

Social enterprise and ethnic minorities: exploring the consequences of the evolving British policy agenda

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Abstract

Recent years have seen successive British governments move social enterprise centre stage as a policy construct. Yet there remains little understanding as to whether this policy direction provides new opportunities for engagement for migrant and ethnic minority groups or acts to reinforce past processes of exclusion. This article addresses this issue by examining the nature and extent of migrant and ethnic minorities' involvement in social enterprise activity and the resulting implications for policy and practice. Through original empirical analysis of ethnic minority third sector organisations in East London, results are presented in relation to the challenges of defining and measuring this arena of activity, the nature of the current transition towards social enterprise forms, and the extent of engagement in the policy process. The paper concludes that the narrow arena of action for social enterprise activity as promoted within the current policy discourse provides little scope for engagement for the majority of small-scale ethnic minority organisations.

Key words:

Social Enterprise; Migrants and Ethnic Minorities; Public Policy; London; 2012 Olympics

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Introduction

Over the last fifteen years social enterprise has moved from a position on the margins of British social and economic policy to occupy a central position within current debates over state and welfare reform and future economic development paths (DTI, 2002; Cabinet Office, 2010b). Within an evolving policy agenda, social enterprise has been depicted as a means to provide innovative and sustainable solutions to social problems not adequately addressed by the public and private sectors (DTI, 2002; Cabinet Office, 2010b). Increasingly social enterprise has been portrayed as something of a universal panacea within public policy, capable of curing problems of social exclusion, political disengagement and poor quality public service provision (ODPM, 2004). Yet the sudden prominence afforded to social enterprise has occurred despite a lack of agreement as to what exactly social enterprise is or does (Peattie and Morley, 2008; Teasdale, 2010), and the evidence base to support the claims that it can provide a means for addressing social and economic problems is at best patchy, and often non-existent (Hunter, 2019; Syrett et al, 2011).

This development of social enterprise as a policy construct in Britain has been led by politicians, policy makers and politically influential third sector bodies, rather than evidence based study (Brown, 2003; Nicholls, 2010a; Teasdale, 2010). The top-down, centralised nature of this policy driven process raises a number of concerns, not least the ability of social enterprise to reach and engage with more vulnerable and marginalised individuals and communities (Aiken, 2007; Amin, 2009; Syrett et al, 2011). In the case of migrant and ethnic minority groups (1) very little is known about the extent and nature of their engagement and involvement with social enterprise activity. A number of practitioner oriented studies have reported a growing propensity of migrant and ethnic minority organisations to become involved in social enterprise (OLMEC, 2007; Kandola, 2004) and these findings have been taken up by policy makers supportive of the social enterprise policy agenda (SEC, 2009). Yet for others the British social enterprise movement has remained a largely ‘white middle-class’ affair that has failed to tap into the activity of non-white populations (The Sunday Times, 16 April 2009) and left black and ethnic minority communities on the margins of the social enterprise movement and related policy development (VOICE4Change, 2008).

Evaluating the strength of competing claims over the significance of migrant and ethnic minority groups’ engagement with social enterprise activity remains problematic given limited existing empirical evidence and academic studies. The aim of this article is therefore to address this knowledge gap and gain greater insight into the nature and extent of migrants and ethnic minorities’ involvement in social enterprise activity and the policy issues this raises. Critically it seeks to examine whether the consequence of current policy directions has been to stimulate Black and Minority Ethnic (BME) social enterprise and provide new routes for social and economic inclusion, or whether it is in fact deepening and reproducing existing structures and process of exclusion affecting such groups (Craig, 2007). To achieve this, three related research questions are addressed. First, what are the difficulties involved in measuring and defining emergent ethnic minority social enterprise activity? Second, is there evidence that BME organisations are making a transition towards adopting social enterprise forms? Third, what is the extent and nature of these organisations’ engagement with wider policy processes? In answering these questions, the paper presents original empirical material based on a survey of 200 BME organisations and associated case study and key informant interviews within East London.

The social enterprise policy agenda and ethnic minorities

Social enterprise and the rationale for public policy

How did it happen that social enterprise came to be viewed as something of a universal panacea across the political spectrum? The notion of social enterprise has long roots within a number of radical traditions that have critiqued the failure of markets and states to address the needs of vulnerable individuals and communities, and seen social enterprise activity as a means to provide goods and services otherwise denied by private and public sectors (Amin et al, 2002; Borzaga and Defourny, 2001; Borzaga et al, 2011). Yet during the 1990s social enterprise increasingly attracted political attention as part of a centrist reform agenda which sought to manage the contradictions evident in the pursuit of neo-liberal economic policies - with their resulting rising levels of social inequality and political disengagement - through engagement with communitarian and associationalist thinking which sought to redefine the role of citizens, individuals and groups in a more inclusive and sustainable manner within the economic and social realms (Giddens, 1998; Gough et al, 2005).

In Britain, social enterprises came to be seen as an alternative to the move towards market-led provision and the privatisation of public services which had dominated the British policy agenda from the early 1980s. Developing 'social enterprised' rather than 'privatised' public services had political appeal to the political *centre-left*, in terms of the ascribed ability of social enterprises to enhance local community control and add social value, whilst serving to strengthen civil society, and to the *centre-right*, in their ability to reduce state involvement in areas of traditional public policy such as health, social care and education (Sepulveda, 2009).

