Third Sector Research Centre
Working Paper 5

Innovation in the homelessness field: how does social enterprise respond to the needs of homeless people?

Dr Simon Teasdale

30 September 2009
## Contents

Introduction............................................................................................................................................ 2  
Homelessness: What, who, why?........................................................................................................ 3  
Policy overview................................................................................................................................... 4  
In what ways does social enterprise respond to the needs of homeless people?......................... 5  
What ‘works’ in combating homelessness?..................................................................................... 9  
Challenges faced by social enterprises supporting homeless people? ....................................... 10  
Conclusion and areas for future research....................................................................................... 15  
References........................................................................................................................................ 17  
Notes:.............................................................................................................................................. 20
Innovation in the homelessness field: How does social enterprise respond to the needs of homeless people?

Abstract

There is much current policy and practitioner enthusiasm for using social enterprise to tackle the problems of the homeless population, particularly those in the most acute housing need such as rough sleepers, hostel users and those in other forms of temporary accommodation. This paper brings together two sets of research literature on social enterprise and homelessness to address the question ‘how does social enterprise respond to the needs of homeless people?’ The paper provides an overview of the current policy context before identifying different ways in which social enterprise responds to those homeless people in the most acute housing need. The research literature demonstrates that social enterprise involves balancing a tension between social and economic objectives. This poses challenges for social enterprises in the homelessness field. Existing case study research shows that social enterprises offering homeless people the opportunity to earn an income have proved unable to generate sufficient surplus to address the wider social support needs of their client group. Social enterprises contracted to deliver state services may face pressure to abandon those clients with the most complex needs as they prove unprofitable to work with. However social enterprise would appear to offer opportunities to those homeless people with less acute needs, particularly in conjunction with other Third Sector Organisations.

Keywords

Social enterprise; homelessness

Acknowledgements

This paper derives from a programme of work on social enterprise being carried out at Birmingham and Middlesex Universities as part of the Third Sector Research Centre (TSRC). I am particularly grateful to colleagues at TSRC particularly Pete Alcock, Fergus Lyon, Angus McCabe, David Mullins, Leandro Sepulveda and Razia Shariff, and to Martin Powell and Nina Teasdale, for comments on earlier drafts. All views expressed are those of the author. A version of this paper was presented at the International Social Innovation Research Conference 2009.
Since 2003 there has been an increasing policy focus on social enterprise as a potential solution to the problems faced by homeless people (see ODPM 2003a; 2005; 2006; 2007; 2008), particularly as an indirect route to mainstream employment in order that homeless people might escape social exclusion:

“Social enterprises have a distinct and valuable role in helping create a strong, sustainable and socially inclusive economy. For many homeless people engaging with a social enterprise is a first step towards mainstream employment.” (ODPM 2003a).

This has recently culminated in an innovative ‘dragons den style’ competition to encourage new entrants to tackle homelessness using a social enterprise model. Announcing the latest Department of Communities and Local Government (CLG) funding for this ‘SPARK challenge’, the then Homeless minister Ian Wright said:

“Tackling homelessness requires new and innovative solutions and this is exactly what SPARK makes possible. I would encourage social enterprises to grasp this great opportunity not only to obtain funding, but also to get expert advice from leading businesses to both grow as an enterprise and be able to help change the lives of many more people.”

Given the current policy enthusiasm for using social enterprise to respond to homelessness, this paper addresses the question:

In what ways does social enterprise respond to the needs of homeless people?

The key terms are developed more fully in sections 2 - 4. At this stage it is sufficient to provide the Office of the Third Sector (OTS) definition of social enterprises as:

“businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners” (OTS 2006).

This paper is informed by a review of the different sets of literature on homelessness and social enterprise. There is a limited evidence base on social enterprise and homelessness. For example, a search on the Social Science Citation Index for articles containing both the terms ‘social enterprise’ and ‘homelessness’ in the topic yielded six papers. Only two had potential relevance to this review. Both related to the same study, and were later rejected as the term social enterprise did not refer to trading for a social purpose. To some extent this limited evidence base may be a consequence of the label social enterprise incorporating a wide range of organisational forms, for example community business; social business; co-operative; charities trading arms. Even so there are two distinct sets of literature: homelessness and social enterprise, and the areas of overlap are minimal. This paper bridges the gap by bringing together these two sets of literature. It is structured as follows:

The next section outlines homelessness as a continuum of housing need rather than a discrete category. The causes of homelessness are identified as being a combination of structural and individual factors. Homeless people with the most acute social problems tend to be overrepresented in the most extreme or literal homelessness situations. The third section traces the policy background
and demonstrates that within CLG, social enterprise is seen as having a specific role in helping homeless people access employment opportunities. The fourth section identifies six models of social enterprise within the field of homelessness. It is suggested that isomorphic pressures are leading to these different models merging together into a hybrid form. The fifth section investigates the homelessness literature to examine appropriate responses to homelessness. The penultimate section studies the social enterprise research literature to explore the challenges faced by social enterprises in the homelessness field. The concluding section draws together the conclusions and identifies which gaps in the research literature require further investigation.

