

**Response by the Social Enterprise Coalition to the Department  
for Work and Pensions Consultation: In work better off: next  
steps to full employment.**

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## Introduction

1. The Social Enterprise Coalition ("the Coalition") welcomes the opportunity to respond to the Department for Work and Pensions Consultation: In work better off: next steps to full employment. We have presented the overall position of social enterprise as well as responding to specific questions.
2. The Coalition was established in 2002 as the national voice of social enterprise. The Coalition represents a wide range of social enterprises, umbrella bodies and networks, with a combined membership reaching over 10,500 social enterprises. These include co-operatives and mutuals, development trusts, housing associations, leisure and football supporters' trusts and Social Firms. Social enterprises are businesses with primarily social or environmental objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. This response was informed by consultation with members of the Coalition working to provide skills and employment to those excluded from the labour market.
3. Recent estimates by the Government suggest there are over 55,000 social enterprises with employees in the UK, with a combined turnover of £27bn a year and contributing £8.4bn to annual GDP.
4. Social enterprises make significant contributions to employment creation. Many social enterprises help people into work by providing training and employment within the business itself. Social enterprises operating these models often place an emphasis on the value of meaningful employment and frequently work with those furthest from the job market.
5. Social Firms specifically, are a model of social enterprises with a social mission to create employment opportunities for severely disadvantaged people through businesses that are market-led, inclusive, supportive and sustainable. A Social Firm is committed to:
  - generating over 50% of its income through sales of goods/and or services, and
  - ensuring that at least 25% of its workforce are people with a particular disadvantage in the labour market.<sup>1</sup>

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<sup>1</sup> Further information about Social Firms can be found at <http://www.socialfirms.co.uk/index.php/Section2.html>

## **General Response**

6. The Coalition firmly believes that the complexity of issues facing individuals disadvantaged in the labour market cannot be met by simply doing more of the same. Given the role that social enterprises are playing in addressing labour market failures and their contribution to the economy as a whole we are concerned that the paper makes no specific reference to social enterprises and how they can assist in delivering the objective of 80% employment.
7. The Coalition is concerned that the paper does not fully recognise the complexity issues facing those disadvantaged in the labour markets. We feel that despite having rhetoric that favours partnership working across the public, private and third sector, the paper is fundamentally in favour of addressing its targets through working with large private sector organisations. While this may go some way to addressing the problem it will not be a solution to a significant minority of individuals with more complex needs requiring more targeted and supportive interventions and whose immediate or longer term prospects of success in open employment are limited.
8. Fundamentally, given that the primary motivation of large private sector organisations is profit, we are unclear how this will balance with the degree of support and training required to make a meaningful change to the employment opportunities of those disadvantaged in the work place in the UK.
9. The Coalition is also concerned that the Green Paper lacks a comprehensive understanding of the breadth and diversity of the third sector and without this understanding it cannot fully understand the contribution social enterprise can make to increasing high quality meaningful employment and training opportunities. The Green Paper interchangeably uses the terms voluntary and third sector when in fact the third sector encompasses a range of organisations who operate at a range of scales from local, community based organisations to larger national organisations. Without a comprehensive understanding of the breadth and diversity of the sector the Green Paper will inevitably fail to understand the potential contribution the sector can make to the complex challenges of achieving 80% employment.
10. We would also urge DWP to investigate more closely the reasons behind people coming onto incapacity benefits in the first place. It is estimated that 600,000 people come onto incapacity

benefit each year through ill health<sup>2</sup>. Consequently we would like to know how DWP plan on preventing this and connecting with the strategy of Health Work and Well-being and Dame Carol Black's review of the health of Britain's working age population.

11. We believe once again that this is an area where social enterprises can offer real solutions. Social enterprises with their combination of social and business objectives along with their non-traditional ownership structures and involvement of employees in the governance of their organisations and decision making process have repeatedly shown to be excellent employers. One example of this is Sandwell Community Caring Trust a social enterprise that came second in the Times 100 best employers. Social enterprises have repeatedly reported lower absentee rates in industries with traditional high rates such as social care. Consequently we believe that they have a key role to play in keeping individuals in employment and are a model that should be investigated further.
12. The Coalition is also concerned that benefits social enterprises can offer will be lost as a result of the value for money savings that were reaffirmed and increased in the recent Comprehensive Spending Review. These require every government department to commit to "at least 3 per cent value for money savings per year over the CSR period across central and local government", and that these must be cashable. This will inevitably further restrict the ability to contract smaller organisations including social enterprises.