Under the 1997 New Labour government the 'communitarian' discourse articulated within the 'Third Way' notion set out new roles for third sector organisations (Haugh and Kitson, 2007; Kendall, 2010), which helped move notions of social enterprise onto a policy agenda also committed to the pursuit of liberal market capitalism. The social enterprise term was first used within official government documents considering the role of enterprise in tackling 'social exclusion' in deprived neighbourhoods (HM Treasury, 1999). Institutional changes saw the government sponsor the emergence of Social Enterprise London (SEL) in 1998, through the merger of two major umbrella organisations in the cooperative movement with close links to New Labour (Brown, 2003), and the creation of the Social Enterprise Unit (SEU) within central government in 2001, to champion social enterprise across government. This activity led to the emergence of the current official government definition of social enterprise as:

'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners' (DTI, 2002, page 13).

In the policy agenda that subsequently evolved (see Lyon and Sepulveda, 2012), social enterprises have been seen capable of making a positive contribution not only in regenerating deprived areas and combating socio-economic exclusion (ODPM, 2004) but critically reforming welfare and public service provision. In fact, it has been in relation to public sector reform that social enterprise has been most actively pursued politically in recent years, particularly within England (DTI, 2002; Cabinet Office, 2010b). Under the Conservative-Liberal Democrat coalition government the advancement of the notion of the 'Big Society' (Blond, 2009) saw a key role for social enterprises in building the Big Society particularly

through delivering public services (Cabinet Office, 2010a; 2010b). However in contrast to New Labour, the Coalition's discourse focused principally upon the failure of the state to meet social needs and deliver public services, and the ability of communitarian action to address these deficiencies through the pursuit of social entrepreneurial activity, with open markets and competition acting as the main mechanisms of coordination (Cabinet Office, 2010a).

Conceptually, the underlying social enterprise definition and preferred 'business' model that has come to prominence within this policy context is one rooted within what Defourny and Nyssens (2010) refer to as the 'Earned Income' school of thought. Within this non-profit organisations make a functional use of commercial activities in support of their social mission, with trading activity mainly considered as an income source (Teasdale, 2010). The implication of this approach, and also a key rationale for public policy forwarded by New Labour and endorsed by the Coalition government, is that any voluntary and community organisation (VCO) or third sector body can get involved in trading for social purposes, either directly or through a 'trading arm' (e.g. charity shop), and hence become a social enterprise. Against a background of reductions in public sector funding for VCOs and the wider third sector (NCVO, 2009) - a trend strongly accelerated by the financial crisis and ensuing economic downturn - most organisations have come under increased financial pressure to become more 'entrepreneurial' (i.e. generate commercial revenues) and lessen their traditional dependence on state grants, subsidies and donations (SEUK, 2011). The 'social enterprise' form, it is argued, offers a way forward for VCOs and charities, by providing an 'entrepreneurial' 'business-like' model of organisation and operation (Aiken, 2007) which is more suitable for them in terms of an organisation's social mission, (democratic) governance and (social) ownership.

The manner by which the 'social' element of a 'social enterprise' is incorporated into an organisation and the tensions between 'social' and 'economic' aims are managed, is of central importance both conceptually and practically (Arthur et al, 2010; Hudson, 2009; Spear, 2006). The emergent British policy model of social enterprise is significantly different from other traditions of thought, notably that of the pan European Social Enterprise Network (EMES), where 'the social' element is built into the trading activity, or the very production of goods or services itself constitutes the way in which the social mission is pursued and hence democratic governance becomes an imperative (Borzaga and Defourny, 2001). The EMES's definition of social enterprise originated in the new 'social cooperatives' (*cooperative sociali*) that emerged in Italy in the late 1980s in response to unmet needs in the field of work integration and personal services and which, in contrast to traditional cooperatives, were oriented to serve broader communities and combined multiple types of stakeholders in their membership (Defourny and Nyssens, 2010; Borzaga et al, 2011). Within Britain, examples of this tradition exist too, for example in the form of 'social firms' that create jobs for severely disadvantaged people, and 'fair trade' organisations characterised by their payment of social premiums and guaranteed minimum prices, cooperative distribution and democratic governance (Aiken, 2007). However in this study it is the use of social enterprise activity as a means of 'modernising' and transforming traditional VCOs and third sector organisations into more 'entrepreneurial business like' entities (Dart, 2004;) that is the focus of enquiry.

Significantly, the policy shift in favour of social enterprise forms by both New Labour and Coalition governments has taken place in the absence of a robust evidence base to support their supposed transformatory powers. For example Amin's (2009) study concluded that the expectation that social enterprises play a role in returning the socially disadvantaged into the

formal economy is ‘misguided’ and ‘overly optimistic’, given that the majority of the individuals studied in the Bristol case did not move into the formal public and private sector after working in social enterprises, and those who did were those less disadvantaged. In fact most of the claims advanced for the transformatory potential of social enterprise have been critically questioned including the degree of financial sustainability of the social enterprise model (Hunter, 2009), its potential to fulfil a social mission (Dart, 2004; Arthur et al, 2010), its innovative capacity in providing public services (Westall, 2007), and its power to engage and include disadvantaged individuals and communities (Aiken, 2007; Amin et al, 2002; Amin, 2009; Hudson, 2009; Macmillan, 2010; Syrett et al, 2011).

