



Enterprise and Skills Agencies Review: Call for Evidence

Social Enterprise Scotland is a member-led organisation. The basis of all our consultation responses is formulated by asking our social enterprise members for their views and experiences.

The basis of our response to this consultation is taken from a specific member survey on this subject plus our member-led document [For the Good of Everyone: The Manifesto for Social Enterprise](#). This was our manifesto for The Scottish Parliament election 2016 and was widely distributed to election candidates, social enterprises and partners.

All the statistics quoted in this response are taken from [Social Enterprise in Scotland: Census 2015](#) (also see the [headline statistics infographic](#) of the research).

We very much welcome the launch of this consultation and appreciate the opportunity to inform the development of our enterprise and skills agencies.

Genuine inclusive growth

We believe that the development of social enterprise is perfectly aligned with The Scottish Government aims of achieving inclusive growth, competitiveness and community empowerment.

Social enterprise in its many guises *is* inclusive growth and it empowers communities and excluded people across both urban and rural Scotland. This includes enterprising charities, social housing providers, co-operatives, credit unions, social firms, community owned businesses, development trusts and more.

However, inclusive growth can *only* be fully realised when *all* businesses contribute positively to Scotland's communities. This means, over the longer term, that all businesses are locally accountable, exist in the real, productive economy, prioritise innovation and worker empowerment and are held to high ethical and environmental standards.

This vision can only be achieved when *all* of Scotland's enterprise and skills agencies explicitly support the development of the range of social enterprise business models. Equally these agencies must prioritise the support and development of specific ethical business practices across the private sector.

In the longer-term we believe that Scotland should become a *social enterprise nation* - where social enterprise is the normal, standard way of doing business.

Existing policy initiatives and social enterprise business support

We welcome the advent of the Community Empowerment (Scotland) Act 2015, the Procurement Reform (Scotland) Act 2014 and the various land reform initiatives past and present. We believe that these and related reforms are of direct benefit to the people of Scotland and to many Scottish social enterprises.

Social enterprise is perhaps the most innovative of business sectors and contributes around £1.68bn of GVA to the Scottish economy. Over 40% of all of Scotland's social enterprises have been formed in the last 10 years.

We believe this is a direct result of specific social enterprise business support via Just Enterprise, Highlands and Islands Enterprise and some local authorities employing specific social enterprise advisers within their local Business Gateway services. In addition there are many other organisations working in and with the social enterprise community, in support, development, training and procurement and within all sectors.

We support the continuation, review and improvement of a dedicated Just Enterprise model of business support but we seek a situation whereby this not just complements - but is seamlessly connected to - the business support provided by all the public sector enterprise and skills agencies.

Social Enterprise Scotland is a formally recognised signatory to the *Scottish Business Pledge*. We are also a formally recognised *Living Wage* employer and we pro-actively promote both of these initiatives to our members and partners.

It is worth noting that around 60% of social enterprises in Scotland have a woman as their most senior employee. This is not a result of a policy driven outcome but is a product of the inclusive and progressive culture of social enterprise which focuses on both business and social objectives.

The current Scottish Enterprise Business Plan 2013-2016 focuses considerable attention on Company and Sector Innovation:

“Company and sector innovation is a key driver of productivity and competitiveness. With our partners, we will take a more integrated approach to stimulating innovation, knowledge transfer and commercialisation, with a focus on getting more new products and services into global markets.”

Social enterprise, by its very nature, promotes and breeds innovation. However, this innovation is not simply about product or service design but fundamentally changes the way in which business is done.

The rural and remote areas success story

Highlands and Islands Enterprise has a special remit to strengthen communities through inclusive, community-based business development. We strongly support moves to learn from and replicate this across all public business support infrastructure.

