AN EXAMINATION OF THE TENSIONS AND CHALLENGES ASSOCIATED WITH OPERATING AS A SOCIAL ENTERPRISE – THE CASE OF IRISH SOCIAL ENTERPRISES.

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ABSTRACT

The purpose of this paper is to present the findings of a quantitative study of 244 Irish community and voluntary organisation currently classified as social enterprises and in receipt of statutory support designed to stimulate the social economy (namely the Community Services Programme). This quantitative study is accompanied by a qualitative in depth case study of four of these organisations.

The objective of the study was to explore the tensions and challenges that face these organisations in their attempts to perform community services but within the limited confines of one specific statutory support measure designed specifically to stimulate and support Irish social enterprises.

The paper highlights and discusses the lack of understanding about social enterprises and the social economy in general among many of these organisations, the impact of this specific statutory measure on these organisations and, the innovative steps that have been taken by some of the social enterprises towards achieving financial sustainability.

The paper concludes with a discussion of the strengths, and in particular, the shortfalls of current national measures designed to stimulate Irish social enterprises and puts forward some suggestions as to how these shortfalls might be addressed.
INTRODUCTION

The focus of this paper is to review the Community Services Programme (CSP). This programme was launched by the Irish government in 2006 as an initiative to stimulate and support the social economy. The stated purpose of the CSP is to support community business and social enterprises. It has a particular focus on funding local services and creating employment opportunities for disadvantaged groups in society. This paper presents a critique of certain aspects of the CSP in its remit to stimulate and support social enterprises. This critique is based on empirical evidence obtained through a study of a sample of 244 organisations currently registered under the programme.

The paper begins with a discussion of the social economy in Ireland and describes some of the statutory measures which have been implemented to support this sector of activity. It progresses to describe the methodology adopted to undertake this review of the CSP discusses the findings of this research and concludes with some suggestions as to how the policy might change to provide more appropriate mechanisms to support Irish social enterprises.

1. BACKGROUND

During the 1990s the term ‘social economy’ came into usage in Irish policy discourse and three types of social enterprises were identified - community businesses, deficient demand social enterprises, and enterprises based on public sector contracts. Although the term ‘work integration social enterprise’ is not commonly used, the main impetus for the development of the social economy in the 1990s came from local and community development initiatives stimulated by public policy responses to high unemployment and urban and rural disadvantage. The social enterprises that emerged rely hugely on labour market integration programmes developed to tackle long-term unemployment\(^1\). The Social Economy programme arose out of the report and recommendations of the Social Economy Working Group established under the Partnership 2000 Agreement, FAS (2001). The primary rationale offered by the Partnership 2000 Social Economy Working Group for recommending the establishment of the SEP was that there is a clear case for developing the social economy in the context of combating disadvantage and with the aim of regenerating communities (Partnership 2000:5). The programme was launched in September 2000. Its aim was to support Community / Voluntary Groups in the development of social economy enterprises.

An evaluation of the Social Economy Programme was undertaken by the Work Research Centre in 2003 which recommended a transfer of responsibility for the programme from the Department of Enterprise, Trade and Employment to the Department of Community Rural and Gaeltacht Affairs” (Work Research Centre, 2003:135). This led to the launch of a new Community Services Programme in January 2006. More recently, against the backdrop of an economic recession, reduced delivery of public services and growing levels of unemployment, the government and other agents have sought to reinforce the role and potential of the social economy as a way of meeting community needs and stimulating the local economy. This is evident in statements such as that of Clann Credo\(^2\) in the recently published Social Enterprise

\(^2\) www.clanncredo.ie Provide a Social Investment Fund to support people and assist in the building of stronger communities.
Task Force (2010) when they insist that “The social enterprise sector has the potential to develop to the level and scale that has been achieved in other countries”. However they also recognise that to realise this “the sector needs an appropriate national policy framework, access to relevant support structures, access to capital. There is a growing acknowledgement of the underdevelopment of the sector in general and “a lack of policy focus and direction at national level” (Social Enterprise Task Force, 2010). Given that the CSP which was launched in 2006 represents the main policy instrument to both stimulate and support Irish social enterprises it is timely that its role in this regard is subject to review.

