



What is the role of social enterprise in finding, creating and maintaining employment for disadvantaged groups?

By Dr Mike Aiken

A social enterprise think piece for the Office of the Third Sector,
November 2007

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This think piece represents the views of the author alone. It is intended to stimulate consideration of the issues and debate. The ideas and analysis contained in this paper do not represent the views of ministers or government policy.

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1. Introduction

This paper looks at the role and scope of social enterprises in creating work and training for disadvantaged groups.¹

At different times and under different labels social enterprises, co-operatives, voluntary associations, informal trading networks, mutual societies and charitable foundations have played a part in creating work or economic benefit for over 200 years in the UK as well as elsewhere in the world. This has often been during times of hardship and for groups who have been marginalised or overlooked by the mainstream. Such organisations may have been created in 'economically marginal' rural or small fishing communities, in urban working class communities with small capital resources, or in newly arrived migrant communities. In various settings associations independent of government, but also not solely influenced by the profit motive, have sought to take some control over their economic lives where the conventional structures have not worked for them. At times it may have been women facing hardship due to the unavailability of work, the unemployment of a male partner, the effects of war or natural disasters, or trying to juggle bringing up young children alongside work. Similarly older people, black and minority ethnic groups, the disabled, and those undertaking caring roles, have frequently faced discrimination and barriers to either typical work opportunities or access to adequate incomes.

Social enterprises do not stand outside of the society in which they are based. Government policy has always had steering potential in this field as much as in other areas of economic activity. Tax incentives, relocation grants and export credits to commercial organisations have long played a role in attracting or maintaining businesses in certain geographic areas or economic fields. Social enterprises operating in the sub-field of work and training for disadvantaged people are sometimes described internationally as 'work integration' social enterprises (or WISE) and at times this terminology will be used in this paper. For the organisations in this field the policy environment, alongside the 'street level' realities of policy implementation, has played a crucial role and, over a fifty-year cycle, this has ranged back and forth subjecting them periodically to climatic heat waves or benign cold spells. Social enterprises engaged in this field, have been highly sensitive to such policy changes. Just as commercial organisations operating in isolated areas may need public money to enhance their competitiveness, so social enterprises are likely to require some fiscal advantages

for their investment in developing the skills and capabilities of the most disadvantaged.

The disadvantaged need to be given shape in this introductory discussion. A brief sketch from research interviews and discussions, can be offered here (with names changed):

- For example, Karim is 18 with low qualifications and was on benefit but stopped claiming when the Job Centre personal adviser became too persistent. He hangs around with friends, helps out at the local community centre festival and sells drugs from time to time to provide an income.
- Alan is single, did not finish school, has spent short spells in prison but has never worked, nor did his father, and the demands of attending formal training and job routines are highly challenging. He sometimes goes to a social enterprise that runs informal work and training programmes with skilled staff.
- Adele has a young child and undertakes sex work in the back of her car to earn enough to bring up her young son.² She doesn't like it and wants help.
- Hector is a former skilled worker in his mid-50s who suffered an industrial accident in an industry which has collapsed. Will he get work in a new company at his age and with a disability? He begins to get involved in a retraining programme in his local community centre linked to other local social projects and considers whether he could change fields.

Before proceeding further the sometimes contested terms 'disadvantaged group' and 'social enterprise' need to be briefly considered. Both notions are open to debate but this is not undertaken here in detail as other papers discuss this in more depth. The 'disadvantaged' in employment terms are, broadly, taken as those groups identified in the official Labour Force Survey, some of whom have appeared in cameo form in the text above. Examples would include:

- those with low qualifications, especially young people
- black and minority ethnic groups
- women with children under five years old and single parents
- people over 55
- disabled people
- those with an intergenerational history of unemployment

- homeless people
- ex-prisoners
- those with addiction problems
- people with multiple disadvantages

Social enterprise is understood in this paper within the organising framework of Borzaga's and Defourney's nine-part specification while the Office of the Third Sector definition acts as a more general description of the organisations.³

This paper argues that policy-makers could consider a range of strategies to enhance the development of social enterprises engaged in work and training for disadvantaged groups. These are discussed in more depth in the final section:

- procurement, tax breaks and ethical markets
- individual user accounts
- intermediate self-employment schemes supported by social enterprises
- city-wide social investment using benefits-plus
- a long term social and individual investment fund

Some challenges for social enterprises:

- proving social enterprises can deliver on their promise
- survival and development strategies for social enterprises

The aim of this paper is to stimulate debate about the future direction of social enterprises in this field. It draws on research but to avoid cramping the argument does not always follow a formal academic approach. Sources and references are indicated but not always placed directly in the text.

The structure is as follows:

1. Firstly, the current scene for social enterprises engaged in work and training for disadvantaged groups is considered. This is undertaken by examining how policy has developed in this arena and then some particular tensions inherent in current policy affecting social enterprises.
2. Secondly, the origins and development of social enterprises in this field are sketched to illustrate their variegated nature and how they have increasingly been discovered and harnessed in policy and programme terms. Some reference is made here to contrasting structures and experiences from beyond the UK.
3. Thirdly, the current field is analysed in more detail in terms of types of work integration organisations and the various resource mixes they use.
4. Fourthly, there is a look ahead to the opportunities and threats posed to their role by considering four contrasting scenarios over a 10 to 15 year period linked to different economic contexts (high/low unemployment) and to contrasting policy environments (high/low centralisation). At times, it is argued, it may be necessary for practitioners and policy makers to manage and contain the paradoxical notion of competing tendencies and move beyond straight forward either/or approaches.
5. Fifthly, a range of policy vignettes are suggested which could benefit social enterprises engaged with the most disadvantaged groups. These might offer a better repertoire of solutions to deal with the diverse needs of disadvantaged people in variable local contexts.

2. Policy development: social enterprises in the work integration field

The role of third sector organisations in work and training for disadvantaged groups and communities originally arose despite, rather than because of, policy interventions. Social enterprises have not often had dedicated programme funding for these activities in a way comparable to their mainland European counterparts. The various Community Programmes run by the government-sponsored Manpower Services Commission in the late 1970s were exceptional here in allowing voluntary organisations to recruit (low) paid staff on short-term contracts to undertake work on their community projects – involving over 20,000 at one stage⁴ – perhaps the closest the UK has come for half a century to an active labour market policy offering a large-scale public works programme. Mostly social enterprises have been ‘ducking and weaving’ since the 1980s to stitch together different public sector funding regimes⁵ and to locate market niches for goods and services to achieve routes into work for client groups. The origins of many of these initiatives were various but were frequently bottom-up, growing from local communities and with aims around sustainable communities and social inclusion as well as work and training purposes. They sometimes gained support in the form of networking, procurement or development funding from supportive local authorities in some areas.

Changes in the policy field

This picture has changed rapidly. As contracting processes developed in the late 1990s larger national charities with social enterprise or trading wings began to tender for jobs advice work. Some of the New Deal programmes over the last 10 years have, through an emphasis on setting output targets for placing people into work for short periods after which monitoring ceased, paradoxically tended to generate perverse effects for some groups (especially young people). Provider organisations may have been able to earn their payments by results but the “creaming, churning and evaporating”⁶ of disadvantaged clients from, and through, these programmes has not impressed community organisations on the ground⁷. Meanwhile where social enterprises have been undertaking work programmes like New Deal the impression has often been of implementation and measurement regimes that have tended to view their organisations one-dimensionally, treating

them as convenient deliverers of central targets rather than acknowledging the more complex role they have been playing in social inclusion and community building.⁸ Nevertheless some of the local partnership arrangements with local actors have often been viewed relatively favourably. Additionally, and interestingly, many quite small social enterprises have gained access to policy makers at quite senior levels whereas it has appeared harder to influence day-to-day rules and restrictions governing actual funding programmes.⁹

Against a background of steady economic growth and relatively high employment rates by historical standards, policy attention to work and employment has nevertheless intensified. Pathways to Work (2002; 2005)¹⁰ policy has emphasised the role of enabling those on incapacity to move back into the workforce. More recently the Leitch Report (2006)¹¹ has highlighted the low skills profile in the UK workforce relative to 30 other OECD countries. It proposed public funds for vocational skills to be channelled through Learner Accounts and the Train to Gain programme while increasing employer roles and responsibilities in skills development. City Strategies (2006)¹² have focused on developing local partnerships and consortiums between national and local government, with private sector and voluntary organisations coming together to tackle worklessness in deprived communities. 15 pathfinder cities had been announced by July 2006. The Freud Report (2007) emphasised the importance of work for well-being and a ‘work first’ approach to integration of those groups remaining economically inactive if targets for an 80% employment rate were to be met. It recommended 11 prime contractors in the regions and countries in Great Britain to deliver outcome-focused results to combat long-term worklessness. Job Centres were to concentrate on the provision of a ‘mass market’ professionalized service for people in their first year of unemployment, while greater conditionality to benefits for lone parents, those on incapacity benefits and other groups was proposed. The Green Paper (In Work, Better Off: next steps to full employment 2007)¹³ builds on many of the recommendations of Freud. Conditionality to benefits is stressed alongside modifications to make New Deal more flexible to individuals’ needs, and the importance of ‘in work support’ to increase retention of those moving into jobs. Local empowerment through regions being given more powers to

develop and deliver strategies is emphasised while the prime regional contractor role for deliverers proposed by Freud appears to be downplayed. The roles of the private and third sectors in achieving the goals of a higher employment rate are again stressed.