**What more could we do to help working families – especially those from the most disadvantaged backgrounds – improve their earnings and lift themselves out of poverty.**

13. We believe that offering choice is fundamental to helping working families lift themselves out of poverty. This includes recognising that for individuals in families from the most disadvantaged backgrounds the open labour market is not always the only, or most sustainable, way to achieve employment. For example, a survey carried out by the Chartered Institute of Personnel and Development showed that over 60% of employers responding said they would reject applications from people with a history of mental health problems. In contrast, disclosure of such problems to a social enterprises would not result in rejection because part of their underlying objective and therefore core to their operation is the training and employment of individuals disadvantaged in the market place. Social enterprises and

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<sup>2</sup> <http://www.workingforhealth.gov.uk/About-Us/How-you-can-benefit/Default.aspx>

social firms can often act as the intermediate step for some people disadvantaged in the work place on their way to open employment and for individuals who for, whatever reason, have difficulty in retaining a job in a mainstream company.

14. In addition to increased choice is the need for recognition that supporting the hardest to reach and marginalised individuals will take proportionally more funding to provide the individually tailored and holistic support required to create meaningful change.
15. We also believe that fundamental changes need to take place to the existing Pathways to Work contracting processes. The large private sector organisations that have the majority of the prime contracts for Pathways to Work lack both the expertise to deliver the skills packages required to support the hardest to reach individuals. These private sector organisations deliver generic programmes that lack the targeted and individualised approach required. Work with the most hard to reach groups is often sub contracted out to smaller voluntary community groups and social enterprises once a percentage management fee of up to 40% has been charged reducing the funding available. Following this deduction of funding, contracts are divided into equal parts, therefore providing the same amount of funding for organisations serving the hardest to reach clients who require the most work as the top and middle groups. This fails to cover the full costs of the intervention and restricts social enterprises ability to provide the quality of interventions required to make true and meaningful differences to those most marginalised.
16. Additionally these contracts are also normally short-term, which stifles innovation. If these constraints were lifted, social enterprises could play a more significant role in developing welfare-to-work services.
17. On the whole we are concerned that the Green Paper represents a retreat from the recommendations of the Freud Review which identified a need for greater personalised employment support, with higher financial incentives for organisations to target resources at the hardest-to-help who need more support before they are ready to return to work.

**What more could we do to help ethnic minority women particularly of Pakistani and Bangladeshi origin, overcome specific barriers they face?**

18. Fundamentally BME women need to be accessed by organisations that understand their needs. Even within the Pakistani and Bangladeshi communities the barriers preventing these women from engaging in the work place are complex and diverse. Providing local solutions to local issues and increased choice is the only way to address the disparity in BME groups and change the way BME women engage in employment.

19. The consultation process on this, needs to be more creative in researching and engage with First and Second generation BME Women.

### **Recommendations**

20. The Coalition would like to see the following measures addressed:

A review of the contracting and sub-contracting process to ensure:

- That the full costs of the organisations reaching the most marginalised and the additional support these individuals require are reflect in the contracts.
- That contract length reflects the degree of commitment required to make meaningful changes.

Recognition that while large private sector organisations can provide employment opportunities, that they are not best placed to ensure that the needs of the most marginalised individuals are met. We would like recognition that social enterprises and social firms can play an integral role in providing the support and training required in the first stages back into employment for the most marginalised individuals.

21. The Coalition would welcome the opportunity to discuss these comments further with the Department for Work and Pensions.

22. Should you wish to discuss this matter further please contact Ceri Jones on [Ceri.jones@socialenterprise.org.uk](mailto:Ceri.jones@socialenterprise.org.uk) or 020 7793 2320.

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