Department for Digital, Culture Media & Sport

Department for Business, Energy & Industrial Strategy

# Social Enterprise: Market Trends 2019

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# 1. Executive Summary

The role and importance of social enterprise has continued to grow as a positive and inclusive response to the multiple economic, societal and environmental challenges of the past decade. Social enterprises take diverse forms and are variously defined in different national contexts but are generally understood as organisations that trade in order to support a primary social or environmental mission. This report has been commissioned by the Department for Digital, Culture, Media and Sport (DCMS) which coordinates government policy towards social enterprise. It examines the sector and identifies its scale in the UK, utilising a broad DCMS definition which includes both social enterprises within the voluntary and community sector and also social enterprises operating as mission-led or purposeful businesses with private sector legal forms.

**This third Social Enterprise: Market Trends report has two objectives:**

(1) To provide estimates of the number of social enterprises, as defined by DCMS, in the UK small and medium-sized enterprise (SME) employer population.
(2) To highlight key characteristics of social enterprises, including their profiles and current business performance, perceived obstacles to their success, access to finance, and use of business support.

**The report uses a definition and decision tree logic model (Chapter 3)** to more clearly distinguish between different types of social enterprise, including those that match the definition used by DCMS, organisations with non-profit legal forms, for-profit but socially oriented enterprises, and more commercial 'mainstream' SMEs, as follows:

(1) **Social enterprises:** a diverse range of organisations that have an explicit social mission (social or environmental development goals), receive at least 50 per cent of their annual income from trading, and reinvest at least 50 per cent of their annual surplus into their social mission. These are the DCMS defined social enterprises that the report focuses on. A subset of enterprises within this group have legal forms that restrict the distribution of profits and assets, thus corresponding to a stricter definition of social enterprise.
(2) **Traditional non-profits:** organisations that receive less than 50 per cent of their annual income from trading, such as charities.
(3) **Socially oriented enterprises:** that have a social mission, but do not reinvest a majority (i.e. over 50 per cent) of their surplus into a social mission.
(4) **Commercial SMEs**: 'mainstream' businesses that do not claim to have an explicit social or environmental mission.

**Data are drawn from the Longitudinal Small Business Survey (LSBS) 2019.**
For the purpose of this report, the findings are restricted to the 8,340 valid responses from employer business that could be classified using a decision tree logic procedure. The definition of social enterprises used in this report is broader than that used in other surveys since the sample includes a majority of enterprises with private sector legal forms that can be described as 'purposeful' or 'mission-led' businesses. A narrower definition of social enterprise, similar to that used by the European Union and Social Enterprise UK, is also considered. The data drawn from the 2019 LSBS pre-date the COVID-19 Pandemic.

## Summary findings

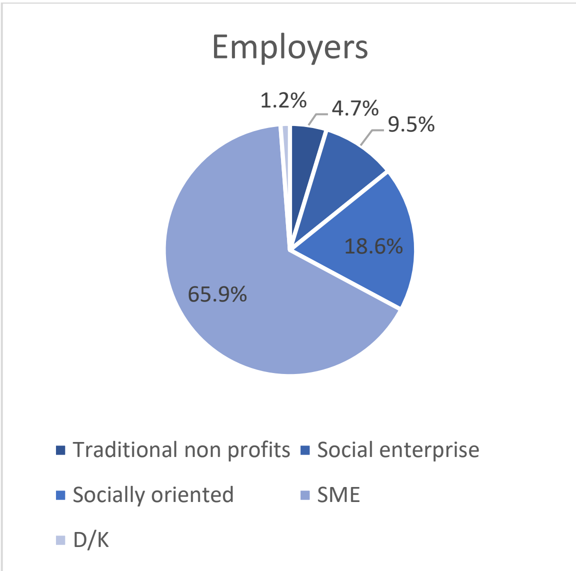
### Number of Social Enterprise Employers (Chapter 4)

- Nearly one in ten of the UK SME employer population are social enterprises that meet the DCMS definition of the term.
- There are an estimated 131,000 social enterprises with employees that meet the DCMS definition. There are also an estimated 325,000 non-employer enterprises (sole proprietorships) meeting the DCMS definition of social enterprise.
- Of the 131,000 DCMS defined social enterprises, 35,000 have legal forms that restrict the distribution of profit and assets (mainly Companies Limited by Guarantee and Community Interest Companies).
- Social enterprises, as defined by DCMS, employ an estimated 1.9 million people, the majority of these being employees (1.29 million), and the remainder being working owners and partners.

### Share of other enterprises in the small business population

- Following the DCMS classification, 9.5 per cent of UK SME employers are social enterprises, 4.7 per cent are traditional non-profit organisations, 18.6 per cent are socially oriented private enterprises, and 65.9 per cent are more purely commercial SMEs.

Figure 4.1: Share of different types of enterprises in the UK SME employer population




### Summary findings for social enterprise employers

The following findings focus on **employer enterprises** and compare DCMS defined social enterprise employers with other SME employers (combining commercial and socially-oriented SME employers and excluding traditional non-profit employers). These findings are expanded on in chapters 5 to 10 of the report and are based on 7,895 valid responses. **Significant**

**differences**, at least at a 90 per cent confidence level, are presented below. There are relatively few statistically significant differences between the DCMS defined social enterprises (which including a large proportion of enterprises with private sector legal forms) and commercial SMEs. Greater differences might be expected between commercial SMEs and the smaller subset of social enterprises that have limits on profit and asset distributions (CLG, CIC, etc).

**Profiles of DCMS defined social enterprises (Chapter 5)**

- Compared to commercial SMEs, social enterprises are **significantly more likely to be involved in health, education, arts, entertainment and personal services, and less likely to be undertaking business services**.
- In terms of leadership diversity, social enterprises are **significantly less likely to be entirely male-led** (37 per cent versus 48 per cent) and a **significantly smaller proportion reported having no minority ethnic group leaders** (76 per cent versus 89 per cent).

**Business performance and markets (Chapter 6)**

- Social enterprises were **significantly more likely to have introduced a new or improved service** (31 per cent versus 23 per cent), underlined by their predominance within service sectors.
- Social enterprises were **significantly less likely to currently export** (13 per cent versus 22 per cent), again underlining their predominance within service sectors.

**Potential obstacles to the success of the enterprise (Chapter 7)**

- Social enterprises were **significantly more likely to report facing barriers to obtaining finance (grants and loans)** than their SME counterparts (25 per cent versus 16 per cent).

**Access to finance (Chapter 8)**

- Social enterprises were **significantly more likely to apply for government and local authority grants and finance** (30 per cent versus 5 per cent) and **significantly less likely to apply for bank overdrafts** (19 per cent versus 41 per cent).