Given these deep rooted concerns as to what social enterprise forms can achieve in practice and current Coalition Government policies aimed at transferring front-line public services to social enterprises, mutuals and charities in a climate of public sector financial austerity (Cabinet Office, 2010b), there is a clear need for critical empirical enquiry as to what in practice the consequences of this policy agenda are. For some, this agenda appears less about a commitment to advancing social enterprise and more about a process of privatising public services and undermining universal service provision, particularly in relation to more marginalised and disadvantaged individuals and social groups (Murdock, 2010).

Ethnic minorities and the social enterprise agenda

The evolving social enterprise policy agenda has relevance to migrant and ethnic minority groups in a number of important ways. First, BME groups have grown significantly in terms of scale and diversity over the last twenty years across the UK (Vertovec, 2007) and suffer disproportionately from many of the problems of economic and social exclusion and political disengagement (Afridi and Warmington, 2009) which social enterprises are seen as a vehicle for addressing. Second, a number of studies have demonstrated the economic, social and community needs of these groups are frequently poorly served by existing state and market provision (Craig, 2007; Glynn, 2010), hence creating important spaces for social enterprise activity particularly in public service delivery. Third, there is well-documented evidence of higher rates of entrepreneurial activity amongst BME groups within the private sector. This is commonly oriented to meet the needs of BME communities and provides a route for economic inclusion where labour market integration is constrained and a basis for mutual support within these communities (Ram and Jones, 2008; Sepulveda et al, 2011). Similarly the capacity of BME groups to develop voluntary and community groups capable of fulfilling roles of ‘self-help and self-organisation’, ‘mutuality’ and ‘political resistance’ is well observed (Afridi and Warmington, 2009). Overall this evidence of entrepreneurial activity within BME communities in both private and voluntary and community sectors indicates the presence of motivation, capability and critical mass pertinent to the potential development of social enterprises.

There is some limited evidence that ethnic minority social enterprise activity is indeed growing in scale (Harding, 2010) and that such groups are more likely to become engaged in social enterprise than the majority non-BME white population (GLA, 2007; Kandola, 2004; OLMEC, 2007). These findings led the Social Enterprise Coalition to claim that ethnic minorities are a “*core part of the social enterprise movement*” (SEC, 2009, page 4). However other groups operating in this sector adopt a more critical perspective. Voice4Change England, a national ethnic minority lobbying body, observed that the BME sector is not ‘*properly engaged in policy making structures and networks relating to Social Enterprises, and that funding is not reaching the BME groups that are developing as social enterprises*’

(Voice4Change, 2008, page 11). Certainly set within the wider context of policy and governance engagement of various third and private sector BME organisations, the evidence suggests that ethnic minority interests frequently remain marginalised. The BME sector for example has never developed a strong voice within the VCO and third sector movement. As a recent report emphasised: ‘... *the mainstream Third Sector itself has largely failed to build structural links with the BME sector, to aid its development or ensure its proper representation in local and regional decision-making* (CEMVO, 2010, page II). Similarly with regard to the BME private sector, studies of business support have demonstrated variability in impact and satisfaction levels achieved by all delivery bodies, particularly public sector ones (Bennett, 2008), and that mainstream public business support has frequently failed to engage with, and serve the needs of, ethnic minority businesses (Ram and Jones, 2008; Sepulveda et al, 2011).

Critical to understanding the evolving position and role of BME organisations has been change in race relations and equality policies. The multiculturalist policy approach that emerged in the aftermath of the 1981 Brixton civil disorders, with its celebration of ethnic and cultural identity and difference (Reitz et al, 2009), offered BME groups a: ‘*reasonable secure route for accessing resources [and] produced an environment in which the BME third sector thrived*’ (Afridi and Warmington, 2009, page 59). However from the turn of the century, high rates of immigration in conjunction with various civil disturbances and terrorist attacks, has prompted a significant policy shift of emphasis towards ‘integration’ and ‘community cohesion’ (CIC, 2007; Joppke, 2004). One consequence is that BME organisations are now required to stress not their difference (defined in terms of ‘single group’ identities), but their ability to integrate with other communities if they wish to access a diminishing number of funding streams or successfully bid to deliver public services (CLG, 2008). The move away from the multicultural policy agenda towards a more integrationist approach (Joppke, 2004) has combined with major reductions in public sector funding to create a highly unstable situation for BME organisations, with growing competition to access funds and a weakened lobbying capacity.

Study methodology: the case of East London

This study focuses upon East London defined geographically here as comprising the five boroughs of Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest. This area provides a very particular socio-economic, demographic and policy context; one where there is a highly diverse population and a well-established presence of BME organisations and enterprises, providing conditions that are potentially amenable to the start up and development of ethnic minority social enterprise.

