

EXPLORING SOCIAL ENTERPRISE IN NINE AREAS IN IRELAND

EXECUTIVE SUMMARY

Prepared By

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1. Introduction

PLANET – the Partnership Network is the representative voice for area-based Partnerships ('Partnerships') in Ireland. PLANET is a co-operative that is an independent network financed entirely by its members. The Partnerships work to promote social inclusion through the development of disadvantaged areas and communities.

PLANET is supported by a number of national Policy Groups involving PLANET members. These Policy Groups address common concerns that are shared among members and develop policy based on the practical experience of members working at local level. One such Policy Group covers the Third Sector.

In 2005, PLANET made a policy submission to the government calling for the development of a national policy to strengthen and support the Third Sector. This included mapping the sector.

The Third Sector comprises organisations established with a social remit, including social enterprises. The key features of these organisations are:

- They are autonomous organisations established by local citizens.
- They are driven by social objectives and a desire to benefit the local community.
- They engage in continuous productive activity – goods and/or services.
- They have participative structures and decision-making.
- They reinvest any profits back into their enterprise.
- They provide local employment.

In 2009, in association with Clann Credo (social finance provider), the Dublin Employment Pact (DEP) and the Ulster Community Investment Trust, the Third Sector policy group of PLANET commissioned Eustace Patterson Limited to map social enterprises in nine pilot areas. These areas were Counties Mayo (North East), Kerry (South), Monaghan and Wexford, Limerick city and Ballymun, Clondalkin, Dun Laoghaire/Rathdown and Tallaght in Dublin.

The aims of the research were to explore to what extent, and how, the contribution of social enterprises operating within the Third Sector might be measured, encouraged and supported. The study was to identify the extent and nature of social entrepreneurial activity within the nine pilot areas.

The area-based Partnership companies in each of these nine pilot areas actively supported the research through the Steering Group and by championing the survey of enterprises in their locale and hosting workshops to which local social enterprises were invited to discuss the topic of sustainability. The researchers carried out a telephone survey of 106 social enterprises across the nine areas and facilitated eight workshops. In addition, nine case studies were developed to demonstrate the breadth and power of social enterprise.

The researchers would like to thank the PLANET Steering Group and all those organisations that took part in the survey and who took time out to participate in the workshops.

2. Context

The Third Sector is comprised of organisations that are independent of the State, but may receive funding from the State, and may also contribute to the delivery of public services. They have primarily social objectives and reinvest any surpluses they generate in pursuing these objectives. While the literature reveals considerable debate over the definition of social enterprise, a common set of characteristics that distinguishes social enterprises from private or State enterprises¹ was evident. These characteristics include:

- Enterprises established to tackle a social or environmental need and addressing this need is central to the purpose of the enterprise.
- Enterprises that engage in some level of traded activity to support their social remit.
- Reinvestment of any profits made by the enterprise to sustain and further the social or environmental mission of the enterprise.
- Ownership of the enterprise is within a community or amongst people with a shared interest.

The Third Sector is considered to be a vital part of a country's infrastructure and economic activity. The Sector addresses market failures by delivering services that neither the private sector nor public sector can or will provide. It is a progression outlet for labour market activation. It supports urban and rural regeneration and is a means of delivering State investment into disadvantaged areas. It provides creative and innovative solutions to identified needs and gaps in services.

In Ireland there have been some measures to help the sector such as the Social Economy Programme and, more recently, the Social Finance Foundation, but a coherent policy and strategy for the sector is absent.

3. Key Messages from the Research

The Third Sector, and in particular the social enterprise sector, is growing

In many countries the Third Sector is a significant and growing component of Gross Domestic Product (4% to 7% across the EU). As a result, some countries, such as Britain, have developed national policies, strategies and mechanisms to support the growth and development of the Sector.

Social enterprise is one of the fastest growing areas of entrepreneurship. For example in Britain it is estimated that nearly a third of all new entrepreneurs are social entrepreneurs. While relatively small in Ireland, the sector is still of significance and has considerable potential for development.

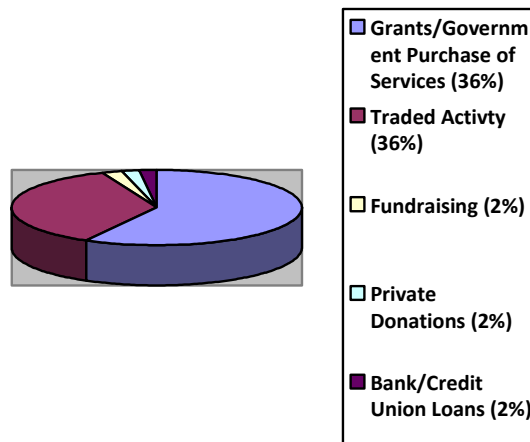
¹ See for example OECD (1996), www.socialenterprises.org FÁS (2000)

Social enterprises generate significant economic benefits

The survey of 106 social enterprises for this study revealed a total income for these organisations for 2008 of €41.2 million. Total expenditure amounted to €38.5 million yielding an overall surplus of €2.7 million.

