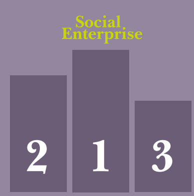
Putting the "Care" back into Social Care: The Social Enterprise Option

Kelly Hall (University of Birmingham), Janelle Kerlin and Meng Ye (Georgia State University)

New research has compared different ownership models that deliver social care services in England.

Social Enterprises have the **highest overall quality ratings** when compared with non-profits, government-run and for-profit organisations.

For-profits have the **lowest quality ratings** compared with non-profits, government-run and social enterprises.



Social Enterprises **perform better than for-profits** on staffing and turnover levels, and the same as non-profits.

Social care services in the UK and globally are reported to be facing a 'perfect storm' of financial and workforce pressures.

Spending on social care is falling and fewer people receive publicly funded services. There is a workforce crisis and recent reports suggest that around a quarter of care workers are set to leave their jobs due to poor pay and conditions. Moreover, over the last few decades, adult social care provision has shifted from being largely public sector to largely private sector leading to widespread concerns that profit is being prioritised over quality of care, especially when connected to staffing.

These last concerns are backed up by numerous studies across countries and time that demonstrate poor outcomes and quality of care in for-profits when compared with non-profit and public sector organisations (e.g. Bach-Mortensen and Montgomery, 2019). Better outcomes in non-profits include lower rates of abuse and in some cases mortality (Gupta, 2021). Research points to profit maximisation and a lack of reinvestment of 'excess' profit into the organisation as underlying factors in poor quality, particularly when tied to the distribution of profit to shareholders (O'Neill et al., 2003). On the other hand, some non-profit providers rely on volunteers and grant funding (e.g. Humphries et al. 2016), and so may lack the capacity to deliver social care at the scale needed to respond to growing demand, particularly for older people's homecare and residential care services.

The social enterprise model

There is however an alternative organisational model - the social enterprise. They are businesses with a social mission, where profit is largely reinvested back into the service, staff or community. There are an estimated 5000 social enterprises delivering social care services in England (SEUK 2021), but very little is known about them. Over the last two decades in the UK, there has been considerable policy investment in social enterprises, including to 'spin out' state health and social care services into social enterprises (Hall et al., 2012). The assumed benefits of social enterprises include their reinvestment of profit into the service (or other social mission) and strong engagement with staff and users (DH, 2008). Social enterprises can take a range of organisational forms, including the Community Interest Company (CIC), a type of limited company whose activities operate for the benefit of the community rather than for the benefit of the owners of the company[1]. The CIC is the only legal form specifically designated for social enterprise in the UK and was introduced in 2006.

1 A CIC can be established as a company limited by guarantee (a non-profit form) or by shares (a for-profit form) but must meet a number of criteria including: the satisfaction of a community interest test; a dividend cap; and an asset lock that ensures all CIC assets are retained for the benefit of the community and cannot be directed to members or shareholders.

How do social care social enterprises compare on quality?

Our recent research has compared CIC social enterprises in England with for-profit[2], non-profit and government ownership models in adult social care. It compared quality data collected by the regulator, the Care Quality Commission (CQC), for residential and homecare services for older people (2019 – 2021). The CQC assesses social care providers across six domains (safe, effective, caring, responsive, well-led and an overall rating) using a four-point scale (outstanding, good, requires improvement and inadequate). The CQC service quality rating is drawn from a variety of sources of information, including patient survey data and feedback, national and local regulator information, the NHS Friends and Family test and on-site inspections.

As Table 1 shows, the general pattern that emerged from our analysis was that CIC social enterprises, non-profits and government-run services tended to cluster together and have higher quality ratings than for-profit social care organisations across all domains. In terms of overall performance, social care CICs performed better than non-profits and government. They also performed better than non-profits and government on the specific domains of safe, caring and well-led, but less well on the effective and responsive domains. On the whole, our analysis suggests that CIC social enterprises may be delivering better quality outcomes than any other ownership model.

Table 1: Comparing ownership models in social care

Relative Rating	1 - Worst	2	3	4 - Best
Safe	FP	NPO	Gov	CIC
Effective	FP	CIC	Gov	≈ NPO
Caring	FP	NPO	≈ Gov	CIC
Well-led	FP	Gov	≈ NPO	CIC
Respoinsive	FP	CIC	Gov	NPO
Overall	FP	Gov	≈ NPO	CIC

FP: For-Profit
CIC: Community Interest Company Social Enterprise
Gov: Government-run
NPO: Non-Profit
| : Large gap in quality
≈ : Very similar quality

2 Excludes services run by individuals and partnerships.

So why might social enterprises perform better?

To understand why CIC social enterprises may be performing better on most criteria we drew on qualitative interview data collected from 56 stakeholders that included policy and practice representatives from the social care and social enterprise/ third sectors, as well as the leaders and staff from five social enterprises in the social care sector (also see Hall and Alexander, 2023). The qualitative data included analysis of all different forms of social enterprise, of which CICs are one type.

