



Social
Enterprise UK

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Social Enterprise and Quality of Work

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Summary

There are over 100,000 social enterprises in the UK, employing 2m people and contributing £60bn to the UK economy. At the heart of the “social enterprise” model is a stakeholder model of governance that seeks to balance the needs of workers, society and the planet to create the biggest possible positive social and environmental impact.

There is increasing awareness that over the past decade although employment has remained high, quality of work has not substantially improved and for many workers, their circumstances have become more precarious.

For many social enterprises, their core mission is to provide high quality work for people. They also seek to improve working conditions compared to the rest of the private sector.

Looking at the available evidence, we have found that:

- **Social enterprises engage workers in business decision making:** 87% of social enterprises say that they actively engaged workers in decision making regarding the operation and future of the business. This means that issues around pay and conditions are highly likely to be considered when making strategic decisions compared to traditional firms.
- **The vast majority of social enterprises see good pay and conditions as important for their business:** 40% of social enterprises say that these values are core to their mission and 57% believe that they are important but have to be balanced with the need to survive and deliver other aspects of their social and environmental mission.

- **One in five social enterprises are worker-owned:** 35% of social enterprises are completely owned by staff or partially owned by staff, with 21% completely owned by staff and 14% partially-owned by staff. A further 6% are considering move to staff ownership. Giving workers greater control over the business is likely to lead to better pay and conditions for workers.

- **Social enterprises offer more flexible working for workers:** social enterprises are more likely to offer a four-day week, term time working, job sharing and flexible working arrangements than the rest of the private sector. This gives workers in social enterprises greater control over their working experience.

- **Social enterprises are more likely to pay the real Living Wage and experiment with “equal pay”:** social enterprises are significantly more likely to pay the Living Wage Foundation’s “Living Wage” compared to the rest of the private sector. They are also experimenting with “equal pay” where all staff are paid the same, regardless of role further increasing equality in the workplace.

Based on these findings, **growing social enterprise as a proportion of the economy could significantly benefit working conditions.** For example, half a million more people could be benefiting from a four-day week and over 2m more people would be paid the real Living Wage.

Context

COVID has brought to light considerable discrepancies in the working conditions and the quality of work of different parts of our society. During the pandemic some workers had the chance to work flexibly, whilst others had to continue working as before.

What is flexible work?

There is no single definition of flexible working. For the purposes of this briefing we are using HM Government's definition of flexible working as *"a way of working that suits an employee's needs, for example having flexible start and finish times, or working from home."*

We have taken a broad definition including not just flexible start or finish times and working for home but including different models of working such as a four-day week, job-sharing and term time working. These can all help people to enjoy a better work-life balance and build their working life around their individual circumstances.

Not all workers have seen an improvement in the overall quality of their working experience. According to the Health Foundation 1 in 3 workers, around 10m people, were in low quality, precarious or unfulfilling jobs which were damaging their physical and mental health.¹

What is good quality work?

The Taylor Review of Modern Working Practices in 2017 identified six indicators of job quality. These were:

- Wages;
- Employment quality.
- Education and Training;
- Working conditions;
- Work-life balance;
- Consultative participation and collective representation

Where there is available data, this briefing focuses on these indicators.

There is also a risk that the pandemic covers over some of the cracks that have emerged in recent decades. According to the Chartered Institute for Professional Development, before the pandemic struck, progress on flexible working had stalled.² Financial inequality between households has also risen over recent years. According to the Office for National Statistics, income inequality had increased by 2.2% in the decade up to financial year 2020.³ The richest had seen their income increase by 4.7% in the past decade, whilst the poorest fifth have seen a fall in income by 1.6%.⁴

Part of the reason behind the lack of progress in improving the flexibility and quality of work is the lack of pressure on employers to make changes. The weakness of the trade union movement has been well documented, but the UK also lacks a diversity of different forms of businesses.