**Homelessness: What, who, why?**

The UK is seen as collecting the most robust data on levels of homelessness in the world (Stephens and Fitzpatrick 2007). Even so it is difficult to be precise about overall levels of homelessness as there is no commonly accepted definition of what constitutes homelessness and reliable data is only available on those that the state has a statutory duty to house (Cloke et al. 2001). Definitions range from the narrow, based on ‘literal homelessness’ (those sleeping rough or living in emergency shelters or transitional housing programmes), to wider definitions which also incorporate people living in unsatisfactory housing (Cloke et al. 2000; Fitzpatrick and Stephens 2007; Smith 2003). Anderson and Christian (2003) borrow from Fitzpatrick et al. (2000) to outline the following categories of homeless situations:

- a. rooflessness (i.e. street homelessness or ‘rough sleeping’);
- b. living in emergency/temporary accommodation for homeless people in hostels/night shelters;
- c. living long term in institutions because no other accommodation is available;
- d. bed and breakfast or similar accommodation unsuitable for the long term;
- e. informal/insecure/impermanent accommodation with friends, or under notice to quit, or squatting;
- f. intolerable physical conditions, including overcrowding;
- g. involuntary sharing (e.g. abusive relationships)

Thus homelessness is a variable and problematic concept incorporating different dimensions. Homelessness is one part of a continuum of possible housing circumstances. Effectively some people are ‘more homeless’ than others.

Overall levels of homelessness are associated with structural factors such as insufficient housing supply, levels of unemployment, and the social safety net provided by different welfare regimes (Stephens and Fitzpatrick 2007; Pleace and Quilgars 2003; Anderson 2003.) However, certain groups are overrepresented among the homeless population, particularly among the ‘literal homeless’. These include those with mental health problems, care leavers and ex offenders (Pleace and Quilgars 2003). There is a correlation between measures of social exclusion and relative housing conditions. In a review of the literature on mental health and homelessness, Rees (2009) outlines a tendency for rough sleepers and those living in emergency shelters – i.e. the literal homeless - to be more likely to
suffer severe mental illness and / or substance abuse problems than those at the other end of the homeless continuum. Fitzpatrick (2006) suggests this group of homeless people, with multiple aspects to their exclusion, are seen as the non-respectable poor who have fallen through gaps in welfare provision, thus returning social exclusion to its original meaning as those excluded from state welfare (Amin et al. 2002). Hence homelessness can be portrayed as a consequence of wider social problems rather than a discrete social problem in its own right (Pleace 1999).

Research explaining the causes of homelessness has swung from individual to structural explanations, seemingly dependent on the prevailing political mood (Pleace and Quilgars 2003). Currently there is some consensus around explanations of homelessness. While suggesting that the picture is actually more complex, Fitzpatrick (2005) summarises what Pleace (2000) has termed the new orthodoxy in explaining homelessness as:

- “structural factors create the conditions within which homelessness will occur; and
- people with personal problems are more vulnerable to these adverse social and economic trends than others; therefore
- the high concentration of people with personal problems in the homeless population can be explained by their susceptibility to macro-structural forces rather than necessitating an individual explanation of homelessness.” (Fitzpatrick 2005, p4).

Thus within the literal homeless population that social enterprise has been targeted with helping, there is a high concentration of people with additional personal problems. For these people homelessness is not simply a housing problem. Addressing the structural factors causing homelessness falls outside the remit of this paper, and of social enterprise. Instead the focus is on the response of social enterprise to the problems faced by (literally) homeless people, particularly those with more complex or multiple aspects to their exclusion. Addressing their housing need may also require tackling financial need, social isolation, and providing medical help and assistance to live independently (Pleace 1997).

Estimating the literal homeless population is fraught with difficulties. Statutory sources suggest there were 483 people sleeping rough on a given night in 2008. There were also 2450 households living in bed and breakfast accommodation and 5170 households living in hostel accommodation in March 2009 (CLG 2009.) These figures ignore those homeless households whom the state does not have a statutory duty to house, particularly those without dependents (the single homeless). A recent estimate by Crisis (who have an interest in talking up the numbers of homeless people) suggests that there were an additional 43000 individuals living in hostels, night shelters and refuges in 2007, and 38000 individuals in bed and breakfast accommodation who are not incorporated into the official statistics as they have no statutory entitlement to accommodation.

Policy overview

The current English policy enthusiasm for social enterprise may best be understood as led by a small number of practitioner organisations who were able to use language that fitted the New Labour agenda (Haugh and Kitson 2007.) In relation to homelessness an early indication of the possible role
for social enterprise came in the then Office of the Deputy Prime Minister’s Homeless Statistics report for June 2003 (ODPM 2003a) which saw social enterprise as a first step to employment for many homeless people. In 2005 the briefing accompanying the launch of the ‘Hostels Capital Improvement Programme’ suggested that hostels and day centres for homeless people might include spaces for social enterprises in order to encourage self employment, develop self confidence and esteem, and offer routes into employment (ODPM 2005). The Hostels Capital Improvement Programme was to spend £90 million over three years on improving the physical environment occupied by homeless people, and aiming to move them into employment or training and a settled home (CLG 2006). It has been followed by ‘Places of Change’, a three year £70 million programme starting in April 2008, which pays specific attention to the role of social enterprise in moving homeless people into employment (CLG 2007). It is illuminating that in relation to homelessness, the role of social enterprise has been largely reduced by CLG to paving a route to employment.

