

15 United Kingdom

A wide range of social enterprises

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Introduction

Social enterprises in the UK cannot be examined without an historical perspective which shows how the whole third sector evolved. That is why in this chapter we first look at the main traditional components of the social economy as a basis for examining the social enterprises which emerged more recently. Organisations in the UK that might be termed social enterprises (this category is quite large) are then examined; they have quite diverse legal forms, and even within each legal category there is considerable variety. Next the range of sectors where social enterprises are found is looked at. We then go on to examine social enterprises in the welfare sector, looking in particular at some case studies and the role of local government in contracting. Finally, an analysis of some specific features of social enterprises is developed.

1 Third-sector organisations in historical perspective

Analysis of the emergence of third-sector organisations has been dominated by theories of the non-profit sector stressing state and market failures (demand side theories), the role and profile of entrepreneurs (supply side theories) or the dynamics of institutional choice (historical and contextual factors, embeddedness, etc.).

In spite of their limitations, these kinds of approaches can be used to differentiate traditional third-sector enterprises and new social enterprises in terms of the changing nature of state/market failures that they responded to, the changing patterns of entrepreneurship and the very different contexts from which they emerged.

Traditionally, the third sector, also called the social economy, may be considered as comprising co-operatives, mutuals and voluntary organisations (which include charities and foundations). These categories include older organisations, some of which were formed in the last century and many of which are large enterprises, as well as new organisations, many of which are small or medium-sized, but which may have a stronger value base. In terms of overall employment, third-sector organisations play a significant role in the economic landscape.¹ Co-

operatives employ about 131,971 employees, mutual organisations provide work for some 27,500 people and voluntary organisations for 1,473,000 people, i.e. the social economy accounts for a total of approximately 1,684,500 jobs.

Looking first at the co-operative sector, its origins lie on the one hand in market failure in the provision of good quality products and lack of state regulation in the retail sector, leading to the rise of the Rochdale pioneers. But the subsequent proliferation of new retail societies owes as much to the dynamic entrepreneurial activity associated with a vibrant social movement bridging working-class and lower-middle-class interests. The co-operative sector is still dominated by consumer societies, with 9.2 million members, and 104,000 staff. Among these, the Co-operative Wholesale Society (by far the largest retail society particularly after its current merger with the second largest society) also owns very successful co-operative financial services which were initially an extension of the range of services provided to retail customer/members, but have now grown beyond that. In a similar vein, the growth of mutuals in financial services may be seen as a response to the excessive market power and profits of private providers in the last century.

The agricultural co-op sector, with its 300,000 members and 12,243 employees, was built on a spirit of self-help in a context of growing urban markets, and on the need to counter the emerging economic power of wholesalers, and a growing class of retailers. It has moved to a certain extent towards more privatised forms of ownership.

While it is clear that many of these traditional social enterprises have suffered some degree of degeneration in their guiding values, it is also the case that many of the market/state failures they emerged to counter have since altered due to changing market dynamics. These are the older, more traditional sectors and they have faced declining market share and threats of demutualisation. However, alongside this decline, there is continued market leadership in other sectors e.g. funerals, travel and insurance, while the co-operative bank has been a market leader in ethical trading.

This varied performance has had two kinds of social impact: the retail societies, although declining economically, have a good record of retaining shopping outlets in a wide range of communities; the CIS (Co-op Insurance Society) has a network of local community-based representatives who perform a similar function. On the other hand, the Co-operative Bank has strong ethical and environmental policies, and sponsors a number of ethical projects that support disadvantaged groups. And although, until recently, CWS (Co-op Wholesale Society) and other retailer societies have suffered a degeneration of values, there is currently a regeneration underway in the sector, which is developing a community shopping strategy, strengthening community-based activities and building social capital.

Voluntary organisations form the largest part of the third sector in terms of staff employed (paid and volunteers). An examination of contextual factors in the UK can be made using Esping-Andersen's characterisation of types of welfare state regimes, i.e. liberal, corporatist and social democratic. The UK is

usually referred to as 'liberal' with relatively low expenditure, the use of means testing, and strict rules of entitlement. Due to a relatively early formation of the state, the national Protestant church plays a much smaller role in welfare compared to the Catholic church in corporatist models. However, the post-war creation of the National Health Service was very much informed by social democratic ideas (universalism and non-market provision). The effect of this has been a very small voluntary sector presence in the health sector, but a relatively large voluntary involvement in social services, education and research, and culture/recreation sectors.