2. COMMUNITY SERVICES PROGRAMME (CSP)

The Community Services Programme (CSP) was set up to support community businesses and social enterprises. It has a specific focus on funding local services and employment opportunities for particularly disadvantaged groups in society. This is especially the case in communities where mainstream public and private sector supports are unavailable as a consequence of either geographical or social isolation. A central objective of the measure is to support voluntary and community groups to provide local services to their communities.

An important aspect of the programme is the emphasis on the creation of employment opportunities for specific sectors suffering social or economic disadvantage. The services supported through the programme are expected to secure sufficient income from trading and other sources in order to deliver a properly resourced and viable service though they are not expected to become financially sustainable i.e. the objective of the programme is not to move groups to self funding. The organisations supported through the Community Services Programme are expected to secure sufficient income from trading and other sources in order to deliver a properly resourced and viable service and are termed social enterprises by both the programme promoters and the organisations themselves.

3. METHODOLOGY

As mentioned at the outset, a key objective of this research was to review the CSP and thus a multidisciplinary research approach was employed. This entailed a secondary review of data sets available for the 244 groups currently under the CSP programme and a survey of 57 or 23% of these organisations. In addition, nine semi structured interviews were undertaken with key informants drawn from the community and voluntary/local development field. Four short case studies/profiles of CSP funded initiatives were also prepared in order to generate further insight into the specific nature of these initiatives.

4. INCOME AND TRADING PROFILE OF CSP FUNDED INITIATIVES (2009)

A secondary review of CSP programme records was conducted in relation to all of the 244 participating groups. Table 1 illustrates the levels of generated traded income in 2009.
Table 1  Traded Income (2009)

<table>
<thead>
<tr>
<th>Traded Income (%)</th>
<th>No. Of groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No traded income</td>
<td>17</td>
<td>7%</td>
</tr>
<tr>
<td>Between 1 – 19%</td>
<td>62</td>
<td>25.5%</td>
</tr>
<tr>
<td>Between 20 – 49%</td>
<td>111</td>
<td>45.5%</td>
</tr>
<tr>
<td>Between 50 – 69%</td>
<td>37</td>
<td>15%</td>
</tr>
<tr>
<td>70% +</td>
<td>17</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>244</td>
<td>100</td>
</tr>
</tbody>
</table>

As can be seen from this table 7% of groups currently funded/treated as social enterprises in the CSP are not generating any traded income whilst a further 25.5% are generating 19% or less traded income of their total turnover i.e. 32.5% are generating less than 20% traded income. At the other end of the scale 22% are generating over 50% with the highest proportion of groups in the 20 – 49% generating traded income as a percentage of annual turn-over.

Turnover for all groups for 2009 was €88,581,557 while traded income was €34,200,330 or 38.6% of total turnover. The CSP contribution for the same year was €35,432,622 or 40% of turnover. Therefore, for every €1 put into the programme by the state, these groups generated another €1 through traded income and €0.50 was levered from other public funding. The average number of employee was a manager and four FTE (1,220) posts which was the equivalent of 1,610 employees i.e. both full time and part time.

The services provided by the CSP funded organisations range from home care service provision to older people (i.e. the provision of non medical care and meals on wheels that assists older people remain in their home and community); tourism and heritage centres including cafes, shops and hostels, community launderettes, child-care provision, community and rural transport including specific transport clubs for people with disabilities, household insulation (i.e. the provision of attic and wall insulation to reduce fuel poverty), community gyms and sport centres, small household building and repair services e.g. widening of doorways for people returning from hospital who are wheelchair bound, garden centres attached to disability services. The predominant sector activity is in the area of service provision for older people closely followed by child-care and tourism and heritage.

