

# Social Enterprise and Homelessness

- SUSTAINABILITY OR SOCIAL IMPACT?

By Mark Richardson  
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**Mark Richardson, July 2013**

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# EXECUTIVE SUMMARY

## 1 Executive Summary

### **Introduction**

Over the past fifteen years supporting disadvantaged people into employment through social enterprises has become increasingly prevalent in the UK. In March 2012 it was unveiled as one of the 5 key principles underpinning the Government's Social Justice Strategy.

Despite an increased focus on work as a route towards recovery or out of poverty there has been very little study of the social impact, or the financial sustainability, of the social enterprises charged with making that vision a reality. There has been even less research into the relationship between the sustainability of a social enterprise and the level of exclusion faced by those it's trying to help.

This research explores the reality behind the strategies. Ultimately it attempts to answer three simple questions:

- Can social enterprises support adults with multiple needs into employment?
- Can they do so sustainably?
- And if so, what is the best model for doing so?

In this report we use the definition of 'multiple needs' adopted by the Making Every Adult Matter coalition (MEAM). That is those who are 'routinely excluded from effective contact with the services they need' and 'tend to live chaotic lives that are costly to society'.

MEAM estimates there are about 56,000 people fitting this definition at any one time in the prison and homeless populations alone.

As a result we have concentrated this research on social enterprises that work specifically with those who are homeless or ex-homeless. We also concentrate on a sub-set of social enterprises known as Work Integration Social Enterprises (WISEs). These are organisations that trade in order to generate income and provide work placements and supported employment opportunities to disadvantaged people.

Current research suggests:

- The number of homeless adults with multiple needs is on the increase
- Unemployment is a large cause and effect of homelessness and an important part of the journey from social exclusion to inclusion
- Adults with multiple needs are unlikely to be helped by mainstream unemployment programmes
- Social enterprise is seen as an important way to support adults with multiple needs into employment
- However, the expectation that social enterprises can employ those furthest from the jobs market and generate sufficient income to be profitable has been called into question.
- To date there is insufficient evidence to conclude whether any particular model of social enterprise can effectively support homeless adults with multiple needs into employment, or whether they can be financially sustainable

### **Results of the survey**

#### **Numbers**

This research estimates that there are currently between 200 and 300 social enterprises working to support homeless people into employment in the UK.

- Around 40% are spin-outs from larger charities
- Around 32% are independent social enterprises
- The remaining 18% are affiliated organisations such as Emmaus communities

#### **Social & Economic Impact of the Sector**

Social enterprises working with homeless people are supporting around 7000 beneficiaries a year, employing over half of them and helping over 1700 move into mainstream employment. Over 40% of these are adults with multiple needs. This saved the UK government around £66 million in 2011.

#### **Geography**

The research found a broad spread across England but fewer in Scotland and Wales. This may have been due to a bias in the networks and contacts used to send out the survey.

## Age

The sector is very new and fast growing. 59% of those surveyed had started in the last 2 years compared with 31% of social enterprises generally and only 15% of SMEs.

## Size & Income

There are fewer small and very large social enterprises operating in this sector compared to the social enterprise sector as a whole. Most turnover between £100,000 and £1 million.

The proportion of income derived from trading activities is almost exactly the same as the wider social enterprise sector however. 67% of our survey respondents earn over 75% of their income through trade, compared with 68% of social enterprises overall.

A slightly higher proportion of our survey respondents report making a loss compared to the social enterprise sector more generally (30% to 23%) however this probably reflects the higher proportion of recently started businesses.

It is also interesting to note that 24% of mainstream SMEs also report making a loss.

## Trading Activities

There is huge diversity in the types of business activities social enterprises are engaging in with 21 different sectors reported in our survey. The most common sectors are garden maintenance, second hand furniture, catering and construction. Over 20% of social enterprises in the survey were engaged in each of these activities.

There are certain characteristics that are shared by most of these areas of work. They:

- provide entry level, manual employment
- provide the opportunity for individuals to acquire skills and qualifications
- are mostly in sectors that would traditionally be seen as male dominated

Many social enterprises have multiple income streams from different trading activities. A variety of trading income streams is important for two reasons. Firstly it provides diversity of work placement and employment opportunities. Secondly it gives greater stability, so that when one business is profitable it can help subsidise the lean times in another.

Social enterprises with more income streams relied less on grant funding. Those with only one income stream typically relied on around 40% grant funding, compared with only 5% for those with 5 income streams or more.

## Sustainability and multiple needs

Those working with more chaotic individuals are unsurprisingly more dependant on grants, however they are still earning almost as much from trade with the general public as social enterprises working with people closer to the job market.

The most marked difference is the capacity of the two groups to deliver services to the public sector (other than for social outputs). The data suggests perhaps that the difficulty of delivering a reliable, quality service whilst working with adults with multiple needs is more challenging.

Only 63% of those organisations working with more chaotic clients were able to breakeven or better, compared to 85% of social enterprises working with people closer to the job market.

## Outcomes and multiple needs

Measured purely on numbers of beneficiaries moving on into employment the social enterprise model is most effective when working with those closer to the jobs market, averaging 30% success compared to around 15% for those working with the most excluded groups.

However if a more nuanced approach to measuring success is taken we can see that virtually none of those working with beneficiaries in the most chaotic group reported 'no improvement' compared with 37% of those working with those who simply lack some employability or social skills.

## Balancing Social & Financial Costs

All the social enterprises we interviewed stressed the difficulty of balancing social and financial targets.

Responses to the survey suggest that the average cost saving for running the social enterprise on a purely commercial basis and not supporting homeless people would have been around 21%. However this figure masks a variation from less than 10% (30% of respondents) and more than 70% (13% of respondents). For the vast majority of social enterprises fulfilling the social objectives of the organisation comes at a huge financial cost

## Different Models

### Spin-outs vs. independent

There is no generic difference in terms of social impact between the stand alone social enterprises and the spin-outs. Both claim to average approximately 20% of their beneficiaries moving on into jobs.

The benefits of being a spin-out can really be seen in three areas:

- Additional capacity, both support for beneficiaries and back office
- More likely to be plugged in to a wider network of support services
- Greater financial security

### Paid Employment or Voluntary Work Placements?

The social enterprises that responded to our survey engaged with homeless people in the following ways:

Full time employees	As part-time employees	As volunteers
44%	40%	87%

Most of the social enterprises interviewed either already, or aspire to, employ their beneficiaries. However some are purposely running a volunteer model.

There are advantages and disadvantages to each model, both for the beneficiaries and also for the business.

	Volunteer Model	Employment Model
PROS FOR THE BENEFICIARY	<ul style="list-style-type: none"> <li>• Less pressure on vulnerable person</li> <li>• Not everyone is ready for paid employment</li> <li>• Allows a gradual integration into the work place</li> <li>• No risk to volunteer losing benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Confidence boost for beneficiary</li> <li>• Genuine record of employment</li> <li>• Real employment experience</li> </ul>
PROS FOR THE BUSINESS	<ul style="list-style-type: none"> <li>• Business can sustain more voluntary work placements than paid positions</li> </ul>	<ul style="list-style-type: none"> <li>• Staff have more control over reliability of workforce</li> <li>• Can ask more / expect more of an employee</li> <li>• More reliable when offering a service</li> </ul>
CONS FOR THE BENEFICIARY	<ul style="list-style-type: none"> <li>• No record of employment</li> <li>• Lower expectations on an individual can reduce the rate of development</li> </ul>	<ul style="list-style-type: none"> <li>• Most external support stops once someone enters employment (when they most need it)</li> <li>• Minimum wage can leave some people worse off than on benefits</li> </ul>
CONS FOR THE BUSINESS	<ul style="list-style-type: none"> <li>• High levels of supervision and support</li> <li>• Less reliable than paid staff</li> </ul>	<ul style="list-style-type: none"> <li>• Employees from a vulnerable background have far higher support needs than other staff</li> <li>• Higher cost base to cover</li> </ul>

There was no significant difference in profitability depending on whether the social enterprise engaged with homeless people through an employment or voluntary model, but the largest losses were made by those employing homeless people full time.

**Using the employment model more beneficiaries are supported, fewer beneficiaries showed no improvement, and a greater percentage gained qualifications and left for jobs.**

However all but two of the social enterprises that offered paid employment to homeless people also offered voluntary work placements as well. This was seen as an important option for people who may not be ready to take on paid employment, and in many cases as a way of testing a beneficiary's commitment and ability to cope with work. It is far better for the beneficiary to realise that they're not ready for work before they leave the safety net of benefits behind.

## **What Works? Recommendations for practitioners:**

### ***1. Good planning***

Look at what works, do the same; be flexible and learn lessons as you go.

### ***2. The right partners***

No social enterprise can be a one-stop-shop of services to help someone from multiple exclusion to employment.

### ***3. The right business***

Look for a guaranteed market, stable, long-term contracts and multiple income streams. Consider a commercial franchise.

### ***4. The right model***

The ideal model offers different levels of engagement; meaningful occupation, work placements, and paid employment.

### ***5. Proper capitalisation***

You won't break even for at least 3 years and beware of reliance on grants.

### ***6. Realistic expectations***

It will take longer than you thought to achieve less than you hoped and will still be worthwhile.

### ***7. Financial Sustainability***

Tension between commercial and social objectives is inevitable, but commercial success supports sustainable social outcomes.

### ***8. Don't rely on grant funding***

A social enterprise that relies on continued grant funding to operate is not sustainable unless that source of grant funding is sustainable.

### ***9. Staffing and Governance***

The staff team and the board need the right balance of commercial focus and skills, and social focus and skills.

### ***10. Support for beneficiaries***

Ensure particular support in the transitions into and out of the social enterprise. Don't stop when your beneficiaries leave.

### ***11. Believe it can work!***

It can be done, and it's needed now more than ever.

## **Recommendations for policy makers and intermediaries**

1. Increase rather than reduce funding for keyworkers to support individuals with multiple needs between multiple service providers and into employment.
2. Support services should not stop automatically when someone enters employment but continue as long as necessary to sustain them in employment.
3. Government, local authorities and other funders need to recognise explicitly which parts of the journey from social exclusion to sustainable employment cannot be met through income from trade alone, then implement a reliable payment system to pay for the social outcomes instead. This payment needs to be accessible to organisations with turnover of only a few hundred thousand.
4. A greater use should be made of Social Value clauses in public sector contracts, especially in the business areas covered by these social enterprises. This would ensure more reliable commercial income. Particular areas where Social Value clauses should be included are:
  - Grounds maintenance
  - Furniture reuse
  - Catering
  - Construction
  - Building maintenance & repairs
  - Painting & decorating
  - Recycling
  - Cleaning
  - Window cleaning
5. Other actions by public bodies that could increase the number of commercial trade contracts going to WISEs include:
  - Break the contracts up into lots that are deliverable by social enterprises turning over less than £1 million.
  - Hold meet the buyer events specifically targeted at work integration social enterprises
  - Capacity build WISEs to tender for and deliver public sector contracts
  - Link social justice and community regeneration strategies with procurement and include social value KPIs for procurement teams.
6. Social enterprises require specific business support that understands the inevitable tension between commercial and social objectives. This is reducing when it needs to be expanding. This should be reversed.
7. Commercial franchises present a potential opportunity for WISE's. They are tried and tested business models with 90% success rate for new franchisees. Research and investment to transfer this commercial success into the social enterprise sector would be valuable.
8. Facilitation or incentives to support the transfer of pro-bono support from the private sector into the social enterprise sector would be helpful, particularly in:
  - Marketing and publicity
  - Board members & mentors
  - HR & Recruitment
9. There should be provision of financial incentives, facilitation and capacity to support greater partnership working between social delivery organisations.
10. More work should be done to facilitate trading and partnership between housing associations and WISEs.
11. Support and facilitation to link WISEs with relevant local employers should be further developed.

