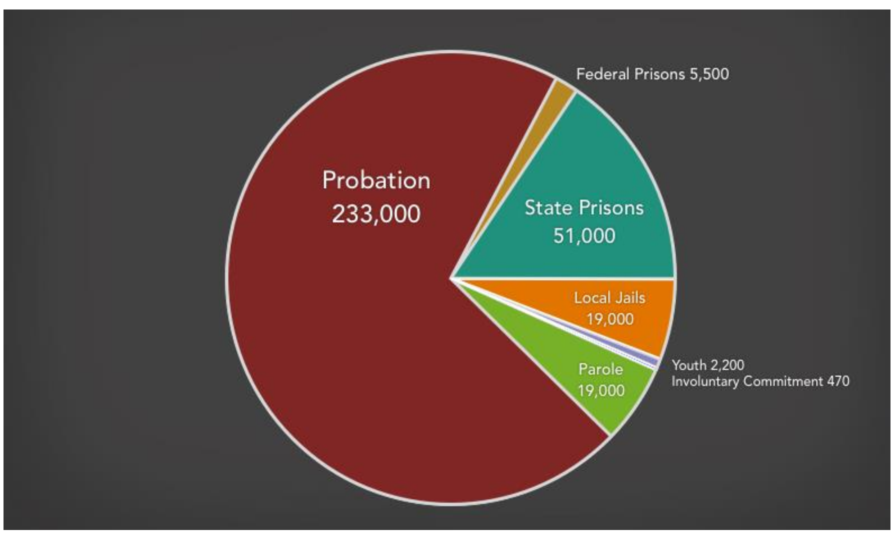
Source: Company documents.

Exhibit 4a Breakdown of the U.S. Prison Population by Location and Type of Offense, 2019



Source: Wendy Sawyer and Peter Wagner, "Mass Incarceration: The Whole Pie," Prison Policy Initiative, March 19, 2019, https://www.prisonpolicy.org/reports/pie2019.html, accessed June 2019.

Exhibit 4b Breakdown of Correctional Population in the State of Ohio, 2019



Source: "Ohio Profile," Prison Policy Initiative, https://www.prisonpolicy.org/profiles/OH.html, accessed June 2019.

Exhibit 5 Time Served in State Prison by Most Serious Offense, 2016

Most serious offense	Percent of total releases	Time served in prison[a] Median[b]	Mean
All offenses	100%	1.3 yrs.	2.6 yrs.
Violent	28.7%	2.4 yrs.	4.7 yrs.
Murder[c]	1.9	13.4	15.0
Negligent manslaughter	0.7	4.0	5.2
Rape/sexual assault	5.0	4.2	6.2
Robbery	7.4	3.2	4.7
Assault[d]	11.0	1.4	2.5
Other violent[e]	2.6	1.6	3.1
Property	27.4%	13 mos.	21 mos.
Burglary	11.4	17	26
Larceny-theft	7.2	11	17
Motor vehicle theft	1.3	12	17
Fraud[f]	4.0	11	17
Other property[g]	3.5	12	19
Drug	24.4%	14 mos.	22 mos.
Possession	7.6	10	15
Trafficking	9.3	17	26
Other drug[h]	7.4	14	23
Public order	18.7%	13 mos.	20 mos.
Weapons	5.5	16	24
Other public order[i]	13.3	12	19
Other/unspecified	0.8%	13 mos.	27 mos.
Number of releases	377,839	~	~

Source: Danielle Kaeble, "Time Served in State Prison, 2016," Bureau of Justice Statistics Bulletin, U.S. Department of Justice, November 2018, https://www.bjs.gov/content/pub/pdf/tssp16.pdf, p. 4, accessed July 2019.

