

Social Enterprise *and* Employment *in the* UNITED KINGDOM

JAMES KENNEL

Rebalancing the Economy

How do we create sustainable livelihoods in the post-crisis economy of start-ups, the knowledge economy, and social entrepreneurship? The UK government aims to rebalance the economy back toward manufacturing and away from services. “Rebalancing,” itself a poorly defined concept, would seem to be a difficult endeavor, given the government’s *laissez-faire* attitude toward any kind of industrial policy; the austerity measures currently underway in the UK prevent either the infrastructure investment or fiscal stimulus that could catalyze new private sector investment. Achieving this rebalancing would mean turning back the tides of change that have followed from the seismic impacts of industrial restructuring. The dramatic collapse in industrial capacity that began in the mid-1970s in the UK led to the eventual shedding of more than four million manufacturing jobs, whilst employment in the knowledge economy, which saw dramatic growth in education, health, and financial services, grew by 97 percent from 1971–2010.¹ These are long-term trends that cannot be reversed by the actions of one government.

It has been estimated that one in five businesses in the UK is driven primarily by a social goal.

The growth in the knowledge economy has been uneven. Many of the new jobs created have been in the prosperous South-East of England and in London, and the former industrial heartlands of the North and the Midlands have failed to attract the new high-value industries that were part of the post-Thatcher economic boom. These areas need new jobs, but also new *kinds* of jobs.

Social Enterprise

With the public and private sector shedding workers, the third sector is seen by the UK government as a major driver of the economic growth needed to help the UK pull out of recession. The government sees a role for social enterprises as businesses that can provide innovative new solutions to public service delivery, the management of social issues such as worklessness and health and the creation of jobs that meet the social and economic challenges facing some of the country’s most deprived areas.² It has been estimated that one in five businesses in the UK is driven primarily by a social goal and that these contribute around £97bn to GDP. In this article I will examine job creation in this sector, asking whether these businesses can provide the new kinds of jobs needed in the most depressed areas of the UK.

Many contemporary third-sector organizations contain a strong voluntary and/or charitable component to their work, but act in entrepreneurial, business-like ways. Increasing numbers engage in forms of social enterprise—generating profitable business for socially sustainable ends. Some of these businesses have evolved from charitable and voluntary groups wanting to avoid the constraints imposed by the regulation of charities and to develop a more entrepreneurial attitude to social change, whilst others have been started from scratch by social entrepreneurs, mostly young, well-educated, and motivated to achieve social change.³

Employment in Social Enterprises

We can split social enterprise employment into three categories. The first is that of social entrepreneurs themselves. Secondly, there are job opportunities created by social enterprises to deliver their services. Finally, there are jobs that are created as part of the mission of the social enterprise.

In the UK there is an opportunity for the socially minded to succeed in business, either as social entrepreneurs, growing their own social enterprises, or as social intrpreneurs, applying the philosophies of social enterprises within mainstream firms keen to develop their corporate social responsibility (CSR) agenda.⁴ The combined turnover of the UK's top five social enterprises in 2011 was £266.6m and the SE100 (a listing of the top 100 social enterprises in the UK) showed average growth of 79 percent, compared to FTSE100 growth of 5 percent and SME growth of around 9 percent.⁵ Thirty-nine percent of all new social enterprise start-ups take place in deprived communities.⁶ The business opportunities presented by social enterprise make it an attractive marketplace for entrepreneurs to enter, and in this sense, social enterprise is creating new kinds

of jobs and opportunities. However, these are limited in number and restricted to those with the social and financial capital to take them.

For social enterprises working in areas of deprivation, job creation is the most common business objective. Social enterprises employ more people relative to turnover than small and medium enterprises (SMEs) generally,⁷ and they are undoubtedly creating new employment opportunities. Yet, a large proportion of these businesses are small, and they also make great use of volunteers, so their presence in areas suffering from the impacts of industrial restructuring tends not to have a significant impact on local unemployment. However, they may create progres-

For social enterprises working in areas of deprivation, job creation is the most common business objective.

sion and training opportunities for individuals with significance at the hyperlocal level. For example, the “Forest Recycling Project” in east London has a team of six FTE staff, but make use of around thirty volunteers on the project at any one time. These volunteers are attracted to the project

through their offer to provide: “work experience and subsequent references, valuable transferable skills, a series of social events, and the chance to make a difference in your community.”⁸ In this manner, the project offers a gateway into sustainable employment.

