

# THE SOCIAL ECONOMY ALLIANCE

## CONSULTATION PAPER – WORK

How social economy approaches can address the challenges of social immobility, a million young people unemployed, stagnating wages and living standards, inequality, disadvantage and reduced access to opportunity.

### PUTTING THE LABOUR MARKET TO WORK

Unemployment has fallen recently to 7.1% but it still sits at 2.32 million. While 30 million people are now in work, which is higher than ever, almost 9 million people in the UK are economically inactive<sup>1</sup>. There is huge untapped potential here and a massive opportunity for the people of this country to lead the economy into sustained, balanced recovery.

Youth unemployment is still at historically high levels of almost one in four<sup>2</sup>. This is a serious structural problem in the UK which pre-dates the economic crisis - long-term youth unemployment has been on the rise since the early 2000s and some commentators have suggested we face the prospect of a 'lost generation'. A spell of long-term unemployment when young increases the chances of repeated spells of unemployment and lower wages. Of young people making a new claim for JSA in 2010/11, almost three quarters had claimed previously in the last four years<sup>3</sup>. Every year, nearly a quarter of school leavers fail to make the transition from school to work, and end up NEET. At the other end of the career spectrum, over-50s are more likely than any other age group to be long-term unemployed – those over 50 who remain unemployed for more than a year are more likely to die or start drawing a pension than find a new job<sup>4</sup>.

For others, the 'low-pay, no-pay cycle' – in which people churn between low-wage work and unemployment - rather than progressing into higher-waged work – has become the new normal. A lack of pay progression in low-wage jobs exacerbates the challenge – those who escape low pay are much more likely to remain in work. The UK has some of the lowest social mobility in the developed world, as well as significant inequality - only Portugal is more unequal and has less social mobility<sup>5</sup>. 'Bed blocking' has entered the labour market – we need to move people up in order to allow people in. Unpaid internships have come under increasing criticism and the Government has launched an investigation into inappropriate zero hours contracts, with Ministers citing evidence of abuse.

Successive governments' responses to labour market failures have been inadequate and often ineffective:

- 88% of people leaving unemployment either go into self-employment, or work for a micro, small or medium enterprise<sup>6</sup>. Increasingly, people entering the labour market are creating their own jobs, rather than being taken on by big public or private sector employers. Finding a job with a big company is a minority sport. Government is too often preparing people for a world that no longer exists and there is a significant lack of support to help people find routes in to self-employment and entrepreneurship.

<sup>1</sup> <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/january-2014/statistical-bulletin.html>

<sup>2</sup> <https://www.gov.uk/government/news/record-30-million-people-in-jobs>

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/223058/ad\\_hoc\\_jsahistory\\_final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223058/ad_hoc_jsahistory_final.pdf)

<sup>4</sup> <http://www.dailymail.co.uk/femail/article-2469272/Over-50-scrapheap-Its-scandal-talks--generation-talented-hard-working-professional-women-.html>

<sup>5</sup> <http://www.theguardian.com/news/datablog/2012/may/22/social-mobility-data-charts>

<sup>6</sup> [http://www.fsb.org.uk/policy/assets/publications/fsb\\_2012\\_back\\_to\\_work.pdf](http://www.fsb.org.uk/policy/assets/publications/fsb_2012_back_to_work.pdf)



- The Government's flagship Work Programme has been evaluated as "worse than doing nothing"<sup>7</sup>. Labour's Future Jobs Fund cost more than it saved<sup>8</sup> and the new Youth Contract has helped just a few thousand young people.
- Apprenticeship schemes are not encouraging entrepreneurship, and are designed with large employers in mind. At the moment you can be an apprentice for anything other than starting your own business, only those under a contract-of-employment with an employer are eligible, except for a few exempt industries. Proposed changes to apprenticeships funding threaten up to 80% of apprenticeship places by putting unrealistic burdens on small employers.
- The New Enterprise Allowance scheme has had limited success and is not working effectively for women<sup>9</sup>.

Similarly, most universities are preparing young people for work in big public or private sector employers rather than for SMEs, social enterprises and as entrepreneurs. Meanwhile, SMEs bemoan an absence of skilled young people and many employers seek young people with the soft skills which a formal education does not provide. Some young people now go through the entire education system without meeting a prospective employer, let alone undertaking entrepreneurial activity. The current system is too often failing to provide young people with clear pathways into work, with weaknesses particularly prevalent in service sectors which are responsible for 85% of UK employment<sup>10</sup>.

The opportunity here is to reduce the economic and social costs to young people, their families, the Exchequer and society, reduce the benefit bill, avoid lost tax revenues and improve the health and wellbeing of citizens and communities across the UK.