Although distinctive, the area was selected for study because of its potential to generate significant insights in relation to a number of key issues. First, this area has one of the most ethnically diverse population mixes in the UK, with 42% of the population from non-white ethnic groups (ODA, 2007). Given the demographic and migratory changes affecting Britain’s urban areas over recent decades, such areas of ‘superdiverse’ populations are becoming increasingly common within many major cities (Sepulveda et al, 2011; Vertovec, 2007). Second, East London is among the most deprived areas within the UK suffering from considerable social and economic disadvantage, with all five Boroughs in the most deprived 15% in the country and three in the worst 5% (ODA, 2007). As the area has a relatively high level of existing migrant and BME community and voluntary organisations and social

enterprises (NCVO, 2010; GLA, 2007) , the area provides a laboratory for examining the extent to which social enterprise development is contributing to the inclusion and engagement of disadvantaged groups and individuals. Third, the area has a strong history and presence of a range of urban regeneration and social policy activity as is the case with other British inner city urban areas. Unique to this area at the time of study were the initial impacts of the 2012 London Olympic and Paralympics Games, with their stated aim to act as a catalyst for achieving a far-reaching social, economic and environmental legacy, which would transform peoples' lives through improving East London's social, physical and economic environment (ODA, 2007). Of particular relevance for this study was that among the many promised benefits of the Games was the engagement and participation of 'BME groups' and 'social enterprises' within its preparation and delivery (ODA, 2007).

Given the limitations of existing secondary data sources this study focused upon the collection of primary data. As the objective was to study the transition process from non-profits towards the social enterprise model the sample mainly comprised VCOs and third sector organisations and excluded private enterprises. A total population of 1,200 organisations was identified within the five East London Boroughs using online social enterprise and third sector directories, websites, referrals and other material gathered in fieldwork. From this population a sample of 352 organisations was selected on the basis of: *location* (approximately 70 organisations in each of the five boroughs); *ethnicity* (to ensure coverage of the main ethnic and migrant populations); *type of activity*; and *evidence of trading*. Out of the 352 organisations in the sample, 200 telephone interviews with leaders of organisations were completed between October and December 2009; a response rate of 57%. It was not possible to get any response from a significant number of these organisations (30%) whilst 13% rejected the invitation to participate in the research.

In the telephone interviews, responding organisations answered questions relating to the nature of trading activity carried out, the main drivers of change and challenges faced, their organisational definition, legal form and governance, and their engagement with support infrastructure and the wider policy process. The respondent sample was characterised by small organisations, with 86% employing fewer than 50 paid and un-paid staff, of which 41% had fewer than ten employees. Only 12% had between 50-250 employees and just 2% more than 250 employees. Over half (55%) of organisations were established prior to 1997, 22% between 1997-2000, 20% (2001-2007) and 3% (2008-2009). The survey findings were complemented with a series of key informants interviews and detailed analysis of 10 case study ethnic minority organisations in order to examine in greater depth the major issues raised.

Research findings and discussion

Defining and mapping migrant and ethnic minority social enterprises

There are only limited existing data concerning the scale of social enterprise activity within London and the accuracy of these is highly questionable. A report for the Greater London Authority (GLA, 2007) estimated that (in 2005) London had the largest social enterprise population within the UK with between 3,300 and 5,000 ethnic minority social enterprises, approximately 30% of which were 'led by BME groups' (14% by Asian and 5% by Black groups). However the data used for this study were mainly derived from the 2006 London Annual Business Survey which sampled only private sector employers and did not include VCO or third sector organisations. In contrast, OLMEC's (2007) mapping study examined a

sample of 60 BME social enterprises focused exclusively on BME ‘third sector’ organisations, run by ‘majority’ BME groups (Afro-Caribbean and South Asian) and recruited through referrals from ‘known mainstream’ sector organisations.

What these studies amply demonstrate is the difficulty in defining what an ethnic minority social enterprise is for research and policy purposes. The difficulties here lie in the contested nature of both the social enterprise term itself (Borzaga and Defourny, 2001; Defourny and Nyssens, 2010; Peattie and Morley, 2008; Teasdale 2010) - variously conceived as a legal form, a response to issues of ownership and control and as a question of motivation - and its ‘ethnic’ dimension. In this regard, the research for this study revealed clear mismatches between ‘official’ (government) definitions (e.g. DTI, 2002; SEC, 2009) and the definitions held by BME organisations and their stakeholders on the ground. As a result, rather than impose an external ‘official’ definition of what constituted a minority ethnic social enterprise, the research sought to understand the socially constructed definitions used by actors operating within a particular spatial context with regard to their organisations, the activities they undertake and the communities they form part of.

