



MANIFESTO

Business Changing Lives



SocialFirms UK

SocialFirms Wales

Social Firms **Scotland**

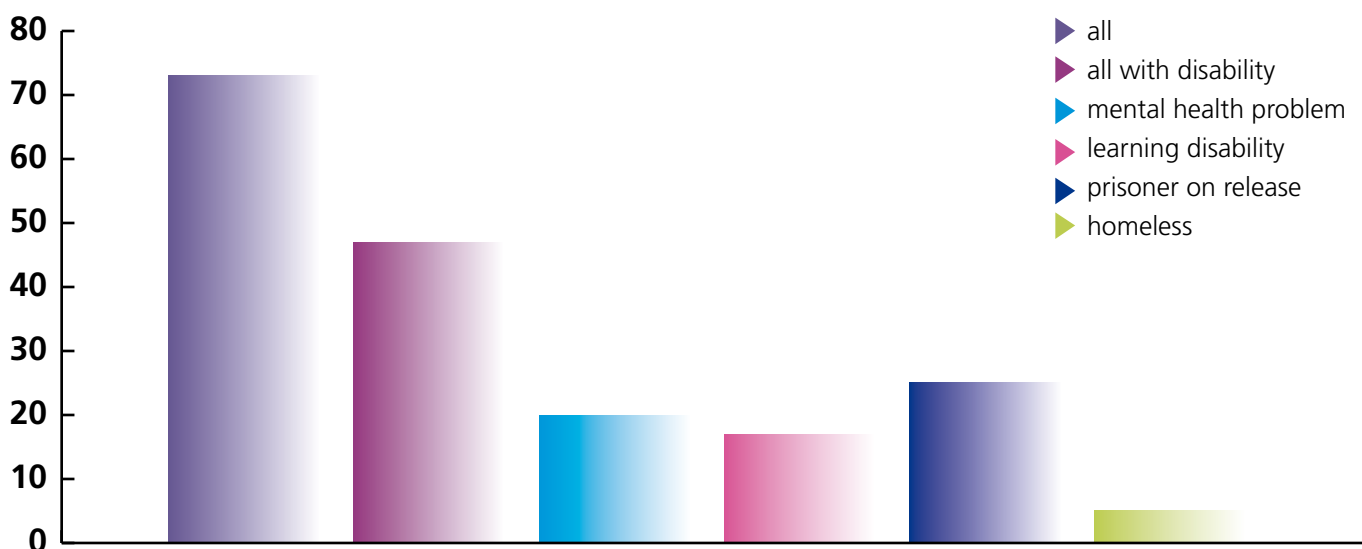


What's this manifesto about?

Social Firms UK is the national support agency for Social Firms. Alongside our partner organisations, Social Firms Scotland and Social Firms Wales, we want to show how Social Firms can offer a positive and sustainable solution to the blight of unemployment and social exclusion experienced by people facing the greatest barriers in the job market.

What's the problem?

Before the current recession 73% of people of working age had a job – unless they had a history of mental illness, a learning disability, a prison record or were homeless. At best, only 1 in 5 of the people with those conditions or circumstances was likely to be in work.



Employment rates

Even in times of economic buoyancy 60% of employers reject applications from candidates with mental health problems and more than 75% of employers say it would be 'impossible' for them to employ someone with schizophrenia.¹ People with learning disabilities are excluded from the labour market because many employers are unaware of their capabilities and qualities or do not think they can reshape tasks so that someone with a learning disability can carry them out. The majority of employers tend to discount applications from people with a prison record without even assessing whether the individual actually presents a risk. This contributes to the vicious circle of re-offending which costs over £11 billion a year².

Employment reduces the risk of re-offending by 33-50%³, but 75%⁴ of people leaving prison do not have a job.

All this adds up to a huge loss of self-fulfilment for the individual; an immense waste of human potential and costs hundreds of millions of pounds in benefits and public services.