Profit reinvestment

Social enterprises are businesses that can (and should) make a profit. But unlike the for-profit sector, they are driven by a social mission into which profits are reinvested. Our interviews indicated that the vast majority of social enterprises reinvest all or most of their profit back into the organisation and its social mission. Some reported examples of profit reinvestment include:

- Setting up cafes and garden centres that are both financially sustainable and offer a safe social space for communities.
- Paying for staff training or a small staff bonus.
- Creating funding pots for staff to use to develop new services/ideas.
- Running user-led disability awareness events.

Therefore, commercial profits and even profit motives, in and of themselves, are not uniformly bad for organisations; however, the specific conditions under which they are generated and used are key. In the case of most social enterprises, interviewees indicate that profits are used to further the social mission, which for most social care social enterprises is the delivery of 'good' care.

Staffing and turnover

Research on for-profit ownership models in the care sector indicates that they can engage in cost-reducing activities that favour private investors (Kerlin et al, 2022). However, this often results in poor staffing and staff turnover levels, areas that are crucial for the sufficient provision of care. Social enterprises, on the other hand, may use profits to support and empower the staff they employ. Social enterprise services are also often co-designed and co-delivered with staff, service users and communities, which can help ensure that services meet the needs of the people who use them.

For example, one social enterprise we interviewed used some of their profit to create an innovation fund for staff (see Box 1).

Box 1 – An example of staff empowerment

"Using our own funds each quarter we make £5,000 available [directly] to any staff to support we call it the change and innovation fund…it's about improving things in [the organisation], it's improving colleagues' working, it's improving the lives of our service users. Some frontline staff have seen a new piece of equipment, [e.g.] a handheld scanner that would really make a difference and speed up what they do…we've had reminiscence rooms developed through it…we've had a sensory garden done recently at our day services for people with learning disabilities."

Quote from social enterprise staff

Our qualitative research suggests that people working in social enterprises feel valued, have autonomy to make decisions, are enthusiastic and care about their work making them much less likely to leave the sector. To explore this claim further, we used Skills for Care[3] data to compare staff turnover and staffing levels (see box 2) of care social enterprises (using CICs only) with non-profit, for-profit and government-run social care services.

Box 2: What are Turnover and Staffing Level?

Turnover – the number of people who leave the organisation and need replacing.

Staffing level – the number of staff per service user.

Our analysis (Table 2) suggests that government-run social care services perform best on both turnover and staffing level (i.e. they have the lowest staff turnover and the highest staffing levels). Turnover and staffing were very similar for CIC social enterprises and non-profits but they both performed considerably better than for-profits. For-profit social care services performed worst on both (i.e. they have the highest staff turnover and the lowest staffing levels).

Table 2: Comparing staff turnover

Relative Rating	1 - Worst	2	3	4 - Best
Staffing Level	FP	CIC ≈	NPO	Gov
Turnover	FP	CIC ≈	NPO	Gov

3 Skills for Care is the leading source of workforce intelligence for adult social care in England. We use data collected in their Adult Social Care Workforce Data Set (ASC-WDS).

Summary and implications

Our research suggests that commercial profits and even profit motives may not necessarily be bad for social care organisations. Indeed, CIC social enterprises that are profit-making organisations may be delivering better quality care overall than all other ownership models. Our research suggests that they are delivering better quality and staffing outcomes than for-profits, often by a wide margin suggesting that the organisational conditions under which profits are generated and used are key and can lead to very divergent performance outcomes. Social enterprises of this type may therefore be well placed to deliver higher quality care than for-profits and offer more sustainable business models than non-profits, especially as public grant income for non-profits is declining.

Several policy implications flow from our findings. First, our results suggest that government policy should support the development of new and existing social care CICs. This might include both funding and policy incentives. Second, they also suggest a path whereby more for-profit social care organisations are encouraged to invest some portion of profit to support better quality care, including through staffing. Third, there is lack of national data on care social enterprises, especially outside of CICs, and a gap around evidencing their outcomes that needs to be filled if the potential of social enterprises is to be fully understood. Social care administrative data collected by local and national government should recognise social enterprises and also include social value related outcomes.

Finally, a reminder that this data reflects the performance of CIC social enterprises at a specific point in time and is not necessarily reflective of the whole social enterprise social care sector. Further, our qualitative research also found that social enterprises are facing a number of challenges including: a lack of understanding about what they are among social care commissioners and funders; limited business and IT expertise, especially compared to the for-profit sector; and whilst they may provide added social value, they can be under-cut on price by large for-profits. We also need to recognise that a fine line can exist between social enterprises and for profits. Like social enterprises, some for-profits in the care sector reinvest their profits into socially-oriented projects (e.g. via corporate social responsibility) (Hall and Alexander, 2023). Additionally, the ability of social enterprises to deliver care at the scale required to meet demand is unknown.

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Project Webpage

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For more details on our research and findings, email:
k.j.hall@bham.ac.uk

University of Birmingham | NIHR School for Social Care Research | Georgia State University Andrew Young School of Policy Studies

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