

## Briefing Paper 48

### Social enterprise and ethnic minorities

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As a mainstream policy construct operating across a number of policy spheres, social enterprise is seen to offer possibilities for social inclusion, engagement and active citizenship to a full range of social groups and actors including migrants and ethnic minorities. Despite the dominant 'boosterist' view of social enterprise within recent policy development, evidence to support current policy agendas remains weakly developed. This lack of research and understanding of this sector is somewhat surprising given that social enterprise and the third sector more generally were targeted by successive New Labour Governments from 1997 to 2010 (DTI, 2002; Kendall, 2009; Afridi and Warmington, 2009; Sepulveda, 2009); a trend which appears set to continue through the notion of the 'Big Society' which has been put at the heart of social policy development under the Conservative-Liberal Democrat coalition government. In the particular case of ethnic minority populations, very little is known about the extent and nature of their involvement with social enterprise activity.

The aim of this paper is to shed light on the nature and extent of migrants and ethnic minority involvement in social enterprise activity and the policy issues this raises. The first part of this paper examines the notion of social enterprise and its relevance to contemporary social processes affecting ethnic

minority populations in the UK.<sup>1</sup> The paper then moves on to present original empirical evidence related to current patterns of minority related social enterprise activity within the East London Olympics boroughs. The paper concludes by addressing some key factors that enable and constrain the development of ethnic minority social enterprise and their implications for policy development.

How has it happened that social enterprise has come to be viewed as something of a universal panacea, uncritically endorsed across the political spectrum? Typically social enterprise activity has emerged as a response to market and state failure, addressing the needs of vulnerable individuals and communities through the provision of innovative goods and services otherwise denied by private and public sectors (Amin et al., 2002; Borzaga and Defourny, 2001; Defourny and Nyssens, 2006; Peattie and Morley, 2008). The transfer of these experiences into the policy agenda has led to a view that social enterprises have a positive contribution to make not only in the regeneration of deprived areas and the combating of exclusion through the creation of enterprise and employment opportunities (HM Treasury, 1999), but also in 'helping to drive up productivity and competitiveness' and reforming welfare and public services' (DTI, 2002: 19).

The lack of solid evidence supporting the development of social enterprise activity is significant not only because the construct needs to be legitimised in the eyes of the public in order to justify the allocation of public resources to this sector, but also because the transfer of front-line public services to social enterprise and other hybrid organisations appears set to continue without knowing whether this will achieve the intended outcomes. In such a situation, the opportunity cost of social enterprise failure is likely to be extremely high. These more generalised dangers of a policy-led process supportive of social enterprise as a means of achieving an array of objectives on the basis of limited and contested evidence raises specific questions as to its likely impact upon migrants and ethnic minorities. In this respect the extent to which social enterprise can provide a positive means for pursuing strategies of engagement, cohesion and economic inclusion for ethnic minority groups requires critical investigation. Beneath the rhetoric, the fear remains that the consequences of current policy directions are as likely to reproduce existing processes of marginalisation and exclusion for ethnic minority populations, as they are to transform them.

Research on ethnic minority social enterprise in the UK has only recently begun to emerge (GEO, 2008; OLMEC, 2007; SEC, 2009; Voice East Midlands, 2004) despite the increasing prominence of social enterprise on the policy agenda for over a decade. This relative lack of research raises a number of questions. Are migrants and minority ethnic populations more or less socially entrepreneurial than their 'white' counterparts? Is BME (Black Minority Ethnic) social entrepreneurial activity less visible, operating largely 'below the radar', and/or relatively less important than other BME activities or organisations? Or is the notion of social enterprise itself problematic, often being unknown or mistrusted by the BME sector? Given the accusation from some, that the

social enterprise movement is a largely 'white middle-class' affair that has failed to tap into the activity of non-white migrant and minority ethnic populations (*The Sunday Times*, 16 April 2009), there is a need to begin to answer these questions on the basis of robust evidence.

The evidence base that does exist has largely resulted from the needs of the policy-led development of the social enterprise agenda and consequently demonstrates a number of limitations<sup>2</sup> (Delta Economics, 2008; GEO, 2008; SEC, 2009). However, interestingly, one main message emerging from this research is that the participation of ethnic minorities in social enterprise is not only growing but also that they are more likely to become engaged in social entrepreneurial activities than are the white population.

On the basis of this past and existing activity, social enterprise activity within migrant and ethnic groups provides a means for taking forward a number of these positive roles. First, it provides a means for meeting the particular needs of these communities across a range of services and products. Second it offers a basis for self-help, entrepreneurial activity and organisational forms that can contribute to the development of economic inclusion and employment generation as well as to improvements in the local environment. Finally, in terms of mutual support, social enterprise appears able to provide a further means of developing social capital and networks within minority communities useful for the pursuit of a range of social, political and economic objectives. Yet the current move to develop or reclassify this activity in the form of a particular vision of 'social enterprise' has been largely driven by the policy agenda rather than wider economic or social forces and their interaction with particular minority communities. This is most notably the case within BME voluntary and community sector organisations where the shift towards an emphasis upon trading activity

relative to grant funding has been growing and where the role of SEs in public service delivery is being most actively pursued.