The newer co-operative and mutual organisations are more closely linked to the voluntary sector in terms of commonality of activities. They operate in a range of sectors responding to failures in state housing provision, labour-market failures (leading to exclusion), failures in macro-economic policies leading to high unemployment, and local government failures to manage community development (multi-racial/ethnic, inner city, and rural areas). But the largest area arises from welfare failures, and restructuring arising from the breakdown of the post-war consensus on the welfare state.

New sector social enterprises also parallel their nineteenth century forerunners in combating market failure in retailing (especially in new products, such as organic and whole foods, radical books, etc.); and similarly the formation of new enterprises was closely linked to the social movements of the 1960s. By the same token, market failures and state regulatory failures in the retailing of financial services (exclusion of many combined with highly exploitative private loan shark operations) have been major factors in the rise of credit unions.

2 Overview of social enterprises in the UK

The term social enterprise is only occasionally used in the UK but its meaning is not obscure; it has a general meaning, usually associated with the idea of a trading enterprise having a social purpose e.g. rewarding those at risk from social exclusion rather than shareholders.

UK law is not tailored particularly to the idea of social enterprise. There is no law for co-operatives or specifically for mutual or voluntary organisations, which are the forms usually adopted by social enterprises in most countries. On the other hand, the law is quite flexible with regard to such enterprises. There are two relevant types of law – company law and industrial and provident (I&P) society law. Social enterprises (whether co-operatives or voluntary organisations) would usually be formed as companies limited by guarantee under the former, and as I&P societies under the latter. The Registrar of Friendly Societies, which caters for I&P societies, offers more protection to bona fide co-operatives than to entities registering under company law. I&P societies allow shareholding by members but they are democratically controlled, since members have only one vote each. The usual form of registration under company law is a company limited by guarantee, where the company is controlled by members (one person, one vote) with (usually) nominal shareholding and liability is limited to the

amount initially agreed to be provided by the member if the company is liquidated. It is also possible to register social enterprises under the branch of company law where a company is limited by shares. Social enterprises (voluntary organisations) can also be registered as charities with the Charities Commission under the Charities Act 1992/3. Charitable status exempts the organisation from corporation tax, but this must be balanced against value added tax which cannot be reclaimed. During the past year or two there has been considerable interest in developing co-operative legislation, which resulted in the drafting of a law, not yet scheduled for parliamentary time.

Despite the lack of a specific legal status, several types of organisations may be identified as social enterprises.

New co-operatives and mutuals

Worker co-operatives

Worker co-operatives have always been a small but influential part of the UK co-op sector. Since the 1980s they experienced a substantial growth (from 279 in 1980 to over 1,100 in 1992). They operate in many sectors, and are especially prevalent in the service sector. They are typically small firms with an average size of ten workers. A large part of the success of these worker co-ops is due to the network of small locally based co-operative development agencies (CDAs) that exist to help set up co-ops, often by working with the unemployed and with disadvantaged groups. It is difficult to judge what proportion of co-ops come from these categories, but a majority emerges from initiatives to create jobs for the unemployed or to save the jobs in failing businesses. A substantial minority comes from initiatives to help the long-term unemployed, women returning to work, ethnic minority groups, and people with disabilities.

Social co-operatives

It is important to differentiate between two types of social co-ops – social care co-ops providing services like home care, and social employment co-ops that provide employment for disadvantaged groups. These categories may overlap so that social care co-ops may employ people with disabilities or disadvantages. Social co-ops are similar to worker co-ops, but with some differences. Firstly, because of the nature of the service (personal), users may have some level of participation in the affairs of the co-op, though this may often be consultative rather than formal. Secondly, in the social employment co-ops, the status, terms and conditions of employment of people with disabilities is problematic and tends to be different to other members because of the risk of losing their state benefits. In some cases they are volunteers and in others employees, but in neither case are they paid normal wages. They are usually paid only expenses because otherwise they would risk losing their benefits if they were ever made

unemployed. Although, in some co-ops, there are clearly different types of stakeholders e.g. volunteers or associate member workers and employed member workers, or sometimes support staff as members, there is still no evidence of the creation of consumer/user co-ops.