All these developments pose opportunities and threats to social enterprises operating in the field. The role of third sector organisations in both partnership and delivery of the emerging agenda around employment and training represents a clear opportunity for social enterprises active in the field. The most important aspect to be stressed here is that the distinctively different role that social enterprises can play is in reaching the most disadvantaged groups within their communities. This is not to say that some social enterprises may not compete with private sector providers for some of the contractual work in this field, perhaps even at a large scale. However, social enterprises are uniquely placed as mission-driven organisations with a commitment to a specific disadvantaged group. This is not an 'add-on' or optional element to the motivation of these organisations but a core reason for their existence with any surplus ploughed back into the needs of those people and their communities.

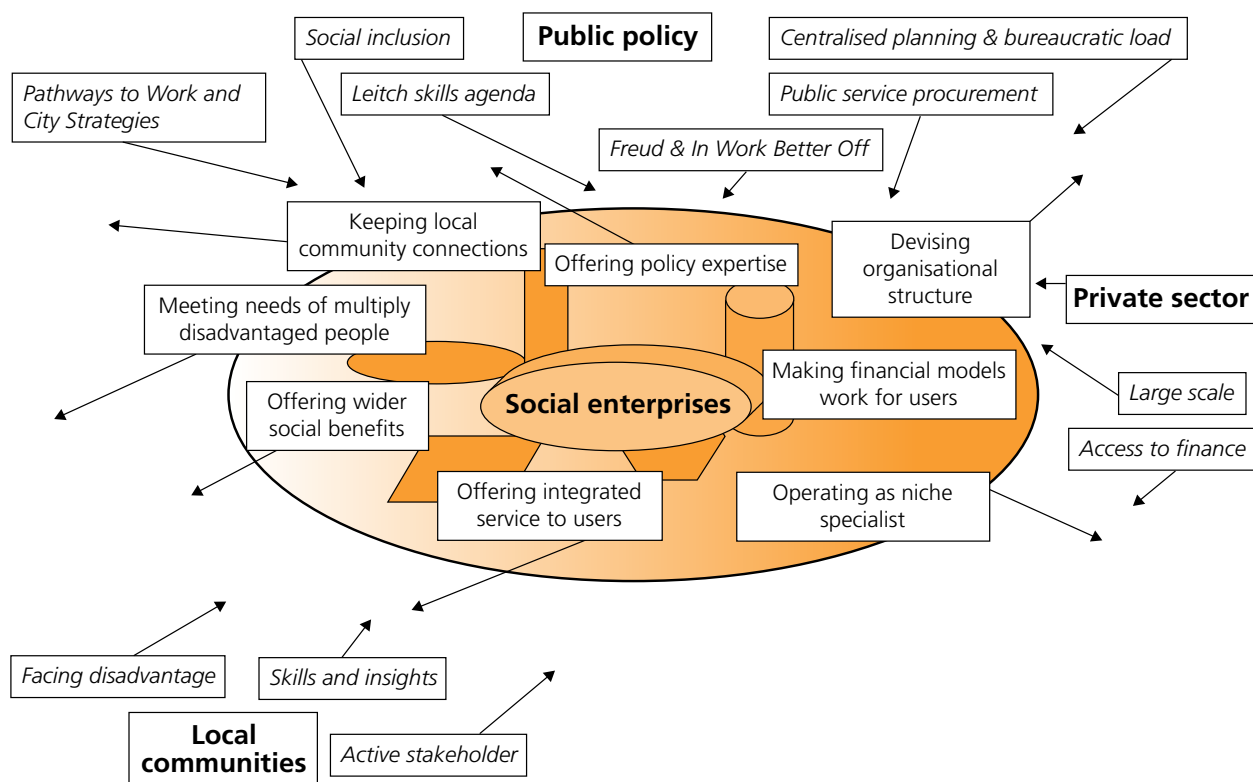
Alongside the opportunities there has been the arrival of regional and national social enterprises (competing with national or international commercial organisations) in what is now becoming a multi-million training and work integration industry. Increasingly organisations involved in placements, as opposed to job creation activities, may be contracting not with regional or national government but with international private sector companies¹⁴. Thus, commercial organisations such as A4E Carp, a private limited company based in Sheffield, undertakes work placement and training activity throughout the UK and in France, Germany, Poland and Israel and manages more than £300 million of public sector and European money every year. Work Directions UK is the London-based part of the Australian Ingeus group of private sector companies and delivers in 12 'private sector led' Job Centre Plus regions.¹⁵ Highly focused on outcomes and standardised packages, these may achieve good results for people that are close to the jobs market. However, for those highly disadvantaged people, who need more careful and individualised attention in their communities, this may not be the case.

Stand-alone social enterprises rooted in communities may now pick up less money for the same work, located as they are, far down what is now a sub-contracting feeding chain. While they may be keen to seek engagement with the most disadvantaged, Pareto's law applies here, and frequently they may be left only with the most intractable people who require the most attention, skill and time. In a crude outcome-focused funding regime it may be hard to balance the books if they do not have a mix of more and less able clients, although David Freud's (2007) report has been sympathetic on the issue of more disadvantaged people requiring more time and hence recognition of this in contractual remuneration. The complex set of relations operating on work integration organisations is shown in figure 1 overleaf. The contrasting the demands on them from public and private sector as well as the communities around them are illustrated as well as indicating the roles they perform which are far more than as simple 'deliverers' of public sector programmes.

In addition a distinction needs to be drawn between two different kinds of activities within work and training activity. Placement agencies act as intermediaries in finding, and at times training people, to move into work in the mainstream labour market. Work integration organisations have traditionally seen their role as actually creating employment, usually through socially useful work and frequently with a support or training role inbuilt. The distinction is not rigid and there is some blurring at the edges. Third sector organisations like the Shaw Trust, for example, have at times played both roles, although today their focus appears to be strongly to the placement orientation. Current policy tends to be favouring the former over the latter, which is always likely to be the larger part of the field in terms of turnover of clients and resources. Clearly both orientations have their place for different clients. Nevertheless the specialist role of job creation providers should not be neglected because for highly disadvantaged people – the groups policy is seeking to engage with – mainstream organisations may not immediately have the capacity or the will to meet their needs however much 'in work' support is available. For policy makers maintaining a diversity and flexibility in provision may therefore be an important part of the mix in providing routes into active work and this is an area where social enterprises have had a particular flair for innovation and social inventiveness.

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Figure 1: Environmental pressures on the range and repertoire of social enterprises' roles undertaking work integration



Some policy tensions for social enterprises

The policy environment around social enterprises can have a crucial, and at times decisive, effect on their mission to support highly disadvantaged groups. For example, for a social firm the idea of diversifying into another field because of policy changes which disadvantage them in the work and training field may not be an option and contradict their core mission. For large private sector providers there may be far less scruples. Some policy tensions for social enterprises undertaking work and training activities are now highlighted drawing out some implications from the policy background which deliverers of work and training for highly disadvantaged people will need to grapple with to reach the most disadvantaged. Should there be regional or central control of targets and budgets?

Should procurement favour large scale providers promising economies of scale or small scale providers promising local knowledge and attention to detail? Is a 'work first' or a 'social inclusion first' emphasis preferable to create routes out of poverty? Would 'passive' or 'active' labour market policies offer better support to social enterprises supporting the disadvantaged? Are packaged or tailored approaches better overall? We can trace here the tendencies, never completely realised, towards one type of policy and one style of implementation. In dealing with complex or multi-layered problems management authors working with paradoxes and dilemmas suggest the aim should be to have both.¹⁶ It should be noted that there is an inevitable overlap between the tensions which follow.

Regional/local or central governance?

A number of policy shifts looked set to bode well for social enterprises engaged in work integration activities at local levels, particularly around locally responsive decision making. Firstly, the 'modernising' Labour administration from 1997 set in place a range of measures to change the governance pattern affecting some of the delivery of work integration measures. This has led to decentralising measures in Scotland and Wales, and devolved responsibilities for the regions in England around strategic planning, regeneration of deprived areas, and employment. In addition, at the same time 'public service reforms' explicitly favoured statutory services being contracted out for delivery by not-for-profit, or even private sector organisations, in a new 'marketised' local environment.¹⁷ Interestingly there have been some suggestions in the Netherlands¹⁸ that crude market mechanisms do not work well in this arena while UK research on risks and trust drawn from game theory and 'the prisoner's dilemma' suggests the market could be fixed to provide mutual solutions rather than competition between individual organisations.¹⁹

Another aspect here was the changed policy environment which has emphasised more horizontal connections between local or regional organisations to engage in combating poverty entailing a shift in governance.²⁰ This has meant at the local level an increase in the lateral partnerships involving different providers and a move, in the planning of services, from 'reducing poverty' to the more complex idea of 'combating social exclusion'.²¹ Mobilising a range of professional agencies, municipalities and voluntary bodies to build participation is taken to be an important part of the anti-poverty strategy.²²

Nevertheless in reality for many regional and local agencies there has been little discretionary room for manoeuvre and sub-national targets around employment and training have often appeared to be simple derivatives of centrally decided targets.²³ So far, overall, decentralisation of mainline services from the national to regional levels has not necessarily meant that there has been a corresponding increase in local decision-making on priorities, types of services or their design. Job Centres in particular have held very little flexibility with core programmes (such as New Deal) because of nationally-set targets and service levels. Indeed, at times in the work integration field, it appears as if statutory organisations have needed to rely on special programme funding (the Neighbourhood Renewal

Fund, European programme money or special pilot funding from the Department for Work and Pensions) in order to create and undertake the most modest of local tailoring of services. This tends to back up the assertion that the UK remains one of the most highly centralised states in the EU.²⁴

Appropriate procurement – large unitary or small-scale multiples?