In relation to the ‘ethnic’ dimension of the organisations surveyed a number of key findings emerged. First, the manner in which the surveyed organisations identified their own ethnic identity with regard to their *staff members* and *beneficiaries* showed them naming a variety of dimensions including ‘region of origin’ and ‘nationality’ (as per traditional Home Office nomenclature), as well as ‘faith’ and ‘migration status/labels’ (refugees, asylum seekers, migrants). In relation to their *beneficiaries* respondents used official categories such ‘Mixed’ background (39%), ‘Black’ (15%) and ‘Asian’ (12%), alongside ‘country of birth’ or ‘nationality’ (19%) - with Somali, Turkish/Kurdish and Bangladeshi the most mentioned - as well as ‘migration status’ (7%) and ‘faith’ (4%). In terms of the ethnicity of their *staff*, 55% stated that they had a mixed ethnic staff. This figure is higher than that observed in relation to their customer base (39%), a reflection of the diversity of backgrounds of the people working for these organisations. The mix of ethnic identifiers present within the sample demonstrates the increasing limitations of using a ‘BME’ definition derived from official (Home Office) data collection categories. In this respect the findings reinforce Vertovec’s (2007) argument that the UK policy framework has yet to catch up with the profound demographic changes associated with ‘superdiverse’ populations present in areas such as East London. These areas are characterised by a dynamic interplay of multiple variables of diversity related not only to nationality and ethnic origin but also religion, cultural values, migratory status, migration channel, labour market experience, gender, social class and political affiliation.

A second dimension relates to the basis upon which a social enterprise is categorised as ‘ethnic’. Official definitions tend to focus upon the ethnicity of an organisation’s ownership and governance (GLA, 2007), rather than of its beneficiaries and staff. In research on BME private businesses this focus upon ownership is less problematic (given it is generally relatively easy to identify the owner-manager within smaller firms) however this issue becomes far more complex where there are several stakeholders involved in the running of organisations (e.g. boards of directors, trustees, senior managers, funders, etc.) who in turn display a variety of governance and management models and who may come from different ethnic backgrounds. In response to this problem some practitioner studies have adopted a loose definition of BME social enterprises as those organisations: ‘*with social ownership primarily belonging to the BME community*’ (Kandola, 2004, page 2). Whilst other prefer a more precise definition such that ‘*50 per cent or more of the owners/managers*’ need to come from BME communities for it to constitute a BME social enterprise (SEC, 2009, page 5).

Although such a definition provides greater clarity, its operationalisation still has to confront the difficulties of establishing the proportions or a simple majority of owner/managers who come from a BME community and does not address the issue of possible situations of multi BME background.

Significantly whilst official definitions focus upon ethnicity in relation to ownership and management, the survey results showed that responding organisations tended to focus rather less upon this element and more upon the ethnicity of their ‘beneficiaries’ when defining their identity. The (white British) Director of a local social enterprise pointed out: *“We are an ethnic minority social enterprise because our organisation is based in Tower Hamlets and 90% of our service users are from ethnic minority communities”*. Respondents from case study organisations were keen to emphasise the added social value of their organisation in meeting the needs of ethnic minority groups through providing goods and services. In these cases the ethnicity of the beneficiaries became a central criterion in defining their organisation. Indeed if the social mission of social enterprises is placed centre stage, as many argue it should (Arthur et al, 2010; Borzaga and Defourny, 2001; Nicholls, 2010a), then the organisation’s social aims and characteristics of beneficiaries needs to be taken into account in relation to defining ethnic minority social enterprises, which suggests the need to adopt a multiple-stakeholder perspective in defining the ‘ethnicity’ of an organisation which affords less primacy to issues of ownership and control.

A third factor related to the substantive challenge in mapping and defining ethnic minority social enterprises concerned the extent to which they adopt a formal legal status and hence are captured within official data sources. The issue of the ‘invisibility’ of many BME VCO organisations has been highlighted within the literature with some arguing that a lack of legal status is the norm for many small migrant and refugee organisations (Zetter et al, 2005), reflecting their wariness of engaging with the formal regulatory state system. Hence any estimation of the number of organisations based on formal incorporations is liable to be a substantial underestimate. This survey did capture a small but significant number of organisations (11% of the sample) that lacked any legal status and operated informally. An aspect not captured by the survey sample but which was identified through the key informant interviews, was the strong growth of unincorporated BME ‘faith-based’ groups which deliver local community services (e.g. counselling, health and education) and which in some cases constituted a particular non-formalised type of ethnic minority social enterprise. These findings give some indication of the ongoing importance of varied informal social enterprise activity rooted within the diverse population characteristics of the area. Furthermore they raise important questions as to the ability of these unregistered organisations to access formal support infrastructures and make the transition to formal recognition, as has been documented for other informal private sector enterprises (Sepulveda and Syrett, 2007).

Together this evidence demonstrates that the social construction of ethnic minority social enterprise is highly complex, with multiple dimensions of ethnicity and diversity interacting with a range of formal and informal activities that reflect social objectives and motivations as much as they do the issues of ownership and trading prominent in official definitions. Such complex definitional parameters however pose considerable challenges to policy making processes which frequently require measurable definitions that conform to specific legal and regulatory frameworks.

Evidence of transition towards the social enterprise model

To explore the extent to which ethnic minority organisations are moving towards the ‘official’ social enterprise model the study focused particularly upon the extent of their trading activity and their adopted legal form. At the core of the UK government definition of social enterprise is that the organisation is trading and trade is undertaken for social purposes (DTI, 2002). Out of the 200 organisations surveyed, 74% stated that they were engaged with some form of commercial activity and 32% reported that they had increased the volume of earned income in the 2008-2009 period. This mainly comprised of fees for services provided (39%), hiring facilities (20%) and public contracts (15%). It is important to note that earned income generated through ‘service provision’ constituted the main source of commercial revenues for these organisations. Specific services provided included: education (20%), general advice (19%), culture and recreation (15%), health and social care (15%) and employment related training (10%). Over half (58%) operated as ‘multiservice’ providers. Services were mainly provided to the ‘local community’ (62%) and main subgroups of beneficiaries included young people, women, children and the elderly.

