



 **In Business For Good**

**The Social Firm Solution
To Employability**

April 2007

SocialFirms UK

Social Firms **Scotland**

SocialFirms Wales



In Business For Good

Positioning Social Firms In Policy

Across the world, social enterprise plays a critical role in employment creation for disadvantaged people¹. Social Firms in particular have been embraced across Europe, America and Australia as a business model that gets results, i.e. moving unemployed disadvantaged people into work.

In the UK, there are 120 businesses trading in the Social Firm sector. To date they have collectively generated more than 1550 jobs, of which 55% are held by disabled people alone. The average level of income from the sale of commercial products or services across the sector is 65%². These statistics reflect the intrinsic values held by Social Firms of Enterprise, Employment and Empowerment.

As an employment and business model, we know that Social Firms work. Progress, however, has been slow and challenging. If this sector is to truly meet its potential we need:

- **support** in order to achieve the creation of enough Social Firms to employ the vast numbers of disadvantaged people currently excluded from the open labour market.
- **recognition** that Social Firms are an innovative business model for creating employment opportunities for disadvantaged people and for this recognition to be embedded across the health, social and economic policy spectrum.

As a distinct form of social enterprise, Social Firms have specific challenges that need highlighting. By pooling knowledge and experience, this positioning paper sets out specific solutions for growing the Social Firm sector.

What Are Social Firms?

Social Firms create employment opportunities for people otherwise disadvantaged in the open labour market through businesses that are market-led, inclusive, supportive and sustainable.

The businesses generate over 50% of their income through sales of goods and/or services and at least 25% of the workforce are people with a disadvantage in the labour market e.g. disabled people, ex-offenders, ex-substance misusers and homeless people.

Why Support Social Firms?

- They Tackle Stigma Against Disadvantaged People
- They Create Jobs For Those Who Are Furthest From The Labour Market
- They Offer Cost Benefits To Society And Social Added Value To Investors
- They Merge Employment And Health Improvements For Disadvantaged People

¹ e.g. disabled people, ex-offenders, ex-substance misusers and homeless people

² Social Firm Mapping 2005 available on www.socialfirms.co.uk



In Business For Good

A Vision For Social Firms

Our vision for the future of Social Firms is that:

- Social Firms will be widely recognised as an innovative business model that combine enterprise, employment and empowerment.
- Social Firms will support large numbers of disadvantaged people excluded from the open labour market into work in sustainable businesses.



Achieving The Solution

Building on our experience and on the lessons being learned from around the world³, it needs to be recognised that there are two paths open to developing the Social Firm sector from its current position. Both of these offer a solution to moving disadvantaged people furthest from the labour market into employment:

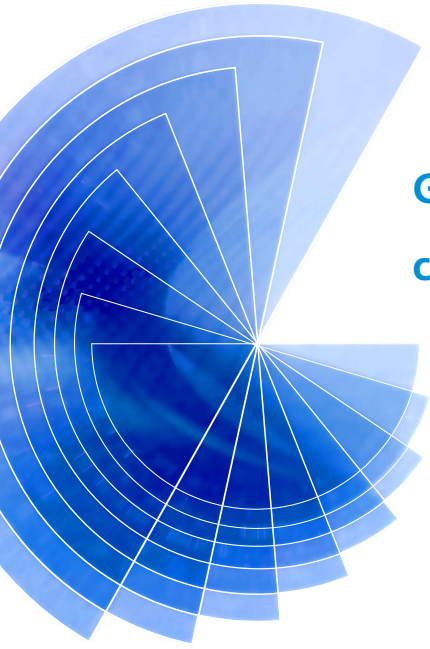
- **Develop new Social Firm business models** that can scale to a size where they generate sufficient revenue to cover both business and incremental costs that are a function of the social mission.
- **Develop stable, ongoing funding sources** to subsidise the economic shortfall of current Social Firms due to the higher support needs of their target group and the scale of the businesses. By covering 65 – 95% of their total costs with earned income, Social Firms are among the most efficient employability solution for disadvantaged people.

Based on this, the most significant steps that Government could take to secure the sustainable growth of Social Firms are:

1. Invest in job creation alongside the work being done in the open labour market. Enable Social Firms UK and its sister networks to administer a 'Social Firm Investment Fund' of at least £3m, linking business support and mentoring to finance (as is proved a successful approach by the Prince's Trust);
2. Consider a pilot based on Workstep specifically for Social Firms;
3. Increase the Housing Benefit and Council Tax Benefit threshold for all people on Employment Support Allowance in line with the new Permitted Work rules.
4. Give Personal Advisers in Jobcentre Plus powers to recommend extensions of permitted work in certain circumstances.
5. Pilot a tax credit starter scheme to enable people to overcome existing financial disincentives to paid employment, particularly in setting up social enterprises;
6. Carry out thorough research into the impact of Social Firms to enable a robust and convincing evidence base to be built up.
7. Operate pilot schemes to extend the ways in which Social Firms can be started e.g. business acquisition and extension of the franchising and replication work started by Social Firms UK in 2005.
8. Lay down a challenge to successful entrepreneurs to start a Social Firm.

With investment, a radical overhaul of the existing welfare system and a co-ordinated, holistic support approach between agencies, Social Firms can offer a sustainable solution to job creation for those furthest from the labour market.

³ Schorr, Jim (July 2006) *Social Enterprise 2.0 Moving towards a sustainable model*, Stanford Social Innovation Review – Juma Ventures operate several social enterprises that create employment for young people who are disadvantaged around San Francisco.



**Get engaged, instigate massive social
change and join in our work!**

 **Contact Details**

Sally Reynolds, CEO Social Firms UK
sreynolds@socialfirms.co.uk

Leona McDermid, CEO Social Firms Scotland
leona.mcdermid@socialfirms.org.uk

San Leonard, Development Officer Social Firms Wales
sanleonard@socialfirmswales.co.uk

Social Firms UK: www.socialfirms.co.uk

Social Firms Scotland: www.socialfirms.org.uk

Social Firms Wales: www.socialfirmswales.co.uk