

**Response to Department of Work and Pensions consultation**

**“In work, better off: next steps to full employment”**

**1 Introduction**

1.1 Social Firms UK aims to create employment opportunities for severely disadvantaged people through the development and support of Social Firms. We therefore have a particular interest in the Government’s proposals as set out in DWP’s consultation document “In work, better off: next steps to full employment” and welcome the opportunity to comment on them. This response has been developed in conjunction with our 250 members and our sister agencies in the devolved nations: Social Firms Scotland and Social Firms Wales.

**2 What are Social Firms?**

2.1 Social Firms are a distinct type of social enterprise. They have a specific social mission to create employment opportunities for severely disadvantaged people through businesses that are market-led, inclusive, supportive and sustainable. A Social Firm is committed to:

- generating over 50% of its income through sales of goods/and or services, and
- ensuring that at least 25% of its workforce are people with a particular disadvantage in the labour market.<sup>1</sup>

2.2 The number of Social Firms has increased from 5 in 1997 to 67 Social Firms, with a further 70 emerging Social Firms in 2006. In total these firms have 1652 (FTE) jobs of which 52% are held by severely disadvantaged people, the majority of whom have mental health problems or learning disabilities. In addition, Social Firms have an average of 841 trainees that attend the enterprises for time-limited training on a weekly basis.

2.3 Given recent developments, it is important to make the distinction between Social Firms and other forms of employment support for disadvantaged people. In terms of cost, Social Firms UK has calculated the average annual cost of supporting a very disadvantaged person in work at a Social Firm is £7000, which compares very favourably with other forms of employment support. Social Firms UK would be very willing to discuss with DWP how further research could be carried out to strengthen the evidence base on comparative costs of different types of employment support and the potential savings to the State that can ensue from different approaches.

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<sup>1</sup> Further information about Social Firms can be found at <http://www.socialfirms.co.uk/index.php/Section2.html>

2.4 While Social Firms can be seen to be a very cost effective solution to enabling severely disadvantaged people to enter and retain sustainable employment it is important to note their commitment to quality. Social Firms UK has developed with its members a Quality Mark ('Star Social Firm'), which sets out very precise criteria. These are externally validated, so that customers and potential customers of commercial Social Firm products and services can be assured that a Social Firm with the quality mark is:

- a viable business that has a sound commercial focus;
- a quality-driven, quality-focussed, best value supplier;
- a good employer;
- an organisation with high values and ethical purpose;
- an organisation with a positive impact on their community, and
- an organisation that could help them meet their own corporate social responsibility targets.

The Quality Mark distinguishes Social Firms, their innovative approach and what they are trying to do, from other, more traditional, and some might say outdated, models of employment provision for severely disadvantaged people (e.g. sheltered workshops).

2.5 Under the Social Firm model the social mission equals the economic mission. This contrasts with a private company, where shareholders' interests are paramount and in times of economic downturn there is a significant increased risk of redundancy for employees with disadvantages.

### **3 Our general response**

3.1 We consider that the proposals in the Green Paper omit a crucial step to achieving full employment. Employment creation, and specifically the availability of jobs for people who are at a particular disadvantage in the labour market and whose immediate or longer term prospects of success in open employment are limited, is as vital as the plans for employment support set out in the Green Paper.

3.2 We are therefore concerned that no reference or mention is made of 'social enterprise' (which comprises at least 55,000 organisations), or Social Firms, which have been playing an increasingly important role – albeit behind the scenes with no central government support – in increasing the numbers of jobs for severely disadvantaged people.

3.3 We anticipate that greater recognition will be paid to the contribution that social enterprise generally, and Social Firms in particular, can play, given the publication earlier this month of the 2007 Comprehensive Spending Review and the Government's announcement of 2 new Public Service Agreements aimed at :

- maximising employment opportunity for all (which places a specific focus on reducing the gap between the employment rates of disadvantaged groups, such as disabled people, and the overall rate) and

- increasing the proportion of socially excluded adults in settled accommodation and employment, education and training (which has particular focuses on adults with secondary mental health problems and adults with moderate to severe learning difficulties).

3.4 The target groups of these PSAs are exactly those that Social Firms are in business to provide jobs for.

We are also aware of the ongoing “Review of Mental Health and Employment Outcomes “role and contribution of the third sector in supporting people with mental health conditions to remain in or return to work”.

People with mental health problems have a problem when it comes to disclosing their mental health issue to potential employers. Statistics show that, if they disclose their mental health issue then employers are less likely to offer them a job because of this. But if they choose not to disclose their mental health issue and get the job then a) they’re not covered by the DDA should there be problems later on and b) the chances are that they become increasingly anxious about their colleagues finding out about their mental health issue which, in turn, can be detrimental to their wellbeing.