¹ More Than a Third of UK workers 'risk health in low quality-jobs', Guardian, 4 February 2020

² Chartered Institute for Professional Development, Flexible Working in the UK, June 2019

³ Office for National Statistics, Household Income Inequality, UK: financial year ending 2020, 21 January 2021

⁴ Ibid.,

The Netherlands, for example, has higher levels of flexible working than the UK, but also has a larger co-operative business sector. Co-operatives, which are member owned businesses and operate on democratic lines, had a turnover of over £100bn in 2016.⁵

By contrast, the UK co-operative economy was around £35bn in 2016.⁶ Co-operative businesses make up a much larger proportion of the Dutch economy than the UK. Sweden, another country identified by the CIPD as having higher levels of flexible working, also has a high proportion of co-operatives in its economy compared to the UK.⁷

Worker satisfaction is also higher in countries such as Netherlands and Spain, where there is a greater diversity in the models of business in those countries including larger co-operative sectors.⁸

Alongside co-operatives, the UK has other models of business such as social enterprises which challenge the shareholder primacy and profit-focus of traditional business. Social enterprises are businesses which trade to deliver a social or environmental mission and reinvest their profits back into achieving their mission. The UK is estimated to have over 100,000 social enterprises with a combined turnover of £60bn and employing 2m people.⁹ These businesses make up around 3% of the UK economy but less than 2% of the UK business population.¹⁰

This briefing looks at the available data for these social enterprises and considers whether more businesses like these would have a beneficial impact on the quality of work and working conditions of UK workers.

Social enterprise and worker control and engagement

Social enterprises have traditionally pursued a ‘stakeholder’ approach to business management and organisation. In this stakeholder approach to business organisation, social enterprises seek to consider the needs of the people that they want to serve, the wider community and the planet as well as the workers of the business.

For many social enterprises providing employment opportunities for a specific group or place, often disadvantaged in the labour market, is a key part of their social mission. Over half (51%) of social enterprises seek to employ people from disadvantaged groups such as ex-offenders, care leavers, people with disabilities and many other groups.¹¹ This means engagement with workers and ensuring that their interests are considered is essential to the social impact of the social enterprise.

This focus on workers voice and interests is borne out in the data collected on social enterprise. Social Enterprise UK’s latest state of social enterprise survey, *No Going Back*, published in October 2021 found that 87% of social enterprises said that they actively engaging workers in decision making regarding the operation and future of the business. This compares to 64% of social enterprises that said that the local community and beneficiaries were actively involved in decision making.

⁵ J. Mooji, *The Boom of Co-operatives in the Netherlands*, Raiffeisen Today, June 2020

⁶ The New Economics Foundation, *Co-operatives Unleashed*, July 2018

⁷ Cooperatives Europe estimated that Swedish co-operatives had a turnover of EUR13.62bn in a EUR431bn economy. This compares to UK co-operatives had a turnover of £35bn in a £1.9trillion UK economy.

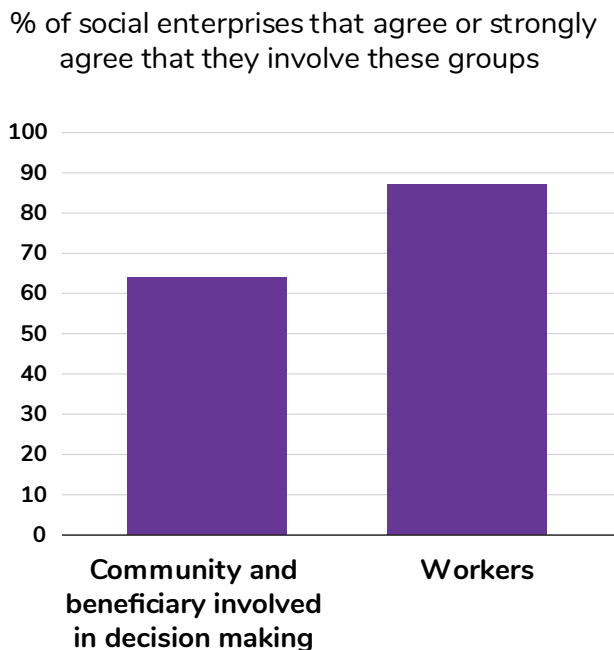
⁸ Roz Sanderson, *How Happy are UK workers compared to those in Europe?*, 10 March 2017