The number of home-care and nursery co-ops has continued to increase since 1993, but the exact figures are difficult to establish (about fifty care co-ops, and thirty nursery co-ops). There are a certain number of doctors' co-ops which provide emergency healthcare services to general (medical) practices in local communities. There are about thirty to forty social employment co-ops in the manufacturing and retail sectors in the UK. Co-ops have a good record as employers of people with disabilities. The best-known successful examples are: Daily Bread, a wholefood retailer and wholesaler employing people recovering from mental illness; Pedlars Sandwiches, a catering co-op employing people with mental illnesses; Adept Press, a printing business employing people with hearing impairment; Rowanwood, which employs people with learning disabilities producing wooden panelling products; and Teddington Wholefood Co-op, which grew out of a London day-care centre and employs people with learning disabilities.

Social firms²

Social firms are enterprises with a social purpose that try to provide real jobs for people with disabilities. These firms are oriented to the market, and their main client group has been people with mental illnesses. There are about thirty to forty social firms in the UK and they have been sponsored or developed through public and voluntary sector partnerships, often with EU funding.

Mutual organisations

There are some new examples of mutuals often much more radical than the traditional established ones, for example in ethical investment and social investment. They result in new employment and might be important in developing strategies to help address financial exclusion.

Trading voluntary organisations

Trading voluntary organisations are adapting towards a contracting culture, and increasing their role as service providers in a range of areas including welfare, training and enterprise development. There is a strong trend to professionalisation and the acquisition of managerial competencies in the sector. Voluntary organisations are active in a number of sectors, particularly culture/recreation, education and training, and welfare, as well as housing, and some social/environmental sectors such as recycling of clothing for fundraising. Voluntary organisations carrying out non-traded advocacy and redistribution activities are not considered social enterprises.

Voluntary organisations may be charitable trusts, in which case they either rely on fundraising or endowed assets – financial or buildings. They may also be instruments for development activity, as in the case of development trusts, which are quite numerous, and some form the core of community businesses. Major charities are playing an increasingly important role in providing welfare services – they already run residential homes, day centres, and domiciliary services such as 'meals on wheels'. Charities and other voluntary organisations often specialise in supporting a particular target group, and this may be regarded as a traditional strength of the voluntary sector.

Intermediate labour-market organisations

In the UK recently there has been considerable interest in intermediate labour markets. These are 'waged or salaried, full or part-time jobs with training, which are only available to unemployed people for a limited time period, and where the product of their work has either a direct social purpose or is trading for a social purpose where that work or trading would not normally be undertaken' (Simmonds and Emmerich 1996). A famous example is Glasgow Works, which in 1999 was coordinating twenty projects employing 400–500 people.

The key features of these intermediate labour-market (ILM) organisations are that: they are intermediate (i.e. leading to the normal labour market); they pay the rate for the job; they provide a temporary job; they trade for a social purpose and provide added value (i.e. avoiding substitution/displacement effects). It could be argued that such initiatives are a development of the Community Programme,³ but the differences are that training is more integral, they are more closely and overtly linked to the local social economy and they have more community control.

Community businesses

Community businesses share many of the principles of co-operatives but they are usually non-profit. They first started in rural areas, most notably in the Highlands and Islands of Scotland. They were highly successful there as a way of mobilising local communities to provide services such as transport and shops. Members of the community take a share in the community business and thereby own and control it. The overall community business then spawns various projects, which are accountable to the community business. This idea which first developed in rural areas was then successfully transferred to inner-city areas, most extensively in Glasgow. It has been taken up to a certain extent in the rest of the UK, as an approach for addressing problems in the most severely disadvantaged inner-city areas, in order to establish and strengthen community structures and services. It has also been used elsewhere in initiatives that might benefit from a sense of community ownership. Community businesses have gradually increased in number and are seen by many as an attractive structure for initiatives in the welfare sector.

Major features of new social enterprises

In the UK, social enterprises appear as independent trading organisations with social dimensions, selling user-oriented services privately in the market or contracting with the state. The main new social enterprises are voluntary organisations, co-operatives/mutuals, ILMs, and community organisations.

Volunteers tend not to be used in co-ops and traditional mutuals, but tend to be more readily used in voluntary organisations (but not in residential care), and in community business and trusts. If one were to visualise enterprises on an economic/social spectrum, volunteers would more likely be used at the social end rather than the economic end. Also, in the case of public contracts, legal liability tends to limit the use of volunteers. Members are clearly specified in many social enterprises, but users are not usually specified in their legal structures.

