

The Most Difficult Social Enterprise of All

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Social firms, a unique approach to social enterprise, are successful commercial enterprises that play a significant but generally unrecognised role in supporting employment readiness by creating employment opportunities for people with learning disability or mental health problem, a prison record or experience of homelessness.

Social firms, with their emphasis on creating employment opportunities for people, are little understood

These days, social enterprises are beginning to be recognised as organisations that have social and /or environmental missions, in addition to a focus on the financial bottom line and which generally recycle their profits to further their missions, rather than distributing it amongst shareholders. There is no strict definition of social enterprises generally and latest estimates of the wider social enterprise sector show there now some 68,000 social enterprises, contributing £24bn to the economy. They have a wide variety of forms and functions from larger co-operatives, public sector 'spin-out' bodies, community and international development organisations through to micro businesses. 23% of some 900 social enterprises surveyed by Social Enterprise UK (the sector's umbrella body) in 2013 employed some people facing disadvantage in the labour market (such as long term unemployment, history of offending or disability).

It is this focus on overcoming the most intractable barriers to work (such as having a learning disability or mental health problem, a prison record or experience of homelessness) that distinguishes social firms from the wider social enterprise sector. There are two main forms of social firms. Under the employment social firm model, at least 25% of employees face a major labour market disadvantage and 50% of income is generated through trading their goods and services. In addition, there are employability social firms that aim to increasing the chances of people facing the major barriers to work to gain employment, by offering basic work skills, arranging work experience, job-seeking and interview skills.

Social Firms UK www.socialfirmsuk.co.uk, which was set up in 1999 to support the growth of social firms in the UK (when there were only 5 employment social firms in the UK), has identified over 200 employment



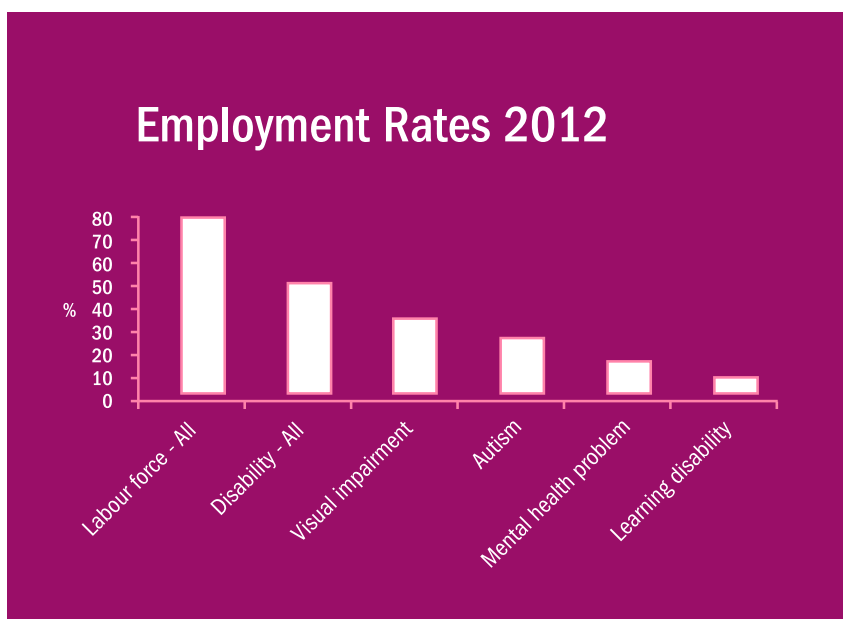
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social firms. The number of employability social firms is less clear but extrapolating from the Social Enterprise UK survey they are most likely to be several thousand.

As is so often the case, it's not until you scratch beneath the surface you can see the real picture. The need for social firms is abundantly clear when you compare the employment rates for people facing different types of disability. The chances of employment for people with a prison record or experience of homelessness are similarly slim. Only 11% of ex-prisoners are in employment a year after release and just 15% of homeless people are in work.



Social Firms UK's vision is that everyone should have the opportunity to be employed. We know that social firms can and do help to achieve this. Enabling people in the situations just mentioned to gain and retain employment, and to experience the self-esteem, independence and other positive rewards that employment brings is the driving force behind social firm start-ups. Social firms include organisations like Blue Sky <http://www.blueskydevelopment.co.uk> - whose strange boast it is that they only employ people with a criminal record; Hao2, <http://www.hao2.eu/> where employees are usually on the autistic spectrum, and Pack-It <http://pack-it.com>, a social firm in Cardiff, now replicated in Hereford, where employees who were not only previously on disability benefits, but also in receipt of local authority care, are now the main breadwinners for their families.

