

## Briefing Paper 97

# International insights into job creation in the social economy

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The last decade has seen considerable policy attention paid to the social economy, particularly as regards its contribution to employment. Much of the existing literature claims that social economy organisations (SEOs) empower vulnerable workers, support decent working conditions and foster democratic participation. But although there has been growing interest in SEOs as employment providers, relatively little is known about the quality of the jobs they create. The OECD commissioned TSRC to analyse data from a large international survey of SEOs.<sup>1</sup>

This briefing paper reports on the findings of this survey regarding three key themes: the contribution of SEOs to employment and job creation; the role they play in working with vulnerable groups; and the quality of employment they are able to provide.

The term 'social economy' is not widely used in the UK, but is broadly comparable with the third sector and includes social enterprises, cooperatives and associations. The study covered 655 organisations across 14 territories in eight countries. The SEOs in the survey were involved in a wide range of activities, but overall the most important sectors were social assistance services, education and training services, work

integration, and culture and recreation. The major sources of income amongst the SEOs in the study were sales of goods and services, and subsidies. Government funding – income from public contracts and subsidies combined – accounted for almost half (46%) of total income. While the data do not tell us about the whole of the social economy in the countries included, they provide valuable evidence about the experiences of the SEOs surveyed in relation to employment.

Although SEOs make a significant contribution to employment, jobs in the social economy are often precarious and low paid. Drawing upon data from the survey and our wider knowledge of employment in the social economy, we outline how policy makers might enhance the role of the social economy in providing quality employment for disadvantaged workers.

### The contribution of SEOs to employment and job creation

In total 47,268 FTE jobs were provided by the responding SEOs, which equates to an average of 72.4 FTE jobs per organisation. However, there was considerable variation between organisations, with the largest ten employers providing 45.6% (21,560) of all FTE jobs. For example, in Bourgogne, one SEO provided 7,000 jobs while another provided only half a day's employment a week for one person. Half of the organisations in the survey provided 10 or fewer jobs. This

<sup>1</sup> The full report is available at:  
[http://www.oecd.org/cfe/leed/130228\\_Job%20Creation%20through%20the%20Social%20Economy%20and%20Social%20Entrepreneurship\\_RC\\_FINALBIS.pdf](http://www.oecd.org/cfe/leed/130228_Job%20Creation%20through%20the%20Social%20Economy%20and%20Social%20Entrepreneurship_RC_FINALBIS.pdf)

skewed distribution is largely as would be expected given what is known about the size distribution of SEOs more generally.

With regard to job creation, 42% of organisations increased their number of paid employees during 2011, 11% decreased them and 46% maintained stable levels of employment. Whilst we cannot generalise from these data, it is interesting to note that in each territory, more of the SEOs increased employment levels than decreased them. However, the data don't include any organisations that went out of business during the year, therefore this picture of a generally positive trend in terms of employment creation needs to be treated with caution. In terms of the number of jobs created, half of the organisations that did increase employment created two or fewer new jobs. Again, a small proportion of organisations provided the majority of the jobs created.

Conditions in the wider economy were often cited as reasons for changing employment levels (both up and down). This highlights the important influence that external factors beyond the control of individual organisations – and indeed beyond the social economy itself – have on SEOs.

### Work with vulnerable groups

Over three quarters of the SEOs in the study were involved with vulnerable groups in some way. These vulnerable groups might include for instance individuals who are physically or mentally disabled, lone parents, people from an ethnic minority, people with drug or alcohol dependencies, or the long-term unemployed. However, the nature of organisations' involvement with these groups differed: some were involved in providing training opportunities and supporting vulnerable people to find employment; some provided stable employment opportunities to people from vulnerable groups; and others provided support to vulnerable groups. The representation of these different types of involvement within the data set was relatively even.

Once again, the majority of jobs for vulnerable individuals were provided by a relatively small number of large SEOs. The 139 employment provider SEOs that answered the relevant question provided an average of 32.7 jobs per organisation, but half of these SEOs employed four or fewer vulnerable individuals at the end of 2011. A total of 47 employment provider SEOs reported that they had increased the number of FTE positions for vulnerable individuals during 2011. Of these, half had created two or fewer jobs. This does not negate the value of such activity, but gives an important indication of its scale.

### Job quality in the social economy

When asked which aspects of job quality were most difficult for SEOs to deliver, there was a striking degree of consistency across territories and countries, with security of employment, career progression and adequacy of pay emerging strongly as the most difficult aspects to deliver. This is particularly concerning given that for many of the SEOs their workforce included vulnerable individuals. Indeed, those that did employ vulnerable people were more likely than other SEOs to cite adequacy of pay as an aspect of employment quality that was difficult to deliver. The aspects of employment quality most frequently identified as 'very important' to SEO staff were positive working relationships, and security of employment.

There was also a surprising degree of consistency across territories when respondents were asked why certain aspects were difficult to deliver. In terms of delivering security of employment, uncertainty about future funding was a key contributor to SEOs' difficulties, and short term government contracts, and changing government priorities over time were highlighted as reasons for this. The wider economic climate made it more difficult for some organisations to sustain a reliable income through sales, and fluctuations in grants and donations were also said to contribute to insecurity of employment. One respondent reported that their organisation

was in a state of 'permanent precariousness' which in turn generated tension and stress in the workforce.

