

## Briefing Paper 43

### Approaches to measuring the scale of the social enterprise sector in the UK

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#### Introduction

As the scale of social enterprise activity appears to be increasing, and political attention remains focused upon social enterprises, there is interest in the size of the sector and the proportion of the national economy it may represent. **The UK is relatively unique in terms of the amount of investment by the government in measuring and mapping social enterprise. However, this investment has been in diverse and uncoordinated approaches which have led to an element of confusion rather than clarity.**

In this paper we explore the different measurement approaches that have been used in the UK in recent years. We do not redefine what is and is not a social enterprise as that is essentially a political exercise, whether carried out by governments or by practitioners. We present the range of data sources currently being used by researchers and policy makers and review their objectives, data sources, methodologies and reported outputs. The different surveys show that one in ten third sector organisations and one in twenty private sector organisations can be considered social enterprises but the scale of social enterprise depends on what definition is

taken and the types of legal form that are accepted as social enterprise.

#### The different data sources available

This paper examines the following key data sources in detail:

- IFF survey of Social Enterprises in 2005: Survey of 8,400 Companies Limited by Guarantee and Industrial and Provident Societies.
- Annual Small Business Survey 2005–7: Survey of between 8,640 and 9,362 private and not-for-profit small enterprises shows that 5 per cent of businesses meet social enterprise criteria. Of those with employees, 89 per cent are in private sector legal form, and only 11% adopt a not-for-profit legal form.
- National Survey of Third Sector Organisations 2009: Survey of 48,939 third sector organisations filtered to exclude some sectors, with questions at the end to identify social enterprises, similar to other survey questions.
- National Council for Voluntary Organisations Civil Society Almanac 2009: analysis of social enterprise activity defined as any trading activity in any part of the civil society, including in those

organisations that do not define themselves as social enterprises.

- Delta Economics Study of Hidden Social Enterprises: Survey of 2121 of 2–10 years

and under £200,000 turnover with questions on whether they ‘made a difference’. The term ‘social enterprise’ not used in survey.

**Table 1: Data sources presenting information on the scale of social enterprise**

| Data source  | Description  | Sample details  | No of orgs (000s) | T/O (£bns) | Empl (000s) | Comments                                 |
|--------------|--|---|-------------------|------------|-------------|--|
| IFF 2005     | > 25% income from trading and self defining                  | Only CLG and IPS                                      | 15                | 18         | 475         |  |
| ASBS narrow  | SE with employees >50% income from trading and self defining | Dominated by private, under representing third sector | 70                | 15.5       | 248         | Only 8,000 in a third sector legal form  |
| ASBS wide    | All enterprises meeting SE tests                             | As above  | 234               | 23.6       | 410         | Only 10,000 in a third sector legal form |
| NSTSO narrow | >50% income from trading and self defining                   | Third sector only                                     | 16                | 8.5        | 227         |  |
| NSTSO wide   | >50% income from trading but not self defining               | As above  | 21                | 10.7       | 272         | Not self defining                        |
| NCVO         | SE activity  | All civil society                                     |                   | 77         |             | Not self defining                        |
| Delta        | Businesses wanting to make a difference                      | Private, less than 2 years old with >£200K income     | 232               | 97         |             | Not self defining                        |

## Methodological challenges

The approaches used to identify social enterprises in the government sponsored surveys have been reasonably consistent. First, ‘technical criteria’ are used to identify social enterprises as organisations that derive a minimum proportion of their income through trading (either 25 per cent or 50 per cent), and distribute less than 50 per cent of profits to external shareholders. Respondents are then asked whether their organisation closely fits the definition of social enterprise originally produced by the Department of Trade and Industry (DTI) in 2002: ‘a business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community

rather than mainly being paid to shareholders and owners’.

The challenges include the following:

- Organisations excluded from the survey samples as they are not considered ‘social’ or part of the third sector. For example, some consider sports or cultural organisations as having social objectives, while others do not.
- Defining trading income, as it may be hard to distinguish government grants from contracts.
- Reliance on organisations self reporting whether they meet the criteria. Some organisations see a benefit in being

labelled a social enterprise, others may reject the term despite meeting the criteria.

- Organisations under the 50% trading income threshold may be excluded but they still consider themselves to be social enterprises.
- The potential for confusion when asking about how surpluses are used. The retention of more than 50 per cent of surplus in the organisation could include many businesses that are reinvesting for future growth.