**Business support for social enterprises (Chapter 9)**

- Social enterprises were **significantly more likely to seek information or advice in the last year** compared to commercial SMEs (29 per cent versus 23 per cent).
- Social enterprises were **significantly more likely to make use of sources of government and public support**, such as Local Enterprise Partnerships (LEPs) in England.

**Training (Chapter 10)**

- Social enterprises were **significantly more likely to have undertaken training in the last year** compared to commercial SMEs (58 per cent versus 46 per cent for the period 2018-2019) and this was more likely to involve both formal and informal (on the job) training.

# 2. Introduction

## 2.1 Background

The role and importance of social enterprise has continued to grow as a positive and inclusive response to the multiple economic, societal and environmental challenges of the past decade. Social enterprises take diverse forms and are variously defined in different national contexts but are generally understood as organisations that trade in order to support a primary social and/or environmental mission. This report has been commissioned by the Civil Society and Youth Directorate (formerly Office for Civil Society) of the Department for Digital, Culture, Media and Sport (DCMS) which currently coordinates government policy towards social enterprise. It examines the sector and identifies its scale in the UK, utilising a definition which includes both social enterprises within the voluntary and community sector and also mission-led or purposeful businesses with private sector legal forms.

A number of empirical studies have demonstrated the importance of social enterprises in providing vital services to communities, including in some of the most deprived urban and rural neighbourhoods as defined by the Index of Multiple Deprivation.[1] They often serve some of the most vulnerable and harder to reach groups through activities that include specialist health and social care, vocational training and adult learning services, housing associations, and tackling concerns around mental health, social isolation and economic exclusion[2]. Social enterprises and other socially-oriented businesses also have a key role to play in challenging 'business as usual' and facilitating the transition to a greener, more sustainable economy due to their environmental goals[3].

This report will be useful to those wishing to understand the sector and how social enterprises differ from the wider SME population. It can also support more targeted policies and inform social enterprise and purposeful business support organisations. Given current concerns around health and socio-economic factors relating to the Covid-19 pandemic and Brexit, this report is an important policy tool. Social enterprises of different kinds have key roles to play in helping local economies 'build back better' (and fairer), in line with the government's Industrial Strategy, and by delivering services that are crucial to the wellbeing of individuals and communities across the UK.

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[1] See: https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019
https://parallel.co.uk/imd/#6.94/52.238/-1.616/0/32

[2] See for instance: SEUK (2019) *Capitalism in Crisis? - State of Social Enterprise Survey 2019*, Social Enterprise UK. https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/capitalism-in-crisis-transforming-our-economy-for-people-and-planet/
Stumbitz, B., Vickers, I., Lyon, F. et al. (2018) *The Role of Community Businesses in Providing Health & Wellbeing Services*, London: Power to Change: https://www.powertochange.org.uk/research/role-community-businesses-providing-health-wellbeing-services-challenges-opportunities-support-needs/

[3] Vickers, I. and Lyon, F. (2014) 'Beyond Green Niches? Growth strategies of environmentally-motivated social enterprises', *International Small Business Journal*. Vol. 32(4) 449–470. http://journals.sagepub.com/doi/abs/10.1177/0266242612457700

Greater understanding of social enterprises and other socially oriented businesses is needed in order to clarify their strengths, contributions and barriers, and thus inform how government policy and support can make a real difference. This is made possible by the government's Small Business Survey (SBS) which has subsequently evolved to become the Longitudinal Small Business Survey. This survey allows social enterprises to be identified and their characteristics analysed and compared to the wider SME population.

The Longitudinal Small Business Survey (LSBS) was established in 2015 by the Department for Business, Energy and Industrial Strategy (BEIS) as an annual panel survey of UK businesses with less than 250 employees. It is designed to be broadly representative of what is commonly referred to as the UK small and medium-sized enterprise (SME) population. More accurately (and for the purpose of this report), SMEs are typically analysed by their employment size, with the medium size band capturing enterprises with 50-249 employees, small enterprises having between 10-49 employees and micro firms just 1-9 employees. To compensate for the depletion over time of panel survey businesses, the survey is topped-up annually by including new respondents with similar characteristics and to ensure sufficient coverage across UK regions, broad sectors and employee size categories. The survey is then annually cross-sectionally weighted to provide robust data and analysis of the SME population.[4]

In recent years there has been growing recognition of the definitional difficulties that hamper the identification of social enterprises in the general business population, raising questions about the reliability of the data collected in the SBS. The current report adopts the revised Social Enterprise: Market Trends 2017 report definition and calculation (detailed in Chapter 3 and DCMS Social Enterprise: Market Trends 2017 report), which uses a decision tree logic model to distinguish between the following categories:

(1) **Social enterprises:** a range of organisations that have a social mission (social and environmental development goals), receive at least 50 per cent of their annual income from trading and chiefly reinvest (over 50 per cent) of their annual surplus into their social mission. These are the DCMS defined social enterprises that the report focuses on. A subset of enterprises within this group have legal forms that restrict the distribution of profits and assets, thus corresponding to a stricter definition of social enterprise.
(2) **Traditional non-profit organisations**: organisations that receive less than 50 per cent of their annual income from trading, such as charities.
(3) **Socially oriented enterprises**: that have a social mission, but do not chiefly reinvest (over 50 per cent) of their surplus into their social mission.
(4) **Commercial SMEs**: enterprises that do not have an explicit social mission.

As a caveat, it should be recognised that the data analysed for this report was collected prior to the 2020 Covid-19 pandemic. The report uses the LSBS biennial social enterprise data from 2019 and replicates the approach taken for the Social Enterprise: Market Trends 2017 analysis. It should be noted that this approach focuses on the more robust weighted employer SME data and comparisons between social enterprises (1) and more commercial SMEs (3 & 4), excluding traditional non-profit organisations (2) from the analysis. Comparison of the 2019 analysis with the Social Enterprise: Market Trends 2017 report are not possible as the 2017 report did not use the LSBS data but rather a smaller sample of only 181 social enterprises and 619 SMEs. The 2019 BEIS Longitudinal Small Business Survey (LSBS) provides a much larger sample of

[4] BEIS (2020) Longitudinal Small Business Survey 2019 Technical Report. Department for Business, Energy and Industrial Strategy (BEIS), June. LSBS_2019_technical.pdf (publishing.service.gov.uk)

945 social enterprises and 6,950 SMEs. The analysis is also focused on 'social enterprise employers' as the sample of self-employed or 'non employer' social enterprises[5] is too small to be representative, given the resultant wider error margins for this group.