This research has shown that without this support 250 social enterprises are saving the UK Government in the region of £66 million a year. Most of these interventions would cost little if anything to implement, and others simply require more targeted use of existing resources. The payback, both social and economic, should make them worthwhile.

# 2 INTRODUCTION

## 2 Introduction

*"The secret to getting out of homelessness isn't about putting someone in a house, it's about something to do. You've got to give people something to do in life. That's the value of the social enterprise. It's constructive, it's better than a day centre, and it's something that people can feel proud of."*

**John Cox, Two Saints Housing**

In 1997 single homelessness was just beginning to be reconsidered as a product of social exclusion, rather than a housing issue<sup>1</sup>. Central to this were a small number of social enterprises that were seeking to tackle homelessness through employment.

In launching the Social Exclusion Unit in 1997 then Prime Minister, Tony Blair, said: "Social exclusion is a shorthand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown"<sup>2</sup>.

It was at this point Paul Harrod and I decided to set up Aspire, a social enterprise employing homeless people and providing a route off the streets and into work. At the time it was unique.

Fifteen years later 'employability' and employment are central components of the jigsaw of services attempting to support homeless people to reintegrate into society. A large number of social enterprises have now been established which attempt, through a variety of models, to help individuals with a history of homelessness into sustainable employment.

Following the change of government in 2010 talk of 'social exclusion' has largely been dropped, but there continues

to be an increasing focus on individuals with 'multiple or complex needs'. In March 2012 the Government published a cross-departmental Social Justice Strategy which highlights the '120,000 "families living profoundly troubled lives marked by multiple disadvantages"'. This strategy sets out the Government's five principles for Social Justice, of which point three is: "promoting work for those who can as the most sustainable route out of poverty." The strategy continues:

"When problems combine and compound one another individuals can struggle to access the right support. The worst affected can become socially excluded, living chaotic lives and shut off from the sources of support and services they need to start to recover – incurring large human and financial costs both to themselves and to society..."

...For people recovering from problems like substance dependency or mental ill health, work can provide a route towards recovery, providing a structure to the day and a sense of progress and achievement."

Despite an increased focus on work as a route towards recovery or out of poverty there has been very little study of the social impact, or the financial sustainability, of the social enterprises charged with making that vision a reality. There has been even less research into the relationship between the sustainability of a social enterprise and the level of exclusion faced by those its trying to help. .

This research explores the reality behind the strategies. Ultimately it attempts to answer three simple questions:

- Can social enterprises support adults with multiple needs into employment?
- Can they do so sustainably?
- And if so, what is the best model for doing so?

## 2.1 What are complex needs?

There is no nationally agreed definition of complex needs. Different literature refers variously to complex needs; multiple exclusion; multiple needs; and multiple barriers. Even when the same terminology is used definitions are either different or unclear making comparison and cross referencing difficult.

The Cabinet Office in 2007 estimated that 2-3% of the population suffer from 'deep and persistent exclusion' – or around 1.5million individuals.<sup>3</sup> In the coalition Government's Social Justice strategy they state "in England and Wales, estimates suggest that there are around 42,000 people living in hostels at any one time; over 306,000 heroin and crack cocaine users; over 87,500 people in prison."<sup>4</sup>

The Making Every Adult Matter (MEAM) coalition has used a subset of this population in its definition of multiple needs and exclusion, arguing that this much smaller group should be the initial point of attention. Its definition focuses on individuals who are 'routinely excluded from effective contact with the services they need' and 'tend to live chaotic lives that are costly to society'. MEAM estimates there are about 56,000 people fitting this definition at any one time in the prison and homeless populations alone.<sup>5</sup> This figure excludes other groups of high-cost, high-need people such as those living chaotic lifestyles in social and rented housing.<sup>6</sup>

For the purposes of this report we will use this working definition of individuals living chaotic lives adopted by MEAM. In the surveys and interviews undertaken for this report we have tried to ensure participants refer to the same groups of people by specifically asking about "individuals who suffer from one or more of the following problems: homelessness, mental health problems, substance misuse, or offending behaviour."

## 2.2 What is a social enterprise?

In this report we use the EU definition of social enterprise:

“Social enterprise’ means an enterprise whose primary objective is to achieve social impact rather than generate profit for owners and stakeholders. It operates in the market through the production of goods and services in an entrepreneurial and innovative way, and uses surpluses mainly to achieve social goals. It is managed in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity.”

Simon Teasdale identifies 7 different types of social enterprise operating in the homelessness sector:<sup>7</sup>

	Model of social enterprise	Description	Example
1	<b>Revenue generator/ mission awareness raising</b>	Social enterprise as an income stream or means of raising awareness for traditional charities. The trading activity is not central to social goals, income is diverted to other parts of the organisation. Thus, social enterprise is an activity – trading to fund social purpose, rather than an organisational type	Salvation Army War Cry
2	<b>Contracted service provider</b>	Homelessness-related organisations delivering government contracts	Shelter
3	<b>Accommodation providers charging for beds</b>	Hostel and supported accommodation providers offering places to homeless people. Revenue is usually derived wholly or in part through housing benefit paid by the state	St Mungos
4	<b>Participation-based community</b>	Alternative safe living spaces for homeless people offering a holistic lifestyle within a supportive environment. Revenue is derived through a mix of trading and housing-related benefits	Emmaus
5	<b>Employment provider</b>	Social enterprises whose primary objective is to allow homeless people to earn an income. Employment (or self-employment) may be a temporary stepping stone to the mainstream labour market or long term (sheltered)	Big Issue
6	<b>Training and work experience</b>	Social enterprises providing homeless people with the chance to gain qualifications and/or work experience with the aim of moving them into the labour market	Crisis cafe
7	<b>Hybrid</b>	Social enterprises combining two or more of the above models	Big Life Company

The focus of this report however is on a subset of these social enterprises; ‘Work Integration Social Enterprises’ (WISEs). These would include numbers 4-7 in Teasdale’s classification.

## 2.3 What is the research trying to achieve?

The overarching aim of this report is to improve employment prospects amongst homeless adults with multiple needs by providing useful information to practitioners and policy makers engaging with homelessness and social enterprise.

### Specifically this report aims to:

- Map the extent and diversity of social enterprises engaged in helping homeless adults with multiple needs into work.
- Identify particular models within that diversity
- Identify which models appear to be offering particular social benefits
- Identify which models appear to be most commercially sustainable
- Provide a useful guide to best practice for those engaged in using social enterprise to support adults with multiple needs into work

In addition Simon Teasdale, in his review of social enterprise and homelessness literature suggests there are some key unexplored questions. This report will also attempt to begin to answer these questions. Specifically:

- RQ1. How do different models of social enterprise balance the tension between social and economic objectives, and what are the implications for clients?
- RQ2. How do social enterprises compare with other organisational types in responding to homelessness?
- RQ3. What happens to the most excluded groups if processes of isomorphism lead to the third sector becoming more business orientated?<sup>8</sup>

# 3 METHODOLOGY

## 3 Methodology

**The research for this report comprised four separate elements:**

1. A desk based study of existing literature and evidence
2. An extensive internet search to find organisations calling themselves a social enterprise and working with homeless people
3. A survey of 311 organisations which appeared to be operating social enterprises and working with homeless people of which 73 responded
4. In depth interviews with the managers of 15 social enterprises operating to help homeless people into employment
5. Personal experience of starting and running Aspire, a pioneering social enterprise employing homeless people with multiple needs, between 1998 and 2002.

### 3.1 Survey Respondents

**Of the 311 organisations that the survey was sent to:**

- 73 responded (24% response rate)
- 7 did not fit the criteria of being a WISE
- 13 did not provide sufficient answers for full analysis

**Of the 53 that did:**

- 9 were Emmaus communities
- 44 were other WISEs

Although each Emmaus community is an independent social enterprise they all adopt the same model, delivering on a social franchise basis and supported by Emmaus UK. In analysing the results Emmaus communities have therefore been treated as one organisation (where this is appropriate) to avoid skewing the results.

# 4 BACKGROUND

## 4 Background

This report comes at a critical time. For the first time in over a decade homelessness across Britain is rising. Following the introduction of the 2002 Homeless Act in England homelessness had been falling. The same is true for Wales since the revised homelessness strategy in 2005.<sup>9</sup> However in 2011 rough sleeping increased by 23%.<sup>10</sup> The vast majority of rough sleepers are adults with multiple needs and are among those furthest removed from the mainstream jobs market.

According to Simon Teasdale "It is this group of homeless people that social enterprise has been targeted with helping, particularly as a route into mainstream employment."<sup>11</sup> This was a policy adopted by Labour and articulated as early as 2003.<sup>12</sup> It has also been adopted by the Coalition Government. A Ministerial Working Group on Preventing and Tackling Homelessness recently stated that "employment represents one of the most sustainable routes out of homelessness and priority should be given to work-related activities at the earliest possible stage of engagement... social enterprise offers a growing and important opportunity that can increase the involvement of people in work"<sup>13</sup>

Crisis research shows that unemployment is both a large cause and effect of homelessness and the majority of homeless people would like to secure employment.<sup>14</sup> In addition one of the key findings of a study of homeless people by McNaughton was that for some participants, accessing sustainable employment marked the point at which they felt they had escaped homelessness.<sup>15</sup>

However there is evidence that some individuals with support needs can face difficulties in sustaining employment once it has been secured.<sup>16</sup> And mainstream Government programmes to get unemployed people into work, essentially by matchmaking unemployed people with job vacancies, are significantly less effective for those with multiple needs.<sup>17</sup>

The social enterprise model of providing supported employment or work placements can help to address these difficulties. Different models are addressing different stages of the journey from social exclusion to social inclusion, with some claiming to achieve upwards of 70% of their beneficiaries moving on into employment. But so far there has been little evidence to suggest whether employing

adults with multiple needs as opposed to offering voluntary work placements was financially sustainable, or more socially effective.

The expectation that social enterprises can employ those furthest from the jobs market and generate sufficient income to be profitable has been called into question. Teasdale makes the point that "for some people the social problems that have caused their homelessness may be so complex or acute that their productivity makes it uneconomic for an organisation to employ them without public subsidy."<sup>18</sup> Organisations such as the Big Issue, he argues, have been able to generate a profit because they do not employ homeless people but offer self-employment opportunities, thereby transferring the risk onto the homeless person. It was a desire to take the risk away from the homeless person and onto the social enterprise that led Paul Harrod and myself to found of Aspire Community Enterprise in Bristol in 1998.

The report on the closure of the 3xE network, which specifically supported social enterprises working with homeless people, states; "There is a mix of examples of trading to tackle homelessness but not all of them will be sustainable (or ever should be). Some have a raison d'être which is to provide meaningful activity which is recognised as generating income but not enough to be sustainably self-funding. The important issue for organisations is to be realistic about sustainability and be positive, rather than be defensive, about the need for additional support to create social rather than financial value."<sup>19</sup>

### So to summarise:

- The number of homeless adults with multiple needs is on the increase
- Unemployment is a large cause and effect of homelessness and an important part of the journey from social exclusion to inclusion
- Adults with multiple needs are unlikely to be helped by mainstream unemployment programmes
- Social enterprise is seen as an important way to support adults with multiple needs into employment
- To date there is insufficient evidence to conclude whether any particular model of social enterprise can effectively support homeless adults with multiple needs into employment, or whether they can be financially sustainable

# 5 OVERVIEW

## 5 Overview of the Sector

**In order to find social enterprises working with homeless people a variety of methods were used:**

- Extensive internet research
- Existing lists (e.g. Spark Challenge, 3xE)
- A network of informed contacts

### 5.1 Total numbers

Initial research for this report identified 311 separate social enterprises that claimed in some way to be supporting homeless people into employment. Some of these will have closed, or will no longer be supporting homeless people. There will be others that did not have sufficient internet presence, or were not registered with social enterprise intermediaries and networks. However, across the UK, there appear to be in the region of 200-300 organisations involved in social enterprise activity that supports homeless people.

