

## Social Enterprises in London

A review of London Annual Business Survey  
(LABS) evidence



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# 1 Introduction

This paper aims to provide an analysis of social enterprises in London. Various studies have been considered in an effort to draw out the significance of social enterprise to the UK and, in particular, to London. For the UK, much of the data is drawn from the DTI Small Business Service's *A Survey of Social Enterprises across the UK* (2005). This survey provided the best source of robust data on social enterprises strictly registered as a Company Limited by Guarantee (CLG)<sup>1</sup> or an Industrial and Provident Society (IPS).<sup>2</sup> Definitions of social enterprises vary, and whilst not all CLGs and IPSs are social enterprises they are both shown by previous mapping studies<sup>3</sup> to be the most popular legal forms for social enterprises.

For London, much of the data was derived from the London Development Agency (LDA) 2006 *London Annual Business Survey* (LABS). LABS collects data on private sector<sup>4</sup> employers and as a result will not cover any public or third sector organisations. However, LABS does collect information on those private enterprises that classify themselves as social enterprises.

Both surveys allow for an examination of the characteristics of social enterprises including the size and distribution of these businesses in London in terms of employment, their sectoral representation, the ethnicity of owners, turnover and barriers to growth amongst other things.

This paper also provides a glimpse into social enterprise developments in three other major cities – Hong Kong, New York and Paris.



## 2 Defining and identifying social enterprises

Various studies<sup>5</sup> have examined the wide ranging characteristics shared by third sector organisations<sup>6</sup> and these include:

- Exist in response to a need not supported by the market (Most)
- Operate on a not-for-profit basis (Most)
- Profits not distributed to owners of businesses but for the community (Most)
- Goods and services have a clear social, ethical or environmental purpose (Most)
- Hold their assets in trust for community benefit (Most)
- Incorporate a collective form of accountability and control (Most)
- Have a local rather than a regional and national focus (Most)
- Achieve goals by engaging in trading and income generation (Most)
- Are entrepreneurial in outlook and looking for innovative solutions (Most)
- Improve the quality of life of their employees and community (Most)
- Are more likely to employ disadvantaged communities and groups (Some)
- May work in mutual co-operation with other organisations (Few)

As can be seen, social enterprises have numerous characteristics and the boundaries of what exactly differentiates a social enterprise from business in the wider economy can be difficult to draw. As a result there are ongoing issues of consistency and comparability in the application of the exact definition of social enterprise.

Since the publication of the Government's strategy for social enterprise in July 2002, the term 'social enterprise' is increasingly recognised with some organisations describing themselves in this way. Yet, others see themselves first and foremost as other types of organisation such as housing associations, charities and co-operatives. As **social enterprise is a concept not a legal structure**, any unincorporated association (not a corporate body or company), charity,<sup>7</sup> credit union, housing association, Company Limited by Guarantee, Industrial and Provident Societies (BenComms) or Community Interest Company<sup>8</sup> can operate as a social enterprise.

Broadly speaking, social enterprises can be defined by their goals and what they do with their profits rather than their specific legal structure. This allows for a highly diverse range of enterprises to engage in private and public sector activities, work in different economic sectors and have different social (including environmental) objectives.

An overview of a number of different definitions of social enterprises is considered in the appendix.

For the most part this review uses the Government's definition of social enterprises: *A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profits for shareholders and owners.*<sup>9</sup>

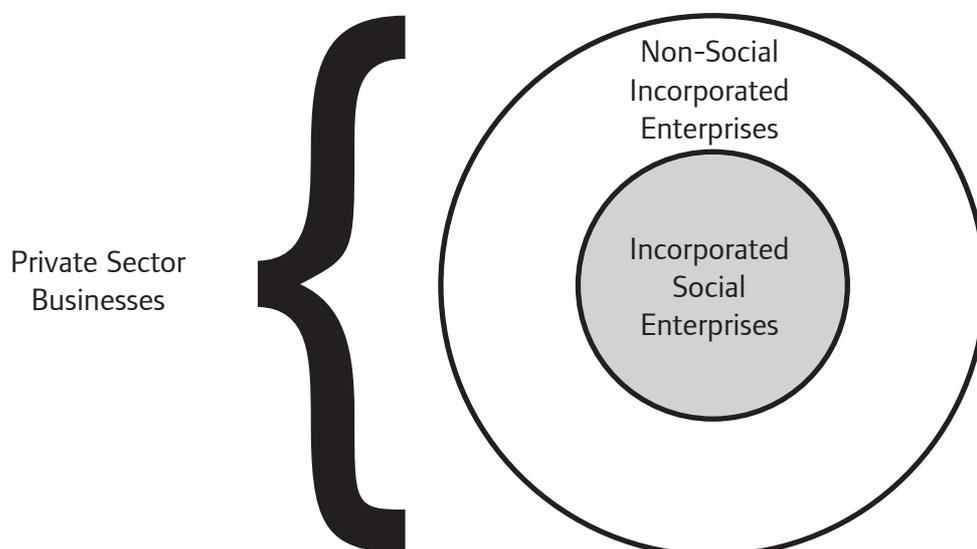
## 3 Surveys and sample datasets used

A comprehensive and consistent evidence base on social enterprises in London is lacking but this report represents an attempt to collate what useful data exists. In addition to recent studies carried out on social enterprise in London and the UK, information is drawn predominantly from the surveys below:

- 1) The *London Annual Business Survey* (LABS) – this survey was commissioned for the first time in 2003 by the LDA and Business Link 4 London (BL4L). It is a telephone survey and reached 5,600 private enterprises (employing at least one person) in 2006. The sample extends across all private sector companies that are incorporated (a legal entity in itself) and subject to company law. LABS does not survey voluntary organisations including charities, unincorporated associations and specialised forms that are not governed by company law (eg, credit unions and housing associations).

All respondents were first asked to state whether their business is a sole proprietorship, partnership, a limited company, a public limited company or ‘something else’. Following this, the next question ran as follows: Thinking of the ownership<sup>10</sup> of your business, is it a) a family-owned business b) a franchise or c) a social enterprise ie, a non-public sector organisation which has social objectives such as job creation, training or the provision of local services, and where any profits or surpluses are re-invested back into the business to help meet these objectives? The achieved sample for social enterprises in 2006 was 675 – ie, 675 businesses declared themselves social enterprises. **Any private sector business that doesn’t classify itself as a social enterprise in LABS is not covered in this analysis.**

**Figure 3.1: LABS London Sample Dataset**



- 2) Social Enterprise London (SEL) 2002 Beeline Survey – part of the lottery funded Beeline Information Project and the first large-scale mapping exercise to be carried out on social enterprise in London. Over 6,000 questionnaires were sent out to a variety of organisations including private companies, voluntary organisations, co-operatives and charities and supporting agencies with around 700 social enterprises identified. The survey collected information on organisational profile, trading activities and the areas of social contribution, as well as developmental support needs. The results of the exercise were used to inform a business support strategy for London as well as to populate an online directory of social enterprises.
- 3) The 2005 *Survey of Social Enterprises across the UK* – produced by the DTI's Small Business Service with a sample size of 8,401 social enterprises registered as CLG or IPS. The survey does not claim to describe the total population of social enterprises. Rather for practical purposes it focuses on those social enterprises which are registered as CLG or IPS. These are legal statuses that capture a large (though non-exhaustive) range of social enterprises.
- 4) *Social Entrepreneurship Monitor GEM UK* – now in its seventh year, the Social Entrepreneurship Monitor is part of the Global Entrepreneurship Monitor by London Business School (LBS) which involved some 42 countries in 2006. This represents the largest longitudinal study of entrepreneurship in the world. The GEM UK 2005 sample size was 32,500. GEM's approach to defining entrepreneurship was adopted to measure levels and types of early stage community or socially oriented entrepreneurial activity in the UK.



