

## **From Social Economy to Social Enterprise: in the business of improving health**

This short background paper has been prepared by Voluntary Health Scotland for the Conference which is being held on 27<sup>th</sup> February 2007 at the Scottish Storytelling Centre, Edinburgh.

The aim of the Conference is to highlight the actual and potential contribution of social enterprise to health improvement in Scotland. The paper outlines the policy context for both social enterprise and health improvement, drawing on information routinely available from policy documents and relevant websites. It also explores the possible convergence between social enterprise and health improvement.

A list of useful contacts and websites is given at the end of the paper.

### **What is the Social Economy? Where does Social Enterprise fit in?**

The Social Economy refers to the third sector in the national economy, situated between the private sector and the public sector, or government. It includes voluntary organizations, charities and community groups and embraces a wide range of community, voluntary and not-for-profit activities.

The social economy has developed because of a need to find new and innovative solutions to issues - whether these are socially, economically or environmentally based - and to meet the needs of particular groups of service users and communities where these have been ignored or inadequately met by the private or public sectors.

There is no single all-encompassing definition of the social economy and defining the limits of the social economy sector is made especially difficult by the constant shifting of the political and economic context.

The third sector is conventionally divided into three sub-sectors: the community sector, the voluntary sector and the social enterprise sector. The community sector includes groups and organisations active at local or community level, usually small, modestly funded and largely dependent on voluntary, rather than paid, effort. Examples include small community groups, support groups and civic societies.

The voluntary sector includes organizations that are: formal (they have a constitution); independent of government and self-governing; not-for-profit and usually operate with volunteer involvement, while also employing paid staff. Examples include housing associations, larger charities, large community associations and national campaigning organisations.

Within the third sector the social enterprise sector comprises organisations which are *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*. Examples include co-operatives, development trusts and credit unions. Such organisations account for up to 6% of Scotland's third sector.

The economic activity of the social enterprise sector includes employment, financial transactions, purchase of property and trading. Figures from the DTI Small Business Survey (2006) suggest that there are up to 3,000 social enterprises in Scotland, within the country's 50,000-strong third sector and the 240,000 Small and Medium Enterprises (SMEs). Together, they generate £1 billion. About 29% of these are located in the health and social care sub-sector, particularly in adult and child care, housing, community transport and food production and handling. Well known examples are The Big Issue, Jamie Oliver's Fifteen Restaurant and in Edinburgh, the Engine Shed.

There is a further category within the social enterprise sector known as social firms. These are commercial businesses developed to provide employment opportunities for people with a disability or other disadvantage in the labour market. Social Firms aim to generate over 50% of their income from the sale of goods and services to an open market and are non-profit distributing, with any surplus being shared by employees or re-invested in the business or community.

Social firms aim to employ as at least 25% of their workforce people with a disability or other disadvantage, to create an integrated workforce.

### **What government policy supports the growth of social enterprise?**

The Scottish Executive published its *Social Economy Review* in January 2003, which recognised the importance of the social economy in the delivery of better public services. It supported its contribution to community regeneration and redressing inequalities. At the same time, *Futurebuilders Scotland* brought an £18 million contribution over the years 2004 - 06 towards building the infrastructure and capacity of the social economy sector.

In June 2006, Communities Scotland brought out its consultation document *A Social Enterprise Strategy for Scotland*. This identifies the added value, flexibility, innovation and value for money that the model brings to closing the opportunity gap and promoting community regeneration. Responding to the consultation, however, SCVO asserted that closer links need to be made between the delivery of the strategy and supporting the contribution of the voluntary sector to public service delivery identified in the Scottish Executive's *Vision for the Voluntary Sector* (2005).

### **Can social enterprise contribute to health improvement?**

The engagement of the third sector in Scotland's health improvement drive has gained momentum in recent years. In 2003, *Improving health in Scotland: the Challenge* identified community-led approaches as crucial to tackling health inequalities and promoting community regeneration for health. Community engagement and action provide the climate in which social enterprise can flourish.

The recently published *Healthy Communities: a Shared Challenge* (December 2006) is the output of a task group of 25 key organisations and individuals. Their recommendations are derived from research into the sustainability needs of community-led action, identification of planning and partnership opportunities open to community engagement and gathering of evidence of the effectiveness of community-led approaches to health improvement.