Social enterprises have varied sources of finance. Most do not receive donations, although voluntary organisations, settlements (via trusts), and some community businesses do. Those with endowed assets (e.g. settlements) have more stable operations. Most of these organisations are almost, by definition, trading in the market, but this may be the quasi-market of state contracts as in the case of residential care. Public subsidies used to be more common, but they now tend to take the form of a contractual relationship with the public authority paying for the delivery of a 'public' service. The term 'service agreement' is also frequently used.

3 Overview of new social enterprise sectors

When considering the sectors in which the new social enterprises operate, it is important to relate them to new market/state failures, and to reflect on the different dynamics operating. Social enterprises respond to failures in state housing provision, labour-market failures (which result in exclusion), failures in macro-economic policies (in particular high unemployment), local government failures in the management of community development (multi-racial/ethnic, inner-city and rural areas), and of course the large area of welfare failures. With regard to the dynamics of social enterprises in relation to market, state and community, it is clear that some sectors are quasi-markets, while some are conventional markets with services paid by the consumer/user (though voucher schemes or benefit systems may complicate the picture). In addition, there are associative relations (reciprocity) and, in many cases, there will be mixtures of these varied types of exchanges.

In the following sections the sectors where social enterprises have emerged and the types of social enterprise found in them are reviewed.

Work integration and employment services

The following types of labour-market integration initiatives may be identified:

- work initiatives (with training) for people with disabilities, often run by charities serving that group;
- work initiatives (with training) for people recovering from mental illness, often by charities serving that group;
- community regeneration projects creating jobs (full and part-time), often run by development trusts;
- work projects run by multi-project community-based organisations (such as settlements);
- employment, training and advice projects run by housing associations.

Current UK labour-market policy trends are towards making the market work better, with a smaller role for labour-market integration measures. Employment services are particularly emphasised in the UK, since these represent a low cost method of providing assistance to a large number of people. But the potentially unfavourable inflationary effects of inactive or excluded people (their exclusion reduces the number of people available on the labour market) are likely to result in some measure of continuing support for labour-market integration, particularly for youth and long-term unemployed. In addition, as large voluntary organisations move increasingly into the area of developing 'real' jobs for people with disabilities and those recovering from mental illness, the profile and effectiveness of such initiatives will be raised. The state funds numerous schemes through contract-like arrangements or through partnerships.

Co-operatives continue to offer the most economically viable model for such initiatives, but other initiatives have different strengths. For example, community businesses are best at targeting disadvantaged communities, voluntary organisations for assisting the types of groups they specialise in supporting, while intermediate labour-market organisations have a well-defined philosophy for giving transitional support to both communities and disadvantaged groups.

Although UK labour-market policy is marked by an emphasis on placement and job search, the labour-market integration initiatives described here achieve some degree of support because it is recognised that they are effective with the more disadvantaged in society. Given the complexity of the policy framework and the support required for these initiatives, a development function often needs to be established through a support structure, since it fulfils an important role in overcoming barriers, and projects may also be managed through holding structures (as in the case of community business).

Projects to improve labour-market functioning fall into three main categories, all aimed at improving the matching of people to jobs and vacancies: placement, job search and promoting equality of opportunity, for example to women, youth and ethnic minorities. Typically an initiative might involve a club that provides training in writing a CV and in interview techniques, free use of telephones for responding to job advertisements, etc. A club also serves to reduce isolation and to facilitate informal learning. The voluntary sector is the major operator here after the state. It is particularly well placed to serve special groups, since it tends to specialise in supporting certain target groups. Thus while there are state

schemes covering the first two areas (placement and job search) for all groups, the voluntary initiatives often specialise in servicing the needs of one target group.

Housing

Low cost housing is increasingly provided by housing associations rather than local authorities. A relatively small part of this provision is through over 500 housing co-ops. A large proportion of these housing associations operates in the social housing market for disadvantaged groups. This sector continues to grow in size and in terms of the services provided. Sheltered or supported housing for people with special needs has increased substantially in the 1980s and 1990s. There is an increasing amount of interest and projects which focus on providing services for the most disadvantaged people in a housing association, and such employment projects are becoming a more and more important part of housing association activities. Most schemes are for the single homeless, young people, and people with disabilities or mental illness.