## 4 The value of social enterprises

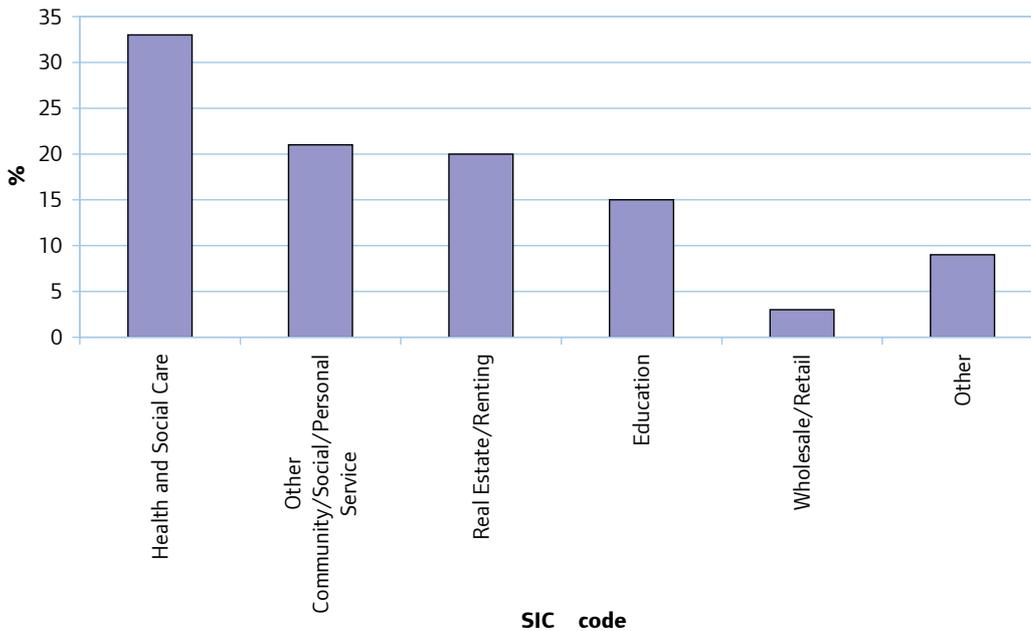
As can be seen there are varying data sources on social enterprises with their own advantages and disadvantages. As a result, there is no single comprehensive dataset that allows for in-depth analysis. Instead, analysis of social enterprise has to be made using what data sources currently exist, making clear the caveats and drawbacks with the dataset in question.

### **Social enterprise in the UK**

In 2005 the DTI revealed that the number of social enterprises in the UK registered as Companies Limited by Guarantee (88 per cent) or Industrial and Provident Societies (12 per cent) was around 15,000. In terms of the overall business population, this means that these social enterprises account for around 1.2 per cent of all enterprises in the UK. CLGs or IPSs employ roughly 475,000 people which, with total UK employment in 2005 at 29m (ONS), equates to roughly 1.6 per cent of UK employment. It is estimated that of the 475,000 workers, two-thirds are employed full-time and an additional 300,000 people work for social enterprises on a voluntary basis. The turnover (income) of this part of the population of social enterprises is substantial at just under £18 billion approximately, just under 1 per cent (0.8 per cent) of the turnover of all UK businesses which have employees.<sup>11</sup>

Across the UK, social enterprises operate in many industries such as care, the environment, ICT, financial services, construction, retail, tourism, the arts, childcare and manufacturing. The most common way in which social enterprises registered as CLG and IPS derive their trading income is by being classified under the Standard Industrial Classification (SIC) code of 'Health and Social Care'. This is predominantly public sector run daycare, childcare, welfare/guidance and accommodations services but with increasing privatisation of these services (eg, care for the elderly), many service providers are now 'independent' – private and voluntary. Social enterprises also commonly derive their main income from 'community or social services' and 'real estate/renting' activities. Smaller proportions of social enterprises trade in the educational sphere and in wholesale/retail.<sup>12</sup> According to the DTI's survey this sectoral breakdown is also similar to that for London, as seen in the appendix.

**Figure 4.1: Main trading activity of social enterprises in the UK by SIC code**

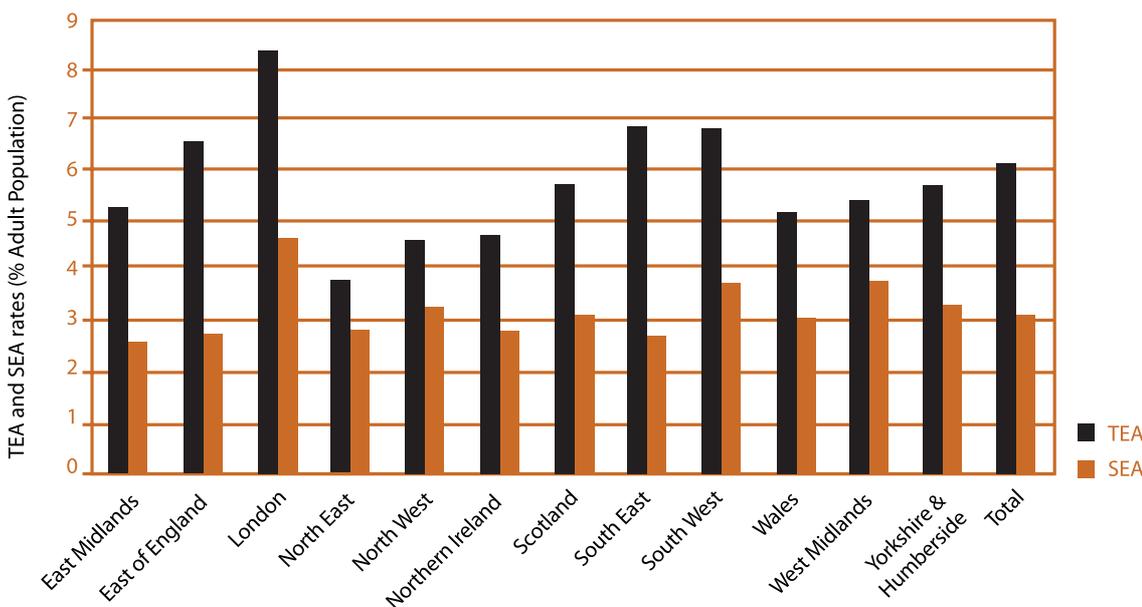


Base: All social enterprises for whom main trading activity is known.

Source: DTI Small Business Service (2005: 38).

The *Social Entrepreneurship Monitor* provides rich data on regional variations in total and social entrepreneurial activity<sup>13</sup> across the UK. The report states that regional differences between levels of Social Entrepreneurship Activity (SEA) are not significant when compared to TEA (Total Entrepreneurial Activity). Regional differences between levels of SEA are not significant and the gap between the highest rate in London (4.7 per cent) and the lowest in the East Midlands (2.6 per cent) is less than the TEA gap between London (8.4 per cent) and the North East (3.9 per cent).

**Figure 4.2: Levels of SEA and TEA across the UK regions, 2005**



Source: *Social Entrepreneurship Monitor GEM UK* by Harding, R. (2006), from *GEM UK Adult Population Survey 2005*

London has the highest TEA and SEA rates (8.4 per cent and 4.7 per cent) across the UK. The East Midlands has the lowest SEA rate (2.6 per cent) whilst the North West (3.3 per cent), the South West (3.8 per cent), the West Midlands (3.9 per cent) and Yorkshire and Humber (3.4 per cent) have above UK average levels of social entrepreneurship. According to the report, social entrepreneurship constitutes a total 3.2 per cent of the working age population or nearly 1.2 million adults across the UK.