The policy-driven nature of the current process is important for a number of reasons. First, as has been demonstrated across a range of policy areas over a number of years, BME organisations and enterprises face particular barriers to developing their activities which equally pertain to the development of social enterprise. Second, ethnic minority communities are frequently only weakly engaged with the policy process and poorly served in terms of policy delivery often demonstrating unequal access to mainstream support infrastructures. Social Enterprise Coalition's (SEC) BAME (Black, Asian and Minority Ethnic) Social Enterprise Strategy recognises that to better support the development of the sector: 'requires greater engagement between BAME social enterprises, the [social enterprise] movement, and support providers' (SEC, 2009: 11). A major danger is that BAME social enterprises will be unable to gain equitable access to public service and private supply contracts through competitive commissioning and procurement processes if they are not 'contract-ready' in terms of having the expected level of management, financial and operational processes and procedures in place. Finally, this policy agenda imposes a particular and constrained vision of the social economy rooted within a neo-liberal inspired business-oriented development model. Thus, rather than building social economy practices upwards from existing BME activity, the current agenda is pushing an externally developed conception. Not surprisingly, this is contested by many third sector interests who view the process as a means to reduce funding to migrant and ethnic based organisations and force them into delivering commercial service level contracts at the expense of developing their own independent agendas, whilst also

reducing the level and quality of public service provision.

The full Working Paper undertook research and presented evidence of a sizeable and growing ethnic minority social enterprise sector within London generally and East London in particular.<sup>3</sup> Wider and more comprehensive mapping exercises are, however, still required to assess accurately the scale and nature of the ethnic minority social enterprise sector. Yet it is also apparent that the developing contours of this sector and the processes driving its development remain only partially understood. One important issue is that the social enterprise label has not been embraced by the BME sector which indicates a degree of suspicion between this sector and the social enterprise movement and related policy agenda. What is evident is that although the ethnic minority third sector is moving towards greater involvement in trading activity and hence increasingly demonstrates the characteristics of social enterprises, this is largely the result of push factors from wider government policy in relation to reduced grant funding for VCOs, and there remains only limited engagement with the social enterprise sector and related policy mechanisms. **In this respect ethnic minorities are currently far from being 'at the core of the social enterprise movement's work' as suggested by the SEC (2009) BAME social enterprise strategy. The case of the failure to engage with the BME social enterprise sector in East London in the run-up to the 2012 Olympics provides a clear demonstration of the enduring gap between policy rhetoric and concrete practical achievement.**

To develop an enhanced understanding of ethnic minority social enterprises also requires an examination of difficult and complex definitional issues. The central constructs of 'ethnicity' and 'social enterprise' are both of themselves highly contested notions. Debates related to these concepts are rooted in wider

processes of change relating to population diversity and its implications for notions of identity and citizenship, and the relationships between private, public and third sectors within contemporary capitalist societies. Critically these issues of definition are not just technical questions related to the measuring and mapping of the sector. The manner in which ethnic minority social enterprise activity is defined and theorised has important consequences for the nature of its incorporation into the political process. Currently social enterprise as a policy construct, initiated under New Labour and now taken forward within the notion of the Big Society of the Conservative-Liberal Democrat coalition, has been in practice reduced to a narrow arena for action focused upon the delivery of public services within which the scope for participation by small scale BME organisations is highly restricted.

How migrants and BME organisations relate to these changes within the wider policy shift from multiculturalism to community cohesion is also of critical importance. The shifting policy discourse is requiring migrant and BME associations to adopt approaches that focus less upon the difference between ethnic groups and more upon working across diverse communities. 'Ethnicity' as an official form of identity for BME groups is one main casualty of this process. Opportunities for securing resources and gaining economies of scale via collaboration and partnership working among organisations with different 'ethnic' or 'national' anchorages are evident as a result of this shift and given other observed trends e.g. fierce competition and processes of merger and acquisition within the third sector and social enterprise movement. However, there are also major challenges involved in having to

negotiate often embedded forms of identities to facilitate such collaboration among BME organisations. How they adjust to or contest the new policy imperatives is an ongoing process. What is apparent is that this change provides strong threats to the working of many existing migrant and BME organisations, but also opportunities for others to move beyond the confines of past agendas that have often required minorities to define themselves in ethnic terms, and pursue the social needs of a wider group of minority populations and social groups. Clearly the contested nature of this process will have important social and political implications for the development of related social enterprise activity.

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<sup>1</sup> The focus of this study was the so-called 'visible ethnic minorities'. 'Less visible minorities' such as white minority groups (e.g. migrants from East Europe or native white-British population living within predominantly non-white areas), were not included in this research.

<sup>2</sup> The sample sizes and methodologies used within research undertaken on this subject to date means it is not possible to draw reliable conclusions as to the extent of ethnic related social enterprise activity. The mapping of minority ethnic social enterprises in London carried out by OLMEC (2007: 3) relied almost entirely on referrals from known 'mainstream' organisations, which significantly restricts the representativeness of the sample. The report does not disclose the total figure of referrals and the response rate, although the latter is regarded as 'disappointingly low' by its authors. Research by Voice East Midlands (2004) produced a most robust dataset on the basis on multiple sources and snowballing techniques, but only 35 social enterprises out of the 1,100 questionnaires distributed completed the postal survey carried out (3.2 per cent response rate).

<sup>3</sup> A total of 200 interviews with BME organisations from the five Olympics boroughs (Greenwich; Hackney; Newham; Tower Hamlets and Waltham Forest) were conducted.