The CLG role in promoting social enterprise is best seen as attempting to increase the supply of social enterprises offering employment training for homeless people. This view is supported by the launch of the SPARK initiative in 2007. SPARK involves a ‘dragons den’ style competition for initiatives in public, private and voluntary sector that use social enterprise to tackle homelessness. The most recent competition offered a total prize fund of £3.4 million, predominately funded by CLG. It attracted 139 entrants of which 15 were winners. A brief perusal of these winners suggests that all were involved in employment advice and / or training for homeless people. Three also provided paid employment to homeless people or ex offenders, and one planned to do so. The distinction between training homeless people and employing them directly is returned to later in this paper. What is important to note at this stage is the strong message put forward by CLG that employment is the sustainable solution to homelessness, and that social enterprise is primarily placed as a vehicle that can facilitate this solution, rather than delivering better access to services. This tends to reflect what Levitas (2005) refers to as a shift in New Labour policy from seeing social exclusion as a material consequence of inequality, and towards a view of exclusion as an individual problem to be rectified by improving access to the labour market.

In what ways does social enterprise respond to the needs of homeless people?

According to Peattie and Morley (2008) the only defining characteristics of social enterprise are an activity involving trading combined with the primacy of social aims. This section traces a history of different forms of trading for a social purpose in the homelessness field. In doing so it becomes apparent that a number of overlapping approaches or models are covered by the umbrella term social enterprise in the field of homelessness (See Table 1.)

From 1879, Salvation Army staff / volunteers sold the magazine ‘War Cry’, and the income from sales was used to part subsidise services to homeless people. This represents one of the earliest forms of trading for a social purpose by Third Sector Organisations (TSOs) in the field. In this sense, social enterprise is best seen as a revenue raising strategy pursued by TSOs (See Dees 1998). More recently, numerous TSOs in the field have combined the sale of a product with a plea to the heartstrings to help fund their social goals. For example, the sale of Christmas cards by Shelter, and
cookery books by Crisis. Trading is not central to the social goal of the organisation and income is diverted to service provision or campaigning arms. This model relates closely to Alter’s (2007) ‘external’ social enterprise, so called because the business activity is external to the social programme. However in each case the trading activity is also important in raising awareness of an organisation’s social mission.

In the 1970s campaigning TSOs such as Shelter and Crisis moved into the realm of delivering services (such as housing advice, employment advice and training) to homeless people (Joseph 2009). Originally these services were funded by voluntary donations of time and money. More recently service providers have become increasingly reliant on state aid, initially in the form of grants, and later through contracting mechanisms. Since the election of New Labour in 1997, the Third Sector has been seen as entering into a new partnership with the state. The state effectively chooses which services should be delivered and acts as overseer of the delivery process (May et al. 2005). Once services are delivered and funded through contract mechanisms, TSOs are effectively drawn into trading for a social purpose. TSOs delivering public services can be seen as a contracted service provider model of social enterprise.

In the 1980’s Housing Associations (HAs) started to play a more significant role in the then Conservative government’s attempt to revive social rented housing (Murie 1997). They have since been seen as potentially playing a more important role in helping local authorities discharge their duties under homelessness legislation (ODPM 2003b). However, for most HAs, responding directly to homelessness is unlikely to become a major part of their activities (Mullins and Murie 2006). Nonetheless around 40% of Hostel providers in a study carried out by May et al. (2005) were registered social landlords. All of these relied on housing benefit for part of their income and so were effectively trading for a social purpose. Only those HAs and other hostel providers that specifically provide accommodation and shelter to homeless people would be included in Table 1.

A more radical form of social enterprise used to tackle homelessness can be traced to Emmaus in France who were set up in 1952 to create communities for homeless people to live in⁸, and supported themselves through recycling and selling items that people no longer want (Clarke et al. 2008). Emmaus spread to England in 1990 after a volunteer at a soup run in Cambridge decided to recreate the concept he had encountered in Paris⁹. The first UK community opened in 1992 in Cambridge (Clarke et al. 2008). ‘Companions’ agree to give up their state benefits and received an allowance of £32 a week to live on (in 2004). This ‘participation based community’ model of social enterprise provided a ‘safe’ or alternative living space for homeless people in tacit exchange for their labour and / or state benefits.

In the first decade of the new millennium there has been considerable growth in the number of social enterprise initiatives aiming to benefit homeless people. These have been particularly prominent in the area of welfare to work. While Davister et al. (2004) identify four types of work integration, for the purposes of this paper it is sufficient to distinguish between ‘training’ social enterprises and those directly providing the opportunity to earn an income. The training and work experience model involves social enterprise as a vehicle to train homeless people in preparation for entering the mainstream labour market. For example, Crisis has a café open to the general public,
and claims that formerly homeless trainees receive individually structured training leading to recognised qualifications.