This number aligns very closely to the number of members recruited by the Crisis Ethical Enterprise and Employment (3xE) Network. By the time funding for the network ended in 2012 they had 294 registered members across the 9 English regions of which 150-180 could be classed as trading social enterprises.<sup>20</sup>

The homeless sector itself is very much larger. Homeless Link, for example, have more than 700 members in England. But there is an increasing trend for more traditional charities to develop social enterprise models as an addition, or replacement for some of their existing activities. 40% of social enterprises that responded to this survey described themselves as spin-outs from larger organisations, compared to only 32% stand alone social enterprises. And amongst 3xE members 94% said they expect the homelessness social enterprise sector to grow, either because of a reduction in available grants (59%) or simply because social enterprise offers the best model for some interventions (27%).<sup>21</sup>

## 5.2 Geography

The geographic spread of survey respondents across England was fairly even, although there were notable gaps in Wales and Scotland.



## 5.3 Overview of the Sector

The oldest of our respondents were both established in 1987. St Mungo's, who had been providing hostel accommodation since 1969, launched STEPS (Skills, Training, Employment and Placement Service) which it claims was the "first comprehensive programme of work and training for homeless people in Britain."<sup>22</sup> Meanwhile, in Teesside, Community Campus '87 was formed by a group of young people to address the emerging crisis of youth homelessness in Teesside. Eight more of these social enterprises were established in the 1990s, forty between 2000 and 2010, and fifteen have only been established in the last two years.

**How does this compare to the wider social enterprise sector and the mainstream business sector - small and medium enterprises (SMEs)?<sup>23</sup>**

<b>Timeframe</b>	<b>Respondents</b>	<b>Social Enterprises</b>	<b>SMEs</b>
<b>2 years or less</b>	<b>18%</b>	<b>14%</b>	<b>4%</b>
<b>3-5 years</b>	<b>41%</b>	<b>17%</b>	<b>11%</b>
<b>6-10 years</b>	<b>16%</b>	<b>23%</b>	<b>18%</b>
<b>11-20 years</b>	<b>18%</b>	<b>22%</b>	<b>26%</b>
<b>21+ years</b>	<b>6%</b>	<b>24%</b>	<b>40%</b>

This shows just how comparatively new this sector is, and also how rapidly it is growing. This supports the view expressed by the members of the 3xE network that the use of social enterprise as a response to homelessness is growing. 59% of their members felt this was due to a reduction in the availability of grant funding and 27% because social enterprise offers the best model for some forms of intervention.<sup>24</sup>

A huge catalyst for the growth of the sector has been the Spark Challenge. 48% of all respondents had been formed since the introduction of the Spark Challenge in 2008, which generated 220 applications for setting up new social enterprises employing homeless people in its first 3 years. An analysis of the social and financial benefits of the Spark Challenge calculated that the government's initial investment of £2.94m into 34 new social enterprises in the 3 years to 31st March 2011 had led to 696 homeless people entering sustainable employment.

## 5.4 Trading activities:

The most noticeable thing about the trading activities undertaken by social enterprises supporting homeless people is the diversity. Although the Emmaus model skews the data slightly with 25% of all respondents involved in collecting and reselling second hand furniture, there are clearly opportunities in a large number of sectors.

Trading Activity	% of Respondents
Garden maintenance	26%
Second hand furniture	25%
Catering	23%
Construction	23%
Building maintenance & repairs	21%
IT / media / music	21%
Other	19%
Retail	19%
Painting & decorating	15%
Recycling	15%
Warehousing	15%
Manufacturing	13%
Cleaning	13%
Employment agency	11%
Bike repairs	9%
House clearance	9%
Admin	8%
Delivery & distribution	8%
Horticulture / agriculture	8%
Magazines / publications	6%
Fashion	4%

**There are however certain characteristics that are shared by most of these areas of work. They:**

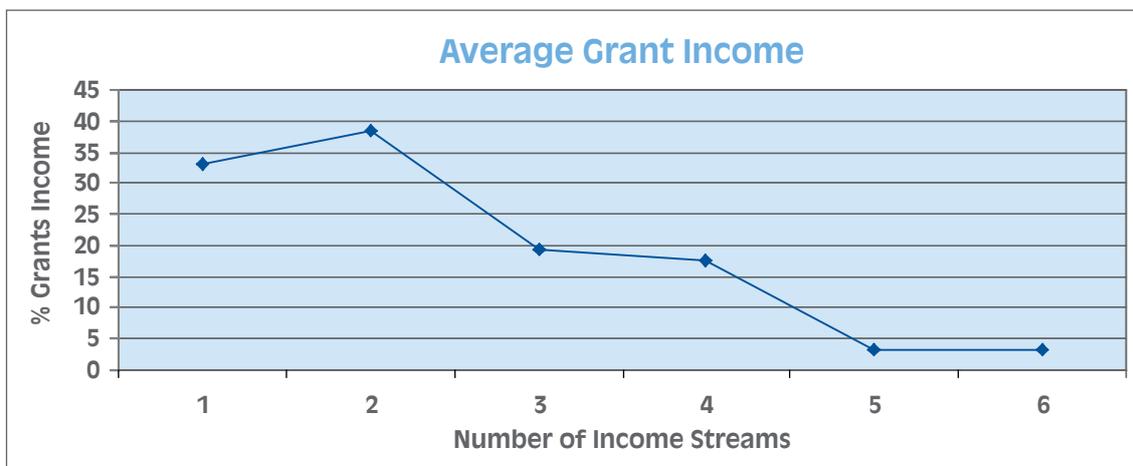
- provide entry level, manual employment
- provide the opportunity for individuals to acquire skills and qualifications
- are mostly in sectors that would traditionally be seen as male dominated

It is notable that many social enterprises have multiple income streams from different trading activities. A variety of trading income streams is important for two reasons. Firstly it provides diversity of work placement and employment opportunities, which gives greater opportunity for different people to find work which is engaging or interesting for them. Secondly it gives greater stability as when one business is profitable it can help subsidise the lean times in another.

From the survey data, although there was no clear relationship between the number of income streams and profitability, there was clear evidence that:

- Social enterprises with more income streams relied less on grant funding, and
- Social enterprises with more income streams traded more with the public sector both for services and social outputs.

This latter point reflects the scale of operation needed by most social enterprises to win public sector contracts.



*"We use our social enterprises as a stepping stone into full time work. We have a number of different ones: Catering, print, a charity shop, a construction business, landscaping, wood recycling, and recycling. Ideally we want them all to be self supporting but we combine the income from the businesses with contract income that pays for us to do work with various disadvantaged groups."*

**Patrick Masih, Jericho Foundation**

## 5.5 Income bands:

The turnover of social enterprises working with homeless people is broadly similar to the wider social enterprise sector.

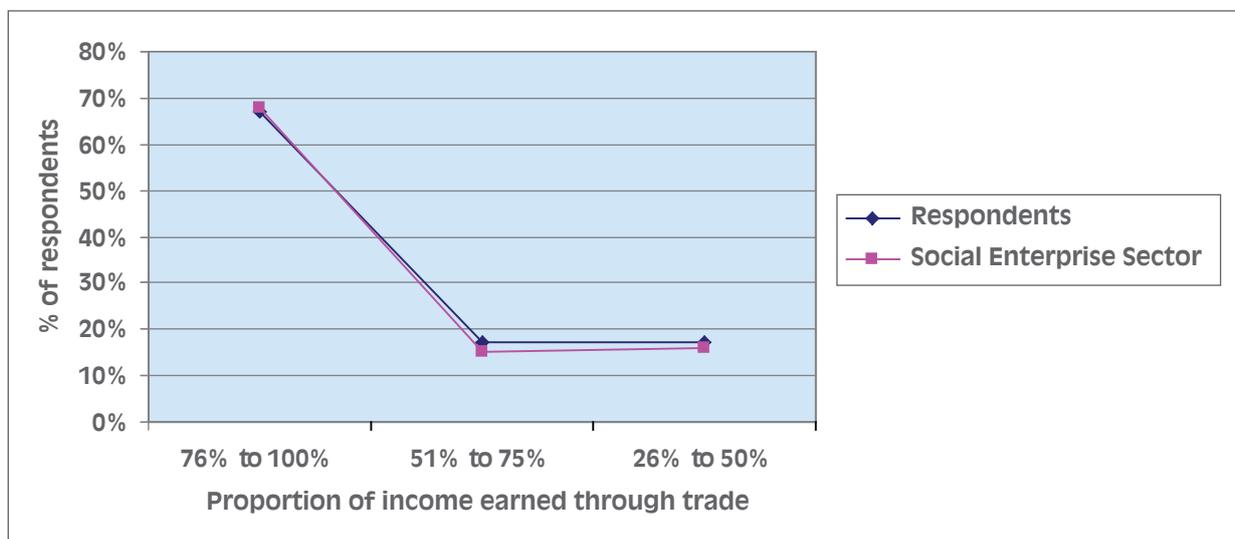
	<b>Social Enterprise &amp; Homeless</b>	<b>Whole Social Enterprise Sector</b>
<b>£0-£50,000</b>	<b>25%</b>	<b>19%</b>
<b>£50,001-£100,000</b>	<b>21%</b>	<b>14%</b>
<b>£100,001-£250,000</b>	<b>13%</b>	<b>20%</b>
<b>£250,000-£1 million</b>	<b>34%</b>	<b>19%</b>
<b>Over £1 million</b>	<b>8%</b>	<b>20%</b>
<i>No response</i>		<b>8%</b>

The differences between the respondents to this survey and the wider social enterprise sector can largely be explained by age. 59% of respondents to this survey started their organisations in the past 5 years, and that there are far fewer older organisations than in the wider social enterprise sector. It is therefore unsurprising to find more micro social enterprises and fewer very large ones supporting homeless people than in the sector as a whole.

## 5.6 Proportion of income earned through trade

As explored in section 5, Background, much has been made of the difficulty in making a social enterprise that engages with homeless people sustainable. However the proportion of income earned through trade by social enterprises working with homeless people compared to the wider social enterprise sector is almost exactly the same.

	Social Enterprise & Homeless	Whole Social Enterprise Sector
76% to 100%	67%	68%
51% to 75%	17%	15%
26% to 50%	17%	16%
0% to 25%		Not eligible for survey



There is also a broadly similar breakdown of trade with the general public compared to trade with the public sector and grants. Social enterprises working with homeless people are more likely to trade with the public sector than social enterprises generally.

	Social Enterprise & Homeless		Whole Social Enterprise Sector	
	Main	Some	Main	Some
Income from trade with general public	54%	92%	58%	n/a
Income from trade with public sector	33%	56%	18%	50%
Income from grants	13%	62%	14%	n/a
Other	-	-	10%	-

Breaking down the data further we can see some differences between the different models of social enterprises working with homeless people. Employment models were much less reliant on grant funding than those adopting a voluntary work placement model. Those offering full time employment received average of 18% grants, compared to an average of 32% for those not offering paid employment.

## 5.7 Profitability

There is an abundance of academic literature questioning the profitability of social enterprises engaging with homeless people, yet there appears to be very little difference between these social enterprises and the wider sector. 69% of respondents broke even or better, compared to 72% of social enterprises generally.<sup>25</sup> It is also worth noting that the figures for social enterprises making a loss are almost identical to those for mainstream small businesses (24%).