5. SURVEY RESULTS

A survey was distributed to all 244 groups within the CSP programme. Fifty seven or 23% of the research population responded to the survey. The findings from this survey highlighted some of the weaknesses associated with the CSP. Under the guidelines of the CSP all groups funded were expected to secure sufficient income from trading and other sources in order to deliver a properly resourced and viable service and thus implement a social enterprise business model. With this in mind, all organisations were asked to explain their understanding of a social enterprise. Fifty groups responded to this question and of these 33 (66%) demonstrated an adequate understanding of social enterprise. Twenty seven or 34% said they did not know or were unsure about what a social enterprise actually was. When asked to suggest what they thought the role of the social enterprises was the responses varied from: (a) the employment of long term unemployed/social economy workers from disadvantaged areas; (b) or the provision of services to develop self esteem and improve their education and living condition and (c) to provide training and confidence building to the unemployed. This type of response can be linked
Survey respondents were asked about the impact (to the organisation) of having to generate a traded income. Twenty (35%) stated that having to generate traded income had a negative impact on the group. One of the reasons suggested for this included having to *behave as a business*. In fact this reluctance to adopt a business approach to the activities of the organisation was evident in the fact that over 40% of respondents suggested that they would *prefer another type of statutory funding stream that did not require them to generate a traded income*. However almost 60% of respondents indicated a preference to remain within the CSP, with some of these arguing that it *suited their social enterprise model* and suggested that to take the enterprise or business out of CSP would *delegate our services to a scheme*.

Fifty four organisations responded to the question on the kind of support they felt was necessary for them to be successful. Thirty three percent of respondents indicated that they required supports in generating a traded income. Fifty four organisations responded to the question on the kind of support they felt was necessary for them to be successful. Thirty three percent of respondents indicated that they required supports in generating a traded income. The other types of support favoured by the respondents are illustrated in Table 2. These included marketing, governance and financial planning.

### Table 2 Supports required by CSP groups

<table>
<thead>
<tr>
<th>Supports required for all CSP</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>financial planning</td>
<td>4</td>
</tr>
<tr>
<td>generating income</td>
<td>18</td>
</tr>
<tr>
<td>target disadvantage</td>
<td>5</td>
</tr>
<tr>
<td>strategic planning</td>
<td>5</td>
</tr>
<tr>
<td>marketing</td>
<td>6</td>
</tr>
<tr>
<td>needs analysis</td>
<td>3</td>
</tr>
<tr>
<td>develop new service</td>
<td>1</td>
</tr>
<tr>
<td>Governance</td>
<td>3</td>
</tr>
<tr>
<td>other</td>
<td>9</td>
</tr>
</tbody>
</table>

The data has highlighted a dichotinic understanding of the concept of social enterprise for different groups within CSP. Having to generate traded income is an issue for some groups and can have a negative impact as a) they do not want to generate traded income but are contracted to do so and b) they only wish to work for or with their client base or target group. There are

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3 Community Employment Scheme is an active labour market programme administered by FAS.

4 The Job Initiative is a programme providing full-time employment for people who are 35 years of age or over, unemployed for 5 years or more, and in receipt of social welfare payments. [www.fas.ie](http://www.fas.ie)

5 FAS Ireland - Irish employment authority promotes job opportunities and training courses for school leavers, post graduates and professionals.
currently seventeen (7%) of this sample surveyed that do not generate any form of traded income and could be very vulnerable to atrophy as they have also lost the non-wage grant under CSP. A further 25% of respondents have 19% or less of traded income. Not having any or very little traded income can have a negative effect on the sustainability of these projects and this has been highlighted in their response to continued funding i.e. 21 (43%) of all respondents said that they would prefer another form of funding. This has highlighted a relatively high level of grant dependency from groups that operate in the CSP.

These levels of dependency on statutory assistance, a reluctance to engage in trading/entrepreneurial activity was evident in specific cases. For instance, the Cardiff Community Mediation was set up by a local welfare rights group with an objective to “establish, develop and deliver a community-based conflict transformation initiative within the region as a support for individuals and groups seeking to address poverty and social exclusion”.