Despite this trend towards trading activity, income derived from grants and donations remained critical for the whole sector. Overall 64% of organisations were in receipt of grant income and 13% in receipt of both grants and donations, with 7% in receipt of donations only. Only 15% of the organisations generated all their income from trading. A total of 28% met the official government criterion of being a social enterprise in that 50% or more of their income was derived from trading. These data are in line with the findings of the NCVO’s nation-wide survey (NCVO, 2009) which revealed the increasing importance of earned income in the funding mix across VCOs and third sector bodies in England.

Change in the legal structure of organisations is a further means of identifying any movement towards social enterprise forms, particularly with regard to an organisation’s legal entitlement and intention to trade and generate a surplus. Legal forms most associated with social enterprise include; Registered Charity (that trades), Community Interest Company (CIC), Company Limited by Guarantee (CLG), Company Limited by Shares (CLS), Industrial Provident Society (IPS) (SEUK, 2011) and others such as Community Benefit Society, Limited Liability Partnership, and Trust and an Incorporated Association (SEUK, 2011; Peattie and Morley, 2008). The majority of the 89% formally incorporated organisations in the sample were Registered Charities (44%) or had dual status as Registered Charities and CLGs (31%). The increased use of a CLG structure among BME organisations reflected the need to give their trustees limited liability as well as provide a corporate status that allowed them to pursue growth and engage in commercial activities. Only a small group of organisations (6%) were registered as CICs, a new type of limited company legal form established in England in 2005 for enterprises “whose activities operate for the benefit of the community rather than for the benefit of the owners of the company” (Nicholls, 2010b, page 396). From a non-for-profit perspective the CIC legal form provides greater flexibility to trade (i.e. deliver services under contractual agreements) and fewer regulations than registration as a Charity.

These shifts towards greater earned income and legal forms that enable trading were driven by two major factors. First was in response to the decline in traditional funding sources from Local Authorities and statutory bodies. As one respondent stated: *‘We need to have other sources of income [other than grants], otherwise we cannot survive’*. The impact of the economic downturn and reductions in public sector funding had created a situation of considerable financial uncertainty within which organisations were struggling to survive and

had little opportunity for longer term planning (see also CEMVO, 2010). Second, the government's promotion of social enterprises and third sector organisations as public service providers (i.e. via capacity building programmes and other grant-aid funding) had shifted many BME organisations further towards this form of activity. This issue is discussed further in the next section.

Important also in assessing the nature of change was the organisations' understanding and assimilation of the term 'social enterprise'. The interview results revealed often only a limited understanding of the term and a degree of confusion over what a social enterprise is and does. As one manager commented:

It has always been a bit confusing to know about what the term social enterprise is because... you know..., I've been managing a charity for many years and, actually, it looks like we are a social enterprise, I think. I'd struggle to distinguish when a particular project crosses the line from being a charitable service to a social enterprise.'

That most organisations surveyed made little association between their commercial revenue and the social enterprise label illustrated that BME organisations at large tended to regard social enterprise as an 'outsider' to the third sector - a view also evident more widely within mainstream VCOs and charities (Sepulveda, 2009). The notable exceptions were CIC registered organisations which demonstrated a better understanding of - and felt more comfortable with - the notion of being a social enterprise. Overall, the observed shift towards increased trading revenues appeared best understood as a largely intra (third) sector transition process which forms part of the long standing process of 'marketisation' of the non profit sector (Weisbrod, 1998), rather than as an embrace of the notion of social enterprise.

Engagement with the policy process

The extent to which ethnic minority organisations were engaged with the policy process, and the nature of that engagement, was explored in relation to their interaction with the support infrastructure and involvement in contracting arrangements with local authorities and other public bodies as well as specifically in relation to the 2012 Olympic Games. Within the study there was little evidence of any ethnic minority organisations engaging with mainstream support available through bodies such as Business Link which provides traditional business services. These findings reflect both the poor provision of mainstream services for social enterprise support generally (Hines, 2006) and that ethnic minority organisations frequently demonstrate a low level of take up of such services (Ram and Jones, 2008). Within the very small number of organisations that had approached Business Link, there was considerable criticism of the services offered. One manager stressed: *'I never got anything positive from Business Link; they always send me to places where I have to pay a lot of money [for services requested]; they do not understand that we are a small organisation'*. Other criticisms cited included the unsuitability of available services to ethnic minority needs, the complexities and bureaucracy involved and a distrust of mainstream infrastructure as result of perceived institutional racism and discrimination.