Freud (2007)²⁵ remarks it is not clear whether it is private, public or third sector organisations who are necessarily better deliverers of work integration. Rather, he stresses the importance of a mixed market to create variable delivery organisations to drive up innovation and create choices on cost for procuring agencies. However there is some emerging evidence that third sector providers have been viewed more favourably by clients than other providers in work and training roles.²⁶ There has been a continuing trend to scaling up contracts which would be accelerated if Freud's report were implemented in full. Hence there is a bundling of contracts laterally (pressing organisations to undertake an increasing range of activities) and vertically (with primary contractors regionally). Local authorities look set to be increasingly on the edge while smaller social enterprises face sub-contracting roles with squeezed margins. While developments continue in government to find ways to even out procurement processes so smaller organisations are not always disenfranchised in contracting, the recommendations of Freud's report are for large, single, prime contractors in each region, to handle contracts in this field. This seems set to favour larger bigger unitary players in workfare contracts while the Local Government White Paper (November 2006)²⁷ was seeking to encourage more decentralisation.

While large-scale organisations (in either the public, private or social enterprise sectors) can often tackle large cohorts with standardised 'products' at scale this is not so true for complex or localised services, which may require smaller-scale multiple providers. Indeed there is some evidence that large-scale programmes have tended to fail the most disadvantaged: the example of parallel work on capacity-building via the Phoenix Fund suggested there was much promise in a kick-start approach to supporting enterprise in that arena. Yet here again the more capable tended to benefit.²⁸ Some social enterprises, like ECT, have been remarkably successful in scaling up their operations in other service areas, for example in kerb

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side recycling and waste services. However, the prospect that we may then see a convergence towards a similar model, operated at scale by all providers, in the work and training field, may leave the severely disadvantaged with inflexible and inappropriate provision while the more 'standard' job-ready people are successfully helped. This convergence can be a result of organisational fluency with the contracting process: where enterprises have large reserves and have specialist staff tendering for work on a monthly or weekly basis they can gain an experience and technique which smaller organisations are unlikely to match. In September 2007 the majority of Pathways to Work contracts worth £250 million for employment and health support for those on incapacity benefits were, with the exception of the Shaw Trust²⁹, awarded to private contractors.

Long supply chains also threaten to interrupt the information flows between those organisations working at the coal face and the original procurement agency (whether regional or national government). Incumbent prime contractors acting as intermediaries may gain an apparent knowledge monopoly which may benefit them in contracting processes and unwittingly set up a discontinuity between small local providers and the government.

Work first or social inclusion first?

Locally based social enterprises have often focused on the broader social exclusion needs of their client groups. The Department for Work and Pensions meanwhile has emphasised a 'work first' as opposed to a 'social inclusion' policy with employment seen as the best route out of poverty (and targets to reach an 80% employment rate).³⁰ The policy rationale has frequently been that a major cause of social exclusion was unemployment although there is some recognition now that for the 'working poor', and that for those facing multiple disadvantage, employment is not the only problem.³¹ So, despite the introduction of a minimum wage in 1999, the UK has one of the most highly deregulated labour markets in the developed world, after the USA. Indeed it has remained a policy priority to develop a strong economy and maintain a flexible labour market albeit with provision of quality and accessible services.³² Nevertheless the extent to which employment is the route out of poverty remains a policy tension even within government. The Department for Work and Pensions tends to emphasise this direction strongly while other departments, such as the Department for Education and

Skills, tend to argue for a broader set of needs to be addressed for people to move out of poverty. The debate on the 'working poor' remains pertinent in the UK³³ with some research finding that low wages mean that while amongst some groups, such as pensioners, there has been a decline in the poverty rate, the rate has not fallen for working adults. In addition, there remains a hard core of unemployment at around 10% for the under 25s.

Passive or active employment measures?

A different aspect of the work first/social inclusion first tension can be seen in the overall preference for 'passive' or 'active' employment measures. 'Passive' is used here in the specialised sense of indicating supply-side approaches to the labour market. In mainland Europe social enterprises have tended in some cases to benefit from more 'active' labour market approaches. In the UK the tendency has been to favour the passive, rather than active, approaches.³⁴ This has meant strategies aiming at, for example, improving the efficiency of the market through improving information to employers and employees, increasing skills levels and better matching of people to jobs via advice services and placements. More active measures have included a range of special area-based programmes from the early 1990s targeted at particularly disadvantaged unemployed people in deprived neighbourhoods (for example City Challenge, then Single Regeneration Budget combined with European Social Fund monies and the New Deal for Communities). Policy analysts such as Hill (2003) have argued that since 1997 the various New Deal programmes for specific groups (young people, single parents, etc.) can be seen to have combined elements of both 'active' labour market policies targeting resources at priority groups, under the influence of mainland European models, with 'passive' and conditional approaches to welfare, derived from the United States.³⁵ Those on Incapacity Benefit are now facing increasing attention to move them towards employment by bringing them within the remit of the conditional elements of some of the New Deal programmes through the roll out of Pathways to Work.

It is not possible to open a deep comparative discussion here but a glimpse across the channel shows us how different policy contexts can shape and open up different relations between social enterprises and the local state. In parts of mainland Europe there have been approaches involving attention to

social inclusion and work. In Germany this has taken place within a strongly institutionalised local partnership approach where municipalities and third sector providers have retained significant decision-making powers on the style, design and financing of work integration measures. Preferred providers operating inside this local policy structure have tended to be favoured over openly competitive processes for outside organisations. Pressures towards a more neo-liberal approach have been partially resisted. Thus, conditional workfare schemes, similar to the UK's New Deal for Young People, such as the One-Euro Jobs programme arising out of the Harz IV proposals, have been highly controversial. The structures and motivation here have to be understood within the German labour market context where, to take one example, there continues to be a greater emphasis on skilled labour rather than simple placement into a job. In addition, the old style German corporatism has survived, and under this policy regime third sector work integration organisations have become stable institutional partners closely integrated into the local partnerships (Bode 2005)³⁶ – a situation that UK social enterprises might resist on the grounds of retaining independence.

Meanwhile legal changes in Italy (with 'type b' co-ops) and Belgium have seen a flourishing of organisations dedicated to work integration and job creation. In Italy the role of the *consorzi*, as a local development agency to support those organisations with business advice and market intelligence tailored to their needs, has been important. On a larger scale the Mondragon Co-operative Group (MCC) in northern Spain has long recognised its own research, development and resource needs and created a dedicated bank and university as a technical and resource aid to the family of co-operatives in the MCC group.

Packaged approaches or individualised engagement with the disadvantaged?

Overall the policy framework in recent years has tended to work against more localised social enterprises. These are often the organisations engaged with the most disadvantaged groups where there is a need to take a more integrated and individual approach if there is to be a sustained move into employment.³⁷ This means in some cases considering a person's wider social needs (addictions, violence), pre-employment skills (appearance, regularity, relating to others),

well-being (self-confidence, health, motivation), chaotic environment (homelessness) before tackling workplace skills and employment. The role of Job Centre Plus personal advisers in particular, facing onerous targets, inadequate training and high workloads, has meant their role has been to act more like traffic police at a busy roundabout than to be active engagers with individuals.³⁸ There is some recognition in the Freud report of the need to segment the market of disadvantaged people and aspects of this are also acknowledged in the Green Paper (In Work Better Off) with more flexible New Deal arrangements and local decision-making holding some promise for social enterprises.

For people who are far from the labour market the contact with other people, volunteer work, informal training, casual mentoring and taking on small responsibilities may all be small but crucial steps. These may need to be undertaken in unprogrammed way, similar to social action approaches in youth work, in non-threatening environments and outside of the distorting rigours of target-driven programmes. This kind of unstructured intervention appears to be rarely provided by large providers of services to people without work and few programme funding mechanisms are sensitive to these activities. Nevertheless with unemployment low, those remaining out of work are likely to be facing severe disconnection from the working world with multiple disadvantages and may need much more than formally delivered skills training.³⁹ Very disadvantaged people may need much more imaginative approaches in programmes which are individualised and flexible, with multiple provision. Indeed 'work first' may not be effective for the most disadvantaged and may not be a route out of poverty. Nevertheless, there appears to be reluctance for higher state involvement or higher taxation despite reports of the divide between rich and poor increasing.⁴⁰ In summary, both universalistic and informal approaches tend to be out of fashion. At the same time welfare benefit traps, involving high marginal tax rates for people who do small amounts of work, alongside high transaction costs for signing off and back on for short periods, continue to present high barriers to new starters – despite some flexibility introduced around people with disabilities – and coercion can force people underground and into the informal economy.⁴¹

3. The development of work integration social enterprises

To understand the current and developing role of work integration social enterprises it is important to understand some of their origins. A short historical loop aims to show some of the importance of the wider roles work integration plays in social enterprises before proceeding to an examination of some of the current types of work integration social enterprises.