## Social enterprises in London

### Headline statistics

The latest (2005) figure on the number of social enterprises registered as CLG or IPS in London is approximately 3,400.<sup>14</sup> This figure is from the 2005 DTI survey of social enterprises in the UK where London accounts for 22 per cent of the total 15,000 businesses registered as CLG or IPS nationwide. As the DTI survey sample only counts businesses registered as CLG or IPS, 3,400, as an estimate of the size and scope of the sector, is very likely to be an underestimate of the social enterprise population in London. However, data from SEL’s Beeline Survey seems to support the results of the DTI survey where 73 per cent of all social enterprises surveyed were CLG (most popular form of incorporation at 55 per cent) and IPS (second most popular at 18 per cent ).<sup>15</sup>

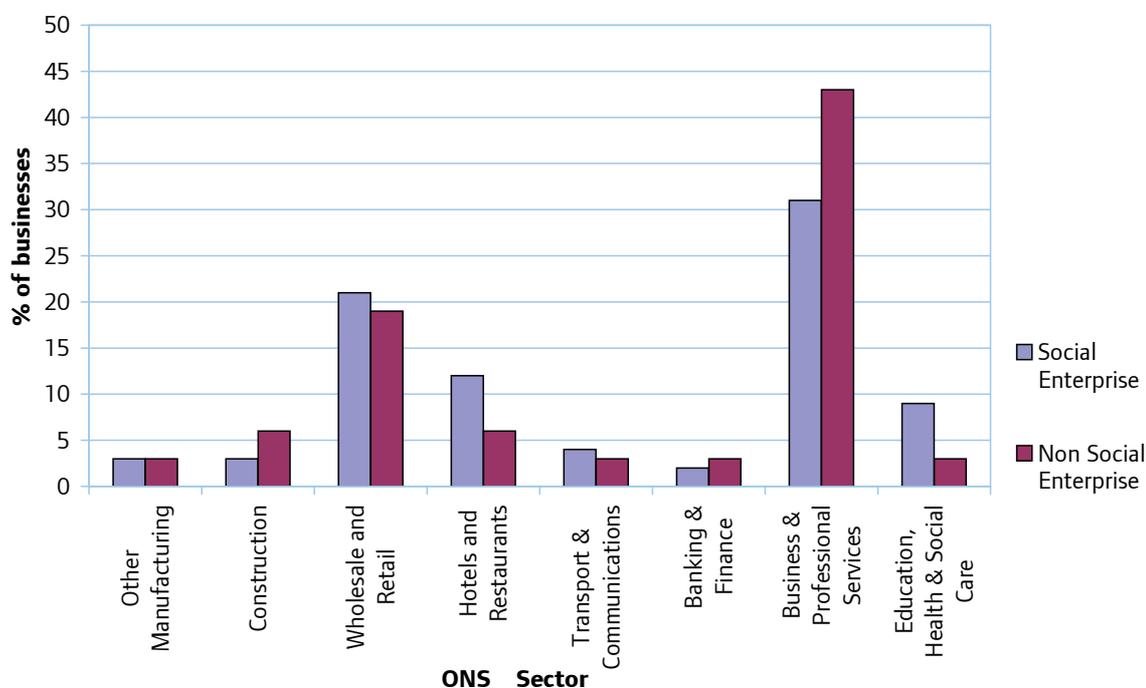
As noted earlier, the LAB survey only covers private sector businesses. However, many of these businesses classify themselves as social enterprises and LABS allows a more detailed analysis of these enterprises than many other datasets. In what follows, the nature of social enterprise in London, as described by the LAB survey, is investigated and compared to businesses that do not classify themselves as social enterprises.

### Sector distribution

Figure 4.3 shows the proportion of social enterprises by sector in London. A breakdown of social enterprises by sector shows a concentration (roughly a third of total social enterprises) in the high productivity and fast growing Business and Professional Services. However, social enterprises are less likely to be active in Business and Professional Services when compared to non-social enterprises.

**Figure 4.3: Sectoral distribution of London’s social and non-social enterprises (number of businesses), LABS 2006**

Source: LABS 2006. Primary and Utilities and Publishing sectors were not included in Figure 4.3 as their figures were too low for this illustration. Excluding ‘don’t know/refused’.



Wholesale and Retail is the second largest sector identified by LABS with over 20 per cent of social enterprises (proportionately more than for non-social enterprises). Taken together, Business and Professional Services, and Wholesale and Retail account for the majority of all total social enterprises in London according to LABS data. For non-social enterprises the two largest sectors are the same as for social enterprises, ie, Business and Professional Services and Wholesale and Retail.

As highlighted earlier, enterprises classify themselves as social enterprises in the LAB survey – it is not a legal status definition and as such these figures should be interpreted with caution especially when comparing with other surveys that use legal forms to classify social enterprises and/or include public and third sector organisations in their sample. By only covering the private sector, the LAB survey yields different results to more inclusive surveys. For instance, the proportion of social enterprises active in the Health, Social Care and Education sectors is much lower in the LAB survey than the DTI survey (compare Figures 4.1 and 4.3). This is likely to be primarily due to the fact that the LAB survey does not cover public sector organisations. Nevertheless it is notable that in the LAB survey, social enterprises are three times more likely to be in the Health, Education and Social Care sector than non-social enterprises. Similarly according to the LAB survey social enterprises are more likely to be active in the Hotel and Restaurant sector when compared to non-social enterprises.

### **Sector case studies**

Given the prevalence of social enterprise in Business and Professional Services, Retail and Wholesale, and Hotels and Restaurants, the following case studies provide some practical examples of social enterprises operating in these sectors.

#### **CAN MEZZANINE: GREAT OFFICES FOR THE THIRD SECTOR (SECTOR: BUSINESS SERVICES)**

CAN Mezzanine provides high quality, affordable serviced office space for social enterprises and charities in prime locations. CAN Mezzanine itself is a social enterprise, and was set up as a business services arm of Community Action Network to ensure that financial limitations do not confine Third Sector organisations to third class services or accommodation.

Research in 2006 by the London Social Economy Taskforce found that 50 per cent of social enterprises had less than five years remaining on their tenure. Short-term funding was reported as a significant hurdle to acquiring property. CAN Mezzanine offers a practical and affordable solution.

In speaking about the model, Andrew Croft, CAN Mezzanine Director, said, "Rental prices in central city locations, particularly London with its escalating costs for commercial property, too frequently exclude social enterprises. CAN Mezzanine secures a long-term lease on each building, which it then offers to Third Sector organisations on a flexible three-month basis. This allows them to benefit from continuity through security of tenure."

CAN Mezzanine currently has two buildings in central London, and plans to establish more throughout the United Kingdom. By sharing office space and services, organisations can save valuable expenses, allowing them to concentrate on growing their organisations' social mission, while CAN Mezzanine manages the day-to-day logistics of running a building. CAN Mezzanine's customers also benefit from being surrounded by like-minded organisations.