Local development

Local development includes a wide variety of social enterprises. Primarily concerned with community economic and social development, it covers some of the other categories as well as community services, environmental improvement/development, cultural development (media and entertainment), transport services with a local orientation and special educational services (e.g. for ethnic minorities). All types of initiatives are found here, especially worker co-ops, trading voluntary organisations and community businesses.

There are over 160 development trusts, i.e. 'enterprises with social objectives which are actively engaged in the regeneration of an area – a valley, a housing estate, a town centre or a wasteland – whilst ensuring that the benefits are returned to the community'. They are partnership organisations often involving public, private and community partners in funding and governance. They promote and manage a variety of types of projects, including managed workspaces for small enterprises, environmental improvement, community transport, training and advice to small businesses, housing improvements and city farms.

Another interesting area of development activity can be seen in the work of settlements. These are multi-purpose organisations committed to tackling poverty and injustice in urban and inner-city areas. They are trusts governed by trustees, and many have been established for over 100 years, having been endowed with a large property to house their projects and provide some income. They carry out a wide range of projects, some of which are related to training and work integration. Many operate in poor inner-city areas and support ethnic minorities among others.

Credit and exchange

There is enormous interest in micro-credit schemes for individuals, as well as credit/finance schemes for enterprises. There has been some development of such schemes and increasing development of credit unions for assisting disadvantaged groups and communities. Credit unions have a relatively recent history in the UK but they are now growing fast, although employee schemes are much stronger than community-based schemes.

There has also been innovative development of mutual guarantee societies among SMEs for assisting in the raising of financial capital. Many of these initiatives prepare the ground for employment generation, and indeed may be vital to the sustainability of social enterprises, but they are not currently significant employers.

Finally, several hundred LETS schemes (local exchange trading systems) have been developed for assisting disadvantaged groups. LETS operate through a barter system that allows a large number of people to make exchanges (buy or sell goods but usually services). Thereby they facilitate economic development from a low base and they keep money or exchanges within the community.

Ethical trade

A number of ethical trading organisations are social enterprises. These have strong ethical trading statements, as is the case with Traidcraft, the Christian non-profit enterprise that imports goods from developing countries and sells them through their own network of volunteers, and through charity shops. It has development aims linking the third world and developed world. It is difficult to estimate the size of this subsector, but some of the enterprises are quite large and successful.

Welfare and personal services

Considerable changes have taken place since the early 1990s in the British welfare state. A major policy shift in welfare services was brought about through the Health Services and Care in the Community Act, implemented in 1993. The main policy impact of this Act was that there should be a move away from caring for people (older people, mentally ill, physically disabled people and those with learning disabilities, etc.) in large institutions towards more community-based care, either in people's own homes or in smaller local units or day centres. This has resulted in de-institutionalisation, for example closing down large mental hospitals and providing local community or home-based services. A second important feature of the Act was that there should be a transfer of direct responsibility for funding these welfare services from the central Department of Social Security to Local Authority Social Services Departments, and that they would contract out most of the services required.

State benefits have played an important role in the development of social enterprises providing welfare services. During the 1980s, the take up in benefits

increased substantially. Between 1979 and 1992 the numbers claiming invalidity benefit rose from 600,000 to 1,585,000, attendance allowance from 265,000 to 830,000 and mobility allowance from 95,000 to 1,090,000. Benefits have an important role in helping people to pay for welfare services, such as home care, but they may also have a negative influence on the possibility of individuals (e.g. people with disabilities) moving into employment. For example they can create a poverty trap preventing people with substantial benefits from getting a job.

Alternatively, conditions associated with benefits may make the transition to work difficult or risky. The Blair government is reviewing the whole benefits system, but so far only minor changes have been made.

The outcome of the major policy shifts has been growth of the private, voluntary and co-operative organisation provision in the welfare sector. Growing private sector provision has been particularly pronounced in the residential care sector, and more recently it has developed a growing presence in the home-care sector. The voluntary sector has reacted to these policy changes and has itself undergone major changes in the last few years, with a greater professional and market orientation. Social enterprises in the form of large voluntary organisations, and small co-operatives, have expanded their service provision activities and taken on contracts for services (usually to supply services previously supplied directly by the public sector). However, relative to the private sector this has been quite slow, and in general market share has been lost. Co-operative provision has not developed as quickly as anticipated, while voluntary sector provision has focused on its strength of serving specific target groups, and has consolidated or developed complementary domiciliary services, such as meals on wheels (a home delivery service of meals using a high proportion of volunteers). In some cases such services also make use of other facilities in the social economy such as voluntary sector transport provision, i.e. community transport.