Roots of social enterprise

The roots of social enterprises and community enterprise overall can be found in the mutual, self help and co-operative sector which goes back, in the UK, at least to the Fenwick Weavers in Ayrshire 1769, Dr William King of Brighton in the 1820s⁴² and the Rochdale Pioneers in 1884⁴³ with earlier antecedents⁴⁴. Within the development of this movement there has always been an important strand which has focused on the local community-based nature of these organisations and also on the economic development of poorer communities including the need to maintain paid work. For example between the two world wars, local community activists such as Harry Cowley campaigned for housing and work for returning service people and support for small local businesses. He organised marches to demand public works 'job creation' programmes from the local council for unemployed people with some success.⁴⁵

Development of social enterprises with a work and training orientation

The WISE initiatives in Scotland in the 1970s⁴⁶ were a specific example of creating work and training for people in disadvantaged communities and this tradition remains active today through CEIS, based in Glasgow. This activity was later taken forward by organisations like the Development Trusts Association as well as the work by the Priority Estates Programme on deprived estates.⁴⁷ At times these initiatives, particularly in Scotland, were close relatives of welfare rights 'Claim it' campaigns. These had the aim of encouraging the uptake of welfare benefits for both individual benefit but also to increase the circulation of money in the local economy. Hence they were closely related to citizen action groups around legal aid, housing and advice and often, for example

in Strathclyde, were led or supported by local government. In fact the growth of the Scottish community business movement from the 1970s demonstrated the straddling of the conventional boundaries between community-based voluntary organisations, with grant income, and those community-based organisations engaged in trading which we would now term social enterprises.⁴⁸ Community laundrettes and rural community-run shops with some degree of local control remain today as examples of enterprises set up either in areas facing economic decline or in villages lacking a social hub.⁴⁹ In describing these initiatives Pearce emphasised the local connectedness of a social enterprise "which is linked to a particular locality from which it draws its members and which it seeks to benefit".⁵⁰ Later, charities such as Scope, Mencap and the Shaw Trust began to engage on contract to Job Centres to undertake job broker and placement services with their particular client groups.⁵¹

Worker co-operatives engaged in care, childcare, recycling, or cleaning and maintenance work also became important players.⁵² Work integration organisations still aim to offer a social integration role through providing work which may also have had a social or environmental benefit in their communities. Thus, enabling disadvantaged people into work has not always been a stand-alone activity amongst UK third sector organisations. It was, rather, an activity occurring on differing scales, amongst a range of organisations. Intermediate Labour Market organisations (ILMs) and social firms gave a much more central prominence to paid work but with these organisations too there was an emphasis on the local. These organisations were found to draw their resource mix from cocktails of public, private and voluntary income streams in differing configurations depending on their organisational orientation, the type of work they did and the level of disadvantage of the unemployed.⁵³ In some poor areas where the private and public sector may have retreated – or never entered – a campus of third sector organisations including social enterprises may in itself be a significant hub and employer of local disadvantaged people.⁵⁴ These issues are returned to in more depth in section 3.

A different route: Remploi

All these initiatives should be distinguished from the state-subsidised (quasi-public but independently managed) organisation Remploi, which came from a very different historical route and from a different philosophical policy. It represents a public sector commitment to job subsidy for a particular disadvantaged group in what can be understood as a secondary labour market and it has been the largest single UK employer of disabled people. Established by the government shortly after the Second World War to address the needs of disabled veterans it established productive factories, which have increasingly found it hard to compete in global markets, although an innovative job placement scheme was also developed. Following challenges by the government, and a robust consultant's report, management embarked in 2007 on a controversial restructuring process.⁵⁵

A new movement of local economic organisation

A combination of some of the above initiatives led some to argue in the 1990s that a new 'social economy' movement had arisen which included some worker co-operatives from the 1970s (often with radical origins), LETS schemes, credit unions, community shops, development trusts and community businesses. It was argued that such initiatives, still largely on the policy margins, could provide self-help safety nets for disadvantaged people in an increasingly volatile globalised economy⁵⁶. Connections in ideology and ideals can be made here to international movements: from the South Shore Bank in Chicago, set up for disadvantaged poor in the USA, to the micro credit and women's co-operatives in many developing countries pioneered by Muhammad Yunus and colleagues who established the Grameen Bank⁵⁷ in Bangladesh. Work integration organisations, sometimes with their own distinctive legal form, have been a more common feature of the third sector landscape in many western European states including social integration enterprises in Ireland and Germany, insertion companies in Portugal, *enterprises d'insertion* in France and Belgium, labour co-operatives in Finland, and 'type b' social co-operatives in Italy⁵⁸, while there are estimates of around 150 work integration social enterprises in the Netherlands⁵⁹ amidst a climate of relative neglect.

The growth of these enterprises in the UK has been analysed as building the capacity of local organisations' business and

community development skills which could 'build institutional capacity' to have a long-term benefit in the area.⁶⁰ In places it was hoped this could lead to strong local clusters⁶¹ with sufficient critical mass to take on more ambitious financially self-sustaining projects. In that sense providing start-up finance to such social enterprises, or favouring them in local government procurement policies for social delivery, or vesting them with physical assets (buildings or land), can be seen as a local strategy of 'investment' in the skills and community infrastructure of the locality and not simply 'spend'.⁶² Strong clusters have been seen as an important part of industrial innovation strategy.⁶³ Yet there is no reason why they should not be seen as equally important in social enterprise settings where, as in the third sector more generally, there has been a history of networking and the development of 'social inventions'.⁶⁴

Discovery and harnessing of social enterprise

Thake, writing in 1995 about the role of such organisations in the urban development field in the UK⁶⁵, reflected that "what is surprising, perhaps, is that so many organisations have survived or emerged when the policy frameworks have not been supportive." Yet, within five years, the environment around social enterprise had shifted rapidly. Following the change in Government, a Social Enterprise Unit was founded in the Department for Trade and Industry in 2001 which merged with the Active Communities Unit, to become the Office for the Third Sector within the Cabinet Office in May 2006. A plethora of policy and guidance from procurement and externalisation of public services, to managing asset transfer has emerged in this short period which implicated social enterprises directly or indirectly. There have been initiatives around capacity-building work (Capacitybuilders and Futurebuilders); governance (the Governance Hub); advice and start-up funds; and adjustments to procurement policies⁶⁶ and asset transfer⁶⁷. Further, policy developments supporting the participation of social enterprises need to be considered against the Gershon Efficiency Review (2004) which calls for savings of million of pounds in the back-room support and delivery of public services. The new legal form, the Community Interest Company, was established by an act of Parliamentary in 2004 with over 1,200 organisations registered by September 2007.⁶⁸ Alongside this an umbrella body, the Social Enterprise Coalition, was established in 2002 to act as a voice for the sector.

4. Work integration social enterprises today

The above discussion should help to illustrate what has been described as the 'lumpy' character of the UK social enterprise scene in work integration. The growth of large-scale national providers in the emerging market, stimulated by switching on the prime contractor procurement policy, may mean a 'smoother' organisational mix emerges from across the regions. Nevertheless it seems likely that to meet the needs of the most disadvantaged some important 'lumps' may need to remain in the mixture to undertake the more messy work remaining at local level. This seems to be particularly true if ambitious targets around employment rates are to be met entailing large numbers of people on incapacity benefit – some of whom are far from the labour market – moving into the workforce.

Types of work integration social enterprises

Social enterprises are sometimes treated as if the qualities possessed by their different kinds could be attributed to a mythical compound 'Anytown Social Enterprise'. Such a beast is then described as simultaneously being close to the community, national in scale, organising with co-operative principles, employing high numbers of disabled people, and financially self-sufficient through trading income. It is as if we were to say that my family is blonde, bearded and tall because my mother is blonde, my uncle has a beard and my cousin is tall. Such category contradictions become apparent if we need to account for waistline in my family with my uncle being fat and my cousin thin. This elision of kinds of social enterprises has been used to suggest, now using a feline metaphor, that if Social Enterprises are like cats then some are tigers and others tabbies⁶⁹ and there are also likely to be every member of the species in between. In contracting processes a convergence tendency was noted to occur, favouring the larger 'tiger' social enterprises and squeezing the smaller 'tabby' enterprises. The need to treat social enterprises in different categories has also been stressed elsewhere.⁷⁰ This was the approach taken in the UK part of an international comparative study on work integration social enterprises in 2002/3^{71 72}.

The types of social enterprise identified were as follows:

- (a) worker co-operatives
- (b) social firms
- (c) community businesses

- (d) Intermediate Labour Market Organisations (ILMs)
- (e) voluntary organisations with embedded or arm's-length employment initiatives.

The quasi-state Remploy was studied but not considered a social enterprise under the full conditions of Borzaga's and Defourney's nine-part specification for a social enterprise. Using this framework, developed by Spear and Aiken (2003), a range of work integration social enterprises from this and subsequent studies over the last five years can be roughly grouped (table 1 overleaf).

It should be noted that some of these organisations may have changed their form, their parent organisation, their activities and a few have subsequently disappeared. The aim here is to give illustrations of the range of types of organisations and to indicate that they may have *different forms* as well as *differing emphases* to employment initiative. The categories and terms used are the researchers' analytic understandings to identify and label different types and may not always be the actual terms organisations would use to identify themselves (eg. ECT would be more likely to simply call itself a social enterprise; Necta would not have always supported the term ILM while Springboard could be classed as part social firm, part ILM). In addition some of these organisations have been operating on a large scale with over 50+ disadvantaged people (typical ILMs), while at the other extreme others (small community-based centres) may have had small numbers acting as regular, part-time, sessional staff, trainees or semi-regular volunteers.

