



# Speech at the Skoll World Forum on Social Entrepreneurship, 26 March 2008

Transcript of a speech by Phil Hope MP, Minister for the Third Sector at the Skoll World Forum on Social Entrepreneurship

My perspective today is as a British, Labour politician – so when I hear about great social progress, about new steps to tackle injustice, I don't just look around at the world as it's taking shape today, but I think back to the foundation of the modern welfare state sixty years ago.

Many of you will know how the Beveridge Report wrote the blueprint for our social protection – how an Indian-born academic, with a two hundred thousand -word, detailed analysis of technical challenges, caught the public imagination by talking about “five giants on the road to reconstruction”. It sold 600,000 copies – one commentator has said that it may rank alongside Stephen Hawking's ‘A brief history of time’ as one of the most bought, least read books ever published in Britain.

What I want to talk about today is how the world we look at now is stalked by new giants, that threaten us more than ever as communities, not just individuals...

...How this means a particular role for social entrepreneurship, allied with empowering government action and vibrant markets.

...What I think this means for business and government.

... And in particular, how we tackle what can be the biggest frustration: social enterprises' access to capital.

## **The new giants**

So first, how are the challenges that face our generation different from the ones that went before?

What's interesting, when we think about the Giants that faced the 1940s, is that they were mainly about individual problems. Today, they are far more about collective problems. The giants do not attack us alone, they attack the bonds between us.

So Beveridge saw Want. Today, while individual poverty is still urgent in Africa and around the world, equally important is inequality.

Beveridge saw Squalor. Today, the problem is not just squalor in our own housing but pollution in our skies and the gathering catastrophe of climate change.

Beveridge saw the giant of Ignorance. Today, we must look not just to improve individual knowledge but also to knowledge of each other, as our communities absorb increasing flows of immigration.

Beveridge saw Disease. And today, as we make progress against individual disease, in rich countries we come up against social epidemics like obesity and diabetes, and globally we face the societal problems of HIV/AIDs and drug-resistant TB.

And finally, Beveridge saw Idleness. Today, we can see untapped energies not just for employment, but for social action. We see it from fair trade to community action: individuals are not content any more to leave important decisions to others.

But that that also shows how our generation's giants can be defeated, and why social entrepreneurship is so important.

Because yes, government action is important, and nothing can replace it in providing decent funding and public accountability.

But partly because the new giants are social, not just individual, the power of the state needs to work with the restless impatience of the market and the moral concern of the individual.

Social entrepreneurship lies at the overlap of these three spheres. It has a force of gravity that is bringing each sphere closer to the others.

### **A profound shift in what business is about**

So let me say what I think the effects of this will be – starting with business.

As a global society we need to recognise that maximising financial return is not the only, and indeed often not the best, way of doing business

We need to be more grown up about what we really mean by ‘profit’.

Concentrating on financial return alone, with little care to social or environmental detriment, pits businesses against the societies in which they operate, and ultimately against their customers

Mobilising social entrepreneurs has got to be part of the answer to show that there is a better way.

This is important for two reasons. Because of what they can do – they fulfil a vital and catalytic changemaker role. And because of how they function – their values. Both of these challenge the way mainstream businesses operate.

They offer challenges to businesses in developed economies – for example how to deliver much better services to the neediest in our society, how to keep

staff both interested and motivated, how to offer more value, to differentiate themselves from the competition.

For example, 15 years ago the Co-operative Bank in the UK started ethical reporting – setting out its social and environmental impact. People at the time thought this was commercial madness, woolly “hippy” thinking. But now, it’s becoming the norm for businesses to tell their customers about their ethics – because customers are demanding this information. The Co-op challenged the mainstream, and in the end has changed the mainstream.

Just as importantly, social enterprises offer challenges to global business - fair trade being the most obvious example. And here in the UK more and more people are buying fair trade. Consumers showing that they are prepared to use their buying power to drive social change.

But one thing I’m sure about – and many social entrepreneurs have made this point before me. One of the biggest tricks to solving the Giant Evils in our world is to harness the power of the market.

### **Government has a big role in the shift**

What does all of this mean for Government?

The siren we must resist is the idea that somehow government action is no longer needed.

Governments can lead the way. Governments are unlikely to solve the Giant Evils on their own, but without them, progress will be slow.

Governments can signal big shifts in behaviour. I want to give you a flavour of where I think UK government thinking is particularly relevant to this conference. I want to suggest that access to finance is one of the biggest challenges, with the biggest prize for social entrepreneurs.

First, regulation. Social entrepreneurs are often in there early on, challenging the status quo. For example in the UK a relatively small organisation, through direct action, started a movement to encourage shoppers to re-use shopping bags rather than take the free ones on offer from the supermarkets. This was taken up by the media in a big way. It has culminated in measures in the recent UK budget to discourage the use of plastic bags. So in the end behaviour right across the board is changed.

The right way for government to act is to spot opportunities and helpful challenges to the market, develop policies, and use its powers – often regulatory – to create the space for a much bigger shift in the whole economy.

Second, government needs to be a better customer. In the UK the government spends billions every year on goods and services. We need to think about spending this money more wisely and more sustainably.

We're encouraging the use of social clauses in commissioning of public contracts. This means specifying wider social outcomes as part of public sector tenders. This provides more opportunities for social enterprises to win contracts and to grow their businesses. By growing larger, they touch more lives and increase their impact.