Social firms offer a different model, and a model that works. This contrasts with government schemes such as the Work Programme, which has been notably unsuccessful in its attempts both to meet the needs of jobseekers facing major barriers to the work place, and to encourage employers to give such jobseekers

a chance. The Government has also now removed its support for Remploy, the factories it set up to employ disabled people, taking the line that disabled people should not be segregated from the mainstream labour market. As the figures above show, this might work for some disabled people, but it is unlikely to work for all.

The values of 'Enterprise, Employment and Empowerment' encapsulate what employment social firms are all about. The quality goods and services they offer range from grounds maintenance, to contract catering, from picture framing to market research and from kitchen manufacturing to virtual reality work and conference facilities. The high proportion of employees facing major disadvantage in the labour market has considerable cost implications for the business, because these employees need higher levels of support to remain in work. The cost of providing this support, and in some cases the lower productivity rates that might apply for example with employees with learning disabilities, need to be built into the business model. Practical research by Social Firms UK has uncovered that the average additional support cost per individual employee is £3,000 a year.

Meanwhile, to achieve their social mission it is imperative that employment social firms are successful businesses that can compete with a quality offer in the open market. Social Firms UK's most recent published research showed that the majority (74%) of social firms generated at least 75% of their income through trade and there is a strong desire amongst all social firms to be financially independent and not reliant on any grant funding. Making this work, particularly with the additional support costs implies very complex business models indeed, like running two or more synergistic trading activities. For example a hotel and training in hospitality work that effectively cross-subsidise each other within the shell of a larger enterprise.

These social firms require specialist business advice. But the withdrawal of public funding means that specialist support is harder to find and to fund. And for most growing social firms, generic social enterprise loan funds are too large for them to access. There is a need for small and agile loan funds and grants to purchase new or replacement equipment to maintain efficiency, but most sources have minimum loan levels which are way beyond the needs of the majority of social firms. In 2013 Social Firms UK piloted small grants to purchase specific equipment or training, which was able to fill this gap for a few social firms.

Another challenge facing social firms is how to market themselves – getting the balance right between 'being good' and 'being good at'. The message that they produce excellent quality goods and services gets lost if the customer focusses on the employment of disadvantaged people. And many social firms would not want to make a feature of the particular characteristics

of their employees. So some social firms choose to remain coy about their additional social benefits. However, in order to promote social firm businesses, Social Firms UK set up the Just Buy online trade directory http://www.justbuy.org.uk/?page_id=640, which contains contact and product details of its member social firms.

Social Firms UK has estimated that the social firms subsector account for savings of some £40m in welfare payments, £20m in healthcare costs and £1m in social services costs. It is becoming more and more important for individual social firms to demonstrate their particular social impact can help social firms to attract grants and investment and to win contracts independently or as part of a supply chain. However, given the additional costs of employee support, and the difficulty of accessing finance, individual social firms can find themselves in a vicious circle of not being able to free up the resource and time to develop the necessary measurement systems in order to capitalise on the obvious social impact they make.

The many social firms that exist are not just evidence of the genius of social entrepreneurs and the ability of those previously written off by society to actually make their contribution to it, they are evidence of

the systemic failure of the wider business world to create employment where it's most needed, as the employment rate figures above demonstrate. Even the public sector, for all its equal opportunities machinery, does no better than the private sector when it comes to employing disabled people. Meanwhile, targeted public sector practical and financial support for growth in the social firm sector, which could help address this systemic failure, is sadly lacking. The corporate sector can and does have a role to play by mentoring social firms' managers and by including social firms in their supply chains.

To conclude, it is precisely because this kind of social enterprise is the hardest of all that makes it so inspirational. And it doesn't stop at the difficulty of making a business work with an automatically higher cost base. Social firms are not just about creating jobs for disabled and disadvantaged people; they are also experiments in a whole new way of doing business from the inside, of people relating to each other in a more inclusive and integrated workplace. Really, this is social enterprise's cutting edge, and it often challenges not only conventional business wisdom, but also the social enterprise movement itself.

¹ *Social Enterprise Market Trends, Cabinet Office 2013*

² *The People's Business, Social Enterprise UK 2013*

³ *Can the Work Programme work for all user groups? Parliamentary Select Committee on Work and Pensions, 2013-14 Session.*

⁴ *Social Firms UK Mapping 2010 www.socialfirmsuk.co.uk/resources/library/social-firm-sector-mapping-2010*

⁵ *Based on: fiscal value of employment set out in David Freud's independent report to the Department for Work and Pensions 'Reducing Dependency, Increasing Opportunity: options for the future of welfare to work'; social return on investment (SROI) methodologies; and a series of SROI studies of social firms employing people with mental health problems.*