Table 1: Types of UK work integration social enterprises and suggested primary and secondary aims Adapted from Aiken, M. and Spear, R. (2003) ⁷³		
Type of WISE	Employment and training role: primary aim	Employment and training role: secondary (or equal) aim
(a) Worker co-operatives (including social co-ops)		<ul style="list-style-type: none"> ■ Magpie Recycling Co-op (Brighton) ■ Daily Bread (Northampton) ■ Playtots Childcare Co-op (Plymouth) ■ Wrekin Care co-op (Wrekin) ■ Cwmi Gwynt Teg (Conway County)
(b) Social firms	<ul style="list-style-type: none"> ■ Bizmatch (Hereford) ■ Cae Post (Powys) ■ Haven Products (Glasgow) ■ ISE (Birmingham) ■ Pembrokeshire FRAME (Haverford West) ■ The Pluss Organisation (Plymouth) ■ Electroville (Dewsbury) 	<ul style="list-style-type: none"> ■ Forth Sector (Edinburgh) [see note on page 14]
(c) Community businesses	<ul style="list-style-type: none"> ■ FRC (Liverpool) 	<ul style="list-style-type: none"> ■ ECT (London) ■ Recycle IT (Luton) ■ Wood Recycling Store (Brighton)
(d) Intermediate Labour Market (ILM) organisations	<ul style="list-style-type: none"> ■ Childcare Works (Glasgow) ■ Necta (Nottingham) ■ Sofa (Bristol) ■ Create (Liverpool and Tottenham) ■ Bolton WISE (Bolton) 	
(e1) Trading or community based voluntary organisations with employment initiatives		<ul style="list-style-type: none"> ■ The Factory (Islington) ■ Enprove, Groundwork Trust (Mansfield) ■ Hartcliffe and Withywood CV (Bristol) ■ Chase Centre (Nottingham) ■ Acorn Centre (Todmorden) ■ Scope (National) ■ Mencap (National)
(e2) Embedded work integration projects as linked or part of wider third sector organisation		<ul style="list-style-type: none"> ■ Thamesreach Housing Assoc (London) ■ Plus Housing Associations (Liverpool) ■ Pembroke Local Repair and Maintenance Service (Plymouth)
<i>Quasi-state social enterprises</i>	<i>Remploy (Nationwide)</i>	

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(a) Worker co-ops tended to be small but offered permanent work – they took on staff who were disadvantaged to a degree but were not necessarily equipped to deal, financially or professionally, with large numbers of severely disadvantaged people while still retaining economic success. Worker co-ops within the WISE sub-sector have often arisen to meet employment needs of members but alongside a specific interest or commitment or to apply a market skill in a collective way. The development of co-ops devoted to children and care, whole food and recycling, and cleaning and small-scale catering businesses can be seen in that way. A group of nearly unemployed sheep farmers in north Wales were explicit that they needed work but were committed to their locality: wind seemed the only resource they had to exploit and the opening of the Moel Moelogan wind farm in Conway County in January 2003 run by the Cwmi Gwynt Teg co-operative was the result.

(b) Social firms have been of growing importance over the last 10 years as specialists in creating employment for disadvantaged groups. They have a national specification to employ at least 25% of disabled people in their workforce and while work integration is a primary aim they seek to run viable businesses; they may or may not take advantage of New Deal programmes. Social firms need to generate more than 50% of their income through the trading of products and services and, significantly, contract income to provide work experience or training is not counted as part of that trading income (unless disadvantaged people were, employed, say, to deliver training). Social firms are thus quite distinctive from, for example, sheltered workshops, which in effect receive wage subsidies from the public purse. Social firms are also distinctive from organisations that are primarily placing people into work in other organisations through public sector contracting. Social firms aim to operate in commercial markets, like many worker co-ops, while maintaining a high focus on job creation for severely disadvantaged people. They have thus set themselves highly ambitious targets in aiming for commercial success and job creation for the highly disadvantaged.

Social Firms UK (2007) describes social firms as “market-led businesses that are set up specifically to create good quality jobs for people severely disadvantaged in the labour market”. This includes people with disabilities but also others who face disadvantages in the labour market, such as those who are homeless or ex-offenders. There were 137 businesses in the sector in 2006, 67 as fully social firms with the others seen as ‘emerging social firms’.⁷⁴ Social firms operate in many areas of the economy but catering, recycling and horticulture are the most common areas of activity. The sector, which conscientiously engages in regular mapping exercises, can claim the creation of 1,652 full-time equivalent posts, with 861 of these being disadvantaged people. Those with mental health problems remain the largest single group in employment.

Since 2005 a values-based checklist has been introduced for social firms to help ascertain how far they are meeting their key criteria. This looks in detail at the business and its employment practice grouped under the broad headings of enterprise, employment and empowerment. A quality mark, the Star Social Firm, has also been developed which is an independently verified accreditation process. This aims to assure customers that when purchasing from a Star Social Firm they can be confident it is delivering to its stated mission around good employment practices of disadvantaged people as well as offering a focus on quality products.

Examples of Star Social Firms include ISE Bizmatch, The Pluss Organisation, Haven Products and Pembrokeshire Frame. Forth Sector in Scotland, while not strictly a Social Firm, is worth a mention here. It is a social enterprise and a registered charity with a mixture of grant and earned income but it owns a number of businesses which are social firms specialising in employment and training of people disadvantaged in the labour market, particularly those with mental health problems. The Soap Co offering hand-made specialist soaps with an outlet in the centre of Edinburgh is one of these businesses. Forth Sector also acts as a hub for business support and development,^{75 76} a role similar to that played in Italy by the local *consorzi* organisations for ‘type b’ social co-operatives.

(c) Community businesses (a term increasingly less used) was designed to describe organisations trading in commercial markets; sometimes competing with the private sector for public sector contracts for activities such as delivering second-hand furniture, they usually had a trading company (limited by share or guarantee). Some, like ECT, could be described as having implicit work integration aims at that time as they took on marginalised workers, but with no targeting or special provision. Generally they made little use of public sector programmes such as the New Deal and handled people who were disadvantaged but not the severest cases. These organisations have tended to have more emphasis on work, albeit within a supportive and training environment. Sometimes they have specialised with a certain client group either by explicit strategic choice or by implicit response to their localities: for example disabled people or younger people or ex-prisoners and those with addictions.

Some social enterprises, especially in this category, have aimed to capitalise on a trading stream to generate funds and thus operate outside, or partially outside, public sector income. This has been undertaken by Furniture Resource Centre in Liverpool: using trainees to undertake productive work alongside a training provision for the trainees.⁷⁷ This provides freedom from public sector managerialism, but is probably only effective where trainees are not far from the labour market.

(d) Intermediate Labour Market organisations tend towards short-term training and employment offering productive work (recycling IT or white goods, landscape gardening, etc.) with the aim of trainees moving into paid work in other organisations. Nevertheless, some trainees do go on to become core members of staff within the ILM as vacancies arise. ILMs, with their high training element and larger-scale operations, may be working with highly disadvantaged people, and will tend to be dependent on some degree of public sector contracting. They are thus susceptible to cyclical changes in policy and are currently weathering a frosty patch. So a UK network of ILMs shifted label to 'transitional employment' organisations and by 2006 had become an annual conference under the 'Local Works' label with high public sector attendance.⁷⁸

Indeed the role of local authorities in particular in encouraging and developing ILMs in disadvantaged areas as part of an economic development strategy has been important.

(e1) A wide range of **voluntary and community organisations** from the large nationals to community anchors in neighbourhoods have undertaken employment and training projects. These may have been as a core part of their work (women and training initiatives in childcare organisations, for example); or as a complementary activity which meets their core mission (job advice, training or paid work by Scope and Mencap and the Shaw Trust); or as part of their wider social inclusion work in the neighbourhood (undertaking translating, administrative or part-time youth work or as advocates or trainees in community anchor organisations).

(e2) There is also a range of **embedded work integration projects** as linked or part of wider third sector organisations, particularly housing associations. The concept here is close to some of the PEP or *Regie de Quartier* models, where cleaning or maintenance work generated by a housing estate is contracted to an employment and training project for disadvantaged people to deliver.

In many of the organisational types the **distinction between 'disadvantaged'** and 'non-disadvantaged' workers can be extremely blurred. 'Regular' workers and 'trainees on programmes' may not always be far apart. We should be aware that in disadvantaged areas third sector organisations can often be the most significant employers and so with the 'core' staff there can be an implicit employment of disadvantaged people by the nature of the location of the project. A good example to consider here are social enterprises like multi-purpose community anchors⁷⁹ such as development trusts, larger community centres, and settlements and social action centres, which may themselves generate up to 200+ jobs in poor localities from a mixture of core, programme-funded and trainee/part-time jobs.

Innovative **local authorities** have also engaged directly with embedding elements of work integration, especially since their direct role and funding potential in this field has been constrained. In Bristol the local authority undertook a pilot

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project to utilise its own organisational employment potential by taking on a New Deal programme for certain categories of entry-level jobs and offering trainees a fast-track access, initially on a trial basis.⁸⁰ There have also been examples where local authorities have set up 'arm's-length' subsidiaries to undertake regeneration work, including employment and training elements, using a mixture of public funds (eg. Renaisi in East London).