## 2.2 Objectives and intended audience of this report

This third Social Enterprise: Market Trends report has two objectives:

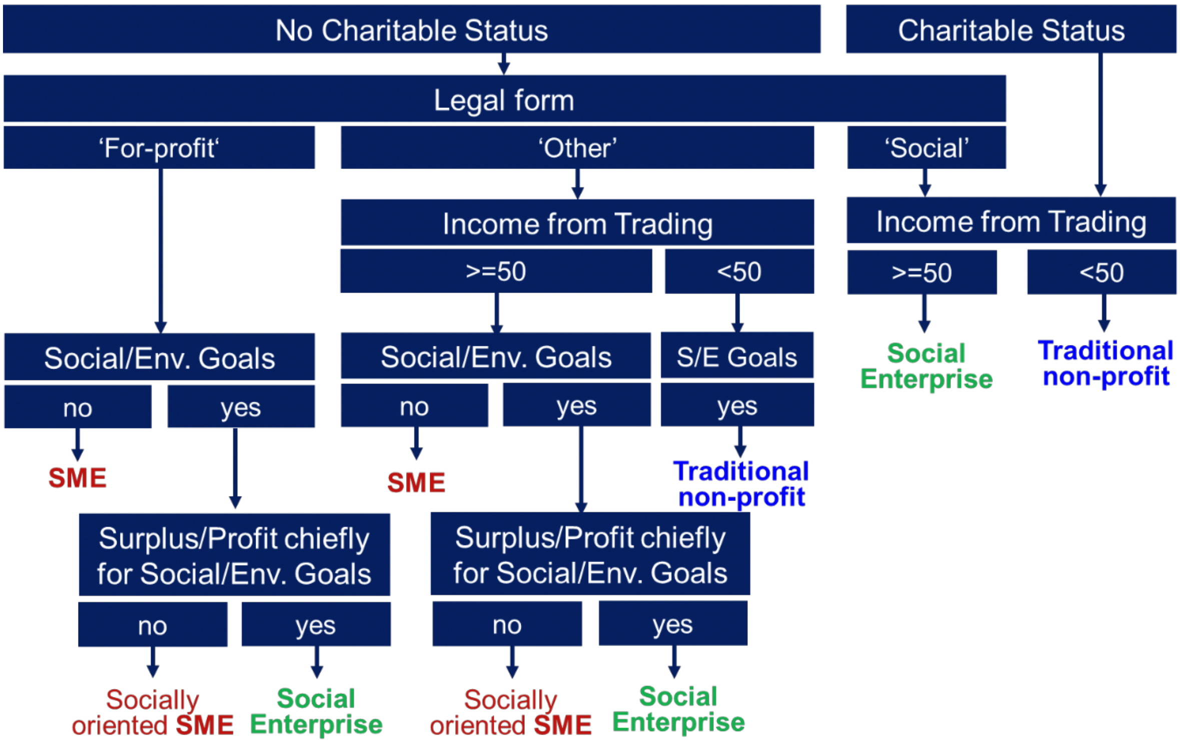
(1) To provide estimates of the number of the DCMS defined social enterprises in the UK SME population, which includes all businesses with less than 250 employees, focusing on employer businesses.
(2) To highlight key characteristics of social enterprises, including their profiles and current business performance, perceived obstacles to their success, access to finance, and use of business support.

The report should be of interest to social enterprises, business support practitioners and academics. The report should be particularly helpful for policymakers by providing evidence of the contribution of social enterprises to the UK economy, the challenges they face, and their support needs.

[5] E.g. BEIS National Statistics refers to these as individual entrepreneurs which comprise sole proprietorships and partnerships with only a self-employed owner-manager.

# 3. Social Enterprise Decision Tree Classification Methodology

This report broadly follows the analytic approach adopted for the 2017 Market Trends report. It applies a decision tree logic model to identify social enterprises, as shown in the diagram below:




The decision tree is based on a set of questions related the following enterprise characteristics:

(1) **Legal form and charitable status:** this identifies the subset of social enterprises that have a social purpose and restrictions on profit/asset distribution enshrined in legal form, with verification by independent regulators and registrars.
(2) **Income from trading:** Social enterprises are defined as having at least 50 per cent of income from trading/commercial activities. This allows identification of those organisations that are not trading but are dependent on grants and so can be excluded as being 'traditional' non-profit organisations.
(3) **Organisational goals**: this allows identification of organisations that have social and environmental goals of greater or equal concern compared to financial goals.
(4) **Use of profit/surplus**: there are questions on whether there are principles or commitments to use at least half of the profit or surplus to further their social and environmental goals. This allows identification of organisations that meet the definition of having "rules/restrictions to use surplus or profit chiefly to further social and environmental goals". A distinction is

then made between the DCMS defined social enterprises and what is termed socially oriented SMEs.

The DCMS definition of social enterprise is therefore relatively broad in comparison to definitions used in other surveys in that it includes 'mission-led' or purposeful businesses that have 'for profit' legal forms. For instance, European Union funded mapping surveys (2018-2020) adopt a strict definition that predominantly focusses on those social enterprises located within the voluntary and community that incorporate asset locks and limits on profit distributions[6]. This subset of the DCMS categorisation is also examined in this report. This narrower definition is also used by some policy and support initiatives across the UK, such as many social investment funds and social enterprise support providers in Scotland (i.e. through SENSCOT).

The Social Enterprise UK Survey adopts a different definition, based on a sample drawn from the memberships of different social enterprise support organisations and associations. This includes organisations that self-identify as social enterprises in order to actively participate in support organisation activities. The SEUK survey sample has a majority of respondents that fit the limited asset/profit distribution definition used by the European Union. Nearly a quarter (23 per cent) of the sample are mission-led businesses with private sector legal forms and which participate in social enterprise activities[7].

Table 3.1: Legal forms of Social Enterprise and commercial SME employers

| **LSBS 2019** | **SME employers** | **Social enterprise employers** | **Total** |
|---|---|---|---|
| Unweighted Base | 6950 | 945 | 7895 |
| **Legal Form** | % | % | % |
| Sole proprietorship/trader | 14.1 | 12.6 | 14 |
| Private limited company, limited by shares (LTD) | 72.8 | 48.6 | 70.4 |
| Private company limited by guarantee | **2.2** | **13.8** | 3.4 |
| Partnership | 7.8 | 7.5 | 7.8 |
| Limited liability partnership | 1.2 | 5.1 | 1.6 |
| Charitable Incorporated Organisation | 0 | **2** | 0.2 |
| Other (mainly Community Interest Companies) | **0.9** | **9.5** | 1.8 |
| D/K | 0.8 | 0.8 | 0.8 |

Note: 8,340 valid employer SME responses; Figures in bold are statistically significant at beyond 95 per cent confidence level.