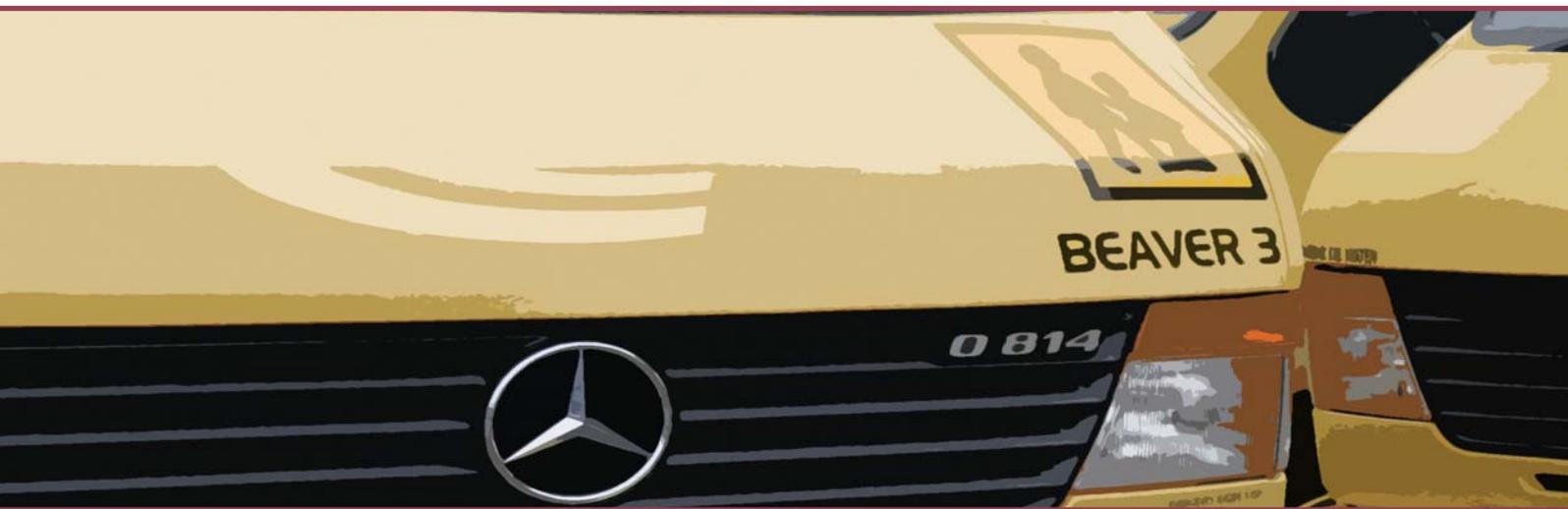
Malcolm Moore, Director of The Brightside Trust, a tenant at CAN Mezzanine, said, "The modern offices and facilities provided by CAN Mezzanine make a big difference to supporting our relationships with our partners. They are also important in attracting and retaining our key people."

### **DIVINE CHOCOLATE COMPANY (SECTOR: RETAIL AND WHOLESALE)**

Set up in 1997 by Kuapa Kokoo, a Ghanaian cocoa farmers co-operative and social enterprise, the NGO Twin Trading and The Body Shop, Divine Chocolate, located in London, is a vehicle to improve the livelihoods of cocoa farmers by enabling them to own a share of a chocolate company and access more value in the chocolate supply chain. The Day Chocolate Company was re-branded in 2007 as Divine Chocolate.

Divine Chocolate Limited is a private company limited by shares. When they first started, their 99 ordinary shares were owned by three parties; 52 per cent by the Fairtrade NGO Twin Trading, 33 per cent owned by Kuapa Kokoo farmers co-operative and 14 per cent owned by the international retailer Body Shop International. When L’Oreal bought The Body Shop, it was decided that the latter’s share in Divine would be donated to Kuapa Kokoo. This makes Kuapa Kokoo the owner of nearly half of Divine. The fairtrade model used by Divine means that the cocoa, supplied by Kuapa Kokoo, is bought at a fair price with an additional ‘social premium’ for investing in farms and communities. This ensures the farmers benefit from fair pricing of their produce. The cocoa farmers also continue to have a say in Divine through Kuapa Kokoo. Two representatives from Kuapa Kokoo are directors on Divine’s Board and one out of four Board meetings every year is held in Ghana. Such arrangements allow the farmers to continue having meaningful inputs into decision-making, as well as receive a share of Divine’s profits.

Kuapa Kokoo itself is a success story that proves sales of Fairtrade products make a significant impact on farmers’ lives. They have grown from 2,000 members from 22 villages, to 45,000 members from 1,200 villages. They have dug over 174 wells to bring water to communities, established a credit facility, and been able to send thousands of their children to school. Divine is available in supermarkets, Oxfam, independent retailers and is now expanding into the US.



## **TRAINING FOR LIFE'S HOXTON APPRENTICE: GOOD FOOD, GOOD JOBS (SECTOR: HOTELS AND RESTAURANTS)**

Training for Life (TFL) is a registered charity and company limited by guarantee. It aims to promote a more inclusive society by contributing to the regeneration of communities and to the lives of individuals within those communities. Operating mainly as an intermediate labour market organisation, TFL has set up social enterprise centres – Prospect Centres – within communities where good jobs are hard to get. Each centre focuses on a particular activity like food, information technology or health and fitness. The centres run businesses that help people who need training and work to gain the skills they need to get a job.

One of the Prospect Centres is the Hoxton Apprentice, a restaurant in London's trendy Hoxton Square. Many of the apprentices are long-term unemployed, some have been homeless or are ex-offenders, and most have had no work experience. Each year, the restaurant takes on 24 apprentices who learn the skills to become chefs, waiters, cocktail bar staff or managers. For example, Nick from Hackney was a drug user. He sought help with his addiction and signed up at the Hoxton Apprentice. Nick said, "It's made a massive difference to my life. I always dreamed of being a chef, but never had the confidence to do it, until I came here."

After a six-month paid apprenticeship, trainees start to earn a real wage. Most graduate with a National Vocational Qualification and get good jobs. Around 70 per cent are still in employment six months after leaving the restaurant. Darren Murrain, acclaimed as the 2006 Apprentice of the Year, was unemployed for two years before he was given an opportunity at the Hoxton Apprentice. Darren is now a trainee chef at the luxury flagship Hilton hotel at Tower Bridge.