Thirdly, I wanted to mention our approach to enterprise. This is particularly relevant to young people, and we are passionate about equipping our young people to have a 'can-do' attitude in everything they do, and to have the skills to approach and solve the problems they come across in their lives. All young people have guaranteed time in the curriculum for enterprise activity.

But my main points are about money . Only by mobilising mainstream finance will we make social enterprise sustainable and enable massive growth. This is not necessarily for government, but can be made possible by government.

The UK is leading the way in understanding how this works for the third sector. If we can crack a new way of financing business, which takes account

of the social and environmental value as well as the financial bottom line, we will have come a huge step towards joining the power of the market with the power of the social entrepreneur.

### **Finance is the key**

We need to realise that 'real change' cannot be financed by 'small change'. And this means mobilising public and private wealth in a much bigger way. We need to develop concrete mechanisms for harnessing the potential of the millions in the mainstream markets and the pennies in people's pockets.

You may have heard the old adage... "give a man a fish and you feed him for a day. Teach a man to fish, and you encourage overfishing, you contravene EU quotas, you deplete already fragile fish stocks and you reduce the biodiversity of the world's oceans....

Seriously, whether we're talking about aid, trade or paying for public services, we must always be working our way towards sustainable finance. In an uncertain world, this is more important than ever. Enabling people to catch their own fish, look after their own families, build communities that are healthy in mind and body.

To that end we have been exploring new mechanisms to drive sustainable finance into the sector:

### **Social Investment Wholesaler**

We have a third sector which is undercapitalised but full of ideas and new solutions. And we have a private sector looking for profit and new opportunities. We need a mechanism for bringing these two worlds together. A social investment wholesaler could give new impetus to our aim to address the poverty and inequality I spoke about earlier.

In the UK we are introducing legislation to enable unclaimed money in dormant bank accounts to be used for social investment, which could amount to many millions. If resources permit, and subject to state aid implications, we want to see a proportion used to support social investment by strengthening existing finance providers.

Like an investment bank, a social investment wholesale institution could support the activities of existing investors in the third sector (such as community development finance institutions). It could champion social investment; raise and provide capital; provide advice; and develop the market. Ultimately it could be the mechanism that enables the third sector to access significant new secure and sustainable finance.

### **Measuring social impact**

Alongside this, I want to increase the use of social reporting to measure and quantify the real impact of the third sector. Those things that we know when we see them – communities more at ease with themselves, greater self esteem in vulnerable groups - but which are often rather intangible.

If we can understand more about impact and be more transparent about the value added, investors and governments will have more confidence. I firmly believe we need to start to measure outcomes more effectively.

### **A Social Stock Exchange**

I also want to touch on ideas for a social stock exchange. This is a mechanism which could potentially engage with millions of people, giving them the opportunity to invest in social value. In normal markets we agree on values through prices in the market mechanism – through supply and demand.

This social stock exchange is a controversial idea but it's one that could have real merit in terms of opening up new investment opportunities. An exchange

would operate within the social capital market in which investors interested in a blended social and financial return might be able to make and trade investments. This is why I am very interested in the work being funded by the Rockefeller Foundation, to explore the feasibility of a social stock exchange.

While a stock exchange may have legs or may fail in financial terms, at this time I am excited by its potential to bring people together, to connect individuals with the choices they make and the way they spend their money, and to capture the engagement of citizens.

### **Social capital**

Before I end, I want to share with you a story which illustrates my central thoughts about social capital and why it is so important.

Last summer, I visited a charity called St Giles Trust, who work with ex-offenders and disadvantaged people to help them get their lives back on track.

St Giles are paid to provide advice to offenders. But the St Giles approach is to train ex-offenders so that they themselves become qualified advice workers. This means services are provided by individuals who have first-hand experience of the issue.

And by working in this way they do much more than simply provide advice.

They create goodwill

They show ex-offenders how others have changed, and so provide inspiration and role models

They are often able to offer employment to those ex-offenders that they have trained

They create social capital.

One volunteer at St Giles – Jim – had been in and out of prison since the age of 15 and served nine custodial sentences. He first came into contact with St Giles Trust whilst in prison. But 6 months after coming out, he successfully applied for a job supervising and mentoring a team of 12 ex-offenders who are being trained themselves to earn formal qualifications.

I strongly believe we can help to scale up these enterprising models which build social capital.

## **Conclusion**

But let me end by returning to Beveridge.

I said at the start he laid the blueprint for our welfare state – but that's not the whole story.

At the end of the nineteenth century, the social researcher Charles Booth confronted the arguments that there was no real poverty in Britain – he showed there was, and exactly where it was and how deep it was.

Working for him was a young woman later known as the socialist campaigner Beatrice Webb – who, a quarter of a century later, confronted the arguments that the best response to poverty was the workhouse and penal conditions.

Beveridge worked for Webb on that report, and thirty years later drew on its ideas for his own one.

Working for Beveridge was a young academic called Harold Wilson – who twenty years later was Labour Prime Minister, and introduced the first support for disabled civilians.

Change takes risks and it takes experiments. In a sense we should see social entrepreneurship as the latest form in a continuing evolution, a new

experiment in the journey from philanthropy to state action to a partnership between state, market and individual.

But I am profoundly hopeful of what social entrepreneurship can achieve.

Welcome to the conference; on behalf of the government, welcome to Britain; and I am sure that in the coming days we will hear new expressions of Beveridge's famous invocation, "the driving power of social conscience."