Examination of the weighted 2019 LSBS data set reveals that one quarter (25.3 per cent) of the DCMS defined social enterprise employers conform to the stricter definition which requires a legal form that restricts profit and asset distribution, such as private company limited by

[6] Lyon, F., Stumbitz, B. & Vickers, I. (2019) *Social enterprises and their ecosystems in Europe. Country Report: United Kingdom*. Luxembourg: Publications Office of the European Union. http://ec.europa.eu/social/main.jsp?advSearchKey=socenterfiches&mode=advancedSubmit&catId=22
[7] SEUK (2019) *Capitalism in Crisis? - State of Social Enterprise Survey 2019*, Social Enterprise UK. https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/capitalism-in-crisis-transforming-our-economy-for-people-and-planet/

guarantee, charitable incorporated organisation, and community interest company. Prior data suggests this group is representative of the vast majority of the 'other' classification presented in Table 3.1. By comparison, the 2017 sample included 28 per cent of such asset locked social enterprises, with the difference to the 2019 data being attributable to the smaller sample in 2017.

# 4. Number of Social Enterprises and Employees

## 4.1 Proportions of SME employers that are social enterprises

Estimates derived from the 2019 LSBS are based on 10,850 valid survey responses. 119 responses were unclassifiable, where social enterprise status could not be determined, whilst 33 re-surveyed LSBS panel businesses were excluded as having exceeded the 249 employee SME size cap. Employer data are based on 8,340 valid responses (66 businesses were unclassifiable).

This report closely follows the Social Enterprise: Market Trends 2017 survey approach and sampling, incorporating the improved questions to identify social enterprises (see 2017 report) alongside standard LSBS questions to profile enterprises and their performance.

Overall, in 2019, social enterprises corresponding to the DCMS definition were found to comprise 9.5 per cent of the UK SME employer population (Figure 4.1). Socially-oriented SME employers make up 19 per cent, whilst two thirds (68 per cent) are commercial SMEs, 5 per cent are traditional non-profit organisations. Furthermore, 2.7 per cent conform to a stricter definition of social enterprise by having legal forms that restrict distribution of profit and assets, such as the Community Interest Company (CIC) or Company Limited by Guarantee (CLG) forms.

Applying the weighted cross-sectional findings for the 2019 survey by the UK Business Population Estimates for 2018 (the nearest available year data) provides an estimate of 131,000 employer social enterprises that match the DCMS definition (Table 4.1). Of these 131,000 enterprises, 35,000 have legal forms that restrict the distribution of profits and assets, thus conforming to the stricter definition of social enterprise.

Figure 4.1: Share of different types of enterprises in the UK SME employer population

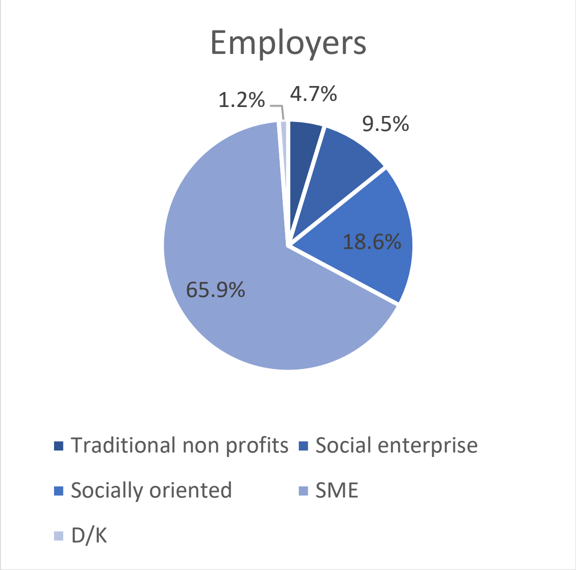



Table 4.1a: Classifications of All Employer Enterprises by number of all enterprises (BPE estimates, 2018)

| | Employers |
|---|---|
| Total UK Employer Enterprises | 1,382,000 |
| Traditional non- profit organisations | 65,000 |
| **Social enterprise** (DCMS definition) | **131,000** |
| - With legal forms that limit profit/asset distribution | 35,000 |
| SME (mainstream) | 1,168,000 |
| - Commercial SME | 911,000 |
| - Socially oriented | 257,000 |
| D/K | 17,000 |

Note. BPE – Business Population Estimates, Due to rounding, in some instances, the figures in columns 'employers' do not add up precisely to those in the column 'all'. Unweighted base 8340 valid employer SME responses. See Table 4.2 for indicative sampling error ranges. See Annex for Table 4.1b showing non-employer data.

The decision tree allows further differentiation of the types of enterprises in the UK SME population. Traditional non-profit organisations, deriving less than 50 per cent of their income from trading, represent 65,000 employer enterprises, while commercial socially oriented enterprises with social missions which do not chiefly retain their surpluses for social reinvestment represent 257,000 employer enterprises.

The LSBS data also allow estimations of enterprises with no employees, i.e. self-employed entrepreneurs. Analysis shows that 7.6 per cent of these meet the DCMS social enterprise definition, giving an estimated 325,000 non-employer (single entrepreneur) social enterprises.

Table 4.2 provides detailed estimates for the different sizes of employer social enterprises. As can be seen, most of these (101,000) are micro enterprises with between 1 to 9 employees; 26,000 are small with 10 to 49 employees; and 4,000 are medium-sized with 50 to 249 employees.

Table 4.2: Total estimated number of UK SME social enterprises by enterprise size

| Sizeband | Total SME numbers (rounded) BPE | Proportion of Social enterprises | Number of social enterprises (rounded) | Sample error | Range of number of social enterprises (reflecting 95% certainty) |
|---|---|---|---|---|---|
| Micro (1-9 employees) | 1,137,000 | 8.9% | 101,193 | +/-1.7 | 99,473 - 102,193 |
| Small (10-49 employees) | 210,000 | 12.2% | 25,620 | +/-1.8 | 25,159 - 26,081 |
| Medium (50-249 employees) | 35,000 | 12.3% | 4,305 | +/-2.5 | 4197 – 4413 |
| SME employers | 1,382,000 | 9.5% | 131,290 | +/-1.4 | 129,452 - 133,128 |
| No employees/ self employed | 4,278,000 | 7.6% | 325,128 | +/-3.4 | 314,074 - 336,182 |

Note. BPE – Business Population Estimates (2018), Numbers are rounded and may not add up exactly. Sample error – refers to sample error for the number of social enterprises, the range for the number of social enterprises is calculated based on the sample error with a 95 per cent certainty level. Unweighted base 10379 (590 missing responses).

## 4.2 Numbers employed by social enterprises

Estimates for employment in UK social enterprises in 2019 are shown in Table 4.3. These figures were calculated using relevant employment data from BPE 2018. Social enterprise employers accounted for 1.28 million people, with almost two-fifths (39 per cent) of that total employed by small social enterprises with 10-49 employees. This compares to an estimated 1.07m employees in found in 2017. Employees in all small businesses increased by an estimated 10 per cent in this period, while social enterprise employment increased by 20 per cent. This increase may be attributed to a larger proportion of enterprises embracing social and environmental missions and conforming to the DCMS classification, as well as employment growth within existing social enterprises.

