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Social Enterprises in a Changing Social Welfare Landscape

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Abstract

This paper will explore the genesis of the interest and development of social enterprises in the United Kingdom (U.K.) and how this has been driven by a changing social policy agenda which has provided a framework for the development of social enterprise in the U. K. and in the wider European Union (E.U.). Although we can see a clear direction of travel that has emerged over the last thirty years this policy framework is complex made up of a mix of provision, leaving questions about how coherent the social policy agenda actually is towards to social enterprise and social innovation.

Social Welfare System

It is difficult to categorise the U.K.'s welfare system into one particular category as suggested by Esping Andersen and others, partly because it ignores the fact that since 2000 devolution has fragmented the country and there is no real coherent UK welfare system (Alcock, P. 2010). Also the private, public and voluntary and community sectors have always had a role in delivering welfare services; a 'mixed economy of welfare' with significant elements being delivered by a number of agencies from across all sectors both formally and informally (Stewart, J. 2007). What changes over time is the balance between those sectors, and the emphasis placed on the various constituent parts.

In the nineteenth century there was a more liberal entrepreneurial system; the 1950's to the 1970's in contrast was more of a social democratic welfare state or centrally driven system whereas the trajectory of travel since the 1980s is one of neo liberalism. Giddens and Esping Andersen in looking at the current situation have posited the idea that there is a paradigm shift taking place with a move away from a social insurance model that spends 'on the here and now' to one that invests for the future in social and human capital; a social investment state (Brettschneider, A. 2008).

Developing Policy Agenda

The nineteenth century was a time of considerable change with huge population growth and rapid urbanisation. It was also a period of significant poverty and squalor with increasing concerns about health and the plight of children in particular. The voluntary sector was the main providers of welfare services during this time (Alcock P. 2010) with social reformers like Charles Booth and Sebboholm Rowntree pushing for reform and ultimately leading to the setting up of charities like the NSPCC, Barnardos and the Children's society.

The late 1940's was to be the most significant with a raft of legislation being passed leading to the setting up of the National Health Service, free universal secondary education (1944 Education Act) and in the 1950's local authority Children's health and welfare departments were set up. The impetus for the development of the post war role of the state as the provider of welfare came from the Beveridge report and the desire to 'combat' what was described in the report as the five great evils of:

- Want
- Ignorance
- Idleness
- Squalor, and
- Disease (Alcock, P 2008:5)

The voluntary and community sector's role changed once again during the post war period; taking on a supplementary role to that of the public sector. The 1970s signalled a high point for state welfare when the children's health and welfare departments were unified into local authority run social services departments together with community mental health and adult social care. It was within these large local authority departments that public sector social workers played a significant role in the delivery of social welfare services, albeit as we will see this role changed within the 1980's.

The state as provider of welfare became increasingly criticised throughout the 1960's and 1970's, with accusations of discrimination and dependence from feminist and Black Minority Ethnic perspectives, as well as new right commentators from the Conservative party who expressed doubts about the effectiveness of such a state centred approach in addressing poverty and need; advocating free market thinking and the need for people to take responsibility for their own welfare (Bochel, H. 2012:66).

The Rise of the New Right

In 1979 Margaret Thatcher and a Conservative government was elected, a group of politicians influenced by the Chicago economist Milton Friedman and the writings of Hayek; representing a shift to more free market monetarist thinking, and away from a Keynesian form of demand management. The belief of the Conservative government was that the state sector was inefficient, uneconomic largely ineffective and unresponsive to changing needs and, therefore, would benefit from an injection of the private sector customer focused management techniques– New public management (NPM) or managerialism (Durkin, C. and Gunn, R. 2010).This was very much a neo liberal agenda which signalled the end of a political consensus around a centrally driven welfare state.

The acceptance by the 'new right' that it was through competition and the markets that improvement would be achieved ignored the more general need for all social welfare organisations to adopt more collaborative and partnership approaches (Morgan, K. and Price, A. 2011). The belief in private sector managerial approaches also failed to take account of the complexity of the mangerial role in the other sectors and the need to focus on more than one 'bottom line' (Anheier H. K. 2000); something that is a really important issue in social enterprises where there is a need to concentrate on both profit and social missions.

During the 1980's there was a significant shift in the focus towards civil society, with the voluntary and community sector also changing taking on a more

partnership approach, partnering with other agencies and organisations to deliver services (Alcock, P. 2010). Within the context of a managerialist agenda, a greater emphasis was also placed on people as consumers and not just clients or patients built on an increasing recognition of the rights of users that had been championed in areas such as disability rights. This was underpinned by a changing legislative framework and increasing stress on the rights of people through equality, human rights and anti discriminatory legislation. This signaled a greater prominence of the service user as a proactive user rather than the passive receiver of services (Kippin H., et al. 2012).