The second approach to work integration relates more closely to the social firm whereby businesses aim to provide homeless people the opportunity to earn a legitimate income. This may be long term (sheltered) or a stepping stone to the mainstream labour market. However, 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 (Laville et al. 2006). Nonetheless, a small number of social enterprises are able to generate a surplus and provide homeless people with the opportunity to earn a legitimate income. These organisations tend to adopt an approach whereby the homeless person becomes a self employed contractor rather than directly providing paid employment. This effectively transfers risk from the social enterprise to the homeless person. Perhaps the most innovative and well known social enterprise of this type is The Big Issue.

The Big Issue was born in London in 1991, inspired by Gordon Roddick who imported the street newspaper model from the US. The first edition hit the streets in September 1991 (Swithinbank 2001.) Homeless people purchase the magazine from the wholesaler and sell it to members of the public. The Big Issue can be distinguished from the Salvation Army’s War Cry in that homeless people are directly involved in the trading activity and benefit directly from the exchange. Using homeless people to sell a product can be seen as bridging a divide between philanthropy and self help. Hibblet et al. (2005) suggest that the desire to help homeless people get back on their feet was the primary motivation for most consumers buying the magazine. This overrode any utilitarian value attached to the product.

While these models suggest distinctive ways of working, on the ground the picture is more blurred. A number of social enterprises combine two or more of the different approaches within a single ‘hybrid’ model. For example, the Big Issue in the North merged with Diverse Resources at the turn of the millennium to create the Big Life Company, one of the UK’s largest social enterprises with businesses in areas including childcare, healthcare, buildings maintenance and employment training. The new social enterprise was able to make synergies between the various subsidiaries. Thus the Big Issue in the North could refer vendors to the employment training subsidiary, who would receive payment from the state to train people to move into work (Teasdale 2006). Some of those undergoing training would move into employment with other social businesses within the Big Life umbrella, triggering further outcome related payments from the state. For example, the buildings maintenance arm employed ex homeless people and provided maintenance to buildings occupied by the other social businesses (Teasdale 2006). A subsidiary charity has been set up to attract charitable funding to help meet the social needs of clients. Thus the Big Life Company has been able to create an integrated pathway towards employment for homeless people. This hybrid model also involves hybrid resource mixes, relying to differing extents on volunteers, trading in the market, state contracts, grants and charitable donations (See Gardin 2006).
Table 1: Models of social enterprise in the field of homelessness

<table>
<thead>
<tr>
<th>Model of social enterprise</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue generator / Mission awareness raising</td>
<td>Social enterprise as an income stream or means of raising awareness for Third Sector Organisations. 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.</td>
<td>Salvation Army WarCry</td>
</tr>
<tr>
<td>Contracted service provider</td>
<td>Homelessness related organisations delivering government contracts</td>
<td>Shelter</td>
</tr>
<tr>
<td>Accommodation providers charging for beds</td>
<td>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.</td>
<td>St Mungoes</td>
</tr>
<tr>
<td>Participation based community</td>
<td>Alternative safe living spaces for homeless people in tacit exchange for labour (and state benefits)</td>
<td>Emmaus</td>
</tr>
<tr>
<td>Employment provider</td>
<td>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).</td>
<td>Big Issue</td>
</tr>
<tr>
<td>Training and work experience</td>
<td>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.</td>
<td>Crisis cafe</td>
</tr>
<tr>
<td>Hybrid</td>
<td>Social enterprises combining two or more of the above models.</td>
<td>Big Life Company</td>
</tr>
</tbody>
</table>

To some extent this blurring of models may be attributed to institutional isomorphism within the field of homelessness, whereby following a period of innovation, coercive pressure from the state (Aiken 2006), mimetic processes (or imitation in times of uncertainty) and the normative pressures of professionals working within the sector (DiMaggio and Powell 1983) lead to organisations within the field taking on a similar structure. Section 3 of this paper identifies that coercive pressure from the state would appear to be a factor in traditional charities adopting a more social enterprise orientated hybrid model.
What ‘works’ in combating homelessness?

The homelessness research literature is more developed than the social enterprise literature, and has moved beyond understanding why the phenomenon occurs and towards an understanding of what might be done to prevent and / or respond to homelessness.

Prevention strategies aiming to help people before they become homeless (advice and mediation services for those at risk of homelessness) have corresponded with a dramatic fall in levels of statutory homeless applications since their introduction in England in 2003 (Stephens and Fitzpatrick 2007). However Pawson and Davidson (2006) caution that some of this fall may be attributable to homeless people being ‘discouraged’ from making an application under the 2002 Homeless Persons Act, and instead being diverted into unsuitable (private rental sector) schemes as part of the prevention strategy.