The evidence of the success of this remit can be seen in [Social Enterprise in Scotland: Census 2015](#) (also see the [headline statistics infographic](#)), that identifies 22% of all Scotland's social enterprises as being located in the Highlands and Islands region. This is a disproportionate figure in relation to population size:

"...the incidence of social enterprises per 1,000 population is much greater in the Highlands and Islands, with many more social enterprises located there than would be expected given the area's population share."

"Flourishing in remote communities...Although other factors may have an influence, there appears to be a link between the remoteness of settlements and the level of social enterprise activity evident there. On average there is one social enterprise operating for every 1,000 people in Scotland. This rises to up to four per 1,000 in remote rural settings with almost one-fifth of all social enterprises located in these areas."

The Census also gives a context and historical analysis:

"In rural Scotland the then Highlands and Islands Development Board (now Highlands and Islands Enterprise) developed a pioneering new approach to community economic self-help (initially supporting community co-operatives) that quickly became integral to the regional economic strategy."

"On fertile ground...regional economic development agency (Highlands and Islands Enterprise) was given a remit for community and well as economic development, and where substantial support has been provided to social enterprises over many years."

Specific reforms to our enterprise and skills agencies

In terms of the reform of Scotland's enterprise and skills agencies we continue to support and promote the extracts below from our 2016 manifesto. We urge The Scottish Government and Parliament to pro-actively implement these proposals:

"Driving business support forward - Continue, review and improve specialist social enterprise business support, as provided by Just Enterprise and others. Learn from and replicate the social and community enterprise remit of Highlands and Islands Enterprise in all public sector business support. Recognise and adapt support to distinct rural and urban needs. Improve all support by learning about future growth and business needs from Social Enterprise in Scotland: Census 2015...Use the full resources of Skills Development Scotland and similar public agencies to realise this potential, with a specific social enterprise remit."

Investment

Scotland's social enterprises hold circa £8.77bn in combined assets. While much of this is housing association stock, the example of locally owned, locally controlled, asset backed business is one which we believe should be prioritised by all agencies, equally alongside inward investment and indeed foreign direct investment.

A priority sector

There are over 200 new social enterprise start ups per year in Scotland and over 60% of social enterprises expect income to increase during the next 12 months. While recognising that all Scottish Enterprise services are available to social enterprise businesses, the thresholds for participation e.g. growth pipelines focus entirely on financial performance and fail to recognise the social impact delivered by the social enterprise business model.

We suggest that the thresholds for entry to growth pipelines should be removed and replaced with a more flexible and supportive mechanism that recognises competitiveness and the contribution made by all businesses to tackling inequality and promoting inclusive growth.

In terms of development trusts there is currently a lack of support (for asset acquisition and development, community-led regeneration and community enterprise) from enterprise and skills agencies outside the Highlands and Islands region. The Scottish Government has set a target for one million acres of land in community ownership by 2020, a target it is unlikely to reach without this reform taking place.

Jobs and employability

Social Enterprise in Scotland: Census 2015 confirms that employment in Scottish social enterprises accounts for over 112,000 jobs. This is more than each of life sciences, food and drink and creative industries, all of which are prioritised sectors within the Scottish Enterprise Business Plan 2013-2016.

Social enterprise (while of course comprising a diverse range of business disciplines and sectors) should be considered a key part of any future Scottish Enterprise Business Plan and should be a priority for any future skills agency.

We also believe that greater challenge needs to be made to our public agencies to increase their commitment to recruiting people who are long term unemployed. While recognising the financial constraints within all public bodies there remains a significant number of public sector job vacancies that should be prioritised as available for people experiencing disadvantage in the labour market. Skills Development Scotland should be guided to support this approach more fully.

In the design of future employment and employability services in Scotland, greater focus must be given to the delivery through social enterprises. Scotland's social enterprises offer, through many employability providers, high levels of performance, an ability to achieve and maintain quality standards and strong financial capability and viability. Where they have

been unable to compete previously in the delivery of framework styled contracts is on price and discount.