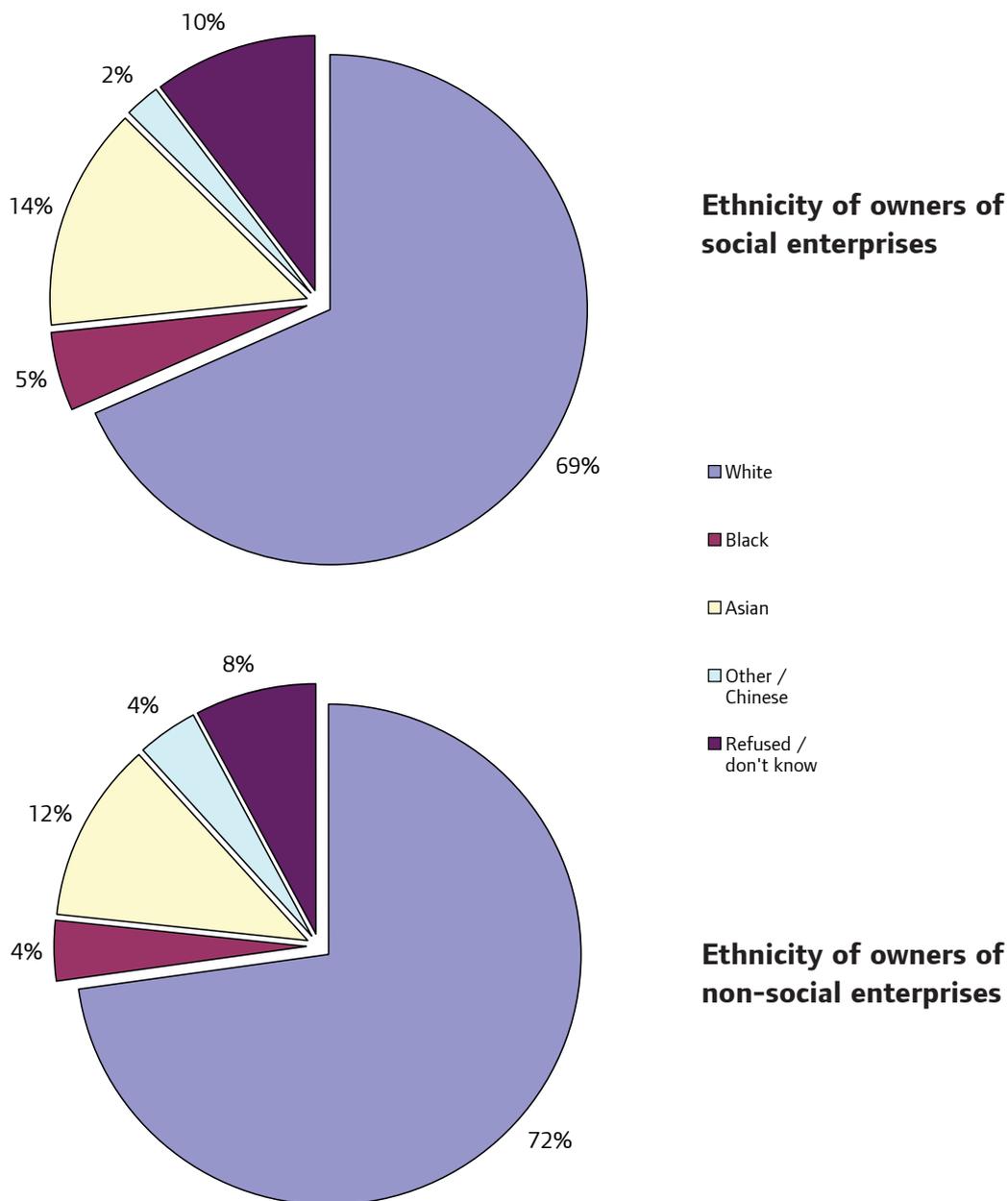


### Ethnicity

Figure 4.4 shows an ethnic breakdown of social and non-social enterprise owners from LABS 2006. For social enterprises, the ethnic group that owns the majority of the social enterprises sampled is White British (69 per cent). The next largest ethnic group is Asian with 14 per cent. For non-social enterprises, the proportion of businesses owned by the White British group is similar at 72 per cent. These results appear to be in contrast to the *Social Entrepreneurship Monitor GEM* study which finds that all other ethnic groupings are more likely than their White counterparts to be social entrepreneurs. However, it is also important to note that LABS asks respondents specifically about *ownership* and not employment or other forms of participation in social enterprises, hence the variation in results between LABS and other surveys.

**Figure 4.4: Ethnicity of enterprise owners in London, 2006**

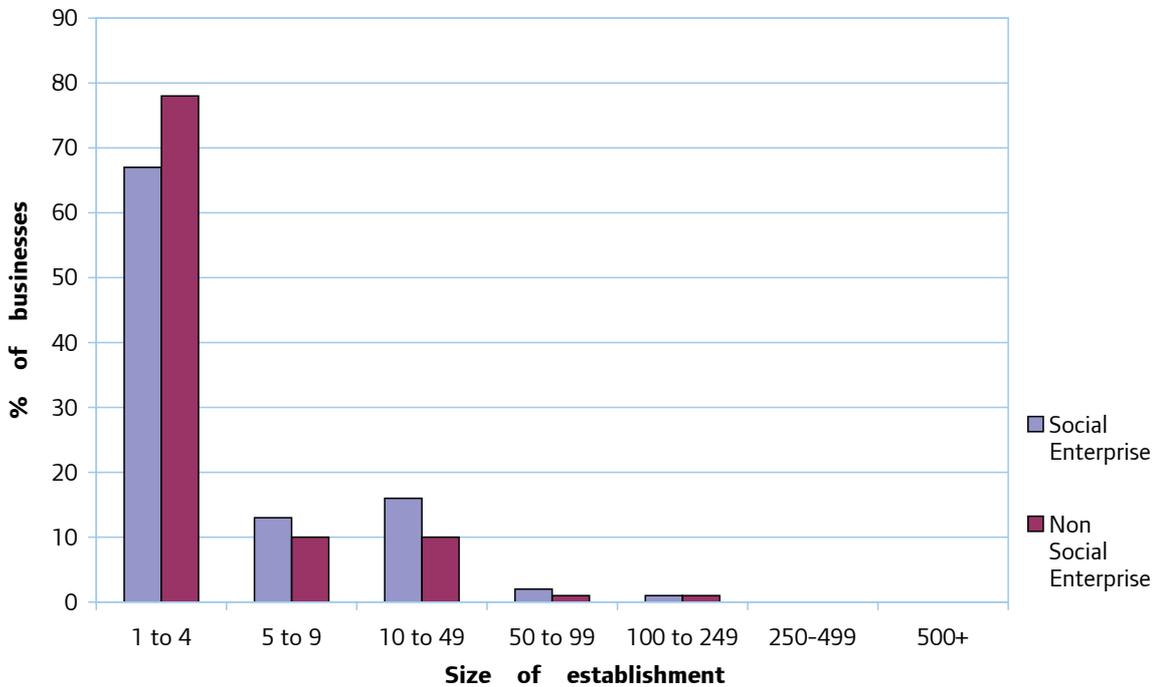
Source: LABS 2006.



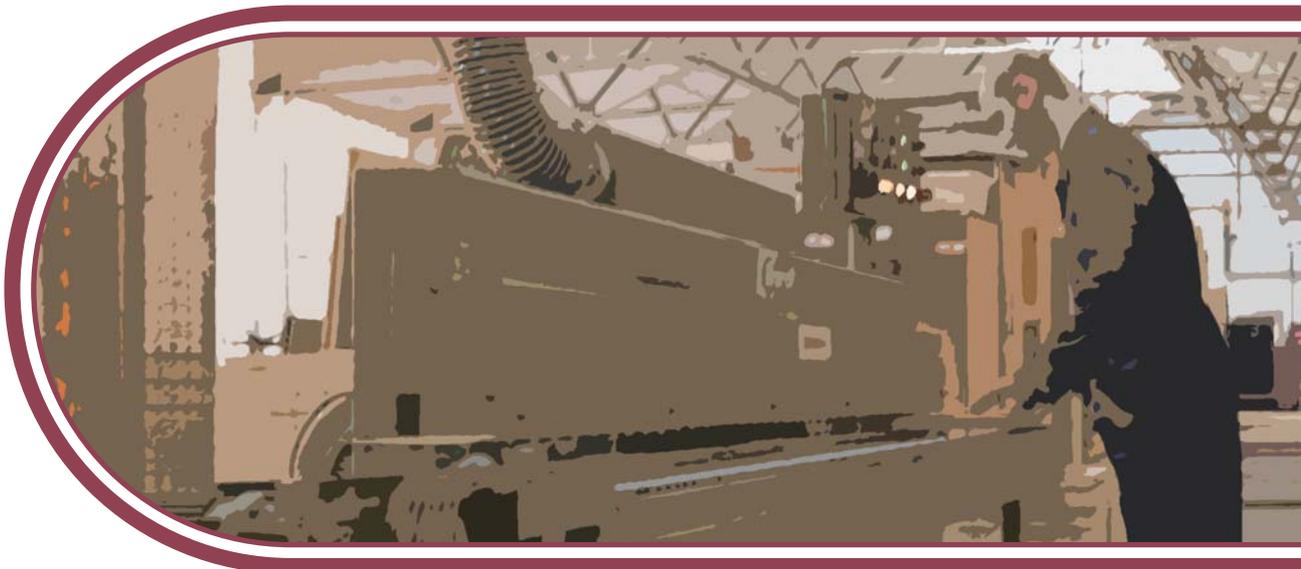
### Size of business

According to LABS 2006 the majority of social enterprises sampled have slightly higher proportions of enterprises with between 5-99 employees when compared to non-social enterprises. See Figure 4.5.