4 Social enterprises in welfare services

After this overview of the main sectors where social enterprises operate in the UK, we will now focus more specifically on social enterprises active in the area of welfare services. This is a particularly interesting area when analysing the evolution of social enterprises as a response to evolving market/state failures. In this section we review some of the background to the development of a mixed economy of care in welfare services in the UK, and look specifically at how market contracting operates for social enterprises. A specific sector – home-care services – within the general category of welfare services is analysed, but many of the principles revealed are common to other kinds of welfare services operating in such market-like conditions.

Public sector contracting

Public sector purchasing is becoming more and more widespread. Social services departments are not the only organisations that contract services. Other

contractors include health authorities, local authorities (e.g. for warden services, or sheltered accommodation), the probation service (alcohol advisory services, drugs services, marriage guidance, community programmes, etc.), and the educational services in prisons. Some private sector companies are contracting out counselling and crèche provision to voluntary sector and co-operative organisations.

Contracting usually results in the award of an external contract or service agreement, and thereby forces a new kind of relationship that focuses attention on the deal or exchange between the purchaser (e.g. local authority) and the provider. It involves greater clarity and more explicitness about each of the processes involved. Securing a contract or service agreement is likely to involve going through a variety of steps, partly determined by the provider selection process, but also by the purchasing arrangements in each local authority.

The terms of contract are quite a crucial area in determining the pressures on social enterprises – there have been clear examples of externalising uncertainty, by specifying contract limits within which the public authority will operate, leaving it to the social enterprise to manage variable demand. These are ‘call off’ contracts. In these, the local authority social services department specifies an hourly rate for twelve months and the maximum number of hours per week. The local authority varies demand from week to week, and it can withdraw from this contract at any time with a month’s notice.

State policy is central in determining the size of the market, and the proportion of independent provision as opposed to public sector provision. Public authorities have not always selected providers on price, but clearly this is one of the most important criteria. Sometimes their criteria for selecting providers are not transparent, and providing agencies may be faced with sudden reductions in contracts, or no contracts at all, as a result of the tendering process once a year. On the other hand local authorities have played a part in helping social enterprises become established, both through help in the provision of premises, and through management assistance in the early years.

Social enterprises in the welfare sector often get part of their income from private clients, but, as outlined above, such clients are usually drawing state benefits in order to pay for the services. Thus the benefits system and changes to it influence the size and operation of the sector. In addition there are local authority contracts to provide services. One example is the contract with the Walsall Home Care Co-operative that, in 1997, had 2,800 hours of contract work per week. This work was carried out by many of its 150 carers, some of whom also had private clients provided through the co-op.

Examples of state contracting for welfare services

To illustrate public sector contracting in the field of welfare services, we now turn to two different local authority areas, one a medium size town and the other an inner-city borough.

Table 15.1 Commercial possibilities and type of provider

<i>Concentration of business</i>	<i>Type of provider</i>
High – commercial possibilities	Private (for-profit) vs. large national voluntary organisations
Low – little commercial possibilities, strong mutual/self-help character	Voluntary/self-help organisations only

In one area studied (population 200,000) the state contractor had no formal classification system for welfare services, although there were budgetary classifications usually based on user needs (e.g. mental health, disability, older people). However, an examination of contracting practice showed that there were about thirty block contracts for substantial amounts of a service (e.g. several thousand hours of home care) and 200 'spot' or framework contracts (usually for individuals). Block contracts were used for more standardised services. These contracted services could be classified as follows: residential care (private for-profit sector dominant, but voluntary organisations as minor players); home care; carer oriented services (e.g. respite); day-care services; meals (lunch clubs, home deliveries); mutual support; specialist rehabilitation (e.g. for visually impaired); advice and counselling.

The choice between providers was determined to a large extent by who was in the market. So in the residential care sector, the strong presence of the private sector ensured that they gained the majority of contracts. In other service areas the presence of strong national organisations, such as Age Concern and Mind, with established reputations and services, ensured that they received contracts. In other service areas, there was not sufficient volume of business to warrant private enterprises becoming established, and voluntary organisations (such as support organisations for drug/alcohol abuse) were the only credible options, since they demonstrated a capacity of strong responsiveness to user need. In some cases, such as meal delivery, there was a combination of private and voluntary provision differentiated by activity – cooking (private) and delivery (voluntary organisation). Thus a differentiation could be identified, as shown in Table 15.1.