### *Did you make a profit in 2010-11?*

	<b>Social Enterprise &amp; Homeless</b>	<b>Whole Social Enterprise Sector</b>
<b>Yes</b>	<b>38%</b>	<b>53%</b>
<b>No</b>	<b>30%</b>	<b>23%</b>
<b>Broke even</b>	<b>31%</b>	<b>19%</b>
<b>Don't know</b>	<b>-</b>	<b>5%</b>

Standalone social enterprises are more likely to report making a loss than spin-outs. However this may be for a tendency to ignore subsidies or in-kind support provided by the parent organisation. For example Skylight café initially reported in the survey that 100% of their income came from the general public and they broke even, however during the interview this was clarified and in fact the enterprise is subsidised to the tune of around £60,000 a year by Crisis.

There was no significant difference in profitability depending on whether the social enterprise engaged with homeless people through an employment or voluntary model, but the largest losses were made by those employing homeless people full time.

It is also interesting to compare these findings with those of the Viking Report which analysed the impact of the Spark challenge fund in the 3 years to March 2011. Of the 22 investments made in 2008 and 2009, 12 (55%) were trading profitably by October 2011. This is marginally better than the average reported by the social enterprise sector as a whole.

# 6 BALANCING

## 6 Balancing social and financial targets

*"Balancing social and financial targets? That's been tough. In fact we had a situation where our overall objective was to give people opportunities but the actual drive to make profit meant that the person who was making most of the steel just had to focus on that because most beneficiaries were just taking too long. We had to actually close the referrals for beneficiaries to sustain the business side of things. If you've got volunteers at the lower end of support spectrum then it'll improve your profitability, but if you've got volunteers who require a lot of support it doesn't actually help production at all."*

**Jon Cox, Two Saints Housing**

All the social enterprises we interviewed stressed the difficulty of balancing social and financial targets.

Responses to the survey suggest that the average cost saving for running the social enterprise on a purely commercial basis and not supporting homeless people would have been around 21%. However this figure masks a variation from less than 10% (30% of respondents) and more than 70% (13% of respondents). For the vast majority of social enterprises fulfilling the social objectives of the organisation comes at a huge financial cost.

If the social enterprise is working with those furthest from the jobs market the business model also needs to function without the majority of beneficiaries present to allow for high levels of absenteeism, unproductive work time and staff time taken up by personal or social problems.

There was a strong emphasis from many interviewees and respondents of the importance of prioritising the sustainability of the business. As Brent Clark from YourTime said, "without profits your social outcomes won't exist."

Having a manager who is commercially focussed is vital. Almost all social enterprises start with a social mission, and

a focus on the commercial targets requires a change in mindset for a lot of social entrepreneurs, particularly so if they're spinning out of a more traditional charity

However if the manager is only focussed on the commercial outcomes this can also lead to failure. Aspire Bristol nearly failed because its second manager did not have a sufficient understanding of the social mission. It took Paul Tipler, the current manager, to find the right balance between social purpose and financial viability.

Also important is a focus on the quality and reliability of the commercial product or service. This is arguably even more important for a social enterprise than a mainstream SME because the expectation is often that in delivering social outcomes you cannot also deliver a high quality commercial service. Many reported that customers are not really interested in social objectives, certainly not in comparison with the ability to deliver a quality service or product at a competitive price. This was reported across a range of price-points from a £2 cup of coffee (Crisis Skylight) to a £200 second hand bike.

**Cecil Wier at Julian House where they started the Bike Workshop said;**

*"It is imperative to have a viable business model and to keep a good eye on customer service. You can compromise around that but not too far. So in absolute terms the clients coming through have got to be motivated and their behaviour and issues have to be within certain boundaries, otherwise it's not going to work. It is a business first. So if you're constantly checking back on quality of work or issues around mental health or addiction then that's a drain on the business. It's not fair on the clients and it's not fair on the business. The people that are there are not key workers- they're not trained to be capable at handling those things, if you put a vulnerable person in that situation, it's not being fair. "*

The current financial climate has led to several social enterprises abandoning a model of employing beneficiaries and instead opting for a voluntary work placement model.

**Christina Baby at First Fruit reported;**

*“We had the idea of paying our beneficiaries but in this financial climate we’re not able to pay and train at same time. It’s not sustainable in this present moment. Having said that we’ve done social enterprise over the past 10 years like that. It’s the past 3 years it’s got hard.”*

Grants seem to have been extremely important in getting a number, if not all, social enterprises off the ground. However they also seem to undermine the commercial drive. Most social enterprises becoming much more driven by financial sustainability following the withdrawal / threat of withdrawal of grant funding. Those organisations with secure non-trading income streams were least commercially focussed.

Furthermore most grant programmes seem inappropriate or poorly designed to support the needs of start-up social enterprises.

*“We were on an award winning grant programme, but out of all those awardees virtually none are left trading. Anybody in business knows that you can’t expect to be in profit until yr 3/4. But the funding may not take you through to that time or the funding gets withdrawn.”*

**Jon Cox, Two Saints Housing**

## 6.1 Relationship between sustainability and multiple needs.

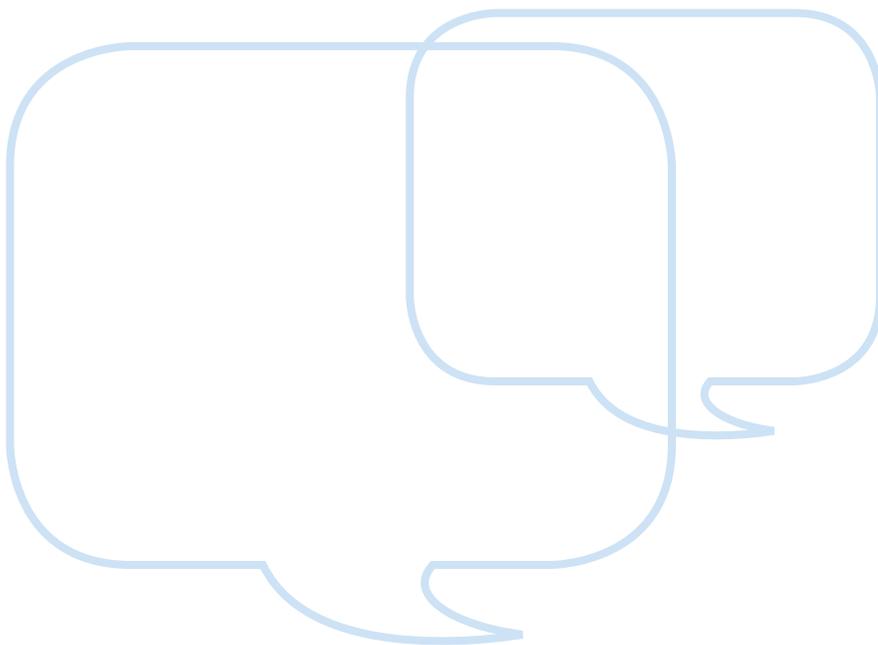
We can divide the social enterprises broadly in two – those who work predominantly with individuals who are rough sleeping or in hostel accommodation with fairly chaotic lives; and those who work with those in move on accommodation or tenancies with more stable lives. Surprisingly there is little difference between the two groups in terms of where their income is drawn from:

	Trade with public	Public sector contracts for services	Public sector contracts for social outputs	Grants	Other
<b>Chaotic</b>	<b>43%</b>	<b>1%</b>	<b>10%</b>	<b>38%</b>	<b>9%</b>
<b>Stable</b>	<b>48%</b>	<b>16%</b>	<b>11%</b>	<b>25%</b>	<b>0%</b>

Those working with more chaotic individuals are unsurprisingly more dependant on grants, however they are still earning almost as much from trade with the general public as social enterprises working with people closer to the job market.

The most marked difference is the capacity of the two groups to deliver services to the public sector (other than for social outputs). The data suggests perhaps that the difficulty of delivering a reliable, quality service whilst working with adults with multiple needs is more challenging.

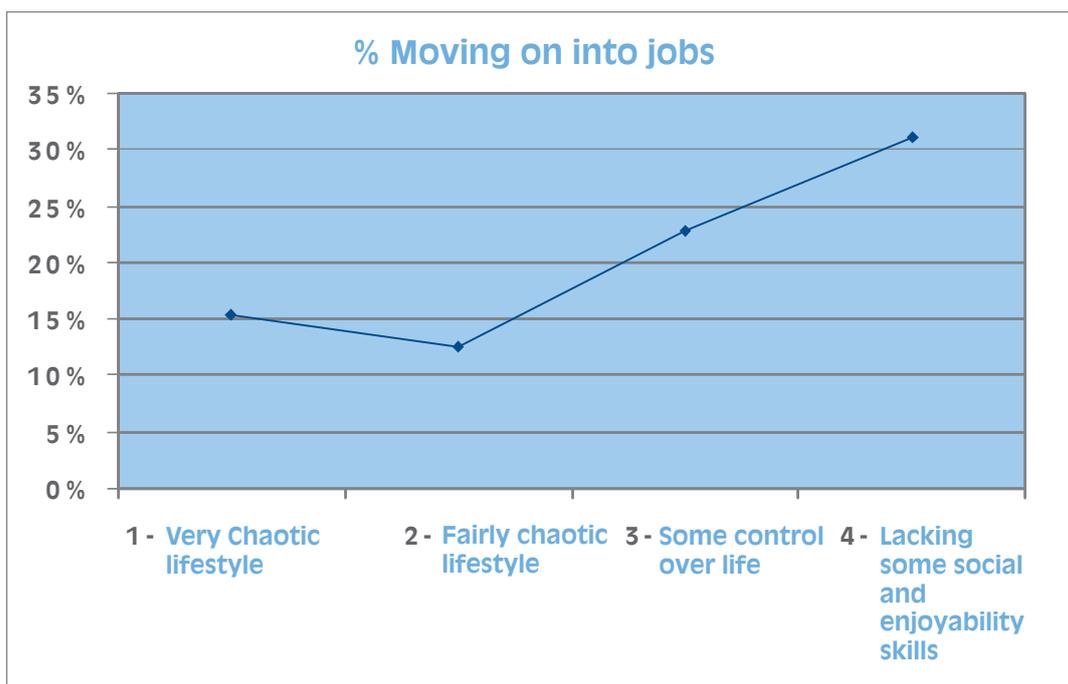
Only 63% of those organisations working with more chaotic clients were able to breakeven or better, compared to 85% of social enterprises working with people closer to the job market.