Social enterprise employers also have 245,000 working owners and partners. Non-employer social enterprises have 352,000 working owners and partners. Total employment is calculated by adding the number of full- and part-time employees to the number of working owners/partners in employer and non-employer social enterprises. This gives a total figure of 1,884,000 employees in DCMS classified social enterprises in 2019. Further analysis of the subset of 35,000 social enterprise employers with legal forms that restrict the distribution of profit and assets found that they accounted for 387,000 employees in 2019.

Table 4.3: Numbers employed by social enterprises

| | Size class | Total employees/working owners[8] | Social enterprises | Social enterprise employment |
|---|---|---|---|---|
| Employees | Micro (1-9 employees) | 4,159,000 | 8.9% | 370,151 |
| | Small (10-49 employees) | 4,083,000 | 12.2% | 498,126 |
| | Medium (50-249 employees) | 3,399,000 | 12.3% | 418,077 |
| | All size classes | | | 1,286,354 |
| Working owners and partners | Micro (1-9 employees) | 1967010 | 8.9% | 175,064 |
| | Small (10-49 employees) | 470400 | 12.2% | 57,389 |
| | Medium (50-249 employees) | 103950 | 12.3% | 12,789 |
| | All size classes | | | 245,239 |
| Non employers | Working owners/partners | 4,643,000 | 7.6% | 352,868 |
| All | | | | 1,884,461 |

Note: Unweighted base N=10379 (590 missing cases)

[8] Number of working owners is calculated by weighted LSBS 2019 data collection for each size category.

# 5. Profiles of social enterprises

In this and subsequent chapters (5-10) we focus in greater depth on the DCMS defined social enterprises with between 1-249 employees. Chapter 5 profiles social enterprise employers with regard to their size, age, sector of their activity, location, and diversity in terms of their management and leadership teams. Comparisons are made with the wider cohort of SME employers which includes both commercial and socially-oriented SMEs. We refer to this combined category as 'SME employers'. Throughout chapters 5 to 10, the bold numbers in the tables indicate differences between social enterprise employers and SME employers that are statistically significant (at the 90 or 95 per cent confidence level). Estimates are based on a survey of 7,895 valid respondents' responses (a further 66 cases could not be classified and were therefore excluded).

## 5.1 Size of enterprises

The majority of social enterprise employers are micro businesses (Table 5.1). Specifically, 22.5 per cent of social enterprises are small and medium size, compared to 17.1 per cent of the commercial SMEs.

Table 5.1: Employment size

| | SME employers | Social enterprises |
|---|---:|---:|
| Unweighted base | 6950 | 945 |
| | % | % |
| Micro (1-9 employees) | 82.9 | 77.5 |
| Small (10-49 employees) | 14.7 | 19.4 |
| Medium (50-249 employees) | 2.4 | 3.2 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing unclassified cases

## 5.2 Age of enterprises

Seventy-one per cent of social enterprise employers had been in existence for ten years or more (Table 5.2), with 47 per cent of social enterprises aged over 20 years.

Table 5.2: Age of enterprises

| | SME employers | Social enterprises employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| 0 - 5 years | 12.8 | 13.4 |
| 6 - 10 years | 17.8 | 15 |
| 11 - 20 years | 26.4 | 24.1 |
| More than 20 years | 42.6 | 47 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Additionally, 0.4 per cent of respondents in each category could not provide an age for the enterprise.

## 5.3 Sector

One quarter (25.3 per cent) of social enterprise employers operate in social and other services sectors (including education, health, arts and entertainment). Thirty per cent of social enterprise employers operate in the retail and distribution sectors (including wholesale, transport and storage), while a further 20.9 per cent work in production-oriented sectors (including primary sectors such as agriculture, manufacturing and construction). There are statistically significant differences in terms of social enterprises being more represented in 'Other Services' (education, health, arts, entertainment) and less represented in business services sectors.

In further detail, the largest proportions of social enterprise employers are found in wholesale and retail (14.6 per cent), construction (13.4 per cent), accommodation and food (12.2 per cent) and health (9.4 per cent). However, social enterprise employers are proportionally over-represented in accommodation and food (12.2 per cent versus 9.6 per cent for SME employers), health (9.4 per cent versus 2.2 per cent), other services (7.9 per cent versus 2.8 per cent), arts (4.3 per cent versus 1.5 per cent) and education (3.9 per cent versus 1 per cent).

Table 5.3: Sector of enterprises

| | SME Employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| ABCDEF Production and Consumption | 24.3 | 20.9 |
| GHI Transport, retail & food service & accommodation | 31.6 | 30.8 |
| JKLMN Business services | **36.6** | **22.9** |
| PQRS Other services | **7.5** | **25.3** |
| | | |
| Total | 100 | 100 |

Note: Note: Unweighted baseline N=7895, 66 missing cases. Figures in bold are significant at beyond 95 per cent confidence

## 5.4 Region

Most social enterprise employers are located in England (87 per cent), which is commensurate with England being the UK's largest nation with 85 per cent of its inhabitants. The ratio of SME employers versus social enterprise employers is similar across the four UK devolved administrations, as shown in Table 5.4. However, the figures need to be interpreted with caution due to the small sample size.

Table 5.4: Region of enterprises

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| England | 86.9 | 84.2 |
| Scotland | 6.7 | 7.5 |
| Wales | 4 | 5.5 |
| Northern Ireland | 2.4 | 2.8 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases.