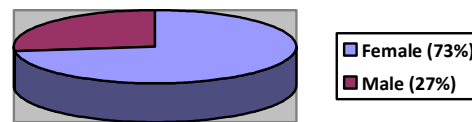
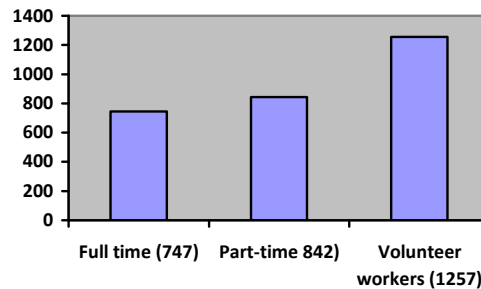


Just over one-third of the income generated in 2008 came from traded activity. The balance was generated through delivery of State programmes such as childcare and Community Employment, and public grants. Small amounts of fund-raising, private donations and bank loans were used to supplement the main sources of income.



Organisations used surpluses to reinvest in the existing business or to develop new social enterprises. Three-quarters of these organisations either made a surplus in 2008 or broke-even. For those that made a loss, the scale of these losses was relatively modest. This low-risk profile partly reflects the risk averse nature of social enterprises, the prudent management of finances and the criteria that organisations must satisfy when in receipt of public funding.

These 106 enterprises employed 1,589 people and also harnessed the time and energy of 1,257 volunteers (excluding Board members). The majority of employees were female, reflecting the importance of childcare in the sample and the role that social enterprises play in labour market activation programmes, such as Community Employment which has a high female participation rate.



A high proportion of the expenditure of the 106 enterprises is on local wages and salaries and local supplies of goods and services and has direct and indirect spin-off effects on both the local and national economy. Social enterprises employ local people and purchase from local sources thereby putting money into the local economy. They provide local services and build community assets and infrastructure.

If we make a conservative assumption that there are at least two dozen social enterprises in each county of similar size to the survey sample, we can make an estimate for the minimum size of the sector nationally. On this basis social enterprises in Ireland generate a very conservative estimate of €240 million in revenue, spend €230 million in Ireland and employ over 9,300 people directly and support a further 5,100 indirectly.

Social enterprises generate significant social benefits and impacts

As important as the economic benefits are, the less tangible or visible benefits that social enterprises generate are even more important and enduring. Many of these benefits are psychosocial and often preventative in nature. They include provision of services to vulnerable groups in tune with their needs. Social enterprises bring people from different backgrounds together in a caring and emphatic manner and draw in members of the community who are isolated. They provide services with a level of skills and experience that is unlikely to be matched in the short term by private sector enterprise.

They engage in personal development, training and confidence building. They provide safe social spaces for local communities and dependable social services delivered by local people. Services are provided to ensure affordability and accessibility for all members of a community and particularly those who may be

vulnerable, e.g. children, older people, those with a disability and long term unemployed.

In rural areas, social enterprises provide services that might not otherwise exist due to dispersed populations and uneconomic returns.

Social enterprises support active citizenship

Social enterprises in the survey harnessed the energy, skills and commitment of an average of 12 volunteers each, excluding Board members. The average number of Board members was 8 per organisation, all of whom are volunteers.

Applying the same assumptions as above to all of Ireland, we estimate that at least 12,500 people are involved with social enterprises in a voluntary capacity thereby making a significant contribution to national policies on active citizenship.

Social enterprises have a strong code of ethics and a caring ethos

It was very evident from the survey and workshop discussions how passionate and committed to their social remits each of the enterprises are. They are committed to social inclusion, enhancing quality of life, building community spirit and making services affordable and accessible to all.. Making a profit is lower down on their agenda and any profit is re-invested in pursuit of their social remit.

Responding to community needs, addressing identified gaps and enhancing services to their communities were key drivers of the enterprises. In many instances the needs are very specific, having been identified through needs analysis, community audits and many years of community development and planning.

Core principles that social enterprises abide by include putting people first, honesty and integrity, flexibility and responsiveness, transparency and openness.

The social enterprise sector is diverse

The enterprises covered a diverse range of services including childcare, eldercare, care for people with disabilities, information, transport, recycling and environmental services, housing, sports and leisure facilities, arts, culture and heritage projects, education and training, media services and social and youth supports.

What is interesting is that healthcare provision and energy, major areas internationally for social enterprise, did not feature in the survey sample, while childcare provision accounted for 29% of the sample.

The nine case studies give an insight into multi-faceted nature and diversity of social enterprises. They highlight how each was established to meet a specific community need. They show how social enterprises work with the statutory sector and how they can complement the activities of local authorities and statutory agencies as well as address gaps in services.

The social enterprise sector has development needs

Most of the enterprises had been in business for ten years or less and were mainly structured as companies limited by guarantee. While they had formal structures in place to govern their activities, much of the day to day management fell to one person and management team structures were generally not in evidence. It is not surprising, therefore, that, apart from funding, the major challenges identified by these enterprises for themselves related to management development and capacity issues. Finding time to reflect on the business and to develop appropriate strategies was an issue. Other significant challenges were human resource management and accessing professional services at a reasonable cost.