⁹ Social Enterprise UK, *The Hidden Revolution*, October 2018

¹⁰ *Ibid.*,

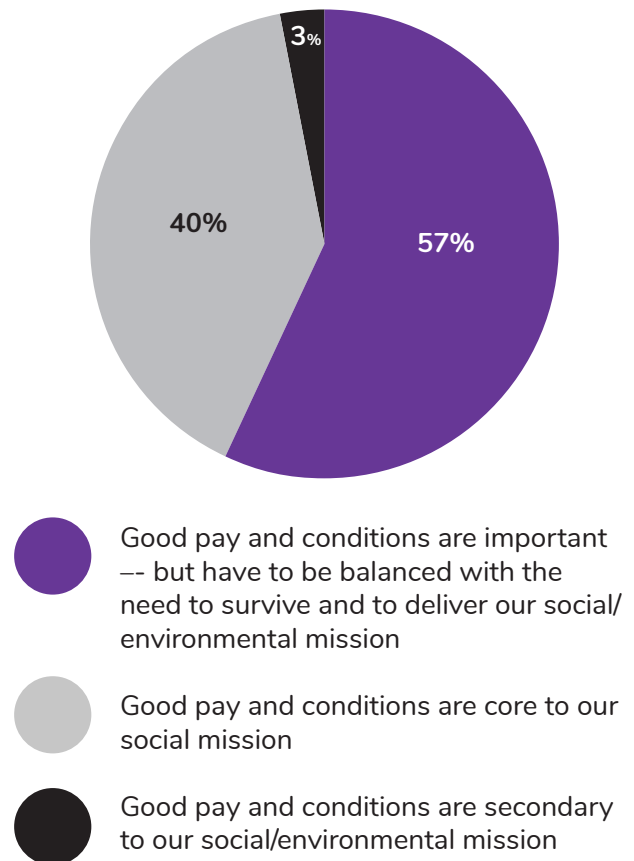
¹¹ Social Enterprise UK, *No Going Back*, October 2021 p.40

Figure 1: Involvement of communities, beneficiaries and workers in decision making



This focus on workers also comes through in the attitudes of social enterprises towards pay and conditions for workers. Only 3% of social enterprises see good pay and conditions as secondary to their mission.¹² However, like all businesses there is a balance between financial sustainability and pay. Operating in marketing conditions means that 57% of social enterprises see good pay and conditions as being important but have to be balanced with the need to be financially sustainable and deliver their social and environmental purpose. Interestingly, 40% of social enterprises see good pay and conditions as core to their social mission, particularly if providing employment is their main route to delivering social impact. In any case, this survey indicates that social enterprises take issues of pay and conditions seriously.

Figure 2: Attitude of social enterprises towards workers pay and conditions

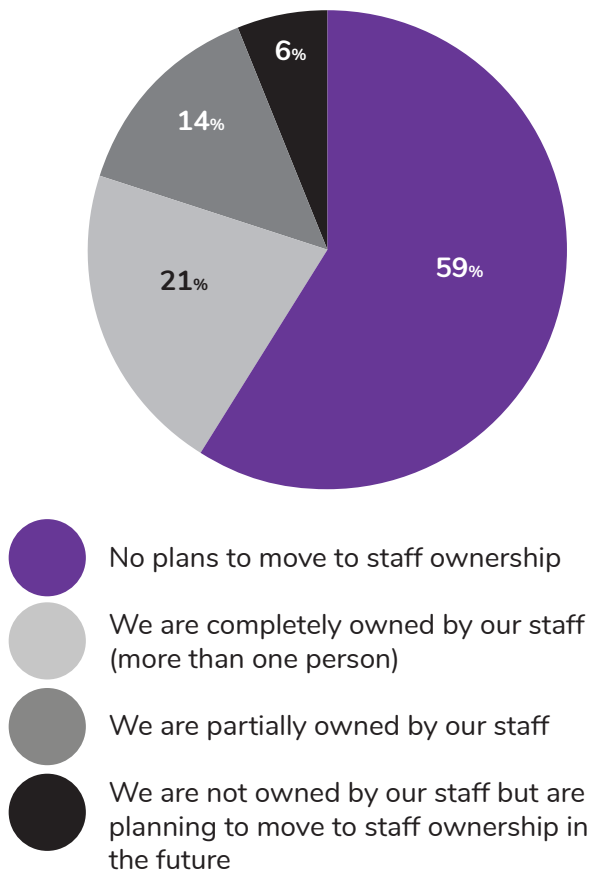


Worker control and ownership is also more prevalent in the social enterprise sector than the rest of the private sector. Research by Social Enterprise UK has found that 21% of social enterprises are completely owned by workers and 14% are partially owned by their workers. Another 6% of social enterprises are planning to move to worker ownership in the future. On top of this there are 394 worker-owned co-operatives in the UK.¹³ In total, we can estimate that there are over 35,000 worker-owned or partly worker-owned social enterprises and co-operatives in the UK.