The group viewed their core activities as developing community restorative justice principles and values within local council estates as a means of empowering local communities to deal with conflict and address issues of marginalisation, exclusion, poverty through a community mediation service. Ironically, the burning issue of having to charge a fee for the service is causing conflict at board level with some members threatening to leave the board if they charged a fee. The only financial contribution to the group is derived through the CSP. Therefore, in order to survive they must decide whether to charge fees and generate traded income and, to their mind, compromise on long held principles. This group began 2010 with a deficit of circa €14K and have now opted to exit the programme in July 2011.

Many groups are very uncomfortable with having to generate traded income and would much prefer to be funded under another government programme which might allow them to work with their particular target groups and not have to worry about selling a service. Clearly, there are groups that are currently in CSP because of the funding i.e. there is little other government funding to sustain community groups deliver their core work. This is having a negative impact on the work as they have to put a different energy and focus into generating a traded income.

Traditionally the social economy and more specifically social enterprises have been supported via active labour markets. Consequently many of the groups participating in the CSP view the programme as another type of ALMP. This was evident in the case of the Abbotstown Theatre Company. Prior to becoming part of the Social Economy Programme under FAS in 2001 the company was a Community Employment sponsoring organisation and had a number of people placed with them under the scheme. The company did not initially apply for the SEP but rather was awarded it by FAS and had the Community Employment Scheme withdrawn from them. Here we have a group, a sponsoring organisation for a CE scheme, moving into a programme where it was required to act as a social enterprise, generate income and exit the programme in three years having become financially sustainable. Yet nobody consulted with the group if that was what they wanted to do or indeed could they do it. Furthermore, this case highlights that neither the company nor the scheme participants were informed about the change over in the programme. It appears from this case that people may have left work on Friday as a participant/trainee on an active labour market scheme and resumed work on the following Monday morning as a worker in a social enterprise unbeknown to themselves or their employer.

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6 In CSP a non-wage grant of €4,065 per full-time equivalent (FTE) worker was contributed to the group until January 2010 when it was removed by the sponsoring government Dept.

7 51% of groups transferred from the Community Employment scheme over to the Social Economy Programme (Work Research Centre, 2003),
This was highlighted by the manager who thought that he was now expected to do “social work” whereas his previous role was to focus on re-training people and giving them an opportunity to gain experience. This is further evidenced by a key informant and department official who noted that the department of finance was constantly moving money out of the social economy measure into other areas and this included transfer of a number of Community Employment schemes into the National Social Economy Programme and more recently into the Community Services Programme. This key informant highlighted the fact that “groups didn’t really have a choice”.

There are other groups within the CSP that are very clear on their role as a social enterprise, which is clearly reflected in their mission statement. One such example is Mellows Community Caring which was set up to “develop, promote and enhance the existing resources through the creation of a community enterprise. Realising the need for local communities to become more self reliant, we as a group are determined to foster a spirit of community, enterprise and caring in our area that will be a vehicle promoting prosperity, self-help and quality of life”. The company was established in 1998 with the financial support of the Community Employment programme. It subsequently qualified for the national Social Economy Programme in 1999 and has since emerged as a successful social enterprise under the CSP. The company provides a range of valued services for older people. In 2006 the company registered as a service provider with the Health Service Executive\(^8\) (HSE) and delivered 144,000 caring hours to approx 500 clients in 2009. In 2009 the company produced a turnover of €3,524,071 of which some €2.8 million or 79% was traded income. It is generally recognised that this company has attained the position of an expert organisation in home-based care services, home cares to the vulnerable elderly, especially those in rural areas. The CSP funding provides employment for 13 full-time workers with traded income providing employment for 10 full-time and 165 part-time workers. The social enterprise is in the process of planning a regional multi functional centre for the provision of specialised respite services for older people. This is being developed with the assistance of their retained surpluses (in excess of €1.5 million) from their traded income.