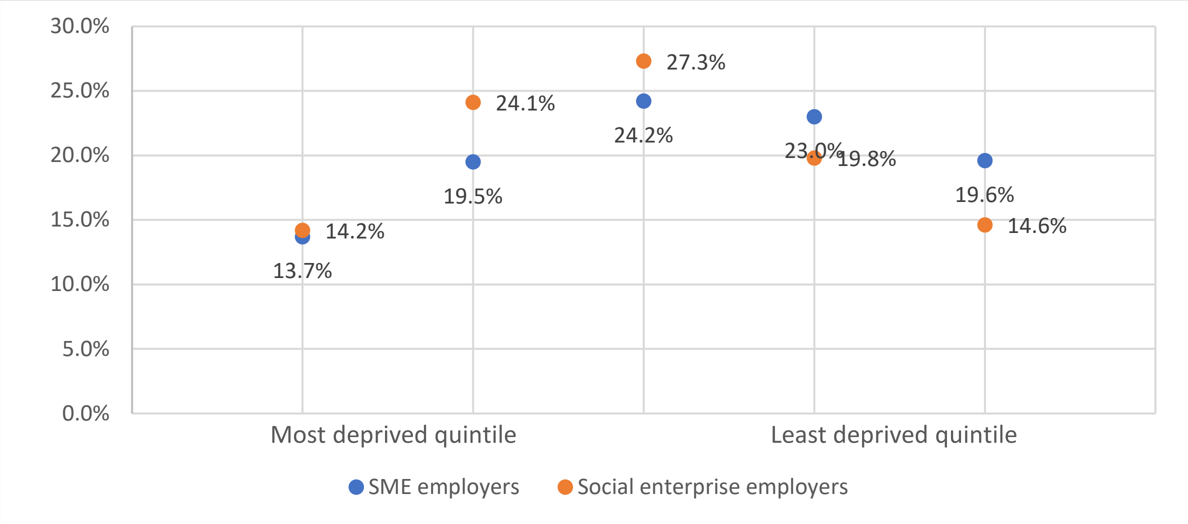
Similarly, with regard to the urban versus rural divide, little difference was found, with just over two-thirds (68.1 per cent) of social enterprises being located in urban areas across the UK, compared to 65.1 per cent of SME employers.

## 5.5 Area of deprivation

The spatial distribution of DCMS defined social enterprises in relation to official measures of deprivation and disadvantage is examined. The Index of Multiple Deprivation (IMD) measures the relative deprivation of a geographical area (typically the size of about 1,500 individual or 650 households) across seven dimensions of deprivation (health, employment, income, education, crime, living environment and barriers to housing and services). It is calculated differently in England, Scotland, Wales and Northern Ireland. The scores are combined based on their relative rank and depicted below in quintiles (from the 20 per cent most deprived to the 20 per cent least deprived areas).

Figure 5.5 shows that both social enterprise and SME employers have lower levels of representation in the most deprived areas compared to more affluent areas, with only 14 per cent of social enterprise employers found in the 20 per cent most deprived areas. In the second and third most deprived quintiles, social enterprise employers have much higher levels of representation with 51 per cent of social enterprises found in the 40 per cent of deprived areas in the 2nd and 3rd quintiles. In the least deprived 4th and 5th quintiles, social enterprises are under-represented with only 34.4 per cent of social enterprises in these 40 per cent of areas.

Figure 5.5: Prevalence of social enterprise and SME employers in areas of deprivation (IMD quintiles; ranging left to right from most deprived to least deprived quintile)




Note: Unweighted base 7879; 6935 SME employers, 944 Social enterprise employers, 82 missing cases.

## 5.6 Legal status

Social enterprises take varied forms and how they are identified in different contexts, and by different governments and agencies, can vary considerably according to the selection criteria used. The decision tree classification used for this study gives rise to almost half (48.6 per cent) of social enterprise employers with the private limited company status, compared to 72.8 per cent of SME employers also taking this form. Fourteen per cent of social enterprise employers are private companies limited by guarantee, while 2 per cent are charitable incorporated organisations and almost one in ten (9.5 per cent) are classified as ‘other’, assumed to be community interest companies (predominantly) and community benefit societies.

Table 5.6: Legal Status

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Sole proprietor/trader | 14.1 | 12.6 |
| Private limited company, limited by shares (Ltd) | **72.8** | **48.6** |
| Private company limited by guarantee | **2.2** | **13.8** |
| Partnership | 7.8 | 7.5 |
| Limited liability company | 1.2 | 5.1 |
| Charitable Incorporated Organisation | 0 | 2 |
| Other (including Community Interest Company) | 0.9 | 9.5 |
| D/K | 0.8 | 0.8 |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Figures in bold is significant at beyond 90 per cent confidence.

## 5.7 Gender and leadership

In the LSBS survey methodology, women-led businesses are defined as those controlled by a woman or having a management team the majority of whom are women. Table 5.7 shows the proportion of women-led social enterprise employers to be much the same as for the wider SME employer population (15 per cent). Social enterprises are significantly less likely to be entirely male-led compared to SME employers (23.5 per cent versus 47.9 per cent; in bold in Table 5.7). However, these results need to be interpreted with caution since a much higher proportion (14 per cent) of social enterprise employers answered 'Don't Know' compared to commercial SMEs (1.8 per cent). This may be due to social enterprises having more complex and mixed gender leadership teams compared to commercial SMEs.

Table 5.7: Women-led businesses

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Women-led | 14.9 | 14.7 |
| Equally-led | 25.6 | 21.8 |
| Women in minority | 9.8 | 12.7 |
| Entirely male-led | **47.9** | **36.5** |
| D/K | 1.8 | 14.3 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Figure in bold is significant at beyond 95 per cent confidence.

## 5.8 Ethnicity and leadership

The analysis also examined the proportion of employer enterprises that are led by a person from a minority ethnic group (MEG) or have a management team with at least half of its members from an ethnic minority (Table 5.8). A similar share of employer enterprises are MEG-led, representing about one in twenty (5.2 per cent SME employers, 5.5 per cent social enterprises). The 2019 data show a significantly smaller proportion of social enterprise employers that are definitely non-MEG (75.5 per cent versus 88.8 per cent of SME employers). However, this may be due to the relatively high proportion of cases (19 per cent) where social enterprise respondents replied 'Don't Know' which, in turn, may be due to their more complex ownership structures.

Table 5.8: Minority ethnic group (MEG)-led businesses

| | **SME employers** | **Social enterprise employers** |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| MEG-led | 5.2 | 5.5 |
| Not MEG-led | **88.8** | **75.5** |
| D/K | 6.1 | 19 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Figure in bold is significant at beyond 95 per cent confidence.

# 6. Business performance and markets of social enterprises

This chapter explores the business performance of social enterprise employers in terms of generating a profit or surplus, changes in employment, turnover change, plans for growth, access to finance, exporting and innovation. Business performance is gauged by changes during the year prior to the survey, which took place between July 2019 and February 2020.

## 6.1 Generating a profit / surplus

Social enterprise employers exhibit a slightly higher proportion making a profit or surplus from trading in the last financial year when compared to their SME counterparts (85.8 per cent versus 80.8 per cent) (Table 6.1). However, the difference in performance between social enterprise and SME employers in 2019 is not a statistically significant difference.

Table 6.1: Profit/surplus in last financial year (2018-2019)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Made Profit/surplus in last year | 80.8 | 85.8 |
| No Profit/surplus in last year | 14.8 | 12.6 |
| D/K | 3.9 | 1.6 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases.

## 6.2 Numbers employed compared to one year ago (2018-2019)

One in four social enterprises (24.3 per cent) reported that they were employing more people in 2019 than in the previous year, similar to SME employers (21.8 per cent). They also demonstrate a similar proportion with a decline in employment since the last year (Table 6.2).