Workshop discussions demonstrated that social enterprises are conscious of the need to become more entrepreneurial in order to enhance the future development of their businesses. There were calls for management training and development specifically targeted at the sector in order to underpin sustainability, growth and development.

Given the current economic climate and the uncertainty it has generated, there was considerable anxiety about the future funding of social enterprises. Fifty-eight percent of the income for these businesses was in the form of grant aid, with 38% coming from the sale of goods or services and the balance coming from donations or, in a very small number of cases, loans. The sector is relatively risk averse and reluctant to use loan finance because of fears about repayment capacity and also a prudent approach to financial management. The sector also recognises that it has become somewhat dependent on grants and that in the past grant criteria did not encourage enterprising activity or financial sustainability. While the majority of enterprises broke-even or made a small surplus in 2008, in reality only a very small number are profitable and sustainable without some form of grant aid.

There were calls for the State to play a more conscious role in the development of the sector. For example, through the development of alternative legal structures that may be more suited to social enterprises; the use of public procurement to support the sector; the development of a targeted funding initiative and less micro-management of schemes that support social enterprise.

Creative solutions to generate greater efficiencies or to access more cost effective services were put forward by workshop participants. These included the development of local umbrella holding company structures; the development of local purchasing power networks; the creation of panels of experts or mentors; and the development of centralised production for common services or products.

The social enterprise sector needs a voice

The sector in Ireland is fragmented and not represented at national level. It is also not clearly defined with many interpretations of what constitutes a social enterprise and whether or not this is different from a social economy project and/or a community enterprise.

Workshop participants considered that the development of a representative body and networking mechanisms as important steps to the future development of the sector and to provide a coherent national voice.

4. Framework for Future Development

Articulate a clear definition for social enterprise in Ireland

It was evident from our discussions with groups and enterprises that there are many different interpretations of what constitutes a social enterprise. For example, some consider ‘meals on wheels’ to be a social enterprise, others do not. There is a similar situation in relation to childcare. There was however general consensus that a social enterprise used any surpluses it generated to further its social aims. There was also agreement that an appropriate balance needed to be struck between the ‘social’ and ‘enterprise’ aspects of the business. PLANET already has a definition that could be developed further to more clearly define what a social enterprise is.

Develop a national representative body for social enterprise

The sector needs a coherent voice to put forward its case to government and to work with other sectors of Irish society. PLANET is in a good position to work with other representative organisations to develop a coherent strategy for advocating for the sector and ensuring that it is represented in key policy fora. This body should also aim to support social enterprises to network with each other and with statutory bodies, local government and the private sector and to share information and learning.

Reinvest in the concept of enterprise development officers

The Partnerships have an opportunity to reinvest in the Enterprise Development Officer concept with a particular focus on social enterprise and to build on the enterprise skills of Enterprise Development Officers to support social enterprises in their areas. Enterprise Development Officers could support social enterprises to network, to access appropriate training, to access mentors or local expertise, to establish local ‘time banks’², to help them engage in good governance and compliance. Enterprise Development Officers are also well placed to offer advice on how groups of social enterprises in similar businesses might co-operate or even merge together to reduce duplication and create greater efficiency and cost effectiveness.

Invest in management development training

International research shows that investment in management development yields significant benefits for enterprises in terms of quality strategic planning, productivity and growth. PLANET should investigate opportunities to develop a management development course specifically aimed at social enterprises with one of the Institutes of Technology using a modular format and a distance learning component. It should also investigate with SkillNet Ireland opportunities to either develop specific SkillNets for social enterprises or to ‘piggyback’ on existing local SkillNets that may be relevant to social enterprises.

Inform and educate social enterprises about alternative sources of finance

Social enterprises in Ireland are very dependent on grant aid as a major source of funding. There is a natural caution and reluctance within the sector to consider alternative sources of finance, such as social finance. The results indicate that there is a low level of awareness of both the availability of social finance and the social

² ‘Time banks’ involve individuals offering a certain number of hours of their expertise free each year. These individuals could be professional services such as accountants or solicitors, business people or even other social enterprises.

finance providers that exist in Ireland. The sector needs to be informed about alternative sources of finance, the possible risks and rewards involved and how and under what circumstances these sources might be accessed. Clann Credo, being the largest social finance provider in Ireland, is well placed to take the lead in this.

Explore the most appropriate structure for social enterprise

The majority of social enterprises are companies limited by guarantee, mainly to satisfy grant aid criteria. While this model does provide the protection of limited liability status and the opportunity to borrow from conventional lenders, it does get away from the concept of shared community ownership that so often defines what a social enterprise is. It also closes off credit unions, themselves considered by many to be social enterprises, as an on-going source of finance. PLANET should examine the appropriateness of the co-operative structure for social enterprises and the implications of adopting this structure in the context of grant aid criteria. Other models used for social enterprises such as the U.K. model of Community Interest Companies should also be examined in terms of their suitability for adaptation to the Irish context as an alternative structure to companies limited by guarantee.