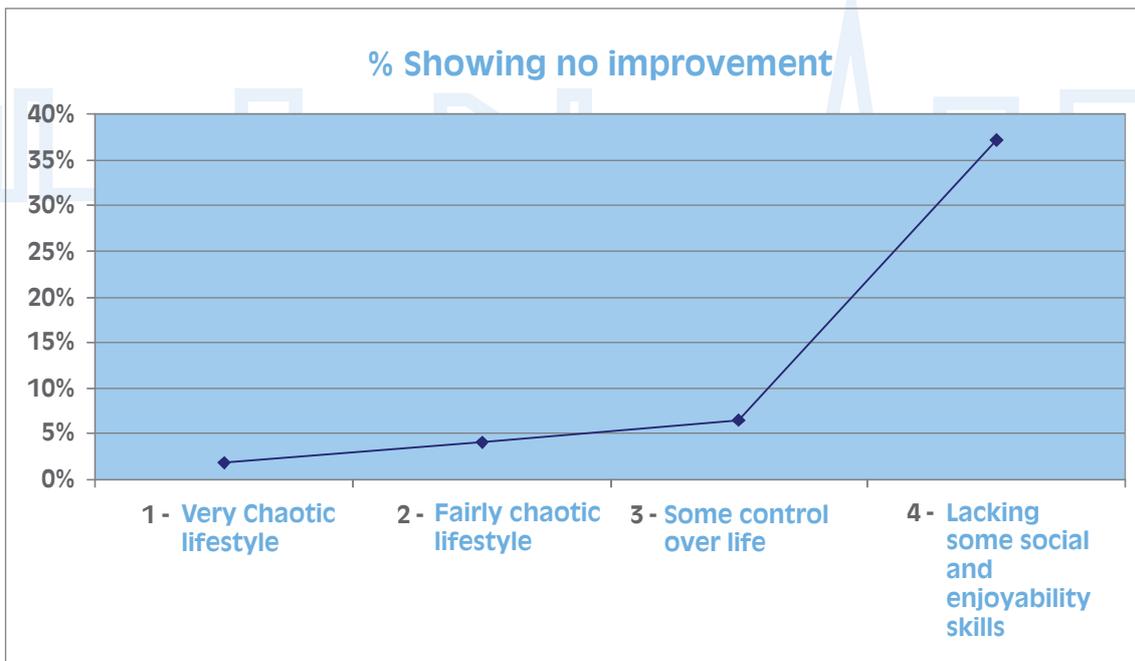
## 6.2 Relationship between outcomes and multiple needs.

### Social Success Rates

At first glance there does not seem to be a strong correlation between the level of exclusion faced by beneficiaries coming into a social enterprise and the percentage moving on into jobs. However two highly successful social enterprises working with those with high levels of exclusion mask the underlying trend. If we reanalyse the data removing Skylight Café and Chester & District Housing Trust we can see a clear relationship, as you would expect.



The number of beneficiaries accessing jobs is only one measure of success however. In each category significant progress can be tracked for the beneficiaries involved in the social enterprise. And significantly the greatest impact is arguably on those furthest from the jobs market. Those social enterprises working with beneficiaries who are most excluded report far fewer showing 'no improvement' than those working with beneficiaries who are more job ready.



This shows that these social enterprise models can have significant impact in supporting those who are most excluded from the jobs market, but in order to capture this information a more nuanced metric needs to be employed than a simple binary measure of whether the beneficiary immediately moves on into a job or not.

## 6.3 Social & Economic Impact

What can we conclude about the social impact of social enterprises on adults with multiple needs? The 53 survey respondents are having a significant social impact between them:

### Social Impact 2011

Total Beneficiaries	<b>1493</b>
Beneficiaries showing improvement	<b>1216</b>
Beneficiaries employed	<b>391</b>
Beneficiaries moving on into jobs	<b>373</b>

This masks an enormous variation in impact from those that are yet to start to those that are supporting over 300 beneficiaries a year and as a result it provides a good cross section of the sector as a whole.<sup>26</sup>

It is difficult to conclude precisely what proportion of these beneficiaries are adults with multiple needs. The estimated proportion of beneficiaries with multiple needs in each social enterprise ranges from less than 10% in one, to over 80% (the highest category available) in eight. Several of those interviewed estimated that 95 or even 100% of their beneficiaries had multiple needs.

However if we take the figures from the survey at face value, and take '80% or more' to mean a conservative 80%, the average proportion of beneficiaries suffering multiple needs and exclusions is 41%. This is broadly similar to the figure reported by providers of day centre services for homeless people who reported 49% of their beneficiaries had multiple needs in 2011.<sup>27</sup>

This research suggests there are between 200 and 300 similar organisations across the UK. If we take the mean figure as 250 and extrapolate this data we find social enterprises working with homeless people are supporting:

	All beneficiaries	Adults with multiple needs
<b>Total Beneficiaries</b>	7,042	2,888
<b>Beneficiaries showing improvement</b>	5,737	4,703
<b>Beneficiaries employed</b>	3,688	756
<b>Beneficiaries moving on into jobs</b>	1,760	721

The most important impact of all this activity is the positive impact that it is having on the lives of the individual beneficiaries. However it is also helpful to try and estimate the savings to the state.

## 6.4 Approximate savings to the UK Government

**Any calculation of savings to the state on this scale is necessarily a rough approximation. There are many variables, and we are relying on extrapolating data from 53 to 250 organisations, itself an estimation. However the calculations are still worth considering as an indication of the important contribution this new, fast growing and under-resourced sector is making to the UK economy.**

According to the DWP the average housing benefit to 2012 was £89.42 per week. Job seekers allowance is a minimum of £56.25 per week.<sup>28</sup> So even if we simply calculate the saving to the UK Government on the number of beneficiaries coming off benefits this is over £41 million per annum. However, as I demonstrate below, the real savings are far higher:

There are a number of reports which calculate the cost to the state of homeless individuals, helpfully collated by Homeless Link:<sup>29</sup>

Research in 2008 by the New Economics Foundation indicated an annual cost to the state of **£26,000** for each homeless person.<sup>30</sup>

The MEAM Manifesto published in 2009 contains sample costs of support for a man who has been sleeping rough in London. The total for one year since he had moved off the streets was **£24,350**.<sup>31</sup>

An earlier report in 2003 by the New Policy Institute estimated an annual cost of **£24,500** for a single homeless person.<sup>32</sup>

Costs are likely to have risen since these reports were published, however if we take a conservative average of the three figures we get **£24,950 a year**.

It is, of course, impossible to be precise when calculating the amounts saved. Some beneficiaries will continue to use certain services or receive some housing benefit even when in employment. On the other hand many of these social enterprises are also contributing significantly to reducing re-offending, which results in even greater savings to the public purse and which have not been considered in these calculations.

If we ignore these two factors, assuming they broadly cancel each other out, we can estimate social enterprises working with homeless people are saving the state over £36 million on adults with multiple needs and around £30 million on beneficiaries with fewer barriers to employment.

**So social enterprises supporting homeless people saved the state around £66 million in 2011, calculated only on beneficiaries employed or moving on into jobs.**

Furthermore, if each of these formerly homeless beneficiaries is earning national minimum wage when employed they are contributing in the region of £8.8 million in tax revenue.

And these social enterprises are also working with around 4000 additional beneficiaries, which will also be resulting in savings to the public purse in terms of improved health including mental health, reduced offending and so on.

# 7 CASE STUDY

## 7 Case Study: Shekinah Mission, Plymouth

### **We started with a budget of zero. We looked at our aims:**

1. Create employment opportunities for people who had experienced social exclusion. We didn't want to rely on voluntary work placements, that can be great, but ultimately people want paid employment.
2. Generate profit. 100% of our profits would be gift aided back into the parent charity. This would support the current work of the charity as funding streams are reducing, and also create a funding pot that we had autonomy over. If it's our own money we can help whoever walks in the door.
3. There was an element of environmental targets as well. We do a lot of work with The Eden Project. And entering into an industry that was rich in the locality meant that if somebody didn't stay with us there would be a realistic opportunity for them to gain employment outside of our social enterprise.

*Our charity had a construction project so we decided to look at something in that field. We asked a lot of housing associations if they had any shortfalls in their maintenance arenas. They all said they had a problem with void cleaning (empty properties that need to be brought back up to scratch). They felt they were being overcharged and receiving a poor quality service. So that seemed a good starting point. We set up a cleaning business and expanded it to maintenance services. Now we also supply labour workforce to construction sites as well.*

*This is only our third full year of trading but we have been profitable since last year. We were able to put back into the charity about £90,000. We're getting there with stability.*

#### **Interview with Steve Weymouth**

# 8 DIFFERENT MODELS

## 8.1 Spin-outs or independent?

**Social enterprises supporting homeless people are set up in one of three ways: either as an independent social enterprise started from scratch, as a spin-out from a larger charity, or as a new franchise or affiliate of an existing network.**

Interestingly there was a very even split between those social enterprises that had been set up independently, and those that had spun out of a larger charity, or other organisation:

- 44% were spin outs
- 37% were independent
- 19% belonged to an affiliated network (Emmaus)

Although there is considerable diversity amongst both spin-outs and independent social enterprises there are some features that can be picked out about the two groups.

Stand-alone social enterprises are less likely to work with most vulnerable groups (those facing 2 or more barriers). Spin-outs are most likely to work with the most vulnerable. This perhaps reflects the higher level of support that is needed to work with the most vulnerable individuals, and the subsidy that most social enterprises working with those groups require. Charities that are funded to work with the most excluded groups can subsidise a social enterprise as one means of achieving their social objectives. This is the model adopted by Crisis with their Skylight Cafes, for example.

*"From the outside Crisis Skylight in Newcastle looks and runs exactly like a commercial cafe. As well as running the cafe we tutor people to get back into work, teaching them front house skills and kitchen skills. Trainees are referred from hostels and rehab centres. It is supported by Crisis. We run with an operating loss but we offset that against the 50 trainees that we've had. It has taken approx £130,000 to run the café in 2011/12 and we've brought in about £60,000."*

**Christine McDermott, Cafe manager,  
Crisis Skylight Newcastle**

Another difference is that independent social enterprises get more income from trading with the general public while spin-outs get more income from public sector contracts paying for social outcomes. This may reflect different ideological starting points. Traditional charities are used to being paid to deliver social outcomes, most social enterprises start up on the basis that they want to be a sustainable trading business which trades for the purpose of delivering social outcomes. It may also reflect the nature of public sector tendering which tends to favour large organisations over small, and therefore it is more likely that large established organisations are able to win public sector contracts for social outcomes to deliver, in part, through their social enterprise arms.

There is no generic difference in terms of social impact between the stand alone social enterprises and the spin-outs. Both claim to average approximately 20% of their beneficiaries moving on into jobs.

The benefits of being a spin-out can really be seen in three areas:

- Additional capacity, both support for beneficiaries and back office
- More likely to be plugged in to a wider network of support services
- Greater financial security

Secure grant income can enable a social enterprise to improve its social performance without the restrictions imposed by commercial reliability, as can be seen from the example of Crisis Skylight café. Commercially it ran at a loss of £60,000, however working with those in hostel accommodation and with fairly chaotic lives they managed to get 24 of their 50 beneficiaries into employment. This model is also closely tied into the wider services offered by Crisis resulting in a comprehensive and seamless package of support. So the social enterprise is run at a loss because it is seen as part of the parent charity's wider mission and /or it allows other parts of the parent organisation to generate profit.

## 8.2 Paid Employment or Voluntary Placements?

*"Our aspiration is to pay everybody but the business model will only sustain a certain amount of paid employees and actually the business only needs a certain amount of paid employees."*  
**Jon Cox, Two Saints Housing**

We have seen the impact that the sector as a whole is having, both social and economic. But not all these social enterprises are equally successful. There are many different factors which contribute to making a social enterprise effective at supporting homeless people into employment, and many that contribute to making it financially sustainable. We shall explore these further in section 9. However within the diversity of social enterprises working in this field there are essentially two competing models; those that employ homeless people and those which offer voluntary work placements. This section explores the pros and cons of each model and its contribution towards social impact and financial viability.

Because of the large proportion of the total respondents representing an Emmaus community we have looked at the data for this with Emmaus represented as one model, rather than 9 separate ones.

So from a total response set of 45 the social enterprises engaged with homeless people in the following way:

Full time employees	As part-time employees	As volunteers	As participants on training courses
44%	40%	87%	71%

Most of the social enterprises interviewed do, or aspire to, employ their beneficiaries. However some are purposely running a volunteer model.

## 8.2.1 Employment Model

Most of those that are employing people have moved towards employing those who are nearer to the jobs market. The social enterprise is providing a final, but vital, step on the ladder from multiply excluded to socially included. Other organisations (or parts of the same organisation) provide the earlier steps so that beneficiaries are relatively stable and able to cope with full time work.