The additional important factor in choice of provider was the policy of the local authority. In the area studied, the local authority favoured in-house provision where possible, but there are severe central government constraints on this currently. Moreover, the contribution of specialist partners (i.e. social enterprises) was more valued than for-profits (who might make a profit from care).

In another area studied, an inner-city area with considerable ethnic and religious diversity, the most prominent characteristic of organisations in the welfare sector was again the capacity of strong responsiveness to user need, on the part of voluntary organisations, but in this case along religious and ethnic lines. There were large numbers of relatively small voluntary organisations of this type, building on the ethnic/religious associative dimension of communities.

Home care – the sector and cases

There are currently about fifty home-care co-ops in the UK. They have an average size of about thirty carers, and provide an average of over 600 hours of care per week. Most of their staff/members are women, often with families, working part-time. The public sector is still a prominent player in the market, with the private sector having had the highest growth rate, and large voluntary organisations also being active. Social care (home-care) enterprises have the advantage of requiring relatively few resources initially for central administration. They often make use of community resources for office space or use facilities provided by the local authority. Once trading they draw their income both from state contracts and from people who pay with their state benefits, as illustrated by the following cases.

Walsall Home Care Co-operative

The Walsall Home Care Co-operative, in the West Midlands, started at the instigation of a community care officer from the Department of Social Services who asked some women if they would like to care for and visit some elderly people in the area. As the work grew, twelve carers increased to twenty-eight and, in February 1989, they set up a co-operative. The six people initially on the management committee did all the administration, as well as doing part-time caring. As the business grew, the administrators had to give up their care work. Nowadays, the administrative work is carried out by five office staff, two of whom are part-time carers. In 1992 there were 250 carers but this has since declined to 150 carers as competition has increased (from two private competitors in the early days to about twenty now). All the carers are members of the co-operative. They are provided with advice and support and all have to undergo a one-week training course.

The co-operative is committed to delivering a high quality service. Finding a good match between carer and client is seen as important. Where possible, the co-operative tries to ensure the same carer keeps with the same client. The carers provide care for any age group, in people's own homes. They serve people who are mentally and physically disabled, elderly people and children. They also care for terminally ill people, usually in association with Macmillan nurses (terminal care specialists). They provide a domestic service of cleaning, washing, washing up and a personal care service of helping people to get dressed, have their meals, get up, go to bed, etc. They do not provide nursing care. They also help people get the benefits required to pay for the care. Many of their clients pay for care through benefits while some have private means.

The majority of the co-operative's work (approximately 2,800 hours/week) now comes from contracts with the local authorities. For contract work, the local authority social services department insists on the co-op employing the carers. In most of their other work, the carers are self-employed but the co-operative acts as an agency, and the client pays the carer, who in turn pays the co-op a commission of 17.5 per cent. The Walsall Home Care Co-operative members have been

quite innovative in trying to establish formal training schemes, diversifying their care services to cover, for example, work at day-care centres and at further education colleges for people with learning disabilities.

Wrekin Home Care Co-operative

The Wrekin Co-operative was set up in 1991/1992 as a result of a Wrekin Council initiative, similar to the Walsall Home Care Co-operative model. The initial ten members/carers rapidly grew to fifty-one in 1992, and to eighty-one carers working about twenty hours per week in 1999. Potential future carers are asked for two referees and are police checked. Those who are deemed suitable must attend a training course that covers most aspects of what is required of them, including being a co-operative member.

All carers are self-employed except for local authority contracts. They are paid a flat hourly rate directly from clients, and they then pay the co-op a £1 (about 1.6 Euro) per hour levy. The two full-time staff – a manager and a co-ordinator – are paid from this levy and they carry out most administrative tasks. The management committee members are elected at the annual general meeting. They meet once a month. An informal meeting also takes place once a month where any member can come and air views, complaints, etc. Regular social events are held for carers on a monthly basis. Decisions are mostly taken by consensus.

Carers provide home-care services on a seven days a week, twenty-four hours a day cover and operate mostly in urban areas in and around Telford. They are not able to meet all the demand and keep turning business away. Their clientele are mostly older and disabled people on benefits. They do not advertise their services and get most of their business through word of mouth and referrals from statutory services. When they set up the co-operative, they received a start-up grant of £10,000 (about 15,900 Euro), but they are now financially self-sufficient and clearly viable.