Exhibit 6a Nehemiah Income Statement, 2013-2018 (USD)

	2013	2014	2015	2016	2017	2018
Net Sales	**30,922,874**	**42,757,692**	**45,500,787**	**47,621,594**	**51,193,662**	**59,384,060**
COGS	16,588,228	21,857,149	22,039,184	21,356,861	23,131,210	26,720,421
Gross Profit	**14,334,646**	**20,900,543**	**23,461,603**	**26,264,733**	**28,062,452**	**32,663,639**
Sales & Marketing	8,103,721	11,714,414	13,476,425	14,473,097	16,181,291	17,449,848
Commissions	768,859	979,861	1,018,260	1,094,168	1,235,807	1,319,584
SG&A	4,284,269	4,969,730	5,654,320	7,124,938	6,739,762	8,231,927
Operating Income	**1,177,797**	**3,236,538**	**3,312,598**	**3,572,530**	**3,905,592**	**5,662,280**

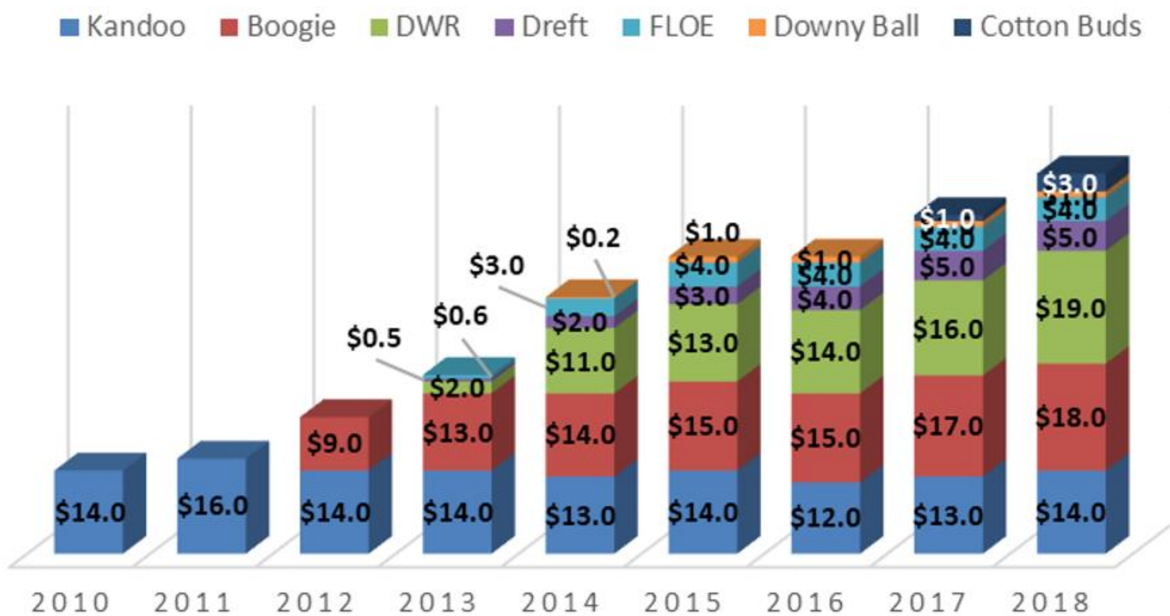
Source: Company documents.

Exhibit 6b Nehemiah Balance Sheet, 2013-2018 (USD)

	2013	2014	2015	2016	2017	2018
Assets						
Current Assets	9,208,878	8,889,989	10,052,601	9,625,294	22,430,319	15,395,959
Property & Equipment net accumulated depreciation	2,487,871	2,514,081	3,338,177	3,350,995	6,628,518	13,420,375
Other Assets	3,942,823	4,000,514	3,691,186	3,386,280	4,939,144	5,046,864
Total Assets	15,639,572	15,404,584	17,081,964	16,362,569	33,997,981	33,863,198
Liabilities and Members' Equity						
Current Liabilities	7,775,029	6,575,270	7,576,308	7,527,010	11,837,383	9,770,489
Long-Term Debt	1,783,432	2,219,167	1,404,167	609,167	6,798,199	6,457,969
Members' Equity	6,081,111	6,610,147	8,101,489	8,226,392	15,362,399	17,634,740
Total liabilities & members' equity	15,639,572	15,404,584	17,081,964	16,362,569	33,997,981	33,863,198

Source: Company documents.