Commercial organisations delivering an integration component also make a contribution to the field. New Deal trainees have generally not been taken on by private sector employers, perhaps because the bureaucratic load and anxieties about lack of trainee skills outweigh any advantage of having a subsidised worker. Nevertheless there are examples of some activity around integration with commercial companies, albeit with some kind of subsidy. The Shaw Trust, for example, has developed partnership work with Tesco to create work placements in East London for young people with learning disabilities but with the support of the Jack Petchey Foundation.⁸¹ A different model has been the work proceeding to franchise the 'Fifteen' restaurants, inspired by Jamie Oliver and managed by Liam Black, formerly of the Furniture Resource Centre Group, which aim to train at least 20 disadvantaged young people per year in restaurant and related business skills. The first franchise opened in Amsterdam at the end of 2004 and several restaurants have now opened in the UK. The model works by local, independently-run restaurants agreeing to take on certain branding and style formats alongside the commitment to train an annual cohort of young people. The restaurants pay the overarching foundation a percentage of their turnover each year which develops the work further.⁸² With Fifteen there is a clear commitment to train disadvantaged people but the selection processes are still strict and competitive – necessarily so to ensure the investment that will be made in the trainees pays off – which means that such projects will tend to reach a specific segment of the disadvantaged. Those lacking initial motivation or job-readiness may be screened out and this will be important for the business model to work. Nevertheless, Fifteen is undertaking important work here that illustrates the varied nature of different work integration activities.

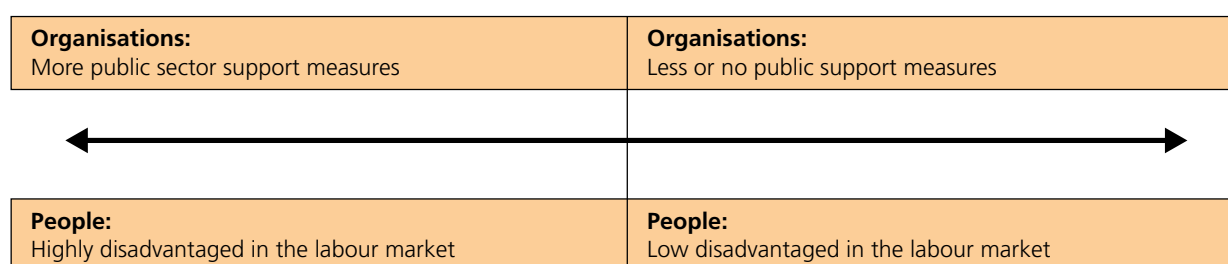
It may be that social enterprises who may be targeting more deeply disadvantaged people, with a necessarily different

finance and business model, will be able to engage with their client group and passport some of them on, if and when ready, to organisations like Fifteen. However, of particular interest here must also be the model of a franchising foundation to multiply the effect of local delivery of integration. Nevertheless, franchising arrangements have been hard to make work in the social enterprise sector. The not-for-profit 'Create' ILM model from 2004, training young people in white goods repairs, did not appear to transfer successfully in the medium-term from its Merseyside origins to north London. It will be interesting to see whether the 'Fifteen' model of 'scaling up' an organisation with an embedded work integration element can work where other such attempts in the third sector have had a patchy history.

Mix of resources⁸³

The resource mix of social enterprise in this field is a crucial issue. There remains, at times, an uncritical espousal of the idea that social enterprises may offer a triple benefit of financial sustainability, integration of disadvantaged people and a social or environmental benefit. Such a message holds out a pledge that there will be little or no drawing on the public purse. (See also Spear and Aiken 2003.⁸⁴) In practice this is seldom the case where highly disadvantaged workers are concerned. The key factor here is that usually a disadvantaged workforce cannot work to the same productive level as a non-disadvantaged (especially because of lower skills or physical impairment) in a competitive private market. In some instances, of course, such as in call centres, the nature of the work may mean a person with mobility difficulties can undertake the tasks at an equal level as an able-bodied person. However the general issue remains. This is conceptualised in figure 2 (overleaf) where a basic model is shown indicating that, roughly, the higher the degree of disadvantage, the higher the degree of *some kind* of public sector engagement is required: this may be through direct subsidy or through grants, contracts, preferred procurement strategies or fiscal advantages for a particular contribution an organisation is making. This should not be seen as a negative. Private sector organisations may gain, as was discussed earlier, up to £350 million annually to undertake such work because a policy priority is set and a market is generated via government contracts. The market 'game' in Taylor-Gooby's terms is obviously accessible to public policy influence.

Figure 2: Basic model of degree of public support measures organisations need to engage with people with high or low disadvantaged people



At a lower level of disadvantage or in areas where special conditions exist there is the prospect of some sustainability without any form of government support. Such special conditions may be where:

- there is a niche market (for example, customers paying slightly more for a specialist soap produced by a Social Firm employing disadvantaged people⁸⁵)
- market competition is weaker (for example where social enterprises entered a field initially unattractive or not noticed by commercial organisations – such as furniture or clothes collection and distribution to families in social need)
- small numbers of disadvantaged people can be absorbed in a larger prosperous organisation (such as a highly profitable commercial company)
- an organisation cross-subsidises or takes low wages (for example some co-operatives have taken this path as part of a social commitment).

In many funding regimes that social enterprise have to negotiate, the customer is not the paying agent; rather a quasi-market operates where a state body funds a provider of services on behalf of customers.⁸⁶ In such situations social enterprises report a tension between what the funder requires and what the 'real' customer needs. This may be overtly addressed in contract negotiations or addressed by bending the

rules, or not addressed by the social enterprise which simply follows the funding regime. One route from here is towards 'individual accounts' or 'voucher systems', whereby clients purchase work integration 'products.' Some social enterprises are starting to go down this route.⁸⁷

5. Looking ahead: scenarios for work integration social enterprise

In this section, building on the policy and practice in the field already discussed, some of the challenges and dilemmas around the future roles of work integration social enterprises in this field are put forward. This is undertaken in the light of changes to their operating environment caused by both policy and economic changes. The aim of this section is to alert policy makers to possible medium-term futures over the next 10-15 years beyond the current legislative time-frame.

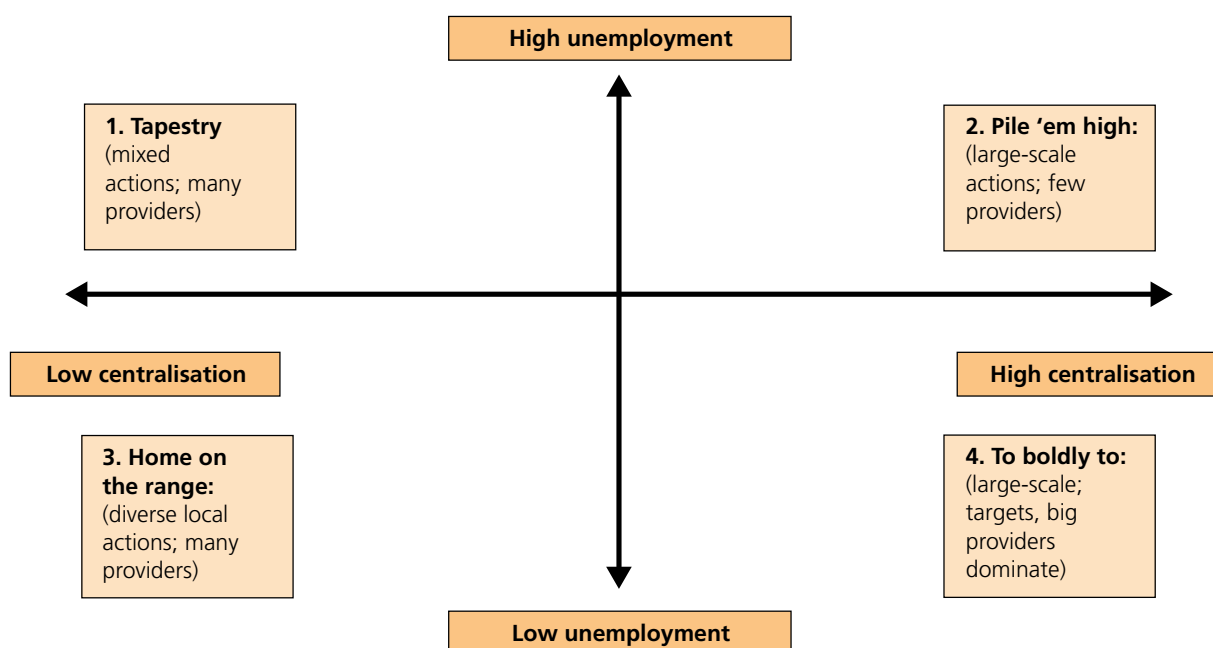
Four scenarios: opportunities and threats facing work integration social enterprises

The approach in this section is to sketch opportunities and threats facing social enterprises from the organisational environment using a scenarios approach. Scenario planning, pioneered by Wack, Schwartz and van der Heijden,⁸⁸ has been used to assist in strategic decision making in commercial organisations, such as Shell, and in the public sector including the Open University.⁸⁹

Two factors previously discussed have been used to build four scenarios encompassing a range of possible environmental challenges facing social enterprises in this field. This necessarily means a degree of simplification, but it is intended that these scenarios help us to consider some of the possible directions without claiming to be all-encompassing.