¹² Social Enterprise UK, Social Enterprise Advisory Panel 10, 2021

¹³ Cooperatives UK, The Cooperative Economy 2021, June 2021

Figure 3: Ownership of social enterprises



The rest of this research indicates that higher levels of worker control and ownership has led through to more progressive policies on pay and conditions than the rest of the private sector.

Social enterprises working conditions

Data on the quality of work and working conditions in the UK is not comprehensively kept. Sources range from the Office for National Statistics which collects data on the UK workforce, business surveys and research by interested organisations.

Social Enterprise UK has three main sources of data. A biennial survey of social enterprises (State of Social Enterprise), a monthly survey of social enterprises (Social Enterprise Advisory Panel/Social Enterprise Barometer) and an analysis of Companies House data (The Hidden Revolution).

This briefing has analysed these various sources of information and sought to compare available data on social enterprises and the UK private sector. Table 1 compares the differing performance of the UK private sector and social enterprises, as well as the relevant data source.

Comparing UK private sector and social enterprises on working conditions

	UK Private sector	Social enterprise
Flexi-time/ flexible working arrangements	ONS: 66% of SMEs offer flexible working options	State of Social Enterprise October 2021: 72% of social enterprises offer flexible working
Four Day Week	Be The Business/Autonomy: 17% of SMEs considering 5% of SMEs started implementing	Social Enterprise Advisory Panel May 2021: 19% considering 7% implemented State of Social Enterprise October 2021: 18% of social enterprises are offering a four-and-a-half day week
Job sharing	British Chambers of Commerce survey 2021: 8% of businesses offered job sharing arrangements	State of Social Enterprise October 2021: 29% of social enterprises offer job sharing arrangements
Term time working	CIPD 2017: 7% of key workers and 2% of non-key workers have access to term time working arrangements	State of Social Enterprise October 2021: 27% of social enterprises offer term time working arrangements
Equal pay	N/A	Social Enterprise Advisory Panel May 2021: 17% implemented 9% considering
Wages	Living Wage Foundation Third Sector Briefing Note (September 2021): 26% of private sector employees not paid the living wage	Living Wage Foundation Third Sector Briefing Note (September 2021): 17% of 'third sector' employees not paid the living wage (conservative estimate)

The trend from this analysis is clear that social enterprises offer in general better terms and conditions than those available from the rest of the private sector.

Flexi-time/flexible working arrangements

Flexible working by its definition is not something that can be defined rigidly, but in general means taking a worker-centric view to conditions. In essence, genuine flexible working is built around the needs of the worker. This needs to be compared with flexible working where the worker is asked to make adjustments to their schedule or lifestyle in order to meet the needs of the business. In both cases there is flexibility, but one is driven by the needs of the worker, in the other, the needs of the business. A methodological problem for both the ONS and Social Enterprise UK data is that these are surveys of businesses rather than of employees directly. We are assuming that businesses in both surveys are answering in a way that is consistent with the experience of individual workers.

Taking that assumption, we can see that social enterprises are more likely to offer flexible working or flexi-time compared to the rest of the SME population. The gap between the two sectors is 6 percentage points. We will consider the potential impact of this later in the briefing.

From a social enterprise perspective there was a clear trend towards larger social enterprises being more likely to offer flexible working compared to smaller social enterprises. However, only social enterprises with a turnover under £10k were less likely to offer flexible working than their private sector peers. Social enterprises with a turnover over £1m were more likely than other social enterprises to offer flexible working, with 88% offering flexible working.¹⁴

Social enterprises working with the public sector were more likely to offer flexible working (79%) compared to those trading with the private sector (69%). It could be that better practice in the public sector is rubbing off on social enterprises.

For example, the Chartered Institute for Personnel Development found that pre-pandemic, 71% of public sector organisations offered some form of flexible working arrangements (note: this includes more than flexible working but also job shares, compressed hours etc.).¹⁵

Four Day Week

There is growing interest in creating a four day week for workers, reducing the traditional working week to 32 hours. If people work eight hour days, this would mean that they work for four days and have three days not working. The number of firms moving towards a four day week is growing but there is still considerable controversy around the concept of the four day week. There is particular controversy around the concept of pay. Four day week campaigners have been clear that a four day week should mean being paid the same for four days work as they were for five days work. This seems essential as according to the Social Market Foundation, 80% of workers would not want a four day week if it meant that they had to take a reduction in pay.¹⁶ If there was no loss of pay, 64% of people would support moving towards a four day week.¹⁷