Voluntary Health Scotland (VHS) believes that in the context of community-led action for health, the actual and potential contribution of social enterprise to health improvement is still under-recognised. Social enterprise can and already does make a contribution to health improvement in a number of key areas – employability and employment, economic and environmental regeneration, mental health improvement and the promotion of well-being, physical activity, healthy food production and consumption. It can be argued that the very action of engaging in social enterprise is health-producing, building as it does confidence, self-esteem and shared skills in individuals and communities.

A conference hosted by the Scottish Forum for Public Health (SFPH) towards the end of 2006 examined the contribution of social enterprise to public health, of which health improvement is one of three key elements. It identified a vision for health improvement which is shared by both social enterprise and public health, a complementary policy structure and, potentially, consistent models of delivery and complementary skill bases.

In England, the Department of Health (DoH) has recognised the important contribution of social enterprise to health by establishing a new Social Enterprise Unit within the DoH, which encourages innovation and entrepreneurship in health and social care and aims to get the third sector more involved in providing services which will bring wider health benefits. Over the next 4 years from 07/08 £73 million is being made available for the Social Enterprise Fund to foster growth in social enterprises delivering health and social care services. VHS believes that health services in Scotland might wish to consider a similar move.

### **What will today's Conference explore?**

At today's Conference, key experts from across Scotland will make different contributions to the debate on social enterprise. We shall hear the case for social enterprise and its contribution to health; the connection between social enterprise and the public service delivery role of the third sector will be drawn out; the readiness of the market in Scotland to engage with this model addressed; and the question of whether social enterprise can contribute to social capital and inform new indicators of progress in Scotland's development explored.

At the same time, experts in the field of social enterprise will provide the benefits of their experience in developing policy, improving practice, and sharing knowledge. For those social economy organizations which are considering moving towards a social enterprise model, these *Meet the Expert* sessions will be invaluable.

Finally, accounts of *Making it Happen* will provide vivid presentations of successful social enterprises from Aberdeen, Edinburgh and Glasgow, bringing to life the rhetoric and policy.

As Declan Jones, Director of the Social Enterprise Institute at Heriot-Watt University, who chairs today's Conference, says: *"The option of social enterprise is that it has the potential to grow....social enterprise and the wider social economy are good at innovation because they are more flexible and ...they could provide a viable alternative for the future delivery of health....."*

### Useful contacts and websites

*A review of the Scottish Executive's Policies to promote the Social Economy* (2003) -  
<http://www.scotland.gov.uk/Publications/2003/01/16206/17039>

*Social Enterprise Strategy for Scotland Consultation* (2006) -  
<http://www.scotland.gov.uk/Publications/2006/06/e15990/link>

*Improving Health in Scotland – The Challenge* (2003) -  
<http://www.scotland.gov.uk/Publications/2003/03/16747/19929>

*Healthy Communities: A Shared Challenge* (2006) -  
<http://www.healthscotland.com/documents/1402.aspx>

The Scottish Social Enterprise Coalition – the collective lobbying and campaigning voice for social enterprise in Scotland - <http://www.ssec.org.uk>

Senscot – Scotland's independent network for growing social capital through spreading social enterprise – <http://www.senscot.net/index.php?W21ID=84>

All the Social Enterprises and Enterprise Trusts featured today can be found in Senscot's Full List

Social Enterprise Institute – [www.sml.hw.ac.uk/socialenterprise](http://www.sml.hw.ac.uk/socialenterprise) - at Heriot-Watt University – provides research, training, planning and consultancy for social enterprise

Communities Scotland – Social Economy Unit – supports the development of Scottish Executive policy and strategy on social enterprise.  
[www.communitiesscotland.gov.uk](http://www.communitiesscotland.gov.uk)

Department of Health Social Enterprise Unit -  
<http://www.networks.nhs.uk/networks.php?pid=155>

*Minding their own business*: an introduction to business and social enterprise for community food organisations (2006) – produced by Community Food and Health Scotland – contains a useful list of resources  
<http://www.communityfoodandhealth.org.uk/fileuploads/scdp-mindtheirbusiness.pdf>