In response to the limitations of mainstream service delivery and the relatively high density of BME organisations a number of locally-based organisations with a remit to build capacity of ethnic minority VCOs and social enterprises had emerged in East London. The most utilised locally-based support organisations within the case study organisations studied included OLMEC, the Black Training and Enterprise Group (BTEG), UnLimited as well as

local business centres. Support from these local providers included ‘soft’ generic support (e.g. information and referrals) as well as ‘concrete’ support to produce business plans and write contract applications. The role of the local authorities in supporting BME social enterprise development varied substantially across organisations and between the five Boroughs. A small proportion of the most active and better established BME organisations frequently demonstrated a strong and supportive relationship with their local authority. The type and level of assistance provided across the Boroughs varied significantly however, with the LB of Newham widely criticised for its lack of backing for BME groups whilst Tower Hamlet was recognised as a strong supporter of both BME VCOs and social enterprises.

The extent to which BME organisations were able to develop contracting relationships was also examined given that the wider policy agenda is actively seeking to move VCO and third sector bodies in this direction (Cabinet Office, 2010b; Carmel and Harlock, 2008). Whilst only a minority of BME organisations had contracting relationships to supply services to local authorities, in these cases such contractual relationships were normally highly important sources of income for the organisations concerned, accounting for between 70% and 100% of their total income.

The study also focused specifically upon contracting opportunities available through the London 2012 Olympics given one stated objective was to encourage the participation of BME groups and social enterprises within the 2012 Games preparation and delivery (ODA, 2007). Yet survey findings revealed very limited engagement with the preparations for the 2012 Games in London. Only 8 out of 200 (4%) organisations surveyed had at the time the survey (December 2009) benefited from any income generating opportunity arising from or related to the Games, mainly though acting as consultants and in one case through secondary subcontracting. Overall, 45% of respondents described their relationship with the Games as ‘non-existent’ and 40% as either ‘negative’ or ‘very negative’. Support for engagement was widely seen to be superficial and failed to meet the needs of local BME groups as captured in their comments: *‘We heard a lot but nothing happens’*; and *“Local BME people are excluded from relevant [Olympic] discussion or debates’*.

The very limited engagement of the BME organisations surveyed with the 2012 Olympics, and indeed other public sector contracting opportunities, reflected, as many of the organisations readily admitted, that they were not ‘contract-ready’ to bid competitively for the available opportunities due to a lack of appropriate internal skills and resources. As one respondent observed:

“I don’t think that businesses [social enterprises] based in East London area are officially mature enough to bid for a contract for the Games... you know, to penetrate [this market] in the same way [than private companies... they] don’t really have the scale to compete for those big contracts [...] and most social enterprises don’t have a specific track record, and so they may be down in terms of reliability and capability to supply [goods or services] on the scale that’s required”.

The nature of available contract opportunities also provided evidence of how BME organisations had been compelled to rethink their role in relation to particular ‘single groups’ or forms of identity. In these cases organisations were actively broadening the base of their beneficiaries and services provided (e.g. from specialised to generic ones) to ensure they remained eligible for funding in line with the national policy shift towards a ‘community cohesion’ agenda (Reitz et al, 2009). As explained by the director of a Bangladeshi

organisation specialising in social care services for disabled Asian people, they had to '*open their services to everyone in the area*' to become eligible for grant funding. However, it was also apparent that most organisations were less able, or indeed willing, to adjust to the new circumstances to secure a future within a competitive market-led funding context. The focus of most organisations' complaints continued to centre upon the difficulties of renewing or obtaining new sources of grant funding, rather than on how to secure new contracts.

The need to face a future as a contract provider of services to a wider, multi-ethnic population of beneficiaries had created clear tensions within BME organisations. Increasingly they have been required to reconcile conflicting roles and interests between the pursuit of financial sustainability to ensure their future, and their original social mission. One effect of this competitive tension between 'economic' and 'social' imperatives (Hudson, 2009) has been a degree of 'depoliticisation' of the (older) organisations which had been originally created to lobby government bodies and promote political resistance against racism and discrimination, activities which had conferred them legitimacy within their communities (Afridi and Warmington, 2009). It has been argued that the past multiculturalist era saw BME organisations '*became institutionalised into the new politics of multiculturalism*' (Glyn, 2010, pages 1001-2) with reliance on state funding causing them to become: '*divorced from their political roots [and become] children of 'grant' funding, ham-strung by a legacy of state patronage that ideally they need to free themselves from*' (Afridi and Warmington, 2009, page 93). Yet the shift towards social enterprise forms appears to have done little to reinvigorate these political roots. Although a minority of BME VCOs have developed a stronger trading basis and reduced reliance on state 'grant' funding, in many cases a new form of dependency upon public sector contracts is apparent whilst the need to focus upon the requirement of delivering contracts effectively within a competitive environment constrains their scope to develop political representation and lobbying roles.

Conclusions

The research provides evidence of the move towards what the current national policy discourse defines as social enterprise within an area of diverse population in East London. Examination of how the policy driven social enterprise agenda is being played out in practice and the consequences of this for BME groups, highlights a number of important issues. The findings demonstrate that defining, measuring and demarcating the ethnic minority social enterprise sector as an object of study is more complex than is portrayed in the policy rhetoric given that both 'ethnicity' and 'social enterprise' are highly contested notions. Issues of definition are not just technical questions related to the measuring and mapping of the sector. The manner in which ethnic minority social enterprise is defined and theorised has important consequences for the nature of its incorporation into the political arena. The shift to an integrationist agenda seeks to downplay ethnic differences and 'ethnicity' as an official form of identity for BME organisations. Yet the reality in most British urban areas is the increased prevalence of multiple dimensions of diversity, and these dimensions (e.g. ethnicity, faith, migration status, nationality etc.) remain at the very heart of many organisations' social and political *raison d'être*. The notable differences evident within this research between how ethnic minority groups themselves constructed meanings around the activity they were engaged in and formal policy definitions of social enterprise, clearly restricted the degree and nature of their engagement with the policy process.