Now that fewer jobs are available and unemployment is rising, the chances of finding work for those already at a disadvantage in the labour market become even more remote. While Government has clearly stated its commitment not to leave long term unemployed behind, it is clear that the action it's taking still falls short of the support that people facing the greatest barriers to finding sustained work need. Short term temporary jobs are, by their very nature, stop-gaps. They may work for some, but for those who are most stigmatised they serve at best as "revolving doors" back to welfare dependency.

¹ Social Exclusion and Mental Health, Social Exclusion Unit 2004

² This estimate was published in 2002 by the Social Exclusion Unit in their report "Reducing Reoffending of Ex-Prisoners". The Centre for Social Justice in its report "Locked Up Potential" published in 2009 considers this figure to be an underestimate.

³ An evaluation of prison work and training Home Office 1996

⁴ Prisoner Resettlement Survey, Niven and Olagundoye 2002

Social Firms – an effective solution

What is needed is long term jobs with companies that offer positive support to individuals. Social Firms have been set up specifically to do this.

They are a particular type of social enterprise whose specific mission is to create meaningful jobs in market-led, viable and sustainable businesses for people who face the greatest barriers to employment.

Each Social Firm

- recruits people facing severe disadvantage in the labour market and they comprise at least 25% of its staff;
- offers the support their employees need to work and develop their careers;
- pays all its employees at the market rate for the job;
- operates in the commercial market;
- generates at least 50% of its income from the sale of goods and services;
- re-invests all its profits to create more jobs.

What do Social Firms do ?

There are now more than 170 Social Firms throughout the UK⁵, offering a wide range of goods and services and employing in excess of 2000 people, 50% of whom would find it extremely difficult to get a job in the “open” labour market. There are hotels, travel agents, printing services, packing and fulfilment services, IT and white goods recycling services, cafes, shops, market research companies and gardening and grounds maintenance services, to name but a few.

The value of Social Firms has been explored through a number of Social Return on Investment studies⁶. Using an average of the findings in those studies and the estimated fiscal value of employment set out in the Freud Report on welfare to work⁷, the Social Firm sector has been estimated as contributing to public expenditure savings of at least:

- **£30m** in welfare benefits⁸;
- **£8.5m** in health services and
- **£1m** in Social Services

Do Social Firms exist elsewhere ?

The Social Firm model is well established throughout Europe and internationally. In 2005 there were over 8,000 Social Firms employing 80,000 people, 38% of whom had mental health problems or other types of disability across Europe. There are Social Firms in Australia and the United States and they are now being developed in Japan⁹. The major distinction between Social Firms in the UK and elsewhere is that in other countries their social benefits are either recognised through supportive legal frameworks or through wage subsidies. This lack of recognition and support is a key factor in the relatively small size of the Social Firm sector in the UK.

What makes Social Firms different ?

Social Firms operate in the commercial market and so face all the same challenges as other businesses – plus some. The Social Firm model means that the sole purpose of generating profit is to remain sustainable and then reinvest to create jobs. Fulfilling their social mission means meeting the costs of supporting their employees as opposed to increasing financial rewards of managers or shareholders.

What difference do Social Firms make ?

Here is what people who know about Social Firms say

"You really do need more places like this. We need people like them who've got the heart to bring it up. You shouldn't have to fight to keep it open. It should be open all the time. In fact, the Government should be saying, 'thank you very much' and these people should be getting a pat on the back!"

**An employee of Frame of Mind,
a Social Firm in Sussex**

"...the quality of the management process is exactly the same as any other company, very business-like and there's an added value that it's doing good for somebody as well as making profit. Obviously the profit is then ploughed back into the business so there's an added value to supporting Social Firms and other social enterprises in my view."

**A customer of Benchmark,
a Social Firm in Manchester**

⁵ In 1997 there were only 5 Social Firms in the UK

⁶ Six Mary's Place Social Return on Investment Report, Haldane Associates and Forth Sector 2007; Solstice Nurseries Social Return on Investment Report, Haldane Associates and Forth Sector 2007; MillraceIT Social Return on Investment Analysis, New Economics Foundation 2006

⁷ See p 68 of "Reducing dependency, increasing opportunity: options for the future of welfare to work. An independent report to the Department for Work and Pensions" David Freud 2007

⁸ This estimate is based on 75% of the 658 actual full time jobs held by disabled people in Social Firms in 2007. It reflects an assumption that a proportion of those people were receiving a lower tariff benefit than Incapacity Benefit, some may not have sustained employment in a Social Firm and some would have found employment elsewhere (deadweight).