As shown earlier, structural causes such as housing supply, employment levels and inequality of income are correlated with overall levels of homelessness. Addressing these structural factors would be expected to bring about a decline in the overall numbers of homeless people (Stephens and Fitzpatrick 2007). However while there is general consensus among academics around the need to tackle structural causes, Pleace (2000) notes that policy solutions have focused on equipping homeless people to deal with a world not of their making, rather than tackling the underlying structural causes. Writing in relation to more general social exclusion, Levitas (2005) suggests the situation is:

“a bit like musical chairs. The reason some people are unable to sit down is that there are too few chairs. The reason particular people are out is that they are less fit and agile than others, less willing to push and shove, or simply unlucky.” (2005, p229)

In this sense the CLG focus on social enterprise as a route to the mainstream labour market can be seen as helping homeless people to better compete for a musical chair. Models of social enterprise such as participation based communities and employment providers that increase the number of chairs through directly providing extra homes or an income have been largely ignored by CLG.

The focus on equipping homeless people for mainstream employment may relate to the ‘pathways’ research literature which examines routes into and out of homelessness in order to help understand possible solutions. For example, McNaughton (2005) undertook a qualitative longitudinal study of a sample of homeless people over a 12 month period. A key finding was that for some participants, accessing sustainable employment marked the point at which they felt they had escaped homelessness (McNaughton 2005). There may be a tendency among policy makers and practitioners to confuse cause and effect. Accessing sustainable employment might be a consequence of social inclusion rather than the cause. As McNaughton notes, for most participants, accessing employment was not seen as a viable option as the benefits trap meant that there was no financial incentive. For others, the pressure of having a full time job led them to relapse into drug or alcohol abuse (McNaughton 2005). This would suggest that employment is not a viable option for all homeless people, particularly in the short term. Indeed, Pleace and Bretherton (2007) argue that Government
policy, with particular reference to Welfare to Work programmes, tends to be less effective for homeless people, particularly those with acute or multiple aspects to their exclusion.

In a mixed method study conducted for the Scottish Homelessness Task Force, examining the pathways out of homelessness, Rosengard et al. (2002) found that many longer term homeless people require ongoing personalised support to resolve homelessness and begin resettlement in the community. This finding is supported by Harding and Willett (2008) who argue that adequate government funding for longer term support for single homeless people is necessary. It may be that many homeless people with acute or multiple needs are better served (at least initially) by less formal approaches to social inclusion that focus on engaging homeless people with services and providing a space for them to interact with other people sharing similar experiences (for example day centres) (Smith 2008). While noting that housing need is the only common factor faced by all homeless people, Pleace (1997) draws upon the research literature to outline a range of additional needs that may require addressing to enable the successful resettlement of a homeless person into the community (See Table 2).

Table 2: Range of needs that may need addressing before homeless people can be successfully resettled in the community (adapted from Pleace 1999, 162.)

<table>
<thead>
<tr>
<th>Housing need</th>
<th>Support needs</th>
<th>Daily living skills</th>
<th>Financial needs</th>
<th>Social needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing should be of a reasonable standard, affordable and safe.</td>
<td>Including medical needs and assistance with cooking and self care for those physically unable to look after themselves</td>
<td>Training in how to cope living independently, for example learning how to cook and pay bills.</td>
<td>For many homeless people their situation is linked directly to income poverty</td>
<td>The provision of emotional support. Also the need to tackle social isolation by offering access to social networks and something to do during the day</td>
</tr>
</tbody>
</table>

It is plausible that social enterprises may be able to address some or all of these needs. For example the ‘employment provider’ model aims to tackle financial need by providing homeless people with an income. However it is not clear how the different models compare with Public sector, with Private sector, and with other Third Sector providers in responding to homelessness.

**Challenges faced by social enterprises supporting homeless people?**

The research literature on the impact of social enterprise on beneficiaries remains underdeveloped (Peattie and Morley 2008), particularly in the field of homelessness. To some extent this may be a consequence of a developing research agenda beginning to outline and define the field, and much of the early research focusing on management practices within social enterprises.

Where evidence is presented, this is often in the form of valedictory case studies / success stories. For example Thompson and Doherty (2006) highlight the diverse world of social enterprise by presenting a series of case histories, one of which began life as a form of participation based
community for young homeless people. However there is no assessment of the social benefit, merely a case history of the social enterprise’s growth. Where a more analytical approach to evaluating the impact of social enterprise has been taken, there is often a tendency to focus on the economic dimensions. For example, Clarke et al. (2008) carried out a cost benefit type evaluation of Emmaus which found that the financial benefit to the community of one Emmaus project was over £800,000. Tucked away in the Appendices is a useful section that gathers together the views of eleven formerly homeless ‘companions’ as to how Emmaus has helped them. Thus the ‘social benefit’ is often taken for granted (Arthur et al. 2006; Peattie and Morley 2008) rather than empirically tested.

Seanor et al. (2007) note that within the social enterprise research community there is a division between optimists tending to hold the view that social and economic goals are not mutually exclusive, and pessimists tending towards the persuasion that it is a zero-sum game. For pessimists economic and social objectives need to be balanced, and social benefit comes at an economic cost. Where empirical evidence does exist, it tends to support the more pessimistic assumption of a tension between social and economic goals (See for example Bull 2006; Seanor et al. 2007). Thus some of the taken for granted assumptions around the perceived benefits of social enterprise have recently been questioned.