New Labour

There was a recognition that the welfare state needed reforming to solve current problems and not those of 50 years ago and despite decades of welfare spending on state provision, many of society's problems remained entrenched, with people still experiencing poverty, poor health, lack of opportunity, and inequality. What was also clear was the way we use public services is not 'uniform' and requires a recognition that we make choices depending on individual circumstances; requiring a more localised, less centrally driven approach to social welfare delivery (Elvidge, J: 2012: 25). The slogan 'what counts is what works' was adopted by the Blair government and illustrated a more pragmatic approach to policy making combined with a 'refinement' of Conservative N.P.M. ideas (Alcock, P, 2008: 10).

What changed under New Labour was a focus on community engagement and neighbourhoods based on the communitarian thinking of the sociologists Etzioni and Giddens, with third sector organisations providing the institutional foundations upon which the shift in welfare provision could be achieved. The Third Sector in this context was seen as a collective term for charities, voluntary and community organisations, social enterprises, cooperatives and mutual organisations (Alcock P 2010: 2). This represented a shift away from what was perceived to be the individualistic nature of the agenda during the 80s and early 90s to targeting welfare to those in most need. This also required local authorities to recognise that they cannot deliver all the services, in part because

they do not have the financial resources but also because they could respond effectively to changing needs. Within this context local authorities became increasingly commissioners and procurers rather than deliverers of services.

The centrally planned services of the post war years had been designed, (particularly in the field of health and social care) in separate departments with problem focused approaches for instance, in housing, health or even education. People's needs, in contrast, do not operate in that way, they are complex, messy or 'wicked' (Ashton, R. 2012, Curtis, T.2010 and Kolko J. 2012). Bloom and Dees (2008) also point out that human societies are complex social eco systems in which social entrepreneurs, if they are to be successful, need to understand the local ecosystem and community networks (including residents, social policies, community norms) and aim to change not only the presenting problems but also the underlying ones. It is within this context that social enterprises can be seen as playing such a significant role given their location in communities and neighbourhoods and their ability to respond to changing needs and opportunities.

The greater emphasis on community engagement and user involvement emanated from the work of Robert Putnam and his concept of social capital (Putnam, R.D, 2000). He identified successful 'strong and cohesive' communities as ones that had a high level of social capital as evidenced by active social institutions. Whereas in areas where there are poor social networks (so called bridging capital) high numbers of people often feel socially excluded with limited connection to other communities and groups.

It is within this environment that social enterprises began to emerge – spurred on by a political environment which wanted to encourage voluntary and community organisations to deliver services. This resulted in New Labour launching the Social Enterprise Unit in 2001, to cement what were seen as relatively distinct organisations that traded but at the same time focused on social and environmental aims. Social Enterprises were seen as businesses:

"... with primarily social 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". (Department of Trade and Industry 2002:7)

Although social enterprise was a new organisational term, other voluntary and community organisations like cooperatives and even charities could also be described as social businesses in that they also trade and have a clear social mission. In 2006 the situation was consolidated by the launch of the Office of the Third Sector which brought together social enterprises with other voluntary and community organisations (Alcock, P. 2010). The Third Sector Review (Cabinet Office 2006) saw the development of voluntary and community sector organisations as being crucial in building social capital. Within this narrative we can begin to see an emerging right based agenda placing an emphasis on active users engaging in the co-design and production of services.

The financial crisis of 2007-09 posed further questions to politicians and policy makers about the imbalance of the economy, the role of regulation, the role and purpose of enterprise (Morgan, K and Price, A. 2011; Kippin et al. 2012) and a wider debate on how to continue to provide welfare services in a market driven economy at a time when public finances are under considerable pressure.

The Election of the Conservative Liberal Democrat Coalition

The election of the coalition government in 2010 signalled the beginning of a period of austerity greater than that had been faced by any previous generation. Like the Conservative Government of 1979, the Coalition saw state institutions as bureaucratic and not responsive enough to the needs of the users. In addition the coalition through the notion of the Big Society (largely a follow on from the new Labours agenda) saw the need for an increased role for civil society, empowering communities and neighbourhoods to take more responsibility as well as giving employees of the state the chance to set up their own social enterprises.

The financial crisis has also brought into question the sustainability of the post Thatcher economic market driven model fuelled by financial services and high levels of debt and a wider debate about the development of capitalism, its institutions and also the short termism of many of its models (Haque U 2011).

Although the rhetoric is encouraging towards social enterprises, it could be argued, that the main driver is to ensure that services are delivered and the government is not really interested in which sector or organisation delivers the services. The private sector is playing an increasingly significant role in delivering services often securing large contracts as lead partner with social enterprises and other voluntary and community organisations often sub-contractors. As social enterprises and the wider third sector become more mainstream delivers, their role as socially innovative organisations that challenge policy and the status quo may be called into question.

Government has had to respond to changing political, demographic, and economic pressures, including a rise in demand for welfare services at a time of reducing budgets. This demand has required all sectors of the economy to look at more innovative ways to provide services leading to a breaking down of barriers between sectors, requiring local authorities, in particular, to look outwards beyond their own narrow organisational constraints. This way of increasing capacity, for some is a way of privatising welfare provision whilst for others a way of increasing capacity particularly in civil society (Hulgard, L. 2010). For the first time, all public bodies in England and Wales are required, under the Social Value Act 2012 to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area.