*“Around half our staff have disadvantages, and maybe half of those again will have complex needs. We wanted to try being a business that offers opportunities to people in the community, particularly those who are disadvantaged, but we don’t see ourselves as part of the social care sector.”*

**Owen Jarvis, Aspire Foundation**

Perhaps unsurprisingly a paid workforce was seen as more productive, and there were clear expectations on both sides as to what was expected in terms of work compared to a volunteer model.

Most of the social enterprises that offer employment also offer voluntary placements of some sort (88%). This provides opportunities for more people than could be supported on a paid basis, and importantly can provide a stepped route into employment with significantly less risk to either the social enterprise or the individual.

## 8.2.2 Volunteer Model

*"The one thing that's a drain on our resources is that our enterprises are entirely staffed by our trainees and when the trainees are at a point where they're doing really well they leave. The core of our teams are people who have been with us for a few months."*

**Jane Harris, Aspire Oxford**

Those social enterprises running a volunteer based model have a little more capacity to support people further from the jobs market, but they were still more reliant on grant funding than those using an employment model. Interestingly they also provided fewer voluntary placements, on average, compared with those social enterprises offering both employed and voluntary positions.

Several organisations running a volunteer model had employed ex-beneficiaries as members of staff. This produced mixed results.

### **Positive**

- Acted as a role model for current beneficiaries
- Understood where the beneficiaries were coming from

### **Negative:**

- Generally more support needed than a 'regular' member of staff

Although most of the social enterprises interviewed felt that volunteer placements were an important part of what they could offer, most also aspired to offer employment opportunities as well.

## 8.2.3 Advantages and disadvantages of the two models

There are advantages and disadvantages to each model, both for the beneficiaries and also for the business.

	Volunteer Model	Paid Employment Model
<b>Pros for the beneficiary</b>	<ul style="list-style-type: none"> <li>• Less pressure on vulnerable person</li> <li>• Not everyone is ready for paid employment</li> <li>• Allows a gradual integration into the work place</li> <li>• No risk to volunteer losing benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Confidence boost for beneficiary</li> <li>• Genuine record of employment</li> <li>• Real employment experience</li> </ul>
<b>Pros for the business</b>	<ul style="list-style-type: none"> <li>• Business can sustain more voluntary work placements than paid positions</li> </ul>	<ul style="list-style-type: none"> <li>• Staff have more control over reliability of workforce</li> <li>• Can ask more / expect more of an employee</li> <li>• More reliable when offering a service</li> </ul>
<b>Cons for the beneficiary</b>	<ul style="list-style-type: none"> <li>• No record of employment</li> <li>• Lower expectations on an individual can reduce the rate of development</li> </ul>	<ul style="list-style-type: none"> <li>• Most external support stops once someone enters employment (when they most need it)</li> <li>• Minimum wage can leave some people worse off than on benefits</li> </ul>
<b>Cons for the business</b>	<ul style="list-style-type: none"> <li>• High levels of supervision and support</li> <li>• Less reliable than paid staff</li> </ul>	<ul style="list-style-type: none"> <li>• Employees from a vulnerable background have far higher support needs than other staff</li> <li>• Higher cost base to cover</li> </ul>

Christine Baby from First Fruit sums it up like this:

*“Voluntary is very difficult to manage. Every day you get call saying, “I can’t come in.” That makes running the business really stressful. When you’re working with paid contracts, there’s a legal structure to deal with it so it’s much easier. But there are benefits to anyone coming in to First Fruit. They come with low motivation and low expectation and it’s those things your have to crack. It doesn’t matter if they’re volunteers or paid employees - it’s the quality time you’re about to spend with them that matters.”*

## 8.2.4 Financial sustainability of the two models

**There was no significant difference in profitability depending on whether the social enterprise engaged with homeless people through an employment or voluntary model, but the largest losses were made by those employing homeless people full time. Unsurprisingly, given their additional wage bills, organisations offering full time employment tended to be larger.**

- Those organisations offering full time employment to beneficiaries had an average turnover of more than £300K. 63% of those organisations turnover more than 250K.
- Those organisations not offering paid employment opportunities had an average turnover of less than £170K. 62% of those organisations turnover less than £250K

## 8.2.5 Social impact of the two models

Analysing the relative social impact of the employment and voluntary models suggests that the employment model is more effective at supporting homeless people into employment, with the exception of Aspire Oxford which is one of the most socially successful social enterprises in this sector by any measure. Excluding Aspire Oxford from the data the analysis shows that using the employment model more beneficiaries are supported, fewer beneficiaries showed no improvement, and a greater percentage gained qualifications and left for jobs.

	Number of respondents	Total Vulnerable Beneficiaries	Average beneficiaries	No improvement	Gained a qualification	paid employment	Left for job
Employment Model	20	901	45	96	306	438	172
				11%	34%	49%	19%
Voluntary Model (excluding Aspire Oxford)	17	598	35	105	87	0	54
				18%	15%	0%	9%

However all but two of the social enterprises that offered paid employment to homeless people also offered voluntary work placements as well. This was seen as an important option for people who may not be ready to take on paid employment, and in many cases as a way of testing a beneficiary's commitment and ability to cope with work. It is far better for the beneficiary to realise that they're not ready for work before they leave the safety net of benefits behind.

Jill Threfall at Helping Hand in Blackpool put it like this:

*"We provide both employment and voluntary opportunities because it's important to give people options. Lots of people come to us with a life controlling issue. Not everyone is ready for paid employment and a voluntary work placement is a stepping stone. It's an opportunity for us to get to know each other, and it's an opportunity for people to contribute to something which helps to build confidence and self esteem. Voluntary work placements are an important part of what we offer."*

Aspire Oxford demonstrate that it is possible to be extremely successful at helping vulnerable people into mainstream employment using only the voluntary placement model. Their volunteers are referred to as trainees and have a very structured programme of work experience, training and support. They were able to support 200 people last year of whom 78 went on to get mainstream employment. However as Jane Harris at Aspire Oxford says:

*"The reason we don't have more paid people on our books is because we can't afford it. We want to develop more paid positions, however it's always important to keep in mind that if people get pushed into paid work too quickly it can fall apart."*

The ideal social enterprise model for supporting multiply excluded people into employment would therefore combine voluntary work placements and paid employment, linking seamlessly with support services before, during and after a beneficiaries involvement with the project.

## 8.2.6 Legal Implications of voluntary placements

Although voluntary work placements are a common model there are some legal grey areas which social enterprises need to be aware of. There are circumstances in which a volunteer can claim to be working under a contract and therefore entitled to be treated as an employee, including an entitlement to be paid National Minimum Wage (NMW).

There is useful advice on this topic available from Volunteering England<sup>33</sup> and from Business Link.<sup>34</sup> Essentially a contract can be deemed to be in place if there is;

- any obligation on the part of the volunteer to work particular hours, or
- any payment (cash or in kind) that is above and beyond out-of-pocket expenses. This can include
  - **any training beyond that which will help a volunteer to do their work more effectively**

The training element has particular implications for this model. Business Link report that:

*The following examples of training would not be considered a benefit in kind for NMW purposes:*

- *training necessary to perform the duties of the voluntary worker*
- *training for the sole or main purpose of improving the voluntary worker's ability to do the work*
- *training necessarily acquired in the course of the voluntary worker*

However the example they give could well apply to some social enterprise models.

### Example scenario

Eileen works three shifts a week on the reception desk of a charity. In return she is receiving training on the charity's accounting and HR systems. She receives no other payments.

Eileen and the charity have entered into a relationship which is consistent with a contract. In return for the work she does, she is given training, which is not necessarily acquired in the course of her work or for the sole or main purpose of improving her ability to perform her work.

This indicates that Eileen is a worker for NMW purposes. Even though Eileen works for a charity, the voluntary worker exemption does not apply to Eileen because she is in receipt of training in excess of that allowed by the exemption. Eileen is entitled to the NMW.

If Eileen needed to use such training in her job, for instance if she was undertaking HR or accounting tasks using the systems she had been trained in, then Eileen's training would be considered as improving her ability to do her work, and the voluntary worker exemption would apply. In these circumstances, she would not qualify for the NMW.<sup>35</sup>

Those social enterprises using the volunteer placement model should probably seek legal advice to ensure they are operating on the right side of the law. In some instances models may need to be adapted to comply.

# 9 WHAT WORKS?

## 9 What works and what doesn't?

This section explores some of the key practical learning points from the research regarding the way in which social enterprises can be most effective in supporting adults with multiple needs into employment.

### 9.1 The journey from multiple exclusions to employment:

*"Aspire Oxford is vital. We're the only organisation doing this work in Oxford and there's a massive demand for our services. But we can't do our work without the excellent support of drug and alcohol agencies, hostels and housing providers, mental health services, probation services, family and children services. We're part of the jigsaw, but an important part. We're almost the last piece."*

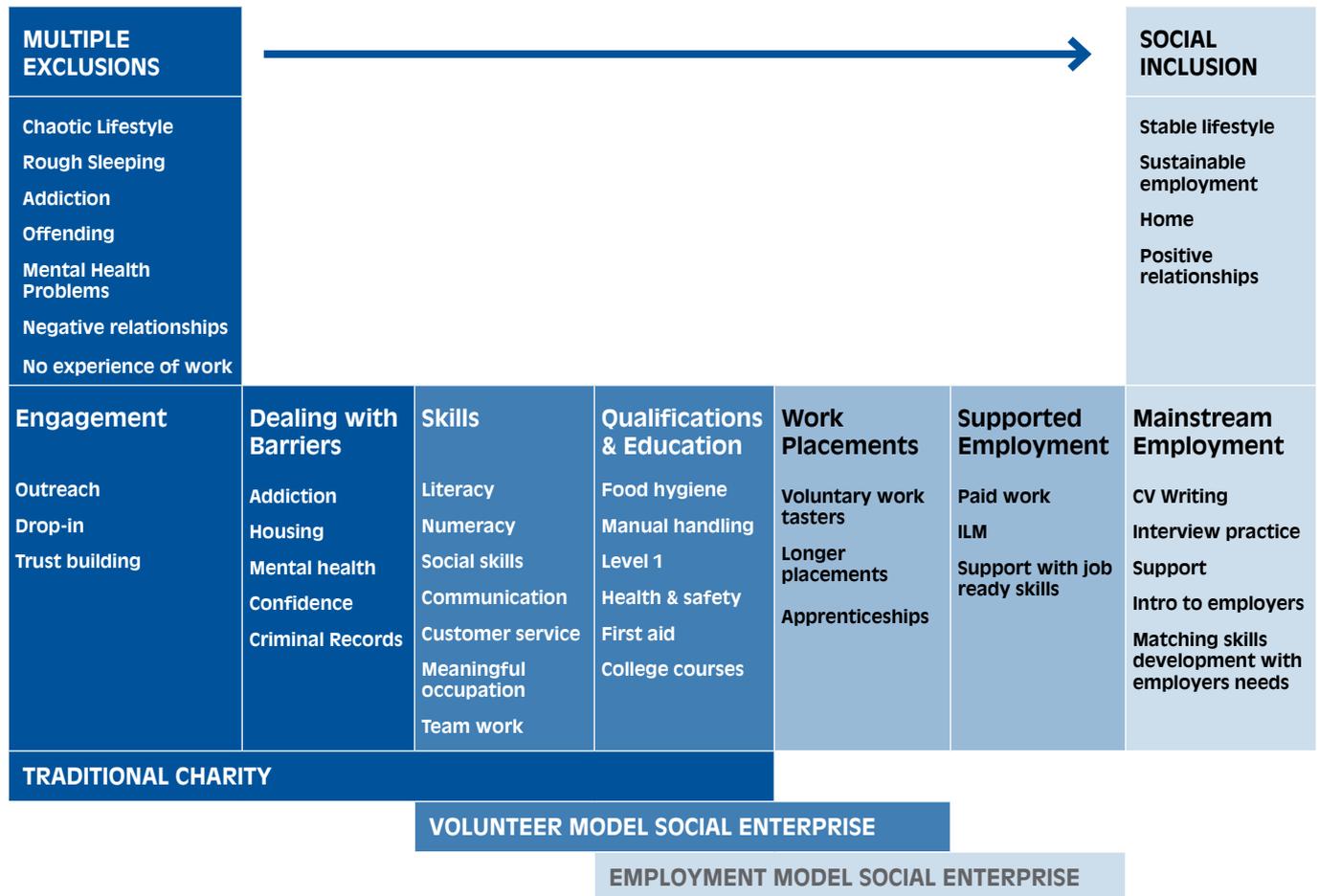
*Jane Harris, Aspire Oxford*

We can see from the research that there are parts of the journey from multiple exclusion to social inclusion that cannot be met through a social enterprise model; both because the demands of regular employment are inappropriate for individuals with severely chaotic lives, and because individuals with severely chaotic lives cannot form a profitable workforce.