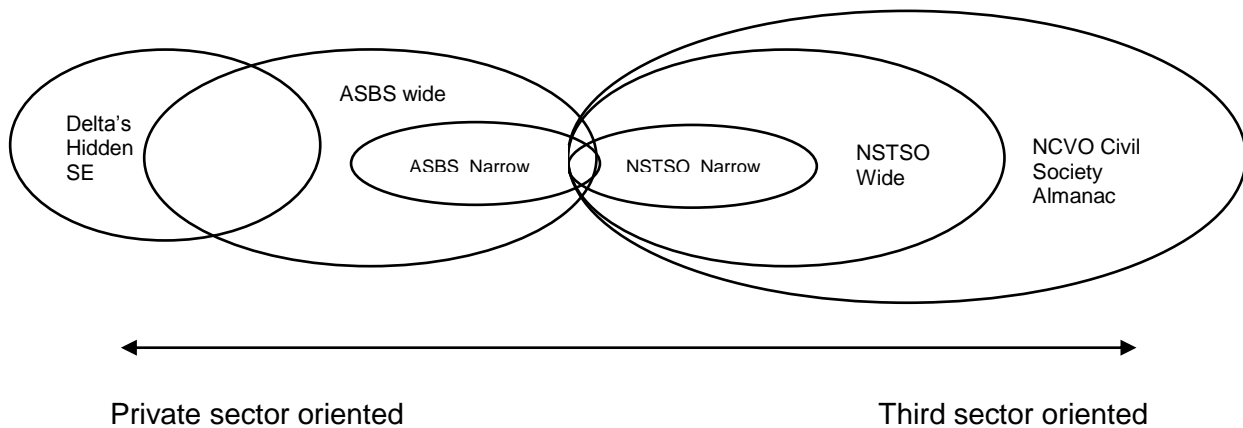
In the working paper we show that the main reason for the wide discrepancy in estimates of the social enterprise population is that each survey has a different sampling frame which prioritises different elements of the social enterprise spectrum. The social enterprise concept incorporates a range of organisations, from profit distributing social businesses to non-profit distributing charities. The ASBS surveys have focused primarily on the private

sector businesses, while the NSTSO has focused wholly on TSOs. For example the well quoted figures derived from the ASBS of 55,000 or 62,000 social enterprise predominately consists of private sector businesses, and under-reports organisations that have legal forms usually associated with the third sector. However, these figures are frequently quoted when associated with policies looking to support the third sector end of the social enterprise spectrum.

The data sources can be mapped against a social enterprise spectrum, with a continuum from the more philanthropic aspects of the third sector to the purely commercial aspects of the private sector (see Figure 1).

Each circle represents one of the surveys examined and demonstrates where there is overlap. It is particularly interesting to note that the Annual Small Business Survey has only a small overlap with the National Survey for Third Sector Organisations.

**Figure 1: The overlapping data sources on social enterprise.**



**Towards an estimate of the scale of social enterprise in the UK**

In the past it has not been possible to combine surveys due to the lack of knowledge of where there are overlaps. Through detailed examination of the different sampling frames and methodologies employed we are able to

show how the different data sources might be used to provide an estimation of the size of the sector, corresponding to different interpretations of the term social enterprise.

There are a number of options for those wanting to assess the number and scale of social enterprises and each one has its advantages and disadvantages. We do not

make recommendations for where the boundaries of social enterprise should be drawn but use these figures as illustrations of how the existing data can be used to approximate the size of the sector depending on the definition used. Different possible approaches are listed below:

1. Those with more than 50 per cent trading income, self defining as social enterprises and without the ability to distribute profit. The NSTSO would estimate this to be 16,000 organisations. This excludes all social enterprises with a private sector legal form and some CLGs that may have been excluded from that sample. The revised NSTSO in 2010 and 2011 may provide further details.
2. The 16,000 above combined with the 62,000 social enterprises with private sector legal forms and employees. This excludes those who meet the same tests but do not have employees. (The ASBS figure refers to those with more than 25 per cent trading income but analysis shows that only 4 per cent are excluded when looking at more than 50 per cent trading income which is within the 10 per cent tolerance/error margin limits.)
3. The above including the organisations identified by the Annual Small Business Survey without employees (at least 240,000 organisations).
4. All private legal form social enterprises (234,000) and civil society organisations with any trading activity, but not necessarily self defining as social enterprises (47,000 identified in NSTSO but likely to be under reported).
5. All civil society social enterprise activity identified by NCVO (£77.2 billion) combined with Delta's analysis of private enterprises 'making a difference' (£97 billion).

## Implications

This paper examined the range of different research approaches used in the UK to measure and map social enterprise. Each has taken a different approach, using different definitions and different sampling frames in order to examine slightly different elements.

The reasons to carry out surveys have been shown to vary with only one study (IFF, 2005) purely focused on social enterprise, but this survey had a very limited sampling frame. Other data has been gathered by piggybacking on other surveys, whether they are for small businesses, civil society/third sector or individual entrepreneurs.

*Given the methodological challenges, the diversity of approaches, the poor quality of data, and misinterpretation of findings, there are valid questions over whether measurement of social enterprise is a useful exercise, or rather a diversion from supporting social enterprise activity as a process wherever it may be found. However, there continues to be a demand for evidence from policy makers and some practitioners*

It is unlikely that a single survey can accurately sample both third and private sector companies. Future attempts at measurement should look to combine different surveys that use identical questions. This may require boosters to existing third sector or small business surveys. Where identical questions are used, more rigorous conclusions can be drawn. The results presented here show how the scale of social enterprise is dependent on which definitions are taken, and which organisations are sampled. Care needs to be taken by those using such data to be clear about what they are including or excluding in any estimations.

This paper is part of the Third Sector Research Centre – Briefing Paper Series see [www.tsrc.ac.uk](http://www.tsrc.ac.uk) for more details and a copy of the full Working Paper 43

*The support of the Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the programme of the joint ESRC, OCS Barrow Cadbury Third Sector Research Centre*