⁹ "Psychiatric Services, An update on Affirmative Businesses or Social Firms for People with Mental Illnesses" Prof Richard Warner and James Mandiberg PhD 2006

"My husband suggested working at FRAME because of their experience of dealing with people with mental health problems. I lasted only 3 minutes on my first day. But within 2 years I was working 5 full days there because they are such great employers. FRAME has done more for me than any medical person ever has. I am a diabetic and have a mental health problem, but at FRAME they treat you like a person not an illness, so you feel like a person."

An employee at FRAME, a Social Firm in Haverfordwest

"I didn't realise how much they do help us. They are really trying to help us, you know what I mean? I mean, you've got 6 of us on there and none of us are re-offending. None of us are going back to jail, so it's gotta be working, do you know what I mean?"

"Before I secured a place with Blue Sky, I'd given up on ever finding full-time employment because of my previous history. Having a supervisor who has been in the same position as me and truly understands the problems I am facing, while proving that there is an alternative, has given me inspiration to know there is a future for me beyond the life I have known so far."

Workers at Blue Sky Development and Regeneration, a Social Firm in Uxbridge

"I've worked here now for 8 years. I actually came here as a service user.... The manager said 'how do you fancy staying here and becoming our workshop manager', which I grasped with open arms because I was in financial services at the time and there was a lot of pressure which had gone towards the breakdown that I suffered. And I kind of really enjoyed what I was doing here, and still do."

An employee at Benchmark, a Social Firm in Manchester

What can a new Government do?

We believe that any Government, whatever its political persuasion, has the responsibility to set the financial and economic framework within which social enterprises, social businesses and other third sector organisations can thrive.

As we move out of recession but into a period of extremely tight public financing, the smart thing to do is to shift the mindset from "departmental spending" to "holistic investing" so that public money is used efficiently and real job creation reaps both greater economic and social returns.

Therefore, we urge all parties to adopt the following proposals:

► **First – recognise and capitalise on the value of the Social Firms sector.** Invest £3,000 towards the support costs¹⁰ of each disadvantaged employee in existing Social Firms. This would unleash the Firm's potential to generate more business and so create more jobs, resulting in lower benefits costs; higher revenue return; reduced strain on public services which in turn would free up money for further investment.

For example, a Social Return on Investment study on a Social Firm guesthouse in Edinburgh employing people with enduring mental health problems achieved a saving of £21,000 per person per year to the NHS alone, before any savings in welfare benefits or increased tax revenue were taken into account.¹¹

► **Second – create the conditions that enable the Social Firm sector to grow.** Enable Social Firms UK (with its partner organisations Social Firms Scotland and Social Firms Wales) to administer a smarter start-up fund. This would be used for development financing that a start-up Social Firm could access on production of a viable Social Firm business plan and a social return on investment forecast. The development finance would be linked to a mentoring service in order to maximise the start-up's business success and job creation potential.

► **Third - create a level playing field.** Clarify that Community Interest Company Social Firms should uniformly qualify for business rates relief in the same way that registered charities do, because they work for community and not personal gain. At present, if you're a Community Interest Company Social Firm applying for business rate relief, it's a postcode lottery.

► **Fourth – simplify and rationalise the welfare benefit system so that it supports the transition from benefit to work.** The notorious complexities and rigidities of the current system make it very difficult to access and inefficient to administer. This causes great stress and anxiety as well and in practice creates a disincentive to work rather than a deterrent to making a claim.

Want to know more?

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¹⁰ Social Firms UK research has found that support costs range between £3000 and £6000 per person

¹¹ Forth Sector, Six Mary's Place Social Return on Investment Report 2007

¹² Social Firms UK is registered as a charity in Scotland No SCO30949

¹³ Social Firms Scotland is a Scottish charity No SCO30078