With regard to adequacy of pay, many organisations did not bring in sufficient revenue to pay employees a living wage. As one respondent put it: 'we pay people based on resources and not on the value of the job'. **Many organisations operated in sectors that were in any case relatively low paid, and having to compete with private sector organisations was said in some instances to have led SEOs to reduce wages to similar levels.** For instance, one respondent claimed that in their field of work, 'the market doesn't maintain a living wage', and another reported that 'wages are often determined by contractors, so if we wanted to pay living wage we would in effect be subsidizing government services'.

Career progression was said to be difficult to deliver due to the flat organisational structures that characterised many SEOs. In some cases this was also considered to be restricted because of the limited capabilities of vulnerable employees. Training was also mentioned frequently as an aspect of job quality that was difficult to deliver, and this was mainly attributed to lack of funding and lack of availability of suitable training.

In summary, it seemed that many social economy organisations were struggling to bring in sufficient income to pay wages, and the short term nature of government contracts – coupled with unpredictable sales income in a challenging economic environment – made it difficult for them to offer longer term positions to employees.

## **The voices of SEOs**

Given the opportunity to put forward recommendations about how policy makers might improve their ability to deliver high quality employment, the SEOs' responses related most often to funding and contracting. A frequently recurring theme was the need for longer term contracts to enable organisations

to plan for the future and to offer job security to their staff. Some respondents did however express a preference for grant and subsidies: this was partly because they did not involve the large outlay of resources that was involved in tendering for contracts.

Another recommendation that emerged very strongly from the survey was the use of social clauses in the procurement of public services. **Many respondents felt that local and national governments should adopt procurement process that favour social economy organisations and many also emphasised that funding for public sector contracts needs to be at a level that enables them to cover the cost of service provision and pay a living wage to their workers.** Another suggestion frequently made was that SEOs should be given concessions through the tax and insurance systems, thereby reducing the cost of employing people.

Perhaps one of the most important points raised from a policy perspective, was the sense that SEOs employing vulnerable people saw it as the government's responsibility to meet the costs of the 'social' dimension of their work, i.e. the costs of supporting vulnerable people that went over and above those that would have been incurred by mainstream employers. This social dimension was expensive, and as such governments would be mistaken to presume that social economy organisations can make this kind of contribution to society without sufficient financial support.

## **Conclusion and policy recommendations**

The SEOs in our study were certainly making a contribution to employment, and in many cases they had increased the number of jobs they provided during a period of economic turbulence. However many SEOs were heavily reliant on government support to meet their objectives. Policy support to the social economy is partly predicated on the notion that the values and principles which the social

economy is typically considered to represent – such as equality, solidarity, and reciprocity – are ones that are beneficial for both individual wellbeing and for society. In other words, social economy organisations are valued not only because they provide a certain service or product, but also because of the way in which they do this, which is perceived to provide some kind of added ‘social value’ or ‘social good’. However European legislation makes it difficult for national policy makers to favour one type of organisation (by legal form). Furthermore, there are organisations and enterprises that would not claim to be part of the social economy but nevertheless embody some of these principles. In view of this we would recommend a more cross-cutting approach that seeks to embed or ‘mainstream’ some of these social economy principles into the wider policy and economic environment. This kind of ‘mainstreaming’ approach would therefore reward all employers that delivered social value, not just those within the social economy. And arguably, the extent to which social economy principles do become embedded into the wider socio-economic fabric of society will determine to what extent many of these SEOs will continue to operate on a rather precarious basis, or indeed whether they might be able to offer a more sustainable solution to issues around unemployment and social exclusion.

The commissioning environment is an area in which policy makers clearly have opportunities to shape the way in which services are provided and the nature of the jobs created by contractors. Social clauses have an important part to play here because they offer a way of ensuring that social, as well as economic value is taken into account when assessing tenders, for instance by specifying particular

social outcomes that a contractor needs to achieve. In this way social clauses can be a way of stimulating the social economy, both in terms of its contribution to employment and to addressing social problems, without necessarily excluding other potential contractors who may also be able to provide social value and deliver contracts effectively.

However, it is important that commissioners and those setting government budgets take into consideration the cost of creating this additional social value. There is a danger that social clauses favour social economy organisations, but then leave them to survive and deliver services on insufficiently funded contracts. It is therefore important that social clauses are coupled with a commitment from governments to meet the full cost of fulfilling contracts, for example by specifying that the payment of living wages to all staff is made a requirement of all government contracts. This would have a significant positive impact on job quality in the social economy, and would alleviate some of the difficulties associated with competing in markets where wages have been pushed down to very low levels. This would also benefit people employed in government contracted services in the private sector, who are in no less need of quality employment conditions and living wages. In turn this would effectively equate to the mainstreaming of one of the values that is often deemed to characterise the social economy, namely the primacy of people over capital and profit.

**The full report is available at:**

[http://www.oecd.org/cfe/leed/130228\\_Job%20Creation%20through%20the%20Social%20Economy%20and%20Social%20Entrepreneurship\\_RC\\_FINALBIS.pdf](http://www.oecd.org/cfe/leed/130228_Job%20Creation%20through%20the%20Social%20Economy%20and%20Social%20Entrepreneurship_RC_FINALBIS.pdf)



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