Social enterprises thoroughly understand local labour markets, have specific relationships with employers and will genuinely focus on people who are most in need of help to get back to work. This is in stark contrast to large and geographically remote private sector providers, driven solely by shareholder returns and unable to understand the needs of those they seek to help. Many social enterprises are also capable of delivering nationally and offering a much better return on investment.

Putting people first

Making a fundamental shift towards person centred services is essential. The individual can feel they have control and choice and communities can use new tools for improving life chances. We believe that the NHS, care services, local and national government, social security, employability, third sector, education, culture and business sectors should all be encouraged to design frameworks which prioritise the individual in light of the significant changes in the personal data ecosystem.

Strengthening Scottish Business Pledge commitments

We would like to see all enterprise and skills agencies regularly promoting the *Scottish Business Pledge* as standard (including the *Living Wage*) and be formally assessed for their performance in achieving an uptake in support from client businesses.

Refusal of business support should be the accepted norm for those businesses that violate basic environmental standards or workers' rights or engage in other practices such as the avoidance of tax and similar unethical or illegal practices.

We believe that the *Scottish Business Pledge* must be more widely supported by businesses of every size and in every sector across Scotland. It should be developed to specifically mention social enterprise. Our manifesto states:

“Social enterprise at the heart of the Scottish Business Pledge - Build upon the nine commitments in the Pledge (particularly the Living Wage pledge) to include “Opening your supply chain to at least one social enterprise”, with information provided to signatories about the benefits of social enterprise to their business and to society. Heavily promote the Pledge to all private sector businesses, including as part of the process when awarding any public sector contract.”

Conclusion

We recognise the many achievements of our national enterprise and skills agencies and their contribution to Scottish society. We support the hard work of the many dedicated individuals working within these agencies, particularly those who work with and support social enterprises.

There is perhaps a case to merge agencies to best deliver a consistent, efficient and streamlined national framework of support. However, a top-down, command and control approach does not work. Services should always be centred around the needs of people and businesses and be customer focused - not focused around the organisational interests of the enterprise and skills agencies.

We believe that Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council should all have specific and explicit commitments to social enterprise support and development. Any new remits must be backed up by adequate and sustainable resources, with enough advisors trained to a high standard in social enterprise business support.

Aligned with this we support the broader development of a new, urgently-needed economic model. We strongly encourage The Scottish Government and Parliament to embrace a fundamental shift in the way we organise our economy - and for Scotland to begin to lead the world in economic innovation. It should mean positive, practical steps such as:

- Working towards a much more democratic economy, both in terms of the role of workers in shaping their workplace but also in terms of the role of government and public agencies to intervene in the economy for the broader public good.
- Refocusing the economy on more socially and environmentally positive activities and actively divesting from specific short-term activities that create social and economic harm.
- Localising the economy by fundamentally shifting power and resources to the most local level possible. Locally owned and managed should be the default of economic activity.
- Rebalancing the economy towards more real, productive and high-pay activity and away from speculative and low-pay work.
- Rebalancing the economic benefits of the economy to be more evenly spread across geographical areas, particularly towns and rural areas and areas of cities facing multiple deprivation.
- Achieving more economic equality and lower pay differentials in all sectors by introducing pay ratios wherever possible, with the aim of seriously tackling poverty and low job security.
- Emphasising productivity, long-term investment, skills growth, higher wages and smart specialisation over private profit maximisation, monopoly and cartel practices and the financialisation of the economy.

Local communities, social enterprises and other businesses must be fully involved and consulted in the process of reforming our enterprise and skills agencies. Services must be simplified and easy to access, with few barriers for good, productive businesses. This consenting and collaborative approach, along with a new economic model, is the only way that our communities and economy will flourish in future.

We're pleased to answer any questions or provide further information on any aspect of this consultation response. Please contact us on: 0131 243 2650 / duncan.thorp@socialenterprisescotland.org.uk

Thank you for considering our consultation response.

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