

2ND JOHN PEARCE MEMORIAL LECTURE

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**Yunus Centre for Social Business and Health,
Glasgow Caledonian University**

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INTRODUCTION

Thank you Pamela and good evening ladies and gentlemen - thank you also to the Yunus Centre for inviting me to give the 2nd lecture under the auspices of the John Pearce Memorial. I am very pleased to be here - having huge respect for John Pearce - the man we're here to honour tonight. It was my privilege to have known John – I learned a lot from him and I continue to learn from the legacy of his work.

John Pearce played a significant role in Scotland's community business movement, which paved the way for our current understanding and endeavour around social and community enterprise. John was also a trailblazer for the importance and advancement of measuring social impact - reminding us often that having a 'social mission' is merely an intent – it is the social impact that's critical. Rather than a 'do-gooder' John Pearce was a 'good doer' and many in our sector are active supporters of his work as part of the Social Enterprise Collection hosted here at GCU.

As well as being honoured to be here tonight, I was also a bit surprised – since I've only been around the social economy scene for around 16 years or so. And I kind of stumbled into the social economy through the door of SCVO at a time when the notion of a social economy never mind social enterprise was still quite obscure or at least not well understood in Scotland. Despite its rich history, SE didn't really have a coherent narrative.

WHERE WE ARE TODAY

Fast forward 17 years, and social enterprise has much stronger roots in the public and political discourse in Scotland – across Europe and globally. In Scotland, the sector is more vibrant and visible and enjoys strong political and economic support - but we still have some way to go to increase understanding and evidence the benefits to citizens and those not steeped in our work, of its value – how do we better measure and evidence its contribution to a more inclusive economy and a means of collective wealth.

Over the past 2 decades, social enterprise in Scotland has been planting its stake in the ground and finding its position within the wider Third Sector and the economy as a whole – and that has not been without its challenges.

EU LEVEL DEVELOPMENTS

In parallel at European level the evolution of social entrepreneurship, and associated legislation across many parts of Europe, has further increased the visibility and relevance of social enterprise. The EU initiative to promote social entrepreneurship (2014-20) noted the importance of enhancing support and access to finance for social enterprise noting its contribution to social cohesion, job creation and in reducing inequalities. It also noted that one out of every four businesses started in Europe is a social enterprise. In Belgium, Finland and France, that figure is as high as one in three.

SOCIAL ENTERPRISE WORLD FORUM

I've just returned from the 9th annual Social Enterprise World Forum in Hong Kong which served to remind me that we are very much part of a global movement- and this year the Scottish contribution to the forum was significant - from intermediaries, to support agencies, practitioners, public agencies and Scottish Govt. it felt that we had a good story to tell and it was well received.

At the World Forum and in other spheres, Scotland has been described as 'the best place in the world to do social enterprise' – this points to a higher profile and a strong eco-system of support that we often take for granted today. It strikes me that it is very often 'how others see us' that reminds us, that for such a small country, our infrastructure and support for social enterprise deserves to be so admired for its richness.

ECO-SYSTEM OF SUPPORT

No one could argue based on our experience over the last 2 decades and certainly since devolution that we enjoy not only a strategic and engaging relationship with Government but also a comprehensive eco-system of support – which includes strong leadership both within Government and within the sector, a positive and progressive legislative environment, support for social entrepreneurs, investment in leadership including working with schools and Universities, dedicated business support, direct investment, strengthening social capital and SE networks, national and local intermediaries, developing markets for the sector and a significant investment public social partnerships – the latter advancing the sector's role in designing and delivering public services.

But underlying this support framework we need to acknowledge that many social enterprises are small, locally based and often financially fragile and many community led enterprises are relatively untouched by the breadth of national and local support offerings – they're just getting on with the job, responding to issues within communities both urban and rural, taking on community assets, delivering local services and often raising their own money to do so. As we prepare alongside government to launch a 10 year strategy it's important that we now have a comprehensive mapping of the sector in Scotland. The Social Enterprise Census published last year gave us a long overdue baseline... which demonstrates the scale, reach, contribution and potential of the sector. It told us that social enterprise in Scotland is in a relatively healthy state, - over 5000 social enterprises in Scotland, estimated contribution to our economy of £1.68 Billion – caveat - this figure would be diluted if we remove the housing associations (...and a healthy report card on equality and diversity issues etc.