Exhibit 7 Nehemiah Annual Sales by Product Line, 2010-2018



Source: Company documents.

Exhibit 8 Overview of Nehemiah Company Capabilities

- CPG Sales/Marketing/Distribution/Manufacturing
- Innovation/Incubation of New Products/Concepts
- Liquid Blending/Filling
- Packaging/Assembly—Bags, Flow Wrap, Cartons, Shrink, Multipack, Gift Packs, Kits, etc.
- Special Packs/Displays/Pallet Programs
- Sample/Travel Size SKUs
- Amazon/Ecommerce Management and Fulfillment
- Consumer/Professional Sampling

Source: Company documents.

Exhibit 9 Nehemiah Second-Chance Logo

second chance

2C

employees

Source: Company documents.

Appendix A Incarceration and Recidivism

The U.S. was the most incarcerated country in the world in 2019, with around 2 million Americans behind bars, constituting 0.8% of the country's 18-and-older population.[31,32] The "correctional population"—both incarcerated individuals and those on parole and probation—was 6 million, about 2.6% of the population.[33] In 2019, approximately 1.3 million Americans were being held in state prisons, 600,000 in local jails (awaiting trial or serving short sentences), and 200,000 in federal prisons.[34] 46,000 juvenile offenders (under age 18) were held in separate prison systems.[35]

The U.S. correctional population exhibited significant disparities from the general population by both race and gender. Compared to a general population that was 61% non-Hispanic white, 18% Hispanic or Latino, and 13% black, those numbers were 45%, 15%, and 38% respectively among the recently paroled population.[36] 87% of the recently paroled were male.[37] Of those serving the longest 10% of prison sentences nationwide, mostly for violent crimes, 56% were black and 98% were male.[38]

Both Ohio and Cincinnati were near the national average in incarceration: 71,000 Ohioans were behind bars in 2018, representing 790 per 100,000 in the general population above age 18, compared to the national rate of 850 per 100,000.[39] Each year, 400,000 inmates were released from prison nationally, and 6,000 into the Cincinnati area. Those inmates faced a range of challenges reintegrating into their families and communities, challenges that made a return to prison after release (*recidivism*) likely.

Reducing recidivism had been a priority for the criminal justice system and prison reform activists since the 1990s, leading to the creation of a range of "prisoner reentry" programs around the country, piloted by state and local government, non-profits, and faith-based organizations.[40] These programs focused on easing pain points that accompanied reentry into society after release—particularly housing and basic needs, employment counseling and job training, education, and legal services.[41]

The evidence on whether anti-recidivism programs were actually delivering those results, however, was inconclusive. A top evaluation program found that of 101 anti-recidivism programs nationwide, only four had a conclusive downward effect on recidivism rates, 58 were "promising" but required further evaluation, and 39 had "no effect." Said one skeptic: "The Justice Department has poured significant funding resources into prisoner reentry programs. To date, however, we do not know enough about what works in helping former inmates safely and successfully reintegrate into society."[42]

The results of job training anti-recidivism programs were particularly hotly contested. Evidence showed that job training programs for ex-offenders had proven to have little effect on recidivism rates by 2019. One reason for this was that job readiness did not guarantee a job. Though studies had shown that stable employment could reduce recidivism by as much as 31%, few employers were willing to take on the risk of hiring an ex-offender.[43] Many employers worried about high turnover, but others were concerned about accusations of negligent hiring in the event of a workplace incident.