The innovative approach of the Big Issue previously referred to was replicated by many organisations pursuing an employment provider model of social enterprise. Aspire was launched in 1998 as a fair-trade catalogue company offering employment opportunities to homeless people (Tracey and Jarvis 2007). In order to achieve economies of scale and become less reliant on grant funding, the social enterprise sought to expand by franchising the idea to charitable organisations working with homeless people. The social enterprise became a flagship championed by Tony Blair and Prince Charles (Mulgan et al. 2008). The later collapse of Aspire in 2004 has been attributed to the decentralised structure and poor control over franchisees (Mulgan et al. 2008), and to lack of access to capital (Tracey and Jarvis 2008). Both commentators acknowledge a key issue as being the tension between business and social objectives. As Aspire sought to reduce costs by moving to a seasonal model, the franchisees were reluctant to lay off homeless staff (Mulgan et al. 2008). Today the name Aspire lives on through the Aspire Foundation and a network of seven semi-autonomous social enterprises across the UK. Lessons have been learned from their predecessors. A recently produced good practice type guide for social enterprises working with homeless people suggests that while ‘employment provider’ and ‘training and work experience models’ of social enterprise may be able to break even on the business side and deliver work integration, the costs involved in providing social support or integration to homeless people (See Table 2) must be met through other means or by other agencies (Aspire Foundation 2008).

This finding is supported by Pharoah et al. (2004, see also Russell and Scott 2007) who explored the tension between social and economic objectives in more depth, undertaking a longitudinal qualitative study of four hybrid social enterprises emerging from the Third Sector. One of the cases examined in depth a profitable social enterprise (Small Potatoes) within the homelessness field, most closely approximating to the employment provider model characterised in Table 1. Small Potatoes primary purpose was to enable homeless traders to earn an income. This was achieved through
purchasing fruit and vegetables from a local wholesaler, and franchising homeless people to sell the produce from a stall in local markets. Social and economic goals initially appeared in alignment, the more vegetables traders sold the more money they made and the greater the surplus generated by Small Potatoes. However, at an early stage of its life cycle the organisation had to make a decision to prioritise sales over and above meeting (homeless) traders’ social needs:

“unless we sold so much produce a week we would go bust. Before this really dawned on us, we might close the office … to deal with a trader who was threatening to kill himself or to whip someone off to hospital… The company just could not survive because we were putting so much money into helping street traders to move on with their lives. So, we prioritised selling … it was absolutely heart breaking…” (Pharoah et al. 2004, p33).

Russell and Scott (2007) note a later episode in the organisational life cycle whereby Small Potatoes had dismissed some of those homeless traders the organisation was originally created to help in order to protect trading revenue. Effectively as a business Small Potatoes had to prioritise sales over social benefit. This was to the detriment of its most excluded clients. The tension between social and economic objectives would appear to represent a zero-sum game whereby organisations can trade profitable activity for social benefit. Staff within the parent organisation incorporating Small Potatoes recognised that the more profitable the activity the lower the social benefit would appear to be:

“I think it’s fine for us to have businesses which make a lot of profit while producing little social benefit so long as we are skewed the other way.” (Pharoah et al. 2004, 35)

The tension between social and economic objectives was further explored by Dart (2004) through an in-depth qualitative case study undertaken over a twelve month period. The case study ‘Community Service Organization’ (CSO) involved 33 full interviews with staff involved in service delivery, multiple informal discussions, analysis of documentary evidence and observations. The aim was not to produce generalisable knowledge, but rather to develop a hypothesis for future research to explore in more detail.

CSO was a medium sized TSO delivering counselling and interpersonal social support primarily to low income individuals and families. The case was selected as it was illustrative of the phenomenon under investigation, a TSO becoming more businesslike. By businesslike, Dart (2004) meant the framing of goals in financial terms. This was exemplified by two of the three main programmes delivered by CSO. The first programme, Clinical Services (CS) involved counselling and therapy services to low income clients. Funding was from government although it is not clear if this was based on grants or contracts. The CS programme relates most closely to the contracted service provider model outlined in Table 1. The second programme, Financial Counselling (FC), had evolved from a general advice programme around debt issues into the setting up of debt management plans for low income individuals and families. This involved negotiating a repayment package with their creditors. Funding had become primarily derived from fees from creditors and service recipients. Trading activity was wholly aligned with social goals. The more clients helped the greater the economic benefit. Finally the provision of a for-profit Employee Assistance Programme (EAP) to local businesses involved the provision of counselling services by staff contracted to deliver the CS
programme. Funding was derived from a competitive tendering process with local businesses and was based on fees for services provided. This allowed the counselling staff to top up their inadequate pay. The EAP programme involved selling existing services to a new market. This new market involved a new client group who had no relationship with the original organisational mission. In relation to the models of social enterprise discussed earlier it relates most closely to that of the revenue generator. The EAP programme demonstrated that it is possible for the income generator model of social enterprise to cross subsidise other programmes.