However the research also shows that two different models of engaging with multiply excluded people can and do play an important part on that journey towards mainstream employment. One key to the success of those social enterprises, both socially and financially, is understanding where they fit on that journey, and not trying to play a role that should be met through alternative provision.

The diagram below summarises where the different social enterprise models can be, and are being, effective:

## 9.2 Diagram: The journey from multiple exclusions to employment:



## 9.3 Linking the 'rungs of the ladder'

*"A lot of the time, when someone has come through a range of services, once they are employed and housed those services generally stop. We have quite a high percentage of staff that had a drug or alcohol misuse problem, but all the support they were getting just dropped off because they'd become an 'outcome'. They've got through their drug problem so the funding stream stops. But actually that's probably the most critical point of somebody's life." Steve Weymouth, Shekinah Mission, Plymouth*

Most social enterprises report seeing improvement in the majority of the people they work with. In this research the average was 91% of beneficiaries reported as showing some improvement and only 9% showing no improvement. The problems often come, however, when beneficiaries move from the support of one organisation to another. It is these 'gaps' between agencies where most relapses occur. This is recognised in the Government's Social Justice Strategy:

*"Because a range of services is needed to tackle these complex issues there is a risk that people fall through gaps between different agencies – whether it be the local housing office, Jobcentre Plus or the local health service – with no single party responsible for making sure they are working together. And the problems they face can make it difficult for them to make those links themselves and access the support they need."<sup>36</sup>*

Research from MEAM<sup>37</sup> demonstrates that each organisation or service is more effective if there is one 'key worker' able to link each of them together, providing a point of continuity throughout the journey.

Where funding for key workers is not available social enterprises need to take particular care to at the 'entrance and exit points' of their organisation to ensure that beneficiaries are genuinely supported through these transitions. And it is at these points where true partnership working is essential.

The role social enterprises play in this is becoming even more important as funding restrictions are seeing significant reductions in the numbers of key workers for adults with multiple needs. The SNAP survey for HomelessLink found 53% of 134 projects have had to restrict key working and other support, including to highly vulnerable people with complex needs, as a result of reductions in their funding in 2011.<sup>38</sup>

It is also vital that social enterprises link with the right external support services for their beneficiaries while they are working with them. Only 5% of respondents said the main support for their beneficiaries was delivered by external agencies, 18% by a parent organisation and 78% by internal staff. This is quite a surprising result. Given that few social enterprises have the capacity to deliver specialist support on all areas (housing, addiction, behaviour issues, employment skills, job search etc.) it would seem that either:

- Beneficiaries are not getting the specialist the support they need, or
- Social enterprises are not recognising the support provided by other agencies

From my own experience, where social enterprises supporting homeless people are not sufficiently well 'plugged in' to the wider network of support available they can try to be a 'one-stop-shop' of support services. This leads to an unnecessary and unsustainable burden on the social enterprise while the beneficiaries do not receive the most appropriate support available.

## 9.4 Does being a social enterprise help win business?

**Whether being a social enterprise and employing excluded people is a commercial advantage or disadvantage depends upon who your primary customers are. Those selling products or services to housing associations, local authorities and large corporates with an eye for CSR, find it can open doors that would not be so easily opened by a regular SME. But it is less clear whether it is always a commercial advantage with the general public. For example Aspire Bristol find their social mission is an important selling point when selling their services to housing associations. However Crisis Skylight, a café open to the general public, are less convinced that their social mission helps them to achieve commercial success. All agree however that social mission alone will get you nowhere. The quality and the price have to be competitive to secure the deal and keep the custom.**

Steve Weymouth from Shekinah Plymouth says you can use your social objectives to get a foot in a door with housing associations, for example. "It's a selling technique. 'You need to have an audience with us because you have social aims yourself'. But then it's about delivering on the commercial side of it. I would never just try to win people over for charity. If we're not doing the work they'll let us go."

Owen Jarvis from Aspire Foundation agrees. "Your social mission will get you in the door, but it won't save your business if the quality's not there."

Not all social enterprises are taking full advantage of this competitive advantage however. Christina Baby from First Fruit admits "We haven't been very good at promoting our social objectives and I've identified that as a missed opportunity." And Jim Blakemore at Bikeworks has also identified this as an area for development. "It's something that as we're becoming more retail focused we know we need to convey the social enterprise message in a clearer fashion. A lot of people don't realise when they come into our shops. It's an area we're working on."

But the social enterprise tag is not always a help. "Sometimes it's been a hindrance being part of charity. Some people think we won't be as good as a normal commercial business. You have that barrier to get through. Ultimately people want the work done and they want value

for money."

Christine McDermott who runs Crisis Skylight in Newcastle also feels it's not necessarily a competitive advantage with the general public. "The London cafe push the social enterprise thing like mad. I don't. I keep it very low key. It's on the back of the menus saying you're in a social enterprise, but I'm running a cafe and charging the same prices as my competitors, I do dinners and functions - you expect the same service as you would if you went anywhere else. I don't want to say it's rubbish because it was a social enterprise - it can't be rubbish."

There is also a question about whether shouting about your social mission is the right thing to do for the sake of your beneficiaries. Jane Harris at Aspire Oxford, for example says, "we're trying to change the discourse around homeless and offending and addiction away from the language of suffering and poverty to a recognition of the skills, commitment, hard work and perseverance that it takes to overcome these things. The challenge is, how do we have a profile that acknowledges our needs as an organisation while not buying into the old myths and stereotypes?"

Whether or not the social mission of an organisation is a marketing asset or not depends on a number of factors, and ultimately each social enterprise needs to find the right balance for their business and their beneficiaries. But as a general guide it can be a very useful marketing tool when marketing to businesses, public or voluntary sector organisations, but can be a disadvantage when marketing goods and services to the general public. However a careful balance needs to be struck between trumpeting the positive social impact an organisation is having and exploiting the background of its beneficiaries to their detriment.

# 10 RECOMMENDATIONS

## 10 Recommendations for practitioners

There are many things we can learn from this research; from the journey the group of Aspire social enterprises has taken over the past 15 years, the responses to the survey and the in depth interviews. Some of the most crucial learning in relation to employing adults with multiple needs is summarised below.

### 10.1 Good planning

Research and planning are essential. Most social enterprises starting now are unlikely to be doing much that has not already been tried and tested by someone somewhere already, so find the businesses and social enterprises that are already doing it and learn from them. Important tips for good planning included:

- Get help and training
- Learn from those who are already doing it
- Think long term
- Start small but always plan for scale and sustainability
- Build in impact measurement from the start, regularly review social goals and attainment and adjust if necessary
- Be rigorous, be flexible
- Be prepared to evolve as you grow
- Get the right structures – legal and operational
- Identify and celebrate milestones
- Use SMART targets
- Be very clear with the mission statement
- Have a building that is “Fit for Purpose”
- Write a business plan to consolidate and clarify your thinking
- Regularly revisit your business plan to review progress and revise expectations

## 10.2 The right partners

**No social enterprise, even those embedded in a large charity, can offer specialist support for every issue faced by someone with multiple needs. It's vital to identify what part of the journey from multiple exclusion to social inclusion your social enterprise supports, then answer the following questions:**

- Who supports your beneficiaries before they join you?
- Who else supports your beneficiaries with problems they face when they're with you?
- Who supports your beneficiaries when they leave you?
- Who employs your beneficiaries when they leave you?

To ensure beneficiaries receive the support they need it is important to establish both good personal relationships and appropriate systems and procedures.

## 10.3 The right business

There is no one business that works in every situation. The 53 social enterprises that responded to the survey were operating in 21 different industries. There are some criteria that can help choose one that will work however:

- A financially sustainable core business model is crucial. Window cleaning has been successful for Aspire Bristol, Aspire Blackpool and Aspire Foundation.
- There needs to be a strong market for the product or service
- It helps to have some guaranteed trade before you start
- It should ideally allow for multiple, complimentary trading activities
- The business activity needs to appeal to your client base
- It needs to provide entry level, manual employment
- It should provide the opportunity for beneficiaries to acquire skills and qualifications
- It should prepare beneficiaries for unsupported jobs that exist in your area

- You need to have, or recruit people with, the right skills to run the business
- A franchise (commercial or social) may offer the best chance of a financially sustainable business model
- Low set-up costs often mean low margins and a lot of competition
- A mixed offer of employment and volunteer placements is most effective socially
- A range of income streams is also crucial; a balance of statutory funding, or payment for social impact, as well as a variety of trading income streams.
- Income streams that can generate larger, longer-term contracts allow for greater scale and sustainability. E.g. grounds maintenance contracts with housing associations for Aspire Bristol and Aspire Foundation.
- Trade with the general public is hard, and generally smaller scale.
- A business staffed almost entirely by beneficiaries is hard to manage. As soon as beneficiaries are productive they leave for mainstream employment. A skilled and reliable core staff team is important.
- Work experience is a vital rung on the ladder to mainstream employment. There aren't enough organisations providing that for people with multiple needs.
- There needs to be a range of work opportunities. Most needs to be entry level and low-skilled but there also need to be opportunities for personal development; to develop skills and qualifications.

## 10.4 Proper capitalisation

**Most businesses don't breakeven for the first 2-3 years. This can be substantially longer for social enterprises working with homeless people. It is vital that the business has enough cash in the bank (or guaranteed investment) to sustain it to that point. Even the most conservative business plan is usually optimistic. For example, vast amounts of management time were wasted at Aspire trying to secure sufficient investment to make it through the next cash-flow crisis.**

The right sort of start-up funding is also important. Grant funding played an important role in the establishment of every social enterprise in our research, but many only became sustainable once grant funding was withdrawn.

Social investment can be great too, but the terms need to reflect a realistic expectation of the businesses performance and the time it will take to pay it back.

Which brings us on to...

## 10.5 Realistic expectations

Optimism is a vital ingredient in getting a new social enterprise off the ground. Many social enterprises run on little else for the first few years. But an unshakeable belief that you can succeed needs to be tempered with some realistic expectations about how long this will take, and the resources and hard work you'll need to get there. Seventy percent of business start-ups fail in the first five years, and although research by New Philanthropy Capital suggests that the failure rate amongst social enterprises is 40% lower, realistic expectations at the start will help to ensure your social enterprise is one of the survivors.

### Ultimately success will:

- Take longer than you think
- Require more work-hours than you expect
- Be smaller (initially) than you planned
- Be less profitable than you thought
- Require more support than you'd hoped
- Demand tenacity, ingenuity, flexibility, and a refusal to believe anyone who says it can't be done

And yet the results can still be overwhelmingly worthwhile.