Table 6.2: Employment change in last year (2018-2019)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Increased employees | 21.8 | 24.3 |
| Same number | 59.1 | 57.4 |
| Fewer employees | 18.9 | 17.9 |
| D/K | 0.3 | 0.4 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 104 missing cases. These differences are not statistically significant.

## 6.3 Numbers expected to employ in one year's time (2019-2020)

When asked in 2019 to forecast changes in their employment over the next year, again social enterprise employers provided similar (or slightly more favourable but not statistically significant) responses than their SME employer counterparts. They exhibited higher proportions seeking to grow employment (30 per cent versus 27.8 per cent) and a lower proportion expecting to have fewer employees in the next year (12.6 per cent, compared to 16.3 per cent).

Table 6.3: Forecast Employment change in the next year (2019 to 2020)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Will increase employees | 27.8 | 30 |
| About the same number | 54.9 | 56.5 |
| Will have fewer employees | 16.3 | 12.6 |
| D/K | 1.1 | 0.8 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases.

## 6.4 Turnover compared to one year ago (2018-2019)

A similar proportion of social enterprise employers increased their turnover during the last year when compared to SME employers (37.5 per cent versus 33.7 per cent). They also demonstrate a lower proportion with declining turnover (Table 6.4). These findings are not statistically significant and there are a high proportion of 'Don't Know' and refusal responses (which are typical for LSBS financial data questions).

Table 6.4: Turnover now, compared to one year ago (2018-2019)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Increased turnover | 33.7 | 37.5 |
| Stayed the same | 43 | 45 |
| Decreased turnover | 19.5 | 13.1 |
| D/K & Refused | 3.8 | 4.4 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 104 missing cases.

## 6.5 Turnover change expected in the next year (2019-2020)

Expected turnover change is similar for both social enterprise and SME employers, with almost 38 per cent of social enterprise employers forecasting turnover growth in the next year.

Table 6.5: Expected Turnover change in the next year (2019-2020)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Increase turnover | 38.5 | 37.9 |
| Stay the same | 45.6 | 47.4 |
| Decrease turnover | 11 | 10.3 |
| D/K & Refused | 5 | 4.4 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases.

## 6.6 Plans for growth and accessing external finance over the next three years (2019-2022)

Three quarters of social enterprise employers were aiming to grow in the next three years (2019-2022) which was similar to SME employers. Furthermore, a higher proportion of social enterprises are ‘very or fairly likely’ to seek external finance (i.e. from outside providers, over and above the internal investment resources of the enterprise) than their SME counterparts (23 per cent versus 18.8 per cent).

Table 6.6: Plans for growth and access to external finance in the next three years (2019-2022)

| | **SME employers** | **Social enterprise employers** |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Plan to grow | 71.6 | 75.9 |
| No plans for growth | 28.4 | 24.1 |
| Very or fairly likely to access finance | 18.8 | 23 |
| Proportion planning to grow, fairly or very likely to seek finance | 23 | 25.5 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases.

## 6.7 Innovation (between 2016-2019)

Around one in seven employer businesses reported having introduced a new product or service during the last three years (2016-2019). Similar proportions of innovation activity are found amongst social enterprise employers (16.2 per cent) and SME employers (15.6 per cent). There were also similar proportions introducing higher level innovations that were new to the market of operation (Table 6.7). However, social enterprises were more likely to have introduced a new or significantly improved service during the past three years (31 per cent versus 24.5 per cent, a finding that is mildly significant at beyond 90 per cent confidence level).

Table 6.7: Innovation activities over the past three years (2016-2019)

| | **SME employers** | **Social enterprise employers** |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Introduced new goods or services | 15.6 | 16.2 |
| Introduced new or significantly improved services | **24.5** | **31** |
| Innovation new to market | 4 | 4 |
| D/K | 1 | 1.6 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Figures in bold are significant at beyond 90 per cent confidence level.

## 6.8 Public sector customers

A quarter of social enterprise employers undertook public sector contract work in 2019 similar to their SME counterparts (21.8 per cent). Where public sector work was undertaken in 2019 the main customers for social enterprises were local authorities (42 per cent), health (32 per cent) and education bodies (16 per cent). It should be noted that public sector customer data is drawn from a cohort of 2,836 of employer SMEs and is too small to derive any statistically significant differences.

Table 6.8 Public sector customers in 2019

| | **SME Employers** | **Social enterprise employers** |
|---|---|---|
| Unweighted base | 2368 | 298 |
| | % | % |
| Interested but did not bid | 2.1 | 5.3 |
| Bid for public sector work | 8.6 | 8 |
| Undertook public sector work | 21.8 | 25 |
| D/K or refused to answer | 3.8 | 4 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=2666, 170 missing cases. Data is too small to derive statistical significance.

## 6.9 Exporting in 2019

Social enterprise employers are significantly less likely to have exported their goods and services beyond the UK during the last 12 months than their SME counterparts (12.6 per cent versus 21.9 per cent). This finding is strongly associated with the sectoral bias of social enterprises towards services to customers and communities within a locality or region (see Section 5.3).