Some activists who saw the job market as stacked against ex-offenders advocated government action to promote the hiring of ex-offenders. The most popular legislative approach was "Ban the Box," a campaign which aimed to prohibit employers from asking job applicants about their criminal history in job applications, or only to allow them to ask late in the hiring process. By 2019, 35 states in the U.S. had "Ban the Box" laws regulating private employers' recruiting practices. As former president Barack Obama argued in a 2015 speech advocating Ban the Box: "We're not suggesting ignore [a criminal record]. What we are suggesting is that when it comes to the application, give folks a chance to get through the door."[44] Opponents, however, argued that the laws hurt employment prospects for ex-offenders by encouraging employers to discriminate against applicants from demographic groups most statistically likely to have criminal records (i.e., "young, low-skilled, black men").[45]

Appendix B The Opioid Crisis

"Opioid" drugs included a range of controlled substances from prescription pain medications such as OxyContin, Percocet, and Vicodin, to illicit injectable street drugs such as heroin.[46] When used properly, opioids could relieve severe pain by inhibiting the function of nerve cells in the brain and body, but when abused, they altered users' body chemistry, creating a physical need for the substance.

While opioid use had declined in the U.S. since a surge in the 1970s, it began to rise again in the early 2000s.[47] Experts suspected to two main causes for the rebound: the medical system's over-prescription of opioids, leading patients to turn to heroin when their prescriptions grew insufficient to support the addiction (one study found that 80% of heroin users first used prescription opioids); and the early-2010s appearance of new, more powerful synthetic forms of heroin such as fentanyl.[48,49]

Opioid addiction also carried a range of health risks, the most acute of which was overdose, which could cause permanent brain damage within four to five minutes.[50] In 2017, opioid overdoses claimed 70,000 lives in the U.S.[51] Starting with the introduction of synthetic opiates in 2012, America's annual overdose death rate skyrocketed.[52] The epidemic was nationwide and diverse, affecting both men and women across the income scale in both urban and rural areas.[53] Victims' ages varied, though one study found the average age to be about 23.[54] Nationally, the accidental death rate from opioid overdoses grew by 50% between 2014 and 2017, to surpass the death rate from auto accidents.[55]

The opioid epidemic hit Ohio and Cincinnati hard. In 2017, Ohio's annual opioid overdose death rate of 39.2 per 100,000 was the second-highest in the U.S., almost triple the national average.[56] The biggest culprit in this rise was fentanyl. Fentanyl deaths rose by 2500% between 2012 and 2017, to comprise 3,523 out of Ohio's 4,293 opioid deaths.[57] Another measure of illicit drug use—new HIV cases among drug users—increased by 250% in Cincinnati between 2016 and 2017.[58] U.S. Senator Rob Portman, a Cincinnati native, wrote in a 2018 op-ed: "The refrain I hear across Ohio about the opioid epidemic is clear: People are desperate for hope, they want solutions."[59]

Drug rehabilitation was a $35 billion industry in the U.S. by 2015.[60] In Cincinnati, the online treatment connector FindLocalTreament.com was used 10,000 times in the three months after launching in 2018; 45% of the time it was used to search for heroin and fentanyl treatment resources.[61] But many users did not have health insurance or disposable income when they hit "rock bottom," leaving them unable to afford treatment. In 2016, about 21 million Americans (7.8% of the over-age-12 population) needed treatment for drug or alcohol addiction, but only 3.7 million (1.4%) received it.[62]

For recovering addicts, putting their lives back together after rehab could be as difficult as getting clean. Frequently, they returned to families or work situations damaged by their drug use and their time away in rehab. Addicts remained in recovery for the rest of their lives, consistently working to avoid the people, situations, or other "triggers" that could bring them back to drug use.[63] Between 40% and 60% of drug addicts "relapsed" (returned to using) after getting clean, though the relapse rate for those who received medication-assisted or inpatient treatment was better.[64,65]

Many observers noted how important employment was for establishing the dignity, stability, and support network that recovering addicts needed.[66] According to one policy advisor, "one of the most important things that people in recovery talk about is how it feels, with their self-worth and identity, getting employed again."[67] Many addicts, however, found it difficult to find a steady job after getting clean. Cautious employers worried about risk of accidents, relapses, turnover, and retraining costs if they lost recovering employees.[68] A 2018 study found that the unemployment rate among recovering addicts looking for work was three times the national unemployment rate.[69] For job applicants who also had a criminal record, the odds were even worse.[70]

Endnotes

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