<sup>7</sup> <http://www.telegraph.co.uk/news/politics/spending-review/10146659/5bn-Work-Programme-worse-than-doing-nothing.html>

<sup>8</sup> <http://www.cesi.org.uk/publications/future-jobs-fund-independent-national-evaluation>

<sup>9</sup> <http://www.prowess.org.uk/new-enterprise-allowance.htm>

<sup>10</sup> [www.ons.gov.uk/ons/.../uk-service.../uk-service-industries-pdf.pdf](http://www.ons.gov.uk/ons/.../uk-service.../uk-service-industries-pdf.pdf)



## THE SOCIAL ECONOMY SOLUTION

We believe this range of problems prevents a huge opportunity.

The next Government can foster an emerging generation of entrepreneurs, social entrepreneurs, start-ups and economic and social value creators. It is precisely these new businesses that will help create a thriving and sustainable economy. Large companies are no longer the dominant force in the economy. Micro, small and medium enterprises dominate the stock of businesses. Nearly 95% of all firms are micro enterprises employing less than 10 people<sup>11</sup>. SMEs are the drivers of growth.

This is a route to greater social mobility and economic opportunity.

And more people than ever want to start a social venture. Around 20% of people who intend to start a business would choose to establish a social enterprise<sup>12</sup> and the figure is even higher among young people. Two thirds of the remaining 80% would aim to use their business to support social or environmental causes. We have also seen an increased interest in social entrepreneurship from young people and social enterprise being viewed as a gateway to developing entrepreneurial skills. For the older generations, later life social entrepreneurship can extend working life and support the transition into retirement. It can improve people's wellbeing and financial circumstances, build their resilience to later life transitions, and create sustainable and low-cost community benefits.

But these aspirations need nurturing. Research shows that four or more employer-contact activities during school years reduces by 5 times a young person's chance of becoming a 'NEET'<sup>13</sup>. Meaningful work experience and quality advice about the local labour market prepares young people for work, and produces better outcomes for employers. Giving people a taste of entrepreneurship builds confidence and soft skills. Support for start-ups must be tailored and responsive to entrepreneurs' needs, at the times when they need it, as they learn by doing.

Initiatives like *Citrus Saturday* and *Make Your Mark for a Tenner* offer models for inspiration. While conventional business opportunities are often fewer in poorer neighbourhoods, social enterprises can be found more often in disadvantaged areas. The ELEBCIS project in Bristol supports young people's skills development and opportunities to have sustainable careers in the creative sectors. Even big employers are looking for entrepreneurial skills and experience, often crucial to finding work with a micro-enterprise or SME.

The University of Northampton is building a new incubation centre for social enterprises in the town centre, working with young people in the construction process. Corporations are investing in start-up social ventures, through investment and acceleration programmes such as Telefonica's *Wayra UnLtd*, Centrica's *Ignite Social Enterprise* and the School for Social Entrepreneurs Lloyds Bank and Bank of Scotland programme.

Some universities are starting to lead the way in equipping young people for the modern labour market. Sixty universities are working with UnLtd and HEFCE to identify and support social entrepreneurs among their staff and student populations – resulting in improved employability and student experience outcomes as well as creating social value through sustainable ventures. Several universities are actively supporting social innovation and social enterprise spin-outs, delivering a commercial and social return on their research and IP and creating jobs.

These initiatives show what can be done, but remain marginal at present. We estimate that there are 100 would-be social entrepreneurs in the UK for each one who is able to access meaningful support. No political party has yet fully grasped the implications of the ongoing shift to self-employment and start-up and the exciting opportunities offered by social entrepreneurship and the social economy.

<sup>11</sup> <https://www.gov.uk/government/publications/growing-your-business-a-report-on-growing-micro-businesses>

<sup>12</sup> [http://unltd.org.uk/wp-content/uploads/2013/06/RBS-Youth-Enterprise-Tracker-Summary\\_2nd-Quarter-2013-FINAL.pdf](http://unltd.org.uk/wp-content/uploads/2013/06/RBS-Youth-Enterprise-Tracker-Summary_2nd-Quarter-2013-FINAL.pdf)

<sup>13</sup> <http://www.nhsemployers.org/SiteCollectionDocuments/It's%20who%20you%20meet%20-%20Why%20employer%20contacts%20at%20school%20make%20a%20difference%20to%20the%20employment%20prospects%20of%20young%20adults.pdf>