However, a few things to note:

- 36% of social enterprises captured in the census do not self-identify as social enterprises
- The cumulative 'social impact' of the sector was outwith the scope of the 2014 census
- In terms of gender and the notion that SEs are challenging the glass ceiling, the census reports 60% of SEs have a woman as most senior employees and that 70% of SEs report more than half of their employees are female.....On the face of it this looks reassuring - however i think this requires further consideration and unpicking.. What types and size of organisations are women leading, what job roles, pay, and terms and conditions are reflected in these statistics? I don't have the answer but I'd like to ask the question.

If we are to accept then that Scotland is the best place to do social enterprise and that there is notionally a 'Scottish Model' - What has been the catalyst for this and what impact, reality checks and expectations is this creating?

My reflections this evening will explore some of these questions – I'll offer some professional perspectives touching on my own experience of the catalyst and trigger points for where we are today. I will finish on some thoughts about the next steps on the journey as we prepare to launch a strategy for social enterprise for the next 10 years.- a strategy that we hope will be both wide-ranging in scope and ambitious in intent.

FILM

Before that I want to show a short film about a social firm CCI which will hopefully save me from explaining what a social firm is and where Social Firms Scotland 'fit's within the national social enterprise support landscape.

PERSONAL REMARKS

I want first to offer a few personal remarks. It's a real privilege to be back at GCU where I spent so many good years as a student on 2 separate occasions – the latter seeing me graduate in 1995 as a mature student from the school of communications.

Since heading up Social Firms Scotland our work has been about supporting social businesses that provide individuals with opportunity, hope and sometimes a second chance. On a personal level - This institution gave me a second chance. Having come here as a school leaver in 1982, on entry to year 3 of Social Sciences with ambitions then to enter social work, I was forced to abandon my studies due to an on-going battle with an eating disorder only to return in 1991 in a better place. Then married with a young baby, this University over others, believed that I had the determination to succeed – to kick start my studies in another discipline and they took a gamble on me – I think they saw potential where others saw only risk.

After many positions in Marketing - I stumbled upon the social economy in 2000 when to my surprise I was successful in securing a development role at SCVO – luckily for me, at the same time the European Commission launched the EQUAL programme – a new community initiative which was open to all EU member states and which had a specific theme and funding to develop the Social Economy. I was asked to work on a Scottish bid. This was my first venture into the social economy, social entrepreneurship and I had to learn quickly..

THE CATALYSTS

a) The infrastructure

In Scotland, from early 2000 the infrastructure of support for social enterprise and the community sector developed at pace. We saw the emergence of Social Firms Scotland (SFS), Senscot, Development Trusts Association Scotland (DTAS), Local People Leading now Scottish Community Alliance (SCA), alongside the Social Enterprise Academy (SEA), First Port, Social Enterprise Scotland (SES) and improved links with academic institutions ...at the local level the number of Social Enterprise Networks (SENs) was gradually on the rise - mobilising front line social enterprises to come together across 'geographies' and thematically. These peer networks have ensured a greater local presence and visibility for social enterprise across Scotland sitting as they do, alongside the Third Sector Interface (TSI) network who, for now, have a responsibility for supporting social enterprise locally. The forthcoming report on the review of TSIs will hopefully determine whether they retain that role. The SEN/TSI dynamic hasn't been without its challenges –they haven't always been easy bedfellows.

b) EQUAL Social Economy Programme

The EQUAL Social Economy Programme ran from 2002-2008 in my experience was one of the important catalysts for raising the profile of the social enterprise in Scotland and across the EU - it created healthy debate and endeavour around social enterprise development establishing its contribution to social cohesion, job creation and in reducing economic and social inequalities. Social enterprise grew in stature during this time.

The EQUAL programme having a mandated transnational component, also strengthened Scotland's links with and learning from members states across the EU where the sector had grown faster than the UK – and as a programme in Scotland EQUAL involved social enterprise practitioners, voluntary sector partners, key public agencies and government, the definitional debates created tension between those steeped in the traditions of community business and entrepreneurialism and those with an interest in protecting - what I would describe as - a more one dimensional interpretation of the third sector.

The equal programme challenged thinking and tested innovation. With the aim of mainstreaming new approaches to social enterprise development, taking considered risks with the investment and addressing the barriers to social enterprise development prevalent in Scotland at that time.