6. OBSERVATIONS/CONCLUSIONS

Many of the organisations within the CSP derive resources from multiple sources including the state, private and voluntary sectors and with this come multiple and conflicting demands on the organisations themselves. They are often under pressure to adopt different practices often driven by different sets of values. For example, social enterprises under the CSP are expected to generate income and build up reserves. However other statutory funding programmes do not permit a group to carry over income and build up reserves for contingencies. In fact if a group builds up these reserves, it can sometimes have a negative impact in that they could be seen as having a healthy balance sheet and other funders could reduce their funding to the group. This affects the incentive to be entrepreneurial and strive towards financial viability.

Some social enterprises are swimming against the tide in terms of contract conditions and criteria imposed by the state. The state has specific objectives regarding the employment eligibility of workers and what categories these should come from i.e. 70% of CSP-funded FTEs should be drawn from designated employment target groups.\(^9\) CSP also imposes restrictions on

\(^8\) The HSE is responsible for the provision of healthcare providing health and personal social services for everyone living in Ireland with public funds. [www.hse.ie](http://www.hse.ie)

\(^9\) Person in receipt of Jobseeker’s Benefit (JB), Jobseeker’s Assistance (JA) or one parent family payment., Persons in receipt of disability allowance, invalidity pension, blind persons pension or other
what groups the social enterprise can work with and also has conditions regarding the potential displacement of commercial activity that it imposes on groups to observe i.e. “community enterprises may not displace commercial activity”\textsuperscript{10}.

The issues highlighted in the preceding pages raise some serious questions regarding state support for social enterprise. The CSP insists that participating groups `provide a supportive work environment and services for particular categories of disadvantaged people whilst at the same time are required to generate traded income that will assist their sustainability. Therefore, is the state stifling the entrepreneurial and innovative capacity of potential social enterprises by dictating how they must behave, who they must serve and who they employ to receive state subsidy? The CSP precludes participating organisations from competing with and/or displacing local commercial activity. This raises the question of where and how these organisations are supposed to trade and compete for market share.

CSP has succeeded other state programmes that supported long-term unemployed people into employment (i.e. Community Employment, Jobs Initiative etc.) and consequently continues to find it difficult to shake off this historical baggage as a large number of groups still perceive their workers to be scheme participants, a factor which is only reinforced by the employment eligibility constraints imposed by the CSP. As a result a significant focus of many organisations is the provision of training to the participants rather than developing their social enterprise and generating a traded income. However, it is easier for them to remain within CSP and compromise their mission as CSP is the only programme available to them that provides three year core funding and financial contributions towards the employment of a manager and a full time equivalent allocation.

In a period of sustained economic recession in Ireland it is imperative that we have a discussion on the appropriate policy support for Irish social enterprises. This paper has sought to provide a critique of one of the measures currently in place to support such initiatives. It has highlighted the need to relax some of the conditions of funding which are currently in place and argued to restrict the development and long term sustainability of social enterprises. It attempts to make a case for the provision of a number of streams or tiers of funding which would take into account the different requirements of developing a service in an urban/rural setting, and one which takes account of the disadvantages nature of the local markets. Governance and business development support should be provided at board level. The relevancy of the current method of distributing grant contributions needs to be explored and a shift away from the traditional ALMP approach (which has typically characterised state support for social enterprises) should be considered. This paper argues that there is sufficient international evidence to illustrate the social and economic importance of social enterprises concludes by suggesting that there need to be a national debate on the appropriate policy mechanism and practical supports necessary for this potential to be fully realised in an Irish context.

disability benefit., Travellers in receipt of Jobseeker’s Benefit or Jobseeker’s Assistance or one parent family benefit., Stabilised and recovering drug mis-users, People employed from Tús, Community Employment (CE) and Job Initiatives (JI) schemes are deemed eligible. RSS workers who are former CE placements are also eligible, Ex-prisoners.

\textsuperscript{10} CSP rules and conditions http://www.pobal.ie/Funding%20Programmes/csp/Pages/Background.aspx
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