## WHAT CAN GOVERNMENT DO?

1. Enterprise education and readiness – the transition from education to work can be better supported through:
  - better measures and incentives in educational institutions. Universities should be further incentivised by HEFCE to support the transition into self-employment, into SMEs and into more socially useful sectors of the economy.
  - all young people being given 5 or more tailored and high quality entrepreneurial taster experiences at primary and secondary school, and in further and higher education irrespective of their course of study, including opportunities to run their own socially entrepreneurial venture.
  - a requirement for schools to have 'local business governors' responsible for driving engagement with local employers, matched by 'business champions' from local LEPs and Chambers of Commerce responsible for engaging their members with schools.
  - social enterprise being enshrined in the national curriculum, through experiential learning where possible.
  - changing the culture of university Technology Transfer Offices, so they recognise social as well as commercial innovation and actively support social enterprise spin-outs.
2. Welfare to work - the next Government should introduce a genuine market for employment support through the introduction of personal budgets for jobseekers, enabling them to choose the support that is most suited to their circumstances. This would open up opportunities to match up SMEs and NEETs as well as enabling more bespoke support for those with health conditions and disabilities. JobCentre Plus should signpost support into self-employment and explicitly identify entrepreneurship and social entrepreneurship as routes out of unemployment.
3. Enabling enterprise – government programmes should support enterprise and not just working for established employers:
  - social entrepreneurship should be included within the apprenticeship framework so that young people can be accredited for starting their own social ventures, while being mentored and gaining experience in a host enterprise operating in the same industry and learning at a college or other suitable provider. The host business would provide work placements to enable the apprentice to learn and practice vital skills such as sales, credit control, customer service etc.
  - for aspiring entrepreneurs on Job Seekers Allowance, the New Enterprise Allowance Scheme should be strengthened so that an apprentice entrepreneur would draw down a salary similar to that of regular apprentice, and assigned a host business that would support them. Better follow-on support can enable New Enterprise Allowance entrepreneurs who show potential to take their ventures to scale.
  - the Business Bank should focus on helping entrepreneurs and social entrepreneurs not only to start up, but to start well. Existing schemes, such as the Start Up Loans Company, should be allocated sufficient resources to develop and deliver a 'minimum viable structure' of responsive support, working in partnership with LEPs and existing support providers. Products should be appropriate for social entrepreneurs, co-operative and social enterprises and learn from student loans, with risk capital type models where entrepreneurs only have to repay when they hit certain level of income.
  - support for self-employed start-up social and co-operative entrepreneurship - the next government should support a programme of support for social entrepreneurs targeted at the most disadvantaged to



increase their chances of commercial success and encourage greater collaboration. This programme, potentially funded through LEPs or their equivalent, would be delivered by specialist support agencies and their partners, such as schools, colleges, universities and community-based organisations, through group-based action learning, mentoring, and professional advice.

- social entrepreneurship can be supported for the elder generations through the creation of more supported opportunities within the community for later life people from all socio-economic contexts, promotion of stories which value the elder generations as leaders of social and economic innovation, and making it easier for those in later life to navigate the range of opportunities to extend their social and economic contributions.
4. Wider support – other government interventions can be adjusted and improved to provide greater support for enterprise and access to the job market:
- LEPs (or their successors) should support the start-up of potential high-growth SMEs through Growth Hubs - local programmes that, for example, link established businesses with social entrepreneurs through their supply chains, support wage progression among low wage workers, and support innovative social service delivery, providing start up support, investment readiness, and access to local investment funds. Local and regional economic support strategies must be flexible and targeted to local need and potential.
  - greater support for social firms in recognition of their work with disabled people who are the most discriminated against in the jobs market, such as helping employers pay for aids, adaptations and support so that disabled people or those with health conditions can enter or remain in work.
  - the requirement in Section 106 agreements that contractors should offer apprenticeships should be more rigorously enforced. These agreements should also include requirements to tackle youth unemployment and employment of ex-offenders. Similarly, the law on unpaid internships should also be properly enforced. HMRC should also revise their approach in not allowing personal assistants to become self-employed.
5. Accessibility and red tape - An Entrepreneur "L" plate would provide a window of tolerance for start-ups, available only to first time business start-up, reducing barriers to entering self-employment and social entrepreneurship. The L plate would open up a number of reliefs, discounts and deferrals for a determined period of at least one year, bringing a range of government support mechanisms into one easily accessible brand. This could include one-to-one guidance and advice on tax and benefit issues, an extra 3 months grace on production of first accounts, an income tax relief, business rates relief and freedom from compliance charges, for example. Commercial suppliers could be encouraged to offer discounts on a range of services such as book-keeping, banking, insurance, premises, IT and IT support, which would make it very attractive to sponsors, with the support packaged under the single brand.



## QUESTIONS FOR CONSULTATION

1. Which of these proposals do you agree with?
2. Which of these proposals don't you agree with?
3. Which of these proposals are the most important?
4. What have we missed? Which proposals would you like to add?
5. Which proposals need further work or refinement?
6. Do you have any evidence to support or refute any claims made in this paper?
7. Is there any evidence or examples from other contexts which can inform the proposals put forward in this paper?