Here it is suggested we take two dominant dimensions: the key issue of unemployment (whether it is high or low) and one of the important factors which affects the organisations dealing with it: centralised or decentralised decision-making on policy, funding and incentives. The degree of decentralisation is relatively easily accessible to policy-making intervention while the level of unemployment is somewhat harder. Currently we might expect to be inhabiting the bottom two quadrants where unemployment is low. However, bearing in mind social enterprises often have a long gestation period, their long-term future role is important to consider. Four scenarios are illustrated in figure 3. In reality, mixed scenarios with a strong tendency to one type but with elements of the others are, of course, more likely.

Figure 3: Four Scenarios for Work Integration Social Enterprises



■ **Scenario 1: Tapestry (high unemployment, decentralised policy and planning)**

The drivers in this scenario would be a gradually weakening economy following a global recession leading to an emphasis on addressing the needs of the mainstream unemployed. Less attention is paid to those distant from the workplace with incentives for certain groups to remain outside the labour force – for example, those over 55, under 18, or with anything other than mild disabilities or health problems. Typical features in this scenario would be mixed and diverse actions between different towns and regions with multiple providers of varied sizes and forms. Social enterprises in this situation would benefit to some extent.

■ **Scenario 2: Pile 'em high (high unemployment, highly-centralised policy and planning)**

The drivers in this scenario would include a sharp economic downturn, environmental disaster or devastating terrorist attack bringing unemployment, housing and other public services to the top of the political agenda with public demands for large-scale state intervention delivered rapidly to scale. There is a neo-Beveridge turn with large-scale funding provided from the national government, European Union or from international aid agencies. Typical features would include large-scale actions, big-scale deliverers of standard programmes. Social enterprises might be used to quickly soak up surplus labour but with little training or support roles built in for clients.

■ **Scenario 3: Home on the range (low unemployment, decentralised policy and planning)**

The drivers here would be unemployment remaining low but accompanied by an increasing emphasis on the local in both planning and delivery terms. Alterations to procurement policies create a market for 'corner shop' social enterprises of a smaller scale to gain a percentage of any contracted work. The emphasis is on specialist services to highly disadvantaged people using flexible and informal programmes. The typical features: local and diverse actions with specialist agencies utilised. Social enterprises and other third sector organisations play an important role in planning and designing services which are targeted at the most disadvantaged. There is some

pump priming support or endowment via Quirk or other mechanisms. The social enterprises are aiming for longer-term sustainability but with some ongoing procurement or tax advantages offered.

■ **Scenario 4: To boldly go (low unemployment, highly-centralised policy and planning)**

The drivers here would be: unemployment remains low and attention turns boldy into moving even the highly disadvantaged into employment. The typical features: large-scale actions; high targeting of disadvantaged groups, big providers dominate and actions with specialist organisations contracted as an add-on. This scenario corresponds closest to the current UK situation. Smaller social enterprises survive but in a haphazard way with little policy support – they either develop a niche market or sophisticated survival strategies but their margins are squeezed. Some highly disadvantaged people are moved into employment but many are missed by programmes that lack small-scale and individualised provision.

Dilemmas and paradoxical management

We can bring some of these ideas together for both policy-makers and the social enterprise sector by seeing the scenarios as involving a series of dilemmas which can be framed most familiarly in terms of these either/or choices. Authors such as Quinn (1991) and Lewis (2002) argue that 'paradoxical management' means in complex multi-layered problems going beyond these binaries. This involves seeing problems as involving many simultaneous apparent opposites: for policy-makers this might mean thinking how to manage a system that was both centralised and decentralised; or accommodating both local niche providers and scaled-up provision.

Which mechanisms could enhance the development and role of work integration social enterprises in different aspects: organisational development, policy support, user involvement across a range of scenarios? All the scenarios imply some development of work integration social enterprises may be useful, although some provide a friendlier environment to their development. The ideas from strategic niche management (Kemp 1998⁹⁰) may be helpful here. For example, adapting Kemp's ideas we could argue there needs to be:

- a creation of space where innovation can happen (including people, resources, networks, places)

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- an acceptance of failures as well as successes (kick-start funding or endowment, as with the Quirk Review)
- awareness that suitable local conditions may need to exist (receptive local networks, politicians)
- a bringing together of local innovators in conducive idea hot houses to build synergy and ideas
- the creation of a combination of top-down and bottom-up approaches
- the creation of spaces for innovators to learn and reflect
- financial incentives to encourage uptake in the new sector (tax breaks, other market encouragers for small and medium sized providers).

Many of these ideas are complementary to the development of industrial clusters. However in many cases social enterprises undertaking this work, like small businesses, are isolated geographically or by the intense sweat equity nature of the work they are doing and cannot afford time or resources for their development in the ways discussed by Kemp. Nevertheless without some support to undertake some of these activities their incubation into sustainable enterprises may not be successful.⁹¹

6. Strategies and actions for social enterprises and the policy environment

This section offers some policy vignettes to support social enterprises working with the most disadvantaged groups and considers some of the strategies such enterprises might need to adopt.

City-wide social investment from benefits plus

Considering decentralised approaches opens up a discussion on imaginative ways of reconfiguring welfare benefits – with the active consent of clients. Distinct patterns of policy-making at the sub-national level have already been carved out of the spaces opened by one of the most centralised states in Europe – particularly in Scotland, Wales and London. The idea of the city state economy⁹² which may form lateral links and determine its own funding priorities may not be as far-fetched when word of Puerto Alegre’s decentralised budgets in Brazil has reached the lips of ministers and the Local Government White Paper (2006) calls for a more decentralised model. Pike has described how new approaches to the benefits system could be about realising it as a social investment service rather than, what it can be like at times for some groups, a poverty trap which can disadvantage people if they undertake small amounts of work, training, or volunteering.⁹³ We could conceive that innovative cities, medium-sized towns, or associations of social enterprises might, with public support, decide to take action on unemployment. A fiscal deal is agreed with the Department for Work and Pensions to take a financial credit for every person it takes off the unemployment register and to top this up with a mixture of public sector or social enterprise activity to pay for a training and employment programme for people in need. Freud estimated the cost of keeping a person on benefits was just under £10,000 per annum, although it may be considerably more if full transaction costs and other savings are included. Social Firms Scotland estimated that, when the health savings and other benefits are taken into account, moving a person with mental health problems from benefit could amount to £24,000 per annum.⁹⁴ A variation on this model would be to conceive of local *consorzi* that could act as city-wide brokers to social enterprises to access such schemes and would offer professional social service support and business advice to benefit the individuals and the enterprises.

Long-term social and individual investment fund

A similar scheme has been proposed by Social Firms UK which could also operate in a more centralised way. Here a national fund is drawn from those benefits savings from individuals which Social Firms could administer nationally – it would then broker the fund to its member organisations over a specified number of years with the aim of moving people with disabilities and other severe disadvantages into sustainable employment – either within a social firm or mainstream employment. Such a programme might consist of a mutually-agreed contract entailing a range of training, pre-employment, and work suitable to the person’s needs which would be reviewed as their skills developed. This would also aim to provide at least one of the many flexible local routes into employment that would be needed. Part of that flow to local social firms would entail offering the organisation long-term business support as a condition for accepting people into their organisation. Thus there is a triple gain:

- for the individual who voluntarily seeks to join a programme that could supportively lift them out of benefit traps
- to the social enterprise that gains a trainee/employee and long-term business support
- to the exchequer which is now contributing an investment rather than a benefit

Such processes could provide smart ways to enable the growth of social firms – which have expanded slowly despite the benign neglect by policy-makers which was noted by Thake a decade ago in relation to development trusts and similar organisations.

Intermediate self-employment schemes

A similar model can be envisaged for less disadvantaged people where local community anchor organisations are already offering an (unacknowledged) integration route through their range of informal and flexible services. They could also benefit from another scheme on which Ian Taylor undertook development work in Leeds several years previously. This could be conceived as an intermediate self-employment scheme.

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Where disadvantaged people may have the confidence, skill or, with training, the capability to undertake self-employment but lack the business expertise around tax and cash flow, they could have their path eased by having a local support structure. This could be a consorzi-style agency offering services and business support or via an existing social enterprise with expertise with individuals and business support. Experience with self-employment – particularly for older workers – has not always been found to be a panacea and some start-up and on-going business guidance would be a useful accompanying service.⁹⁵ Such agencies would in effect undertake the ‘back of house’ functions, providing a back-up structure and then relieving them of the business management tasks until they had developed their business further – or for as long as they liked.⁹⁶ Thus these organisations could act as part banker, a handler of income and paying a regular salary, and could even be linked to a credit union or local community development finance initiative for start-up loans.

Individual user accounts

There has already been interest in developing individualised accounts⁹⁷ whereby users chose their own services and training from a mix of local providers using a voucher scheme. This might also include ‘in-work support’ for people who may gain a place at work but need additional support in order to sustain that post – either due to addictions or wider social problems, such as homelessness, or because they have not been in work for many years.