## 10.6 Financial Sustainability

**All social enterprises face a constant battle between business and social objectives. However, unless you have a reliable source of grant funding for them, a sustainable business is necessary to achieve any social objectives at all.**

Having a manager who is commercially focussed is vital. Almost all social enterprises start with a social mission, and a focus on the commercial targets requires a change in mindset for a lot of social entrepreneurs, particularly so if they're spinning out of a more traditional charity. Training in this area can be helpful. Sometimes buying in the right expertise is the best answer.

Also important is a focus on the quality and reliability of the commercial product or service. This is arguably even more important for a social enterprise than a mainstream SME because the expectation is often that in delivering social outcomes you cannot also deliver a high quality commercial service. And while good social impact might help you get an initial contract, only quality of service will help you keep it. Most customers are not really interested in your social objectives, and certainly not in comparison with your ability to deliver a quality service or product at a competitive price.

Being specific about the role your social enterprise plays in an individual's journey from multiple exclusion to social inclusion can help to understand the right balance of social and commercial needs. No social enterprise can be the answer to every problem for everyone. Clients / employees / volunteers who threaten the commercial viability of the social enterprise should be supported by an organisation more appropriate to their needs.

If the social enterprise is working with those furthest from the jobs market the business model also needs to function without the majority of beneficiaries present to allow for high levels of absenteeism, unproductive work time and staff time taken up by personal or social problems. You will also need to allow for higher levels of grant funding and are less likely to be able to trade with the public sector.

Diversifying income streams can help to smooth out seasonal variations in one particular industry. The more diverse income streams a social enterprise has the less it relies on grant funding. Another way to increase the chances of commercial viability is to run a commercial franchise for social benefit, where the commercial business

model is already proved. Once you have an established, sustainable business you can increase the social benefits it delivers.

The push for financial sustainability can lead to a focus on those closer to job-ready. This may be the most effective position for some social enterprises to adopt. However payment for social outputs can provide capacity to work with those with multiple barriers.

Current economic pressures are having an effect on viability and social impact. Some organisations that were employing people have had to scale back and adopt volunteer based models instead. (Aspire Sheffield and Aspire East London).

*"We've done social enterprise over the past 10 years. It's the past 3 years it's got hard." Christina Baby, First Fruit (Aspire East London)*

### In summary:

- Employ a manager who is commercially focussed
- Compete on quality of product or service, not on social value
- Be clear about the capability your beneficiaries need to have
- Beware of a model that relies on a productive workforce made up of vulnerable adults
- Look at franchise options to reduce the risk of failure
- Establish diverse income streams
- Grow your social benefits only when the business is sustainable
- Beware of the tension between social and financial goals

## 10.7 Don't rely on grant funding

Grant funding can play an important role in establishing new social enterprises. It can also be used effectively to buy specific pieces of equipment, or to pay for social costs that cannot be borne by the business itself. However it can also have a detrimental effect on a social enterprise. Grant funding can:

- Reduce the likelihood of a social enterprise reaching breakeven
- Distort the social and/or commercial focus of the enterprise
- Lead to the collapse of a good social enterprise when it is suddenly withdrawn

A social enterprise that relies on continued grant funding to operate is not sustainable unless that source of grant funding is sustainable.

## 10.8 Staffing and Governance

**The right core staff are hard to find. They need to have an absolute commitment to the social mission of the enterprise, be good managing difficult people, but also understand the commercial necessities.**

The most important member of staff is the social entrepreneur running the social enterprise. This may be the founder, it may be an appointed manager, but the single-most important factor in deciding the success or failure of a social enterprise is usually the qualities of the person running it. They need passion, enthusiasm, vision and strong commercial acumen.

There are high levels of burnout amongst managers of social enterprises in the homeless sector, so providing the right mentoring, support and safeguards are essential to long-term sustainability.

The rest of the staff team are also very important, of course. You need to have the right balance of skills and personalities, but importantly people with a can-do attitude who will roll their sleeves up and get stuck in where needed. Almost all social enterprises employing homeless people are small businesses and while carefully defined roles and responsibilities are helpful, sometimes the finance director might be needed to step in and clean the toilets.

There also needs to be a realistic ratio of core staff to beneficiaries. This will vary from business to business, but the stability of any one team will depend on a solid and reliable member of staff to anchor it.

A successful social enterprise also needs a strong board with the right balance of skills and experience and a remit to support, and where necessary, challenge the managing director. The right systems and procedures also need to be put in place, not just to ensure legal compliance, but also the effective long-term sustainability and growth of the enterprise.

Involving homelessness people themselves in the planning, design and management of the social enterprise can be extremely effective, but this needs to be done in a way that protects the enterprise, the staff and the homeless people themselves.

## 10.9 Support for beneficiaries

**It is a fine balance to be struck between being an employer and running a business on the one hand, and supporting vulnerable adults through a very difficult transition into mainstream employment on the other. Where that balance is struck depends to a large extent on how excluded the beneficiaries are, and how commercial the social enterprise. However being clear about this balance is important for beneficiaries, staff, and the sustainability of the social enterprise.**

The support structures for your beneficiaries should be designed, in partnership with other organisations, to provide as smooth a path as possible from multiple exclusion, through your social enterprise and into mainstream employment at the other end.

Not all vulnerable adults will want to engage with a social enterprise, and not all are capable of doing so straight away. So as already mentioned ensuring good links with partner organisations who can support those you can't is essential.

For those people who can benefit from employment opportunities even a regular voluntary commitment can be a huge step, never mind paid employment and all the pressures that brings. The support structures in place within (or alongside) your social enterprise need to recognise the enormity of this step. Intense, day-to-day support might be needed for a year or more.

Making sure there is sufficient support in place when an individual leaves your social enterprise is vital to the sustainability of your outcomes. Volunteer mentors can help to bridge this gap.

The right staff to beneficiary ratio is crucial to both stability and social impact. The higher the needs of the beneficiaries the more core staff you need in relation to beneficiaries.

There's sometimes a difficult balance to be struck in supporting beneficiaries to sustain their job / placement and getting drawn in to supporting outside of the work place. Strong links with external support agencies are essential.

Extreme behaviour and violence occur from time to time. They can't be tolerated for the sake of the other beneficiaries, the staff or the business.

## 10.10 Believe it can work!

**An unshakeable belief that a social enterprise employing homeless people can work is an essential ingredient to success. The precise model may change beyond all recognition from your original plans, but the core aim of providing employment through a sustainable business model should not.**

There are many examples now of successful, sustainable social enterprises that employ homeless people. The reality in almost every case, is that it's far harder and messier than the websites and press releases suggest. But many are surviving commercially and delivering impressive social outcomes. (51 social enterprises employing nearly 400 homeless people in our survey.)

It's a rollercoaster ride, but it is valuable work that provides an essential rung on the wobbly ladder from multiple exclusion to full time employment.

# 11 RECOMMENDATIONS

## 11 Recommendations to policy makers and intermediaries

**There are a number of interventions that could support this sector to be even more effective. These can be grouped under the following headings:**

made a rolling contract rather than requiring services to be reinvented every three years.

Government needs to ensure that the organisations who are actually getting multiply excluded people into work are the ones who get paid for it.

### 11.1 Social support:

**Research continues to show the need for 'key workers' who can support individuals between multiple service providers and into employment. Yet 53% of projects surveyed by Homeless Link have had to restrict key working and other support, including to highly vulnerable people with complex needs, as a result of reductions in their funding. The long-term financial savings as well as the social implications mean this should be reversed.**

This research supports the assertion that most services for vulnerable adults automatically stop when someone is employed. The first year in employment is one of the times when they will need most support. Services should be flexible enough to continue to support someone during that year and as long as necessary to sustain them in employment.

### 11.2 Reliable payment for social outputs:

**Government, local authorities and other funders need to recognise explicitly which parts of the journey from social exclusion to sustainable employment cannot be met through income from trade alone, then implement a reliable payment system to pay for the social outcomes instead.**

This payment needs to be accessible to organisations with turnover of only a few hundred thousand. If a grant or contract for social outputs is delivering results it should be

## 11.3 Public sector contracts for trade:

Public sector contracts for supplying trade services can provide important stability for WISEs employing homeless people. A greater use of Social Value clauses in public sector contracts, especially in the business areas covered by these social enterprises, would ensure more reliable commercial income. Particular areas where Social Value clauses should be included are:

- **Grounds maintenance**
- **Furniture reuse**
- **Catering**
- **Construction**
- **Building maintenance & repairs**
- **Painting & decorating**
- **Recycling**
- **Cleaning**
- **Window cleaning**

**Other actions by public bodies that could increase the number of commercial trade contracts going to WISEs include:**

- Break the contracts up into lots that are deliverable by social enterprises turning over less than £1 million.
- Hold meet the buyer events specifically targeted at work integration social enterprises
- Capacity build WISEs to tender for and deliver public sector contracts
- Link social justice and community regeneration strategies with procurement and include social value KPIs for procurement teams.

## 11.4 Business expertise and support

Social enterprises require specific business support that understands the inevitable tension between commercial and social objectives. This is reducing when it needs to be expanding. This should be reversed.

Commercial franchises present a potential opportunity for WISE's. They are tried and tested business models with 90% success rate for new franchisees. Research and investment to transfer this commercial success into the social enterprise sector would be valuable.

Facilitation or incentives to support the transfer of pro-bono support from the private sector into the social enterprise sector including:

- **Marketing and publicity**
- **Board members & mentors**
- **HR & Recruitment**

## 11.5 Partnerships

- Research repeatedly shows effective, joined up partnerships are essential in supporting adults with multiple needs into employment. However effective partnerships require financial incentives, facilitation and capacity.
- Housing associations are a source of stable income for a number of WISE's working with homeless people, but the potential of the sector is far greater. There are over 1200 housing associations in England and Wales but 69% spend less than £50,000 a year with any social enterprises. More work could be done to facilitate trading and partnership between housing associations and WISEs.
- Effective links with relevant local employers is crucial to supporting more disadvantaged people into employment, but most WISEs lack the capacity or connections to make the links they need. This is another area that could be further facilitated.

**This research has shown that without this support 250 social enterprises are saving the UK Government in the region of £66 million a year. Most of these interventions would cost little if anything to implement, and others simply require more targeted use of existing resources. The payback, both social and economic, should make them worthwhile.**

# 12 CONCLUSION

## 12 Conclusion

**This research set out to answer three simple questions:**

1. Can social enterprises support adults with multiple needs into employment?
2. Can they do so sustainably?
3. And if so, what is the best model for doing so?

The answer to the first question is that clearly they can. In fact around 250 of them are supporting around 7000 beneficiaries of whom nearly 3000 have multiple needs. In 2011 they supported over 700 adults with multiple needs into mainstream jobs.

The answer to the second question is less clear cut. They clearly can operate sustainably, and even though over half of the organisations had started in the past 2 years only 30% were making a loss. However there are clearly some social costs that cannot be borne by pure commercial trading activities and need some form of payment for social outputs to make them financially viable. However these social outputs are saving the UK Government around £66 million a year, so they are well worth paying for.

The answer to the third question is more complex still. There is no one business sector that provides guaranteed commercial success, although multiple income streams and long-term contracts with housing associations and public bodies provide stability. Spin-outs and independent social enterprises both have advantages, as does the franchise model of Emmaus communities. The best social enterprises (with one or two rare exceptions) provide a mixture of paid employment and voluntary work placements. They have a clear commercial product or service as well as a social one. But beneath the gloss of publicity all these social enterprises are struggling to balance their social and commercial goals.

Further support for this sector; reliable trade contracts, income for social outputs, and business advice and support should all pay dividends in helping make reality the Government's vision of work as the most sustainable route out of poverty, even for adults with multiple needs.

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