Dart (2004) found that as CSO became more business like it abandoned the most excluded of their client group as it was unprofitable to work with these people. For example, within the FC programme general financial counselling to those with mental health problems was cut as the organisation developed a focus on their ‘core competence’ – negotiating (profitable) debt management programmes. The (less profitable) more excluded clients were often referred to other organisations for assistance. Within the CS programme, CSO also became more businesslike in reducing clients’ average waiting time and increasing the number of clients seen. This was achieved by shifting from longer term to shorter term treatments. Again those clients with the most complex needs were marginalised. CSO justified this as these people were no longer appropriate client groups and were referred elsewhere. In both of these programmes it proved possible for CSO to place social and economic goals in alignment (as in the model of the pure social enterprise), but only by changing their original social values from providing help based on need to providing an increase in service quantity. Becoming more business like fundamentally altered the nature of services provided in two of the programmes. Dart (2004) argues that this calls into question the assumption that becoming more enterprising improves service delivery. Instead he suggests that abandoning the most marginalised client groups runs counter to the original organisational principles of universal accessibility and services delivered on the basis of need.

Although the needs of the most excluded homeless people, particularly those with substance abuse and mental health issues, would appear unlikely to be met by social enterprises trading in the private sector market place, much of the income generated through social enterprise is derived through local government contracts. Indeed Peattie and Morley suggest that “the SE sector has become a creature of public funding and an alternative to in-house public services” (2008, p43). The way in which the state has introduced the market mechanism into contractual relationships with TSOs delivering services, particularly in the area of welfare to work, would appear to encourage these organisations to abandon their most marginalised clients. This is in part a consequence of how government funding is allocated to TSOs delivering public services and the objectives set. For example, Learning and Skills Council (LSC) programmes such as Skills for Jobs for Homeless People reward sustainable employment to a much greater extent than engagement with services. In turn this places pressure on all organisations to ‘skim off’ those easiest to place into employment (Laville et al. 2006). There is some evidence that this skimming off is a direct consequence of imposing a market mechanism on TSOs delivering public services (Nyssens and Plateau 2006). Laville et al. (2006) argue that a public policy system which recognises only a ‘final goal’ of placement into the ‘normal labour market’ ignores the different circumstances faced by individuals. Many of the
most excluded individuals sleeping rough or living in emergency accommodation are unlikely to be ready for employment in the short or medium term. Indeed in some cases pushing them into work may exacerbate their problems (Mcnaughton 2005).

It may be that the contracting model used in Supporting People (SP) delivers better outcomes to homeless recipients of services than the model used in welfare to work programmes. Buckingham (2009) found that the introduction of the competitive tendering process for Third Sector Organisations delivering SP funded emergency accommodation had arguably improved service quality. However the move towards contracting caused potential problems for smaller TSOs, particularly around increased administrative burdens, and lower staff morale as a result of job insecurity.

While the tension between social and economic objectives is faced by social enterprises trading with both the private and public sectors, to some extent this tension might be partially negated by an innovative organisational structure. A national charity working in the areas of homelessness and mental health created a subsidiary semi-supported housing project offering residents with mental health problems the chance to live in a supportive environment where they formed close bonds with each other as a response to exclusion from wider society. The project approximated to a hybrid model blending the accommodation provider and contracted service provider models of social enterprise. The costs of running the project were met by Housing Benefit and Supporting People payments. However these payments were administered by the head office who gave the project manager a fixed annual budget. This effectively separated the economic and social aspects. The project manager's task could be seen as maximising the social return to residents within a fixed budget. There were no formal income generation targets at the local level (Teasdale 2006). This organisational structure successfully blended the service provider model of social enterprise with a more traditional charitable model that separates fund raising and service provision. Other approaches to balancing the tension between social and economic objectives include creating a separate charitable trust to meet the wider support needs of homeless people (as in the case of Big Life Company), or simply accepting that the organisation can no longer meet the needs of its original client group (as in the case of CSO and Small Potatoes).

The above findings suggest that as (traditional) charitable organisations become more business like there is pressure to abandon their most excluded clients. Social enterprises working in the homeless field and trading in the private sector will struggle to generate sufficient surplus to meet the social support needs of homeless people with complex social problems. However their wider support needs can sometimes be met by delivering contracted services on behalf of the state. Of course this depends upon the State being willing to fund the services offered, and upon the type of contracting mechanism employed. This has important implications for TSOs setting up subsidiary social enterprises or moving more towards state funded contracts. The marginalisation of the most excluded is a direct consequence of the need to generate a surplus. At its simplest, in many cases these groups are not profitable enough to work with. Thus becoming more businesslike can alter an organisations social aims, or the client group it works with. This mission drift may be justified at a micro level as other TSOs exist to help the most marginalized.
Conclusion and areas for future research