We started with policy position and what impacts we wanted – we invested in interventions that addressed business development needs, we tested impact measurement approaches (building on John Pearce and Alan Kay's social accounting principles) we explored issues around access to public procurement and other markets, social investment, leadership and workforce development. We tested new approaches across these themes – we mainstreamed what worked well and learned from what didn't. Our work in Scotland was recognised and profiled not at UK level but at European Commission level when we were invited to participate in an EU Social Enterprise Thematic Network to share good practice. Although recognised by the EU as a 'region' of the UK member state, as a sector, we felt that we were maturing in confidence and conviction and we were no longer the poor relation.

c) Policy Impact

The EQUAL programme in Scotland also had a direct impact on the First Social Enterprise Strategy launched in 2007 - just prior to the Scottish Parliamentary general election and the incoming SNP administration. The strategy, rightly driven by the Third Sector Division (TSD), tackled specific themes and actions that built on the learning from EQUAL.

The first Social Enterprise Strategy represented an important milestone in Scotland – it promised a more holistic and strategic approach to supporting the sector, recognising that social enterprise - applying business strategies to tackle social goals - required differentiated support and investment measures from the wider voluntary sector. This development, as you might imagine, wasn't warmly welcomed by some individuals and agencies in the wider third sector – who made soundings that this was creating a parallel universe. I didn't agree.

The strategy though was effective not least because it was backed up by strong political support, £1M resource and some real targeted actions. Although it was only a one-year strategy - it did shine a light on why social enterprise activity is important and set in tow the importance of the Scottish Government being responsible for driving the policy agenda for the future ambitions of our sector.

Since then, the Scottish Government under the SNP has continued its unwavering commitment to supporting the development of a vibrant social enterprise sector that can respond to opportunities around reforming Scotland' public services; empowering

communities to shape the services they need and want and where appropriate to deliver them – successor strategies and action plans (2008-11) have ensured dedicated business support and market development initiatives on the supply side which have been mirrored with initiatives to educate and encourage the public sector to engage with our sector and to recognise that SEs can deliver ‘value for people’ as well as ‘value for money’.

d) Transnational Co-operation and Learning

As I mentioned, one of the important aspects of EQUAL programme was the opportunity to work at a transnational level. Throughout EQUAL we worked with partners in Austria, Finland, Poland, Sweden and had a long-standing cooperation agreement with social cooperatives in North West Italy. My knowledge and passion for Work Integrated Social Enterprises (WISE) and social firms in particular was ignited. Our Italian partners from the social cooperative sector were operating on a scale we could only imagine, - through strong consortia structures, large and small cooperatives were delivering multi million pound equivalent contracts in waste management and recycling, hospitality, digital and cultural services, delivering cleaning services across all schools in the municipality of Turin, domiciliary care services and creating volumes of jobs for people who were marginalised in the labour market.

I learned quickly that Italy has a healthy social enterprise sector, and its cooperatives play a crucial role in the country’s economy. Scotland has and continues to learn from our Italian partners and from others across the EU and SFS has continued our engagement through an EU Social Enterprise Network and we hope that Scottish Government will continue to support our involvement to share good practice at EU level.

e) Social Firms and Work Integrated Social Enterprise (WISE)

Like our Italian experience, we also learned that many countries across Europe and internationally have introduced policies and interventions which support the start-up and growth of WISE. In Germany, Italy, Finland, Poland and Australia, amongst others, specific social enterprise legislation has been introduced to accelerate sector growth, to support more employment creation and in-work support - as a worthwhile investment to reduce Government welfare costs, support local development and reduce unemployment figures. Many receive statutory financial support such as tax breaks, preferential treatment in the public procurement arena and contribution to start-up costs and wage subsidies. It is not surprising then that the growth in numbers and volume of jobs created within the Social Firm sector in other European countries has accelerated well beyond Scotland and the UK.

The UK in particular Department of Work and Pension’s (DWP’s) welfare to work agenda has not seized opportunities to specifically invest in Social Firm development, and although the Scottish Government has introduced business support and direct investment and the number of Social Firms has grown, the sector has still not experienced the benefits of higher amounts of job creation or welfare savings on a scale comparable to our European counterparts. The payment by results driven Work Programme has failed many individuals - in particular disabled people and those with enduring mental health issues.

But some good news - the Social Enterprise Census reported around 500 Social Firms in Scotland and I’m confident the forthcoming 10-year strategy will recognise this distinct grouping of SEs.