**Figure 4.5: Enterprises in London by employee size bands, LABS 2006**



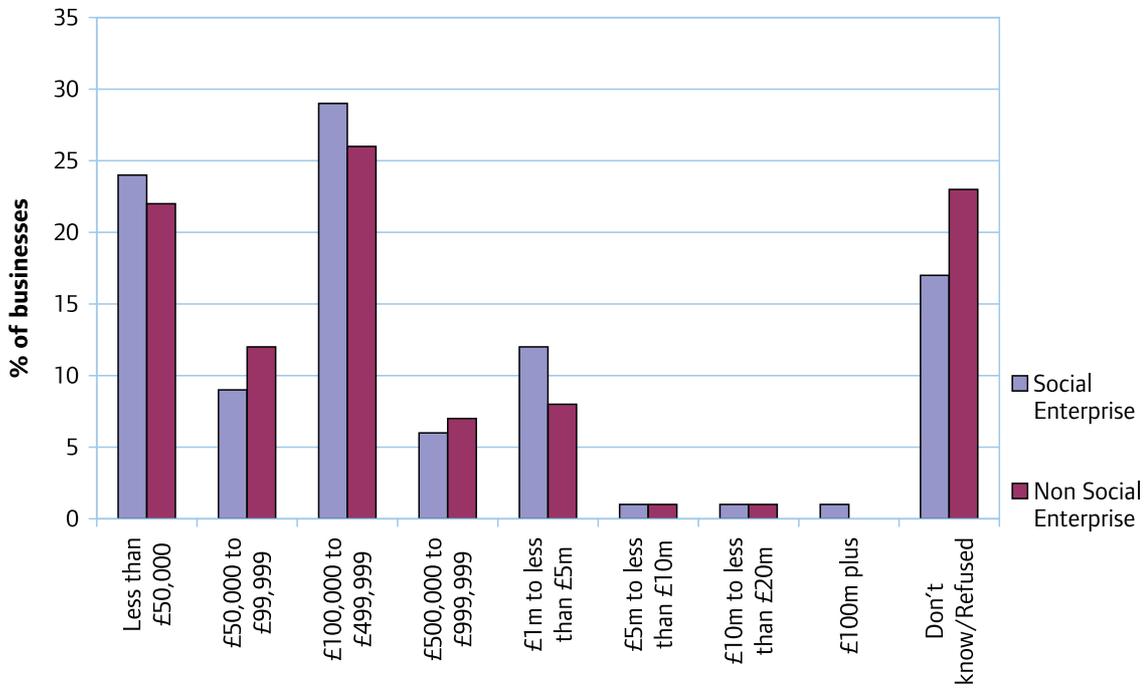
Source: LABS 2006. Percentages for 250-499 and 500+ sized firms are too small to illustrate.



**Turnover**

Figure 4.6 shows that the concentrations of social enterprises by turnover band is broadly similar to that for non-social enterprises. Around 60-65% of social enterprises and non-social enterprises have a turnover of less than £500,000 a year with over a fifth generating less than £50,000 a year.

**Figure 4.6: Overall turnover in the past year, LABS 2006**



Source: LABS 2006



## Business barriers

LABS shows that according to almost a third of all social enterprises (29 per cent) 'Decrease in profitability' is the largest barrier to investing, and the second largest barrier (after 'Market conditions') for non-social enterprises. Strictly speaking social enterprises do not make profits but 'surpluses', but the word 'profitability' is used in LABS. In order to qualify as a social enterprise all profits/surpluses have to be *reinvested* back into the business or community.

**Table 4.1: Factors restricting investment in the past 12 months, LABS 2006**

	Social enterprises	Non-social enterprises
	(%)	(%)
Market conditions/demand	24	30
Decrease in profitability	29	23
Problems accessing external finance (eg, via banks/loan companies)	21	22
Shortage of skilled labour	8	8
Decisions are made at another site	9	6
Inability to source appropriate equipment	6	6
Lack of funds/money	3	4
Limited cash funds	0	1

Base: All establishments which have not been able to invest as much as they would have liked.

Source: LABS 2006

Accessing external finance is also a major problem for social enterprises in London (ranked third at 21 per cent) as seen in Table 4.1. The proportion of non-social enterprises reporting access to finance as a problem was similar at 22 per cent. In all other categories the proportions for social vs. non-social enterprises were similar. The difficulties of accessing external finance are corroborated by qualitative and quantitative findings from the other surveys used in this review such as the DTI's survey of social enterprises and the *Social Entrepreneurship Monitor*. Other problems facing all businesses in London include cost of premises, availability of skilled staff, transport, housing, crime etc.

## Social enterprise in other cities

In looking at the wider landscape of social enterprise, this section outlines some of the key developments in Hong Kong, New York and Paris. Descriptions of each city is divided into how social enterprise is defined, the background, and relevant developments. This brief glance highlights emerging similarities and differences in size and scope of social enterprise in Hong Kong, New York and Paris, as compared to London.

## SOCIAL ENTERPRISE IN HONG KONG

### *Definition*

In the absence of an official definition of social enterprise in Hong Kong,<sup>1</sup> most commentators usually refer to definitions used in Britain and the United States. Some organisations, such as the Hong Kong Social Enterprise Resource Centre, use their own definition describing social enterprise as “More than business, more than social service. Social enterprises (SE) achieve social objectives by adopting an entrepreneurial strategy and business model”.<sup>2</sup>

### *Background*

Discussions about social enterprise in Hong Kong usually refer to organisations training the unemployed to enable them to access employment (ie, intermediate labour market organisations). Work integration organisations that use enterprising models would usually be classified as social enterprise. Most of them operate in the services, retail, crafts (creative) and catering sectors.<sup>3</sup>

The emphasis on work integration inevitably puts the social enterprise agenda in Hong Kong under the wider banner of social welfare. The Hong Kong Council of Social Services (HKCSS), as the co-ordinating body for voluntary social organisations in Hong Kong, plays an important role in driving forward the social enterprise agenda. One of their main initiatives was to set up the Social Enterprise Resource Centre. The Hong Kong government, through their Commission on Poverty and Central Policy Unit, convened the Conference on Social Enterprise in 2006. The conference discussed social enterprise development in the wider context, but the focus remained on work integration.

### *Relevant developments*

The Hong Kong government has expressed a desire to see the social enterprise sector grow from grass-root initiatives rather than from top-down financial incentives. This was made clear by Bernard Chan, Chair of HKCSS, when he said, “The government at the moment does not have any plans to allocate funds or give special favours specifically for social enterprise.”<sup>4</sup>

Unlike the United Kingdom where a new legal form – the Community Interest Company – has been created to accommodate the growth of social enterprise, the Hong Kong government does not yet believe there is a need for them to do the same. The (then) Financial Secretary, Mr Henry Tang said in 2006, “It is premature for Hong Kong to adopt an official definition. What we are promoting is not a specific legal form, but a new approach in using business and innovative strategies to achieve social purposes beyond the conventional governmental, welfare-based or purely business-driven solutions.”<sup>5</sup>

The HKCSS, through its Social Enterprise Resource Centre, is currently considering setting up an umbrella organisation for social enterprises in Hong Kong.<sup>6</sup>

1 Private communications with Dr CK Law, Associate Professor, Department of Social Work and Social Administration, Hong Kong University.