Procurement, tax breaks and ethical markets

Procurement debates have been cited earlier and remain a crucial part of opening up the resource flow to enable work integration social enterprises – many of which are in a fragile state due to an indifferent policy environment – to undertake their work. This could be through reserving some percentage of budgets locally or regionally for smaller local providers. Variants on these ideas have already been piloted through the Welsh Assembly on procurement rules in relation to social enterprises.

Additionally tax breaks, as part of an innovation and incubation strategy and in recognition of the wider social and environment role played by social enterprises, could be developed. These could initially be on a specified range of products or services (such as work integration and training) or for a set period of start-up time (for example three years) in order to kick-start local and regional markets for work integration social enterprises.

The growth of the fair trade and ethical markets among consumers suggests there may be scope here for there to be encouragers for consumers to ‘buy ethical’ by purchasing products produced by social firms or other social enterprises. A validation and marketing scheme would need to be developed here as well as an examination of the value chain to consider how this would work economically.⁹⁸

Some challenges for social enterprises: prove it!⁹⁹

Alongside any preferred bidder, procurement advantages or mechanisms to make the market more favourable to enable them to flourish, it is likely that, sooner or later, social enterprises will need to find ways to demonstrate their value. Some of the advantages claimed for, or by, the smaller social enterprises in their work with the disadvantaged include, at times, advantages about relations with the user or client, about the quality of the service, the wider links and benefits to the community and the organisational roles they may play (See Figure 4).

Figure 4: Claimed advantages of social enterprises creating work with disadvantaged groups

About relation with client or users

- close to the user
- more holistic and empathetic to the user
- more trusting relation with the user

About the service

- can reach the highly disadvantaged
- can facilitate wider social inclusion for disadvantaged people.
- can deal with highly disadvantaged by offering multiple and flexible opportunities
- provides a better quality service

About the wider community links

- close to the community
- can make local connections to wide range of other organisations
- delivers wider benefits: social and environmental

About the organisational roles

- good local intelligence
- can offer innovation and develop niche markets
- promise of financial sustainability

If social enterprises gain increasing recognition and attention in the work integration field, an important growing challenge for them will be to find ways to demonstrate their value in ways that build on and go beyond some of the existing performance management frameworks around outcomes approaches, social audits and benchmarking. Agreed tools that can acknowledge both user engagement with the service and the more subtle effects on wider social inclusion in a neighbourhood may be needed – not to provide more burdensome measurement but to provide some rigour to the claims. It will be important to demonstrate the advantage social enterprises delivering training and employment to highly disadvantaged groups have over other forms of organisation. What are the institutional, financial, and management barriers to developing this role for those operating in both ‘social inclusion’ and ‘productive’ markets with public policies around active labour market, social inclusion and decentralisation?

Social Return on Investment (SROI)¹⁰⁰ may also provide some ways to both accredit and assess the wider social and environmental benefits provided in different ways across the range of work integration social enterprises.¹⁰¹

Social Firms UK have undertaken pioneering work in the work integration field with their quality mark and validation scheme, the Star Social Firm, which will be officially launched in February 2008. This aims to confirm for customers that the organisation has good employment practises, a quality-driven approach to its products and a positive impact on its local community.

Survival and development strategies for social enterprises across the scenarios¹⁰²

At a pragmatic level there are questions as to how local social enterprises specialising in the field of employment and training for disadvantaged people can tackle the challenges from the organisational environmental in order to enable them to perform a social role in this arena. It should be clear from the discussion above that managers in a social enterprise face some choices and may have a degree of room for manoeuvre as to the way they respond to the pressures and tensions from the policy environment and the level of unemployment. If there is a further reduction in programme funding accessible to work integration social enterprises, it may mean they need to consider how they may remain active in the field.

This section sets out 10 possible strategies that may need to be deployed by different kinds of social enterprises across the scenarios. Further research would be needed to argue which mix of strategies might be best in which contexts. Depending on their scale and size and their organisational values and missions, a different configuration of the following may be more activated by the social enterprises. Hence small local social enterprises rooted in a community base may need to consider ‘hanging on’ or ‘federating’ to survive while those intent on growing into regional or national organisations may want to consider ‘franchising’ and ‘scaling up’ strategies. Similarly ‘sheltering’ and ‘clustering’ may be helpful for smaller social enterprises.

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Figure 5: Survival and development strategies for social enterprises across future scenarios

a) Hanging on

The local social enterprises carry on as currently, although many do not survive; they become marginal using sweat equity, charismatic leadership, niche position and good connections as survival strategies with a focus on entrepreneurial approaches.

b) Sub-contracting

Social enterprises merely subcontract from commercial or large-scale national organisations in the public, private sector or even from very large scale social enterprises which are highly engaged in contracting. As subcontractors they may be kept at arm's length from the overall public sector contractor, preventing dialogue and feedback to policy-makers. This may limit service improvement and local 'fit', and create a tendency to chase targets not outcomes. They may be subjected to contracting conditions that may favour the prime contractor while squeezing their own revenues and long-term sustainability prospects. They may face conflicts of approach with the prime contractor who may be uninterested in the detail of local circumstances.

Where it is possible, undertaking a large number of simultaneous contracts may provide sufficient scale to create some flexibility for both the organisation and the clients. The mixing of social programme funds from enough different sources to provide a flexible service is something pioneered by organisations like Childcare Works – a social enterprise programme initiated by CEiS in Glasgow. Nevertheless such approaches have involved them in high transaction costs in investigating and managing so many income streams. However, environments may favour 'habitual and frequent flyers' who know their way smoothly round the check-in counters of the bidding process.¹⁰³

c) Sheltering

Local social enterprises may seek to 'shelter' within, or as part of, an arm's-length charitable company which has related work but more stable finances, an organisation based on scale or diversification (such as a housing association), leading to economies of scale. There have been periodic examples of this kind sometimes based on the development of a resident service organisations (modelled on the French *Regie de Quartier* idea mooted by Priority Estates Programme over a decade ago) whereby local people benefit from employment around ground maintenance or small repairs on their own estate. Current examples are being developed in Liverpool (sheltered within Plus Housing Association) and Thames Reach (sheltered within an organisation engaged with homeless people (See Aiken 2007b for a summary).

d) Clustering

The local social enterprise may be able to cluster with similar organisations locally or within a larger community building (as part of a 'community campus'). The linked organisations may be undertaking activities around debt advice, addiction, credit union, informal learning and training. This can add bulk and breadth and may enable some sharing of 'back office' facilities. In some cases these clusters may operate through or within community anchor organisations – those multi-purpose organisations offering a range of projects and services. This approach requires facilitation and partnership-working. There is a need for developing trust, interdependence and reciprocity between semi-connected organisations and for the development of robust arrangements around monitoring, review and social learning (see Community Alliance 2007) as well as developing skills around small business, innovation, co-operative development and partnership).

e) Federating

A more formalised version of clustering, which raises similar issues and also offers greater scope for economies of scale. A federation may offer social enterprises opportunities to gain expertise, intelligence and advice on the specific themes of work and training through a national parent they own with access to a network or other peer social enterprises undertaking similar work. This structure has been familiar with third sector organisations such as MIND, Age Concern and community-based organisations within the Community Alliance.

Figure 5: Survival and development strategies for social enterprises across future scenarios (continued)**(f) Franchising**

A more formal 'network' solution – which turns the federative model upside down – more common in retail settings, which has been tried within some third sector organisations (such as CREATE in the work integration field in the early 2000s). This is currently being developed within the 'Fifteen' chain of restaurants, inspired by Jamie Oliver and managed via Liam Black, aimed at training disadvantaged young people. The franchised restaurants agree to certain national standards and conditions in return for branding and expertise. Franchising from social enterprise to social enterprise has not, however, always been easy and early explorative discussions have emerged among some leaders in the field around franchising commercial to social enterprise.¹⁰⁴

(g) Sharing without merging

Scaling up through mergers partnerships and strategic alliances between a range of smaller providers to gain critical mass. (Organisations such as bassac, Community Matters, Development Trusts Association, and the Community Alliance (2007) have developed such approaches; IVAR has done extensive research work in this field: www.ivar.org.uk).

(h) Integrating and diversifying

Integrate with wider social inclusion organisations, (such as community anchors) or diversify into adjacent fields to cross-subsidise the work and training operation.

(i) Going cheap and cheerful

Surviving by cutting quality and cost by employing cheaper and less skilled labour to undertake training, advice or mentoring functions with disadvantaged people.

(j) Scaling up

Going for a growth strategy to become a large-scale regional, national or international social enterprise. This requires substantial financial investment, a highly skilled board and senior staff and expertise in coping with both fairly rapid growth and the complexities of managing the quality of dispersed units. ECT provides an example of this approach within contracting for waste and recycling fields.

Implications and conclusion

The roles for social enterprises in creating and maintaining employment for disadvantaged groups are extensive. Nevertheless the field is in need of support to enable it to flourish, particularly to assist the most disadvantaged. A range of mechanisms could act as boosters to develop this market across a variety of future scenarios:

- improved procurement strategies
- recognition of special programmes for smaller social enterprises carrying out informal and flexible activities
- appropriate innovation and business development support
- providing tax breaks and flexibility with the benefits system
- routes that would enable scope for larger social enterprises to scale up if they wish to take that path

In undertaking innovations to the policy field it will be important for policy-makers to conceptualise choices beyond narrow binaries 'of either this or that' policy path but to consider 'this and that' as acceptable and rational paths to deal with the complex and messy world of work integration for disadvantaged people.

Notes

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