In terms of understanding the nature of the transition towards the social enterprise model, the findings in East London reveal a relatively large BME VCO and third sector - comprised mainly of small and financially vulnerable organisations - being compelled to reinvent themselves and adopt income generating 'survival' strategies to fund their core mission. Whilst this process has resulted in reduced dependency on grant funding as intended by successive central government policies, it has also increased the financial vulnerability and indeed threatened the existence of many of these organisations. One third of surveyed organisations can now be classified as 'established social enterprises' using current government definitions (DTI, 2002). Yet in most cases organisations that did engage in primary and non-primary trading activities did so to raise funds for their non for profit core activity; that is 'the social' was not built into such trading activities. This commercial activity of the 'earned income' type (Defourny and Nyssens, 2010) means that many of these organisations would not be defined as social enterprises under more restricted definitions (Borzaga et al, 2011).

The vast majority of ethnic minority organisations have not in fact engaged with the notion of 'social enterprise' and continue to feel more comfortable with the ethos and values of VCOs and charities. Indeed for many, movement towards the social enterprise model is seen as part of the development of a more hostile policy environment towards the BME sector; one characterised by greater instability, reduced funding and a depoliticisation of their activities (CEMVO, 2010). The shift away from the multiculturalist agenda towards recognising BME organisations as 'service recipients' and/or 'contractor deliverers', rather than as 'political actors' influencing the decision-making process, has combined with wider processes of political change which have reduced the influence of the BME political lobby and marginalised many existing BME organisations.

These findings do not downplay the significance of the considerable ethnic minority social enterprise activity that is evident on the ground across East London. There are a number of examples of successful organisations that not only are playing key roles in serving and supporting BME communities but have also embraced the new policy agenda. Indeed the material conditions of this area - the high level of population diversity, reduced welfare provision and high levels of deprivation and social exclusion - provide strong demand and supply conditions for organisations that provide goods and services to meet the needs of BME populations. However what the study reveals is that the social enterprise policy construct - initiated under New Labour and taken forward by the Coalition government - has been reduced in practice to a narrow arena for action, mainly focused upon the delivery of public services. Although some recent evidence nationally suggests that the social enterprise sector is diversifying beyond this towards consumer markets (SEUK, 2011), the scope for engagement in such markets by small-scale and sometimes unregistered BME organisations in the study area was highly restricted. In practice, the imposition of top-down, policy led developments has acted to divorce the dominant policy discourse and support infrastructure from much of the incipient BME social enterprise activity that is evident on the ground.

Certainly, in terms of the policy process, there appears little evidence to support the claim that ethnic minorities are at the centre of the social enterprise movement (SEC, 2009). Rather, the results presented here of disengagement between the policy discourse and activity on the ground raises concerns that recent policy developments have acted to marginalise rather than include ethnic minority organisations. In a context of major reductions in public spending and austerity capitalism, combined with a shift towards an integrationist agenda, there exists a strong possibility that many of the organisations that serve the needs of marginalised

migrants and minority ethnic groups and provide training and employment opportunities to them in some of England's most deprived areas, will be unable to survive, destroying capacity that has been built up over recent decades. Without access to ongoing support to develop their capacities many organisations will be unable to become 'contract/investment-ready' and hence gain equitable access to public service contracts through competitive commissioning.

Within the existing economic climate public sector financial funding for capacity building is likely to be highly restricted. Ethnic minority organisations must therefore confront this radically changed environment to identify a basis for sustained operation which seeks to retain their autonomy, social objectives and political voice. The social enterprise form may provide one, although not the only, means of achieving this. A range of policy support measures at different spatial levels are also required, not least by the central state in terms of actively developing a regulatory environment that provides genuine opportunities for smaller ethnic minority social enterprises to compete for public sector contracts, rather than one that merely concentrates these in the hands of a few large private contractors. There is also a critical role at the local level, given that strategies to support a social economy involving diverse communities appear best pursued at this level (Syrett and Sepulveda, 2012), with local authorities, other local stakeholders and social enterprises building upon, and responding to, the particularities of local populations, economies and political contexts. It is at this level that practical interventions to develop the capacity of ethnic minority organisations and link them to procurement (and other) opportunities are most likely to be realised in a manner that roots social enterprise activity firmly in the needs and wants of diverse, local communities rather than weakly in relation to the rhetoric of a generalised national policy agenda.

Notes

(1) In this paper we use the term 'migrant and ethnic minorities' in order to capture the increasingly diverse nature of population groups within Britain. The term 'Black and Minority Ethnic' (BME) is widely used within existing literature and policy and among practitioners and is also employed here. These terms are used to refer to different subcategories of population and migratory statuses including: first generation migrants, second generation (British citizens), refugees, asylum seekers, and irregular and undocumented/illegal immigrants.

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