2 <http://www.socialenterprise.org.hk/eng/index.htm>

3 Chan Kam-tong (2006). *Overview of social enterprises in Hong Kong*. Presentation at Social Enterprise Conference 2006; and private communications.

4 Presentation by Bernard Chan (2006). <http://www.seconference.gov.hk/PPT/CPU-SocEnterprise-apr6.pdf>

5 <http://www.news.gov.hk/en/category/ontherecord/060406/html/060406en11002.htm>

6 Private communications with Jessica Tam, Social Enterprise Resource Centre, HKCSS.

## SOCIAL ENTERPRISE IN NEW YORK

### *Definition*

There is no single, universally recognised definition of social enterprise in the United States. However, Social Enterprise Alliance (SEA), a national point of reference and support for social enterprises, defines social enterprise as an organisation or venture that advances its social mission through entrepreneurial, earned income strategies.

### *Background*

SEA believes that social enterprise is growing rapidly across the United States. However, calculating the exact size of social enterprise activity is challenging due to the variability of definitions.<sup>1</sup> As is common throughout the United States, social enterprises in New York operate in the general marketplace by selling products and services. The vast majority of social enterprises are engaged in service-related industries, including education, rehabilitation and training.

### *Relevant developments*

Despite a lack of public recognition, an increase in interest in social enterprise is evident.<sup>2</sup> One of the indicators is the increase in the number, scope and network of funders with interest in social enterprise. At the national level, the Social Enterprise Alliance has partnered with the Aspen Institute to explore hybrid legal structures for nonprofits that operate in the commercial marketplace – structures that would increase access to capital.

Whilst there is no official umbrella entity for social enterprise in New York, nor as yet any specific state or local government initiatives to foster the growth of social enterprise, there are local organising efforts (supported by private initiatives) by local social entrepreneurs or those with interest in social enterprise. One example is the Social Enterprise Leadership Exchange (SELE), which was started by Joe Hunt, a principal in the consulting firm of Relationship Link Business Advisors.

1 Private communications with Jim McClurg, Vice President, Social Enterprise Alliance

2 Seedco Policy Center (2007). The Limits of Social Enterprise: a field study & case analysis. New York



## SOCIAL ENTERPRISE IN PARIS

### *Definition*

The term social enterprise is not widely used in France. Most references to social enterprise would actually refer to *L'entreprises d'Insertion*, which are defined as organisations aiming to introduce the long-term unemployed and socially excluded to the regular employment market.<sup>1</sup>

### *Background*

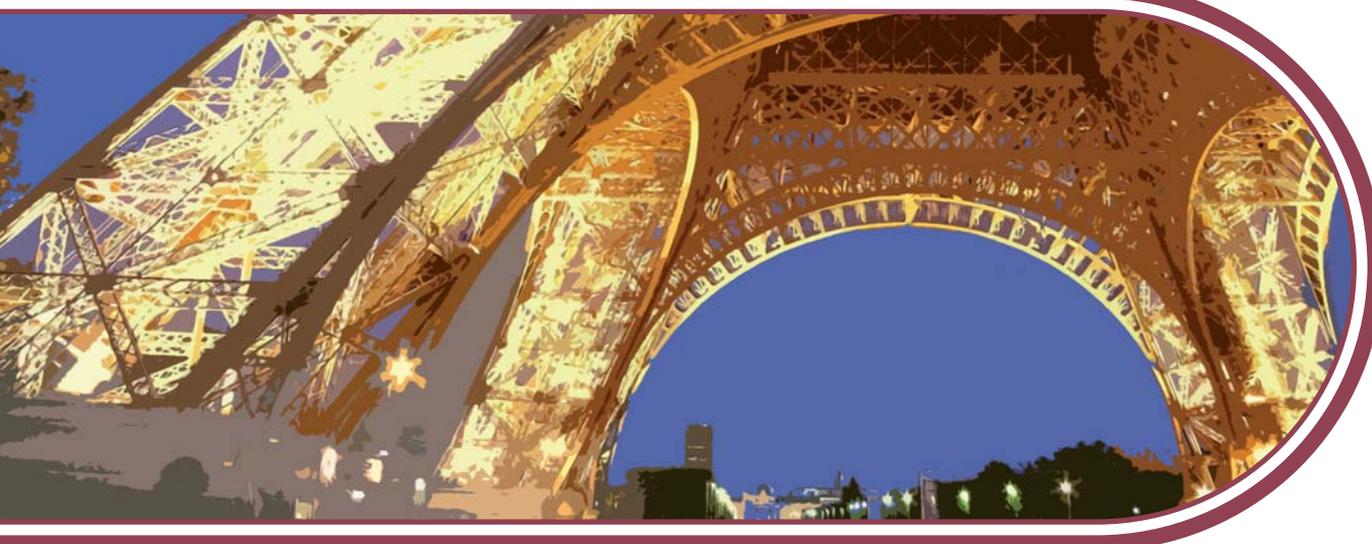
The *Comite National des Entreprises d'Insertion* (CNEI) is a national network of *entreprises d'insertion*. They have 550 members, most of which are commercial organisations whose financial resources come principally from selling products and services. The CNEI seek to combine social vision with economic viability.

Each region in France has its own regional body of *entreprises d'Insertion*. The Paris regional body is the *Union Regionale des Entreprises d'Insertion, Ile-de-France*. They estimate that there are 150 *entreprises d'Insertion* in Paris, operating in the traditional sectors such as public building and works, and restoration, but also in developing sectors such as fair trade, recycling, and communications.

### *Relevant developments*

Although the principal focus so far has been on work integration, there are now agencies that support both small and medium-sized enterprises (SMEs) and social enterprises in other fields. Examples include the *Paris Initiatives Entreprises* and *Ressources Solidaires*. Additionally, *Agence de Valorisation des Initiatives Socio-Economiques* (AVISE) was established in 2002 to consolidate initiatives in the social economy and to support new initiatives that create employment and bring social cohesion.

<sup>1</sup> Union Regionale des Entreprises d'Insertion, Ile-de-France ([www.urei-idf.org](http://www.urei-idf.org))



## 5 Concluding remarks

Despite difficulties of defining and separating social enterprises from mainstream businesses, data gleaned from surveys used in this review establishes their importance in terms of their number, the number of people employed and turnover.

Data from the DTI's 2005 survey reveals that there were roughly **3,400 social enterprises in London (registered as CLG or IPS)**. This is about 22 per cent of the total 15,000 CLG or IPS registered businesses covered by the survey (which employ roughly 475,000 people full-time nationwide and have a combined turnover of just under £18 billion). On the basis of the 22 per cent share, it can be approximated that in London, CLG or IPS registered businesses provide **104,500 jobs and have a combined turnover of roughly £4 billion**. Some caution is required because there are other sources of data that measure social enterprise in London which include other activities eg, registered charities (which can be social enterprises depending on whether they classify themselves as such).<sup>16</sup>

Data from LABS 2006 on social enterprises by sector shows a **strong concentration (roughly a third) in Business and Professional Services** and over 20 per cent in the Wholesale and Retail sector. Whilst social enterprise activity in the Education, Health and Social Care sectors in London does not appear as prevalent in the LAB survey as with the DTI data for the UK as a whole, LABS significantly still shows that social enterprises are more likely to be engaged in this sector when compared to non-social enterprises.

**Most social enterprises are White British owned (69 per cent)**. The next largest ethnic group is Asian with 14 per cent. For non-social enterprises, the ethnic breakdown of business owners is largely similar. **Turnover is also broadly similar to that for non-social enterprises**. Around 60-65 per cent of social enterprises and non-social enterprises in London have a turnover of less than £500,000 a year with over a fifth generating less than £50,000 a year.