A Social Firm is challenging business model because by taking on and supporting some of Scotland’s most vulnerable individuals, social firms experience higher employee support costs, sometimes lower productivity and reduced profitability. This is not always recognised

or adequately compensated. The forthcoming strategy needs to recognise and value the role of WISEs in supporting not just much needed work but aligned to that social inclusion, and health and well-being outcomes for the individuals they support. SFS has repeatedly argued that a wage subsidy approach, tapered over a few years, similar to other member states across EU, would boost the numbers of jobs created, boost business capacity and in turn reduce welfare costs.

NEXT PHASE OF OUR JOURNEY – A 10 YEAR STRATEGY FOR SOCIAL ENTERPRISE

If Scotland is the best place in the world to do social enterprise – if we are leading the way on the social dimension of a new economy- then we ought to be proud of where we've come from and where we are today – it's not perfect but we have made progress - we have an opportunity to keep the momentum going –working alongside govt to shape the next phase of our sector's development. In my view, this represents a step-change in the Scottish Government's long-standing support for social enterprise but it also reflects the sector's own confidence and ambition for itself.

The 10 year SE strategy is well underway and will be underpinned by a series of 3 year Action Plans – It describes a clear route map with 3 clear priorities: stimulating social enterprise activity; developing stronger organisations; and realising market opportunity over a ten-year timeframe. It places social enterprise as central to achieving government's vision of a fair society and inclusive economy.

The fact that the strategy has been sector led and is being co-produced with SG is important because governments and politicians will come and go - and so our confidence and ambition in rushing to be really good at something in Scotland is to be applauded.

The strategy is being developed against the backdrop of the wider public policy context. Let me say a few words about the wider context.

An important backdrop is the Scottish Government's Economic Strategy which has a core message - that improving economic competitiveness and addressing inequality are reinforcing, not competing, objectives. Reforming public services; shifting investment towards prevention; empowering communities; and tackling poverty.

Across Europe right now and in Scotland, public systems are under severe pressure. The combination of demographic change, environmental challenges, migration pressures, spacial access and public health challenges and downward pressure on current spending is creating a real gap between demand growth and capacity to meet it on the current public service models. In many countries including in Scotland there is a real attempt to consider new service models much more focused on 'prevention and early intervention'.

Since the Christie Commission review of public services in 2011 - making a decisive shift towards prevention remains the cornerstone of the Scottish approach to public service reform. Christie reported that the current system was: unresponsive to the needs of citizens and communities'. The remedy pointed to a - more bottom-up, outcomes-led, preventative and integrated system: services need to be 'working closely with individuals and communities to understand their needs, support self-reliance, and build resilience'. I don't think anyone would disagree with that assertion but how do we make it a reality.

With public finances under increasing pressure, it's unlikely that current budget decision makers will have the flexibility or motivation to shift towards prevention – we also have embedded patterns of demand that drive up the resources needed in reactive services rather than prevention. It is difficult then to shift declining current budgets to prevention if demand on current services is actually rising. We need to start to think, act and spend differently, and see prevention within an 'investment paradigm' - invest now and a flow of benefits will be

realised over time. This is not an easy or quick fix. There is also likely to be some resistance to all of this in some sections of the public sector where individuals and professions have a vested interest in the current model of service delivery.

So whilst I would argue that this *decisive shift* hasn't moved fast or deep enough, the government has put a fair bit of new investment behind the ambitions of Christie and they regard the Third Sector and Social Enterprise as a key contributor to this. We are at least attempting to think and do things differently in Scotland. There are some big policy drivers that will present opportunities for those in our sector that have something to contribute.

As a catalyst to re-orientate public services and shift towards prevention – Scottish Government has done 3 important things:

Firstly, new **legislation** has enshrined the Christie Commission principles. Most notably, Procurement Reform Act; SDS; the integration of health and social care, community empowerment amongst others - but legislation alone will not improve the prospects for improved service planning and delivery – it's trust, culture and behaviours that will. And Integration of Health and Social Care shouldn't be viewed as an end in itself rather a means to an end and if social enterprise is to deliver on this agenda we need to be regarded as a valued partner beyond local authority social work and NHS boundaries.

Secondly, government investment in **3 Change Funds** (reshaping care for older people; early years and reducing reoffending) the latter 2 adopting a public social partnership approach to delivery – forging new relationships across the public and Third Sector from buyer – supplier to more on a partnership footing. But all of this continues to be challenging - improving outcomes rests on strong service performance and improvement and less so on inputs or target driven approaches.