More and more services are being decentralised with the role of the local authority and other state agencies changing from one of provider to being largely a commissioner of services, services that are in turn being increasingly defined by the actual users or consumers, and delivered by organisations from across all sectors. It is important to acknowledge, however, that the development of social enterprises, has not in recent years, just been about the development of

organisations external to the public sector but social enterprises are also being set up by staff within the public sector and then been 'spun out' of the state run organisation (for example Central Surrey Health[1]).

What became increasingly apparent during the 1950-1970's was that the centrally driven health welfare agendas are not flexible enough to deliver health and social care services to an increasingly demanding, ageing and diverse population. Much of the services have also been largely designed to deliver episodic care rather than developing preventative services that can prevent people from accessing acute services. Adult social care, for instance, is too often seen as a range of separate services with an emphasis on acute services like residential care as part of health and social care. However, the latter is only one aspect and the wider definition and design of community based services needs to take account of everything from leisure services, transport, employment, housing as well as health and care services. This requires a significant move away from acute services and to a more preventative proactive approach that will ensure that individuals maintain, wherever possible, their independence. Organisations like Incontrol have developed personalised innovative approaches for service users[2].

The notion of the 'professional' changes within this shifting landscape; with less demand for professionally qualified social and health workers and more demand for creative, responsive and entrepreneurial people. The position of social care professionals changes substantially resulting in many of their roles being seen as helping to "...create platforms and environments, peer-to peer support networks, which allow people to devise these solutions collaboratively" (Leadbetter, C. 2004:24). This also requires a different approach that focuses more on assets and strengths of people rather than problems and needs, requiring organisations, like social enterprises that are more nimble and responsive to a rapidly changing environment. Organisations like Turning Point, for instance, a

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[1] See http://www.centralsurreyhealth.nhs.uk/page/index
[2] http://www.in-control.org.uk/ (accessed 17/12/2012)

national Social Enterprise, works with residents as community researchers to develop services[3].

How welfare services are financed has become a major issue for all political parties. Although the state remains a significant provider of finance in a number of sectors, how they pay is changing. The introduction of social impact bonds[4] is one potential option, with the state only paying when an organisation achieves certain agreed social outcomes, with the organisation taking the main risk up front. What is clear is that social enterprises are part of a new portfolio of financial packages under the heading of social investments which is attracting considerable interest and funds.

Juxtaposed within the changing landscape there has been increasing concerns about the 'safeguarding' of vulnerable people. The developing narrative in the area of child protection in particular changed dramatically with the tragic death of a number of children since the death of Maria Colwell in 1973. Harry Ferguson (2004) has identified a backdrop of what he calls 'scandal politics' which has driven an increasingly regulatory approach for statutory social work. As a result local authority social services departments still provide the bulk of statutory social work and social care services. Even in this arena, however, there has been significant organisational change with the Government trialling the idea of social work spin out companies or social work practices in a number of areas, albeit all practitioners and organisations remain located within a regulatory framework set by the state and largely financed by the state.

Rhetoric or Reality?

The changing policy framework has provided real opportunities for social enterprises to open up new markets and deliver services and currently there are around 68,000 social enterprises in the UK, contributing more than £24 billion to

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[3] http://www.turning-point.co.uk/community-commissioning/connected-care.aspx
(accessed 14/12/2012)
[4] http://www.socialfinance.org.uk/sites/default/files/SF_Peterborough_SIB.pdf

the economy.[5] Significant challenges remain and call into question whether the potential will be realised or whether this is just a diversionary narrative delaying the inevitable private provision of the majority of welfare services. Social Enterprise U.K. (2012) presents a case that a 'Shadow State' is emerging due to the 'outsourcing' of public sector contracts, which is becoming dominated by a few large private sector organisations potentially squeezing out social enterprises.

Although the majority of social enterprises are small, local and vulnerable in terms of funding their ability to deliver outside of the local area in a way that creates critical mass is curtailed potentially leading to a fragmented system. One large provider delivering services across a large area, for instance, is often seen by commissioners as more cost effective to manage than a number of small social enterprises delivering at a local level. In addition the procurement rules both in the U.K. and the E.U are often perceived as a barrier to procuring services through social enterprises potentially favouring private sector companies.

Conclusion

I have described what looks like a coherent narrative of the development for social enterprises over the last thirty years and yet this period of almost constant change is anything but clear. On one level we have a political focus on financial cuts to the public sector which is requiring local government to cut their services and reduce the amount of money available for commissioning services. On another level we have a policy framework that focuses on localism and the development of civil society, within which there is a desire and encouragement for social enterprises to deliver services. Finally, although social enterprises make a significant and growing contribution, there a number of barriers that may be a block to the future development of the sector.

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[5] Annual Small Business Survey, BIS 2012

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