Finally, some jobs are created as part of the mission of the business. Twenty-five percent of social enterprises recently surveyed said that they actively employed



people who were suffering from disadvantage in the labor market, including the long-term sick, disabled, and offenders.⁹ “Bristol Together” is a social enterprise that aims to create full time jobs for two hundred ex-offenders on a property-refurbishment scheme, funded in part through a charitable grant and partly through the issue of a social impact bond from the organization, which will enable it to develop its commercial activities.¹⁰ These jobs present a number of issues: they are usually helping people who are excluded from the workforce for some reason to enter productive employment. In some cases, this is an end in itself; in others, this is a progression into the mainstream workforce. As such, these jobs are playing at the margins of unemployment rather than addressing the structural issues that are the cause of rising unemployment and inequality.

Conclusion

Social enterprise, then, cannot be the solution to creating jobs in the new economy in terms of addressing the impacts of industrial restructuring and the recent financial crisis in the UK. Although it provides a new field for entrepreneurship, the barriers to entry are no lower than for entrepreneurship in other areas, and these individual opportunities are not the remedy to mass unemployment. It can create new jobs, and it does this often in areas where job creation is at extremely low levels, but the opportunities that it creates are small in number

Often, social enterprises create jobs for the most marginalized in the labor market, but the impacts of this beyond the hyperlocal level are hard to discern.

and may make their most positive contribution to the labor market in terms of providing training opportunities and creating gateways into employment. Often, social enterprises create jobs for the most marginalized in the labor market, but the impacts of this beyond the hyperlocal level are hard to discern.

Ultimately, the lessons to be learnt from job creation in social enterprise are qualitative. Social enterprise shows how jobs can be created in areas of multiple deprivations and how these jobs can address issues of labor market exclusion. The share of turnover devoted to labor in these enterprises is higher than in mainstream businesses, and they also make a greater investment in staff training and development. Despite this, research in the UK shows that social enterprises are growing at a faster rate than both the largest limited companies in the country and also SMEs, suggesting that growing investment in labor is not a barrier to growth. Social enterprises are also inclusive businesses, employ higher numbers of women and minorities than standard firms, and include a wide range of staff in their decision making. The UK government’s recent support for the growth of social enterprises, through the opening up of public service monopolies and promotion of the social investment marketplace, may create efficiencies in the management of the state and financial opportunities for investors, but it is unlikely to stimulate job creation on anything like the scale needed to address

the deeper problems currently affecting the UK’s labor market.

NOTES

1. C. Levy, A. Sissons, and C. Holloway, “A Plan for Growth in the Knowledge Economy,” Report, *Lancaster University, Work Foundation* (June 29, 2011).
2. G. Hampson, “Social Firms ‘Hoovered’ by Government for Job Creation Initiatives,” *Social Enterprise*, July 7, 2010, <http://www.socialenterpriselive.com/section/news/policy/20100707/social-firms-hoovered-government-job-creation-initiatives>.
3. P. Scheurer, “Profit with Purpose,” in *The Next Ten Years*, ed. N. Seddon (London: Reform, 2012), 206–09.
4. SustainAbility, *The Social Intrepreneur: A Guide for Corporate Changemakers* (London: SustainAbility, 2008).
5. Royal Bank of Scotland, *RBS SE100 Index 2011* (London: RBS, 2011).
6. Social Enterprise UK, *Fightback Britain: A Report on the State of Social Enterprise Survey 2011* (London: Social Enterprise UK, 2011).
7. Ibid.
8. Forest Recycling Project, 2012, <http://www.frponline.org.uk/volunteering/current-volunteering-opportunities/>.
9. Social Enterprise UK, *Fightback Britain*.
10. A. Holt, “Triodos Raises Social Impact Bond for New Enterprise” in *Charity Times*, 2011, http://www.charitytimes.com/ct/Triodos_raises_Social_Impact_Bond.php.

James Kennell

James Kennell is Director of the Economic Development Resource Centre at the University of Greenwich Business School in London, UK, where he is also a Senior Lecturer in Tourism and Regeneration.