The co-operative's members believe that there is a limit to its effective size in order to maintain the quality of care they have developed, based on individual assessment and matching of carer to client. They have been innovative in developing a broad range of care services, and have opened a day-care centre largely for council contract work. As in the case of Walsall Home Care Co-operative, for contract work, the carers have to be employed by the co-op.

Specific features of social enterprises in the welfare sector

Social benefit and social capital

Analysis of contracting practices and types of social enterprises in a few areas has revealed a strong responsiveness both to user needs and ethnic/religious diversity. This strong responsiveness may be seen on the one hand as ensuring access for such communities to a public good, and on the other as facilitating the

specialisation of what is often a standardised bureaucratised service to match better the specific needs of these segments of the community. In this respect it may be regarded as a way of combating exclusion, thus producing a social benefit. The strength and capacity of voluntary organisations to respond in this way is due to their matching with the associative dimension of such community groups. In other words, these organisations mobilise and reproduce social capital among their user groups.⁴ Such social capital will also be useful in establishing similar types of associative activity within ethnic groups and between ethnic groups and local government.

In the case of home-care co-ops, participatory structures allow integration of carers into the business with an associated development of skills. The organisations also have a strong commitment to social integration of the carers through regular social events which they organise. They may thus be a path back to better employment.

User involvement is more problematic in home-care co-ops because of the lack of mobility of users. This is overcome by involving the more active ones in some cases, by ensuring good user contact and quality control, by making use of representative bodies (such as Age Concern) and involving them in governance structures or consulting them on key issues. The home-care co-ops vary in their approaches to this issue, but generally take some significant steps. This represents a way of combating social exclusion of users.

Externalities

The nature of the constructed quasi-market places important limits on the extent to which a social enterprise may make a distinctively different value-based contribution to welfare services and exclusion. In general terms, in case of hard contracting, i.e. when discrimination is largely based on price in competitive markets with little regulation of quality and diversity of services, the potential for value added services, generation of social capital, and the inclusion of externalities is squeezed out. On the other hand, this potential is much greater in case of soft contracting, i.e. when service level agreements allow the valuing of such value-added services. But such considerations apply largely to services where there is a substantial market. In service areas where there is not the volume of business required for a commercial enterprise (sub-market services), social enterprises have a clear and dominant role to play.

Conclusions

As explained in the introduction of this book, social entrepreneurship has much to do with innovation. The examination of social enterprises in the UK has confirmed that feature, especially in the welfare sector. Indeed, there has been a great degree of innovation in the whole sector.

Firstly, there has been economic innovation in that the services provided by the private (both for-profit and non-profit) sector have often replaced rather

bureaucratic state provision which was not very flexible. As a consequence, services are now more varied, cover a wider range, and are often cheaper. One also witnesses attempts to develop vertical or horizontal integration of services.

There has also been social innovation, although this may not always be intentional; a move towards proximity services might be due to the small size and local nature of a service. Social innovation might include better support for the informal sector, or making more use of volunteers. It often means involving more of the social partners in an initiative, thus helping to increase the level of social integration in an area. One social function that is not always recognised is the ability to provide help to clients, not only in terms of care, but also in helping them to secure finance (e.g. benefits) in order to pay for that care.

In this chapter a brief consideration of theories on the origins of social enterprise has helped explain the sectors in which they operate, by reference to market and state failures. This approach has also reflected the advantages of social enterprises and their requirements in terms of support for the entrepreneurial or development function. The contribution of social enterprises to combating social exclusion has been revealed by examining the process by which social capital is generated and reproduced, how externalities are generated, and the extent of innovation – but this is greatly influenced by the nature of the market contracting process which may – or may not – allow the space for negotiating these kinds of outcomes.

Notes

- 1 Data from Eurostat (1997), reports from co-ops and co-op federations in each sector and the Johns Hopkins Comparative Non-profit Sector Project (Kendall and Knapp, 1996).
- 2 Social firms are included in the section on new co-operatives because their activities are very similar to social employment co-ops, but they are more properly considered as trading voluntary organisations.
- 3 The Community Programme was one of the largest government employment creation programmes utilised in the UK during the Thatcher era; it supported temporary work and training.
- 4 See the contribution by Evers in this book (chapter 17).

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