The benefits to workers from a four day week with no loss of pay are obvious. According to the Health and Safety Executive over 800,000 workers suffer from work-related stress, depression and anxiety. A shorter working week

¹⁴ All data on social enterprise is from the State of Social Enterprise Survey 2021 unless otherwise stated

¹⁵ Chartered Institute for Professional Development, Flexible Working in the UK, June 2019 p.11

¹⁶ Social Market Foundation, A Question of Time, July 2021

¹⁷ Ibid.,

has been found to help to reduce overwork, resulting in less sick leave and better perceived health and wellbeing amongst workers.¹⁸

As social enterprises are more likely to prioritise social outcomes, you would assume that they would be more likely to be experimenting with shorter working weeks than other firms. The data does seem to bear out this assumption, with more social enterprises reporting that they had implemented a four day week and more social enterprises considering implementing a four day week. Nearly one in five social enterprises also offer their staff a four-and-a-half day week – which can be considered a stepping stone to a four day week.

A May 2021 survey of over 200 social enterprises found that 7% of social enterprises had implemented a four day week and that 19% were considering implementing a four day week.¹⁹ This compares with a Be The Business/Autonomy survey of SMEs which found that 5% of SMEs had started implementing a four day week and 17% were considering. It is interesting to note the slight difference in the question asked, with 7% of social enterprises having already implemented the four day week, compared to the 5% of SMEs who had “started implementing” a four day week. This further indicates that the social enterprise sector is further ahead of the private sector in implementing this further improvement of workers conditions.

Job sharing

Job sharing is when two part-time workers are able to share the same role. The benefits of job

sharing for workers mean that individuals who, for whatever reason, cannot or do not want to work full time are able to access a wider range of roles. This has been found particularly useful for those that have caring responsibilities who might otherwise be unable to take on a role without additional support.

The implementation of job sharing has been slow within the mainstream economy. According to CIPD, only a tiny minority of the UK workforce was able to access job sharing before the pandemic – between 2-3%.²⁰ A British Chambers of Commerce survey of businesses in May 2021 found that just 8% of the 900 businesses surveyed offered job sharing arrangements.²¹ By contrast, 29% of social enterprises offered job sharing for their workers.²² Social enterprises are more than three times more likely to job sharing compared to their peers in the private sector. Again, larger social enterprises were more likely to offer job sharing with nearly half (48%) of social enterprises which turnover £1m offering job sharing.

Term-time working

Term-time working is a working pattern which is based on school term dates, giving workers the opportunity to spend the school holidays with their children. Term-time working is not fixed in the law, however, and trade unions have noted that this creates ambiguities for workers in terms of their holiday entitlements and whether they are classified as full time or part time workers.²³ However, some HR advisors have highlighted the opportunities for staff

¹⁸ Ibid.,

¹⁹ Social Enterprise UK, Social Enterprise Advisory Panel Survey 10, May 2021

²⁰ Chartered Institute for Professional Development, Flexible Working in the UK, June 2019 p.11

²¹ British Chambers of Commerce, survey shows wide differences in approach to adopting flexible working practices during pandemic, May 2021

²² Social Enterprise UK, No Going Back, October 2021 p.42

²³ Unison, Term-Time Working, 2012

through term-time working particularly for those with childcare responsibilities.²⁴ A lack of flexible employment opportunities for parents coming from maternity or paternity leave remains a significant barrier to many workers.²⁵

Term-time working has been traditionally concentrated in the public sector, with the latest research identifying that 7% of key workers had access to term-time working before the pandemic. For non-key workers, the proportion of workers was even lower (2%). We do not have specific data on the number of social enterprise workers that have term-time working, however, over a quarter of social enterprises said that they offered their workers term-time working which is a significant number.

There are a number of reasons why social enterprises may be offering higher levels of term-time working than other employers. Many social enterprises seek to employ people from disadvantaged backgrounds where access to childcare may be a barrier to employment. A significant number of social enterprises also work within the education and skills sector where term-time working is more normalised. Nearly half (47%) of social enterprises are women-led who may be more empathetic to the needs of workers to balance work and childcare responsibilities.

Social enterprise workers pay

Equal pay

Equal pay is an emerging concept within business practice which seeks to pay all staff the same amount regardless of role, seniority or experience. The idea of equal pay is not only based on fairness but in theory could help to develop more cohesive teams and higher levels of intrafirm cooperation.