This paper began by asking ‘in what ways does social enterprise respond to the needs of homeless people?’ Homelessness is a variable and problematic concept that incorporates a range of housing situations. Social enterprise is seen in policy and practice circles as offering a response to the needs of those facing the most acute housing situations, many of whom face multiple aspects to their exclusion. The recent policy focus on social enterprise within the homelessness field is largely reduced to providing employment opportunities for homeless people. However, social enterprise is a broad concept that incorporates a number of models or ways of responding to the needs of the literal homeless population. It may be that these different models are merging together through processes of institutional isomorphism. The point of convergence would appear to be around approaches to offering employment opportunities to homeless people. More radical responses to homelessness demonstrated by the participation based community and social firm models should be explored by the policy and research communities in more depth. The focus on employment as a solution to homelessness may confuse cause and effect. Many of those homeless people with the most acute social problems might be better served (at least in the short term) by less formal approaches to social inclusion as provided by more traditional charitable approaches such as day centres. However these less formal approaches could use a model of social enterprise to raise revenue and awareness. There is a limited evidence base covering the impact of social enterprise on beneficiaries. However, the evidence that does exist independently reaches similar conclusions. Employment provider models of social enterprise in the homelessness field may deliver work integration, but appear unable to generate sufficient surplus to meet their client groups wider social support needs. Social enterprise involves balancing competing social and economic objectives. By prioritising social objectives over economic objectives an organisation may become financially unsustainable. By prioritising economic objectives an organisation would appear likely to abandon the most excluded of its client group. Thus it is likely that in the homelessness field social enterprises cannot rely solely on trading revenue if they are to respond to the needs of the literal homeless population. However it may be that certain programmes can be delivered at a lower cost using a social enterprise model.

In the process of undertaking this review of the literature, a number of gaps in the evidence base have become apparent. From these gaps arise three priority areas for future research:

1. **How do different models of social enterprise balance the tension between social and economic objectives, and what are the implications for clients?**

This paper identified a number of approaches to managing the tension between social and economic objectives, including: creating a separate charitable Trust to help meet the needs of the most excluded groups, or relying on other TSOs to meet the needs of those clients whom a market mechanism renders unprofitable. Additionally changes to the way in which state contracting encourages ‘skimming off’ the least vulnerable clients in welfare to work programmes could be structured to help align the social and economic goals of contracted service providers. Further
research is required in order that the different ways of balancing the tension between social and economic objectives can be understood with particular reference to the impact on homeless people. This will enable policy makers and practitioners to develop a ‘horses for courses’ approach matching the most suitable to services to people dependent upon their individual circumstances.

2. How do social enterprises compare with other organisational types in responding to homelessness?

This paper has suggested that some models of social enterprise are not able to respond to the needs of the most excluded homeless people. However little is known about what does work for those homeless people with the most complex needs. A recent ESRC programme on multiple exclusion and homelessness may help address this knowledge gap\textsuperscript{13}. For the majority of homeless people with less complex needs, social enterprise does have a role to play. Contracted service providers do deliver housing advice and shelter. The Big Issue offers the opportunity to earn an income. Training and work experience social enterprises offer the opportunity to gain new skills, qualifications and self esteem. For those homeless people whose situation is more permanent, participation based communities can offer a safer alternative lifestyle that in some cases might lead to reintegration into society and the mainstream labour market (Clarke et al. 2008). Social firms offer temporary and occasionally permanent employment opportunities. However, as yet there have been no comparative studies to enable us to understand how social enterprises compare with other Public, Private and other Third Sector providers in responding to homelessness.

3. What happens to the most excluded groups if processes of isomorphism lead to the Third Sector becoming more business orientated?

Finally social enterprises may be able to respond to homelessness for those people with less complex social problems, and those homeless people whose needs have been addressed by other TSOs. However, as TSOs become more business like there may be a tendency for them to abandon their most excluded clients. This marginalisation of the most excluded would seem to be a direct consequence of the need to generate a surplus. At its simplest these groups are not profitable enough to work with. Thus becoming more businesslike can alter an organisations social aims, or the client group it works with. This does not bode well for those among the literal homeless population facing multiple aspects to their exclusion. This paper has suggested that social enterprises themselves recognize that traditional charitable models are best suited to this group. However, as the Third Sector faces increasing pressure from inside and outside to become more business orientated this begets the question what is the impact of this commercialization on those homeless people with the most acute needs?
References


---

Notes:

2. [http://www.sparkchallenge.org/news_10_12_08.html](http://www.sparkchallenge.org/news_10_12_08.html)
3. The mean size of homeless households in temporary accommodation is 2.88 people (Ashton and Turl 2008).
9. *ibid*
13. [http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/opportunities/current_funding_opportunities/meh08.aspx](http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/opportunities/current_funding_opportunities/meh08.aspx)
About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The third sector research centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector’s capacity to use and conduct research.

Third Sector Research Centre
Park House
40 Edgbaston Park Road
University of Birmingham
Birmingham
B15 2RT
Tel: 0121 414 3086
Email: info@tsrc.ac.uk
www.tsrc.ac.uk

Social Enterprise

What role can social enterprise play within the third sector? This work stream cuts across all other research programmes, aiming to identify the particular characteristics and contribution of social enterprise. Our research includes theoretical and policy analysis which problematises the concept of social enterprise, examining the extent to which it can be identified as a distinct sub-sector. Quantitative analysis will map and measure the social enterprise sub-sector, and our qualitative case studies will contain a distinct sub-sample of social enterprises.

Contact the Author

Simon Teasdale
Tel: 0121 414 2578
Email: s.teasdale@tsrc.ac.uk

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