Thirdly, government has invested in the **Developing Markets** programme and Public Social Partnerships - there are now over 40 PSPs in Scotland and we are already seeing the benefits of the PSP model across a range of policy areas: criminal justice; adult social care, self-directed support, community transport; mental health; employability and addictions. The Public Social Partnerships (PSPs) are testing the narrative that suggests –services, if truly person-centred ought to be organised around the needs of the user not the convenience of the commissioner or indeed the provider.

Lastly, Scotland is receiving new powers around employability services for the most vulnerable groups and a limited suite of welfare powers, there will be further opportunities for social enterprises to play a significant role in delivery. Let's hope the commissioning of new employability services will encourage WISE to support local and specialist delivery and that the blunt instrument of payment by results will be much more nuanced around payment for progress underpinned by a clear 'distance travelled' methodology.

I am optimistic that social enterprises that have the ambition and capacity to collaborate with one another and with others in the public service space - where opportunities present, will allow them to play to their strengths, because social enterprises are already active in many spheres that are relevant to public policy imperatives – actively meeting environmental challenges, addressing financial inclusion, fuel and food poverty, social housing, employability, social care, community transport and improving health & well-being - and in small ways but cumulatively significant - addressing structural inequalities.

I view the 10 year strategy as a strategy for Scotland albeit through the lens of social enterprise.

Social enterprise is and can make a significant contribution to our nation's recovery bringing economic, social and community responses that can help drive that recovery. It has a strong and growing presence in Scotland, it is rooted within the traditions of the third sector, cooperatives and community business - building on deep roots of community action and an inherent enthusiasm for entrepreneurship. That's its genesis. The social economy, the third sector or however we wish to articulate it is part of our proud civil society in Scotland – with 3 component parts emerging – a 3-legged stool. Voluntary, Community and Social Enterprise - albeit the boundaries between them are often blurred.

Whilst we will continue to debate where the social enterprise community fits within the wider business community - I would argue that social enterprise roots are embedded in the third sector – it is merely a newer dynamic within it rather than a conceptual break from it. Social enterprises explicit social mission and community impacts are not a mere by-product of their economic activity but the very reason for it and so for the time being, the voluntary Code of practice for social enterprise is and should remain the benchmark for our sector – notably a commitment to an asset lock and non-distribution of profit.

INTERNATIONAL – BREXIT

As the national strategy emerges, government is also supporting an international strategy for social enterprise. But what of our future in the EU?

Brexit - what of our future place within Europe; our relationships with our European neighbours, access to the single market and the free movement of people and ideas; access to EU Funds which at present is only legally protected until 2018; and what about the issues concerning social protections and human rights.

Following a strong 'remain' vote (62%) in Scotland, our First Minister, Nicola Sturgeon has shown great leadership - she has made it clear that she aims to protect Scotland's relationship with the EU and its place in the single market. But public opinion as well as whether the deal reached with the EU protects Scotland's interests will no doubt determine the likelihood of a second Scottish Independence referendum. And after Theresa May's remarks yesterday that likelihood might have increased.

In such uncertain times, we still need to focus on making progress and through social enterprise activity, extend collaborations with government, the public and private sector, and help to drive economic prosperity and tackle our entrenched social problems.

IN CONCLUSION

Like all great traditions of this country, social and community enterprise however we define it or however it manifests - will and should continue to evolve. Some of us might be regarded as a tad 'purist' in our defence of social enterprise and its heritage... and whilst I don't regard myself as a purist – I do feel passionate that the motivations, the people at its heart and the attitudes and values that social enterprise brings to bear are quite unique and worthy of protecting. Sure the sector in its diversity will evolve and adapt because it has to remain relevant and resonate with the people and communities that it engages with and it will also adapt to the socio-economic and political conditions of its time.

So we have made quite considerable progress for social enterprise over the past two decades and that will continue in an upward trend with the November launch of the first 3 year action plan underpinning our 10 year strategy. However, if we are to be cautious and I think we should be – of not *overhyping the hype*, then yes we should acknowledge that our eco-system of support for social enterprise is strong but we also need to manage expectations about what our sector can deliver – if the strategy as we hope will further create

the right conditions for social enterprise to flourish then that will certainly help. As a sector though, our contribution needs to be valuable and valued within our communities, within the general public and within the public service space and our continued influence in shaping public policy goals will also be critical.

Pauline Graham, CEO, Social Firms Scotland (3 October 2016)