Social Firms can save the State money. Evidence at a Social Firm in Scotland in 2007 has shown that, for each person with a mental illness employed within the Social Firm, an average of £21,000 per year is being saved to just the NHS – this does not include the benefit savings or gauge on the ‘softer’ outcomes like increased self-esteem, skills development and well being. These Social Return on Investment (SROI) studies are finished and we’d be delighted to share them with the DWP, although we’d like to do more to help prove the point further.

#### **4 Response to specific questions**

4.1 As can be seen from the above, the questions in the Green Paper do not focus on the specific interests of Social Firms. Nevertheless we think it is important that the Social Firm sector’s views are taken into account and we are feeding them in where we consider them to be most relevant.

#### **Q10 – What more could we do to help working families – especially those from the most disadvantaged backgrounds – improve their earnings and lift themselves out of poverty?**

- We consider that the key here is to offer more choice. This includes recognising that for individuals in families from the most disadvantaged backgrounds the open labour market is not always the only, or most sustainable, way to achieve employment. For example, a survey carried out by the Chartered Institute of Personnel and Development showed that over 60% of employers responding said they would reject applications from people with a history of mental health problems. In contrast, disclosure of such problems to a Social Firm would not result in rejection because a Social Firm has been set

up to help people who have them. Social firms can act as a stepping stone for some people on their way to open employment, but often serve as the ultimate employment goal for others who would, for whatever reason, have difficulty in retaining a job in a mainstream company.

**Q 13 – Should there be any exceptions to this approach of conditionality and increased support?**

- We would suggest caution here. It is imperative that the new system does not penalise or pressurise those who really are the most disabled to have to take up work. At the same time it should be recognised that even the most disabled people may want exposure to work-related activity and this should be enabled, if desired, without the fear of losing benefits.

**Q15- Should some people be enabled or required to enter the Gateway stage more quickly than others, taking account of their employment history or needs? Which groups should be “fast-tracked”?**

- It could be possible to fast track those who are not long term unemployed and who will find it relatively easy to find work even though they may need support to do so. However, this group should not take precedence over those furthest away from the labour market (especially people with mental health problems, learning disabilities, other disabilities and multiple disadvantages e.g. homeless people and ex-offenders). If the most disadvantaged people do not receive the intensive support they need this will lead to greater long term cost. Once again, Social Firms, with their multiple functions, have a key role to play in offering employment in a supportive environment to the most disadvantaged.

**Q16 – Should we require a period of work experience from those who do not succeed in getting work after benefitting from a more intensive level of help from specialist providers? How can we best ensure that this work experience is beneficial?**

- Social Firms offer a unique, innovative model that works. The Social Firm sector has increased exponentially over the past 10 years and is continuing to grow. With further support it would be possible to accelerate further this untapped potential to increase outcomes and impact, if it is done in a co-ordinated way. However, while there are Social Firms throughout UK the numbers are still relatively small. Until the Social Firm sector is more widely established across all regions and has established a critical mass, action focused at regional level, as suggested by the Green Paper, would not be the most effective or efficient approach.

- We therefore recommend that DWP consider piloting a national, sectoral approach to maximising the contribution that Social Firms can make. This would comprise two distinct elements –

a) A national Workstep contract for the Social Firm sector managed through Social Firms UK with its sister agencies in Scotland and Wales respectively. We are aware that, at present, Workstep used within a Social Firm includes funding for an integral support element which current contractors are able to retain as they do not need to deliver it themselves. We propose that a national Workstep contract for the Social Firm sector would have the same value as at present but suggest that the money might be better applied, given the different type of business that Social Firms are. Individuals on Workstep within this system should only be for up to 3 years on a tapered basis and we would not want introduction of a dedicated scheme for the Social Firm sector to be to the detriment of individuals currently on Workstep.

b) A national contract to support the growth of the Social Firm sector for “smarter start-up support” for potential Social Firms. This would provide start-up capital and tailored specialist mentoring based on quality of business plan and a forecast Social Return on Investment analysis (‘predictive SROI’). This method, using the David Freud approach, would ensure that the investment made in future job creation for severely disadvantaged people (i.e. the capital start-up amount) within the Social Firm does not exceed the forecast savings to the State. Social Firms UK (in partnership with its sister agencies in Scotland and Wales) is uniquely placed to deliver such a contract given its financial and quality assurance expertise in the sector and its experience of the success factors specific to the sustainable development of Social Firms that it has amassed over the past 10 years.

- We stand ready to enter into discussions about how Social Firms UK with its partners in the devolved nations could deliver such a range of services that would increase the availability of quality employment and work experience placements.

Social Firms UK

Furness House  
53 Brighton Road  
Redhill  
Surrey  
RH1 6PZ

Tel: 01737 764021

Email: [info@socialfirms.co.uk](mailto:info@socialfirms.co.uk)

[www.socialfirms.co.uk](http://www.socialfirms.co.uk)