Unfortunately, there has not been systemic data captured on the level of equal pay in the private sector, but a survey by Social Enterprise UK found that a very high level of social enterprises were pursuing equal pay policies (17%) – around 17,000 organisations.²⁶

Interestingly, social enterprises have reported higher levels of innovation than other firms historically, which could be stimulated by a fairer distribution of wages encouraging all workers to feel ownership of the business and likely to see the benefits of innovation.²⁷

Wages

The stagnation of wages in the UK over the past decade has been well documented and rising inflation means that further squeezes in living standards are likely. The average salary for the UK private sector in 2020 was £30,973 according to the

²⁴ Worknest, Pros & Cons of term time contracts in workplace, accessed November 2021

²⁵ Global Institute for Women's Leadership et al, Working parents, flexibility and job quality: what are the trade-offs?, November 2021

²⁶ The survey did make clear that equal pay for all members of staff would mean that all staff earn the same regardless of level or role.

²⁷ Social Enterprise UK, No Going Back, October 2021 p.54

ONS. Unfortunately, data on the average salary in the social enterprise sector is not available. However, the Living Wage Foundation has undertaken regular surveys of proportion of the workforce earning the independently verified living wage and has found that significantly fewer private sector workers are paid the living wage than those in the 'third sector' (which includes social enterprises as well as charities and voluntary organisations).

According to the Living Wage Foundation's latest briefing note, over a quarter (26%) of private sector workers are not paid a living wage, compared to 17% of 'third sector' workers. Given the social enterprise sector's approach to issues such as equal pay, it is likely that that performance of charities is dragging down the overall figure on the 'third sector'.

The Impact

Using the limited data available we can paint a picture of what the economy would look like if *all* businesses followed social enterprise practice on working conditions.

Overall, there are two central themes that emerge from this comparison.

Firstly, *flexibility*. In a 'social enterprise economy' workers would have access to much higher levels of flexibility in working conditions. One million workers would be in firms offering flexible working conditions. There would also be much higher levels of job-sharing and term-time working which could build a more inclusive economy providing greater opportunities for workers with caring responsibilities.

Secondly, *fairness*. Social enterprises are pioneering ways to make their businesses fairer. Importantly, given the growing movement behind the four-day week, UK would have made more progress towards a four-day week with potentially over half a million more workers being in firms that offer a four-day week. Social enterprises are also experimenting with radical ideas such as equal pay and a more likely to be paying their workers the independently verified Living Wage. Over five and a half million workers could be working in firms which offer equal pay for all workers and nearly two and a half million workers could be paid the living wage in a 'social enterprise economy'.

Moreover, this analysis does not consider the 'virtuous cycle' that could be created once some of these concepts (such as the four-day week or equal pay) reach a 'tipping point' in the wider economy. Higher levels of pay and greater flexibility could lead to higher levels of productivity and innovation in the economy overall, leading to higher levels of economic prosperity which could lead to further improvements in conditions. There is strong evidence to suggest that more social enterprises could lead to significant improvements in working conditions for the whole economy.

Impact of a 'social enterprise economy' on working conditions

	Number of employees that would benefit from a "social enterprise" approach to working conditions
Flexi-time/flexible working arrangements (social enterprise v SMEs)	 1,000,000 more workers would in firms offering flexible working hours
Four Day Week	 326,660 more workers would be in firms offering a four day week (conservative)
	 653,320 more workers would be in firms could be put on a four day week (optimistic)
Job sharing	 3,429,930 more workers in firms which offer job-sharing arrangements
Term time working	 7,127,500 more workers in firms which offer time working
Equal pay for all members of staff (all earn the same regardless of level/role)	 At least 5,508,000 workers would be working in equal pay environments
Real Living Wage	 2,427,480 more workers would be paid the Living Wage

Social Enterprise UK (SEUK) is the UK's membership body for social enterprises. We lead the world's largest network of businesses with a social purpose who together are helping to create a fairer economy and a more sustainable future for everyone. SEUK exists to be a strong voice for social enterprise, to evidence the difference that social enterprises are making and to demonstrate solutions and influence decision-makers to create an environment in which social enterprise can thrive. We work with mainstream businesses and public sector institutions to help them bring social enterprises into their supply chains.

If you would like to find out more or become a member of Social Enterprise UK, please email:

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