**Most social enterprises sampled have slightly higher proportions of enterprises with between 5-99 employees** when compared to non-social enterprises. However the difference is not significant. Social and non-social enterprises share the same barriers to investment including first and foremost fall in profitability and lack of access to external finance.

Qualitative evidence suggests that **social enterprises in Hong Kong and Paris are focused primarily on work integration** – addressing some of the more difficult problems of social exclusion in labour markets. Less business support, promotional activity and **weaker grass-roots organisation is believed to be responsible for fewer and less well-established social enterprises in New York** compared to London.

This analysis has illustrated that no single data source at present provides for a detailed, comprehensive consideration of social enterprises in London. Further work, such as sampling organisations from public, private and third sector organisations in London is needed for a full picture of its social enterprises.

# 6 Footnotes and references

## Footnotes

- 1 A CLG is an alternative type of incorporation used primarily for non-profit organisations that require corporate status. A guarantee company does not have a share capital, but has members who are guarantors instead of shareholders. The guarantors give an undertaking to contribute a nominal amount towards the winding up of the company in the event of a shortfall upon cessation of business. It cannot distribute its profits to its members, and is therefore eligible to apply for charitable status if necessary. Common uses of guarantee companies include clubs, membership organisations, sports associations and charities.
- 2 IPSs may in general conduct any legal business except that of investment for profit. IPSs fall into two categories:
  - Bona fide co-operatives - these trade for the mutual benefit of their members, and the Registrar will judge the legality of their action by reference to co-operative principles.
  - BenComms - Societies for the benefit of the community are granted charitable status by the taxation authority, HM Revenue and Customs, rather than the Charity Commission (in England and Wales). It is unlawful for an IPS to say it is a registered charity even if was set up for charitable purposes: it can say it is "a charity exempt from registration".
- 3 ECOTEC (2003).
- 4 Businesses who's primary purpose is to produce shareholder value.
- 5 Salamon and Anheier (1997), OECD (1999), CONSCISE (2001), Kendall and Knapp (1995), McGregor et al (1997).
- 6 The 'Third Sector' is defined by the Cabinet Office as a 'diverse sector where organisations share common characteristics of being non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It encompasses voluntary and community organisations, charities, social enterprises, co-operatives and mutuals both large and small'.
- 7 The form of a charity can be incorporated or unincorporated. The three most common legal structures for a charity are: 1) Trust, 2) Unincorporated Association 3) Company Limited by Guarantee (CLG).
- 8 In July 2005, the Government introduced a new form of limited liability company designed specifically for social enterprises: the Community Interest Company (CIC). They register with Companies House as a CLG or a company limited by shares (CLS), then apply for CIC status to the new Regulator of Community Interest Companies. The regulator will need to be satisfied that the organisation meets "a community interest test" and will genuinely operate for the benefit of the public.

9 DTI (2002). *Social Enterprise: A Strategy for Success*.

10 Strictly speaking social enterprises are not owned but governed by a Management Committee of Trustees or Directors, who fulfil the same function as owners in a private profit business.

11 DTI 2005: 2.

12 DTI 2005: 2.

13 Each of the countries in the study has a team of researchers who use a standardised questionnaire survey of the adult population to create the Total Entrepreneurial Activity (TEA) index. This random adult (18-64 year olds) population survey is conducted by telephone. Like Total Entrepreneurial Activity (TEA), Social Entrepreneurial Activity (SEA) is the potential within the general adult population to set up social enterprises, as measured by those answering positively to the following three questions:

1. Are you alone, or with others, currently trying to start any kind of social, voluntary or community service, activity or initiative?
2. Are you alone, or with others, currently trying to start any kind of social, voluntary or community service, activity or initiative as part of your job?
3. Are you, alone or with others, currently managing any such social activity, voluntary or community service, activity or initiative?

14 DTI (2005: 66).

15 SEL (2001)

16 LDA Third Sector Policy Statement <http://www.lda.gov.uk/server/show/ConWebDoc.1744>

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# Appendix

## **Social enterprise definitions:**

‘Social enterprises are organisations that take different legal forms in different countries, which are organised in an entrepreneurial spirit and which pursue both social and economic goals.’ (OECD).

This definition derived from the OECD represents a broad definition of social enterprise which can include the activities of voluntary organisations that have some sort of economic dimension to their activities but are not explicitly businesses. Secondly, social enterprises can take more than one legal form.

The DTI’s Small Business Service (SBS) define social enterprises as:

‘... competitive businesses owned and trading for a social purpose. They seek to succeed as businesses by establishing a market share or making a profit. Social enterprises combine the need to be successful businesses with social aims. They emphasise the long-term benefits for employees, consumers and the community.’



## A profile of social enterprises in London

The following table is part of the DTI’s regional profiles of social enterprises which can be found in the *Survey of Social Enterprises Across the UK*.

LONDON		ALL UK	
<i>Base - Weighted: 3376 unweighted: 206</i>			
Distribution of social enterprises		22%	14%
Deprivation Index	<b>Top 20% Most deprived</b>	<b>43% ↑</b>	29%
	<b>Top 20-40%</b>	<b>30% ↑</b>	22%
	<b>Remainder</b>	<b>27% ↓</b>	49%
Urbanity	<b>Urban</b>	<b>99% ↑</b>	89%
	<b>Rural</b>	<b>1% ↓</b>	11%
Turnover	<b>Under £100,000</b>	<b>16% ↓</b>	23%
	<b>Over £1 million</b>	<b>26% ↑</b>	19%
Average % of income from Grants and Donations		15%	14%
Size Profile	<b>Large</b>	2%	2%
	<b>Micro</b>	52%	49%
Charitable Status	<b>Registered with Charity Commission</b>	66%	64%
	<b>Not registered</b>	34%	36%
Goal	<b>Green Environment Only</b>	3%	5%
	<b>Green Environment and People</b>	<b>11% ↓</b>	18%
	<b>People Only</b>	<b>86% ↑</b>	77%
Who Help	<b>Those with disabilities</b>	15%	18%
	<b>Children/ Young People</b>	18%	16%
	<b>Elderly</b>	10%	14%
Main / Only Trading Activity	<b>Health and Social Work</b>	32%	33%
	<b>Other Community/ Social/ Personal Service</b>	17%	21%
	<b>Real Estate/ Renting/ Business</b>	<b>27% ↑</b>	20%
	<b>Education</b>	14%	15%
	<b>Wholesale/ Retail</b>	2%	3%
	<b>Other</b>	7%	9%
Proportion of employees who are full time		67%	62%
Proportion of employees who are part time		33%	38%
Proportion of Workforce Consisting of Volunteers		46%	40%
Average Number of Volunteer Hours Weekly		66 hrs	74hrs

Note: The arrows represent where there is a statistically significant difference between findings for the subset in question and the overall findings across all social enterprises

- London has both the highest incidence of social enterprises of the UK regions, and a larger proportion of social enterprises than it does businesses of all types. Over a fifth of UK social enterprises surveyed were located within the Capital.
- Social enterprises within London tended to be situated in the most deprived areas, with almost half (43%) based in the areas experiencing the most severe deprivation.
- Social enterprises located within London had very high turnovers in comparison to other regions and Devolved Administrations, and approximately one in four (26%) turned over in excess of a million pounds last year.
- The trading activity of those in London was more likely to be providing real estate or business services than was found across the UK overall, and 27% of London Enterprises stated that this was their main source of income.

Source: DTI (2005: 69)

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Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

## Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

## Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

## Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

## Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

## Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

## Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

## Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

## Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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