Table 6.9 Current Exporters in 2019

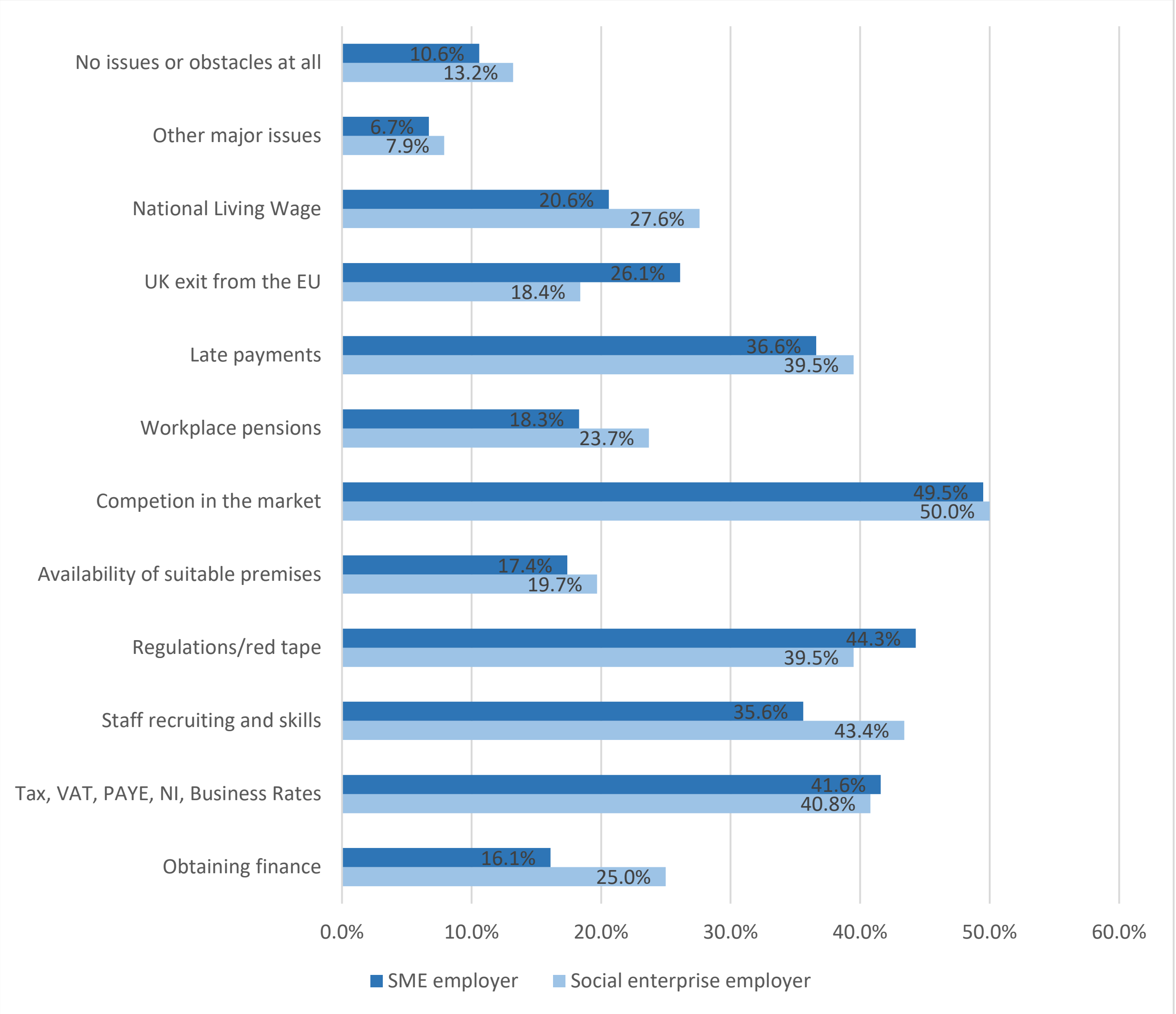
| | **SME employers** | **Social enterprise employers** |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Current Exporter | **21.9** | **12.6** |
| Not exporter | 78 | 87 |
| D/K | 0.2 | 0.4 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Figure in bold is significant at beyond 95 per cent confidence.

# 7. Potential obstacles to the success of enterprise

This chapter explores the potential obstacles to the success of social enterprise employers. To identify perceived obstacles, respondents were read a list of issues and asked which, if any, represented major obstacles to the success of their business. Respondents could give multiple answers.

Figure 7.1: Potential obstacles to the success of enterprise




Note: Unweighted base N= 2666; 298 social enterprise employers and 2,368 SME employers (represented by Cohort B subset of 2019 LSBS). Note, due to the small cohort sample, only obtaining finance was a significant difference (at beyond 95 per cent confidence level).

Social enterprise employers reported similar obstacles to those of their SME counterparts; 87 per cent of social enterprises mentioned obstacles compared with 89 per cent of SME employers (Figure 7.1). Competition in the market is most frequently mentioned by both social enterprises and SME employers, representing a problem for half in each category. Recruitment and skills are the second most frequently mentioned obstacle by social enterprises. Business tax and financial compliance issues, such as VAT, PAYE, National Insurance (NI) and Business Rates, are the third most frequently mentioned category, affecting just over two-fifths of social enterprise and SME employers. Regulations and 'red tape' are equal fourth most frequently mentioned obstacles by social enterprises, alongside late payments by customers, both affecting almost four-fifths of social enterprise employers.

Obtaining finance appears to be more of an issue for social enterprises than for SME employers (25 per cent versus 16.1 per cent). As shown in the next section, social enterprise employers are much more likely to apply for grants from government and philanthropic sources[9], so conclusions about access to repayable finance cannot be drawn from this data.

[9] See also: Lyon, F., & Owen, R. (2019) Financing Social Enterprise and the Demand for Social Investment. *Strategic Change* 28(1);
SEUK (2019) *Capitalism in Crisis? - State of Social Enterprise Survey 2019*, Social Enterprise UK. https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/capitalism-in-crisis-transforming-our-economy-for-people-and-planet/

# 8. Access to finance

This chapter examines the proportion of social enterprise employers trying and succeeding to obtain external finance in the last year, the reasons for applying, and types and amounts of finance sought. It should be noted that sample sizes throughout this chapter are considerably smaller than in earlier chapters since most of the relevant questions only apply to the small subset of social enterprise employers that had sought external finance in the last year. Hence, results should be interpreted with some caution.

## 8.1 Seeking finance in the past year

Table 8.1 shows that only one in ten social enterprise employer enterprises had sought finance during the past year, a similar proportion to SME employers (12.1 per cent). The success rates for social enterprises in obtaining finance were on a par with those for SME employers, at around the four-fifths proportion which UK banks also report[10] (Table 8.1).

Table 8.1: Tried to obtain finance in the last year

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Yes, sought external finance | 12.1 | 10.4 |
| Yes, once | 9.3 | 5.6 |
| Yes, more than once | 2.8 | 4.8 |
| No | 85.2 | 85.7 |
| Obtained finance | 81.4 | 79 |
| D/K | 2.3 | 3.6 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Unweighted base for obtained subset 1162, 1043 SME employers, 119 social enterprises

[10] Owen R, Botelho, T and Osman A (2016) *Exploring the success and barriers to SME access to finance and its potential role in achieving growth.* Research Paper 53, Enterprise Research Centre (ERC) https://www.enterpriseresearch.ac.uk/publications/exploring-success-barriers-sme-access-finance-potential-role-achieving-growth-research-paper-no53/

## 8.2 Main reasons for applying for finance

The four main reasons for applying for finance were the same for social enterprise employers and SME employers overall. They were: to acquire working capital or for cash flow reasons; to acquire capital equipment or vehicles; to buy land or buildings; and to improve processes and products (Table 8.2). Whilst none of the data are sufficiently robust to provide statistically significant results, social enterprise employers appear relatively more likely to require external finance for land and buildings than their SME employer counterparts (46.2 per cent versus 25.9 per cent).

Table 8.2: Main reasons for applying for finance in the last year

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 1043 | 119 |
| | % | % |
| Working capital or Cash-flow | 64.5 | 57.7 |
| Acquisition of capital equipment or vehicles | 56.9 | 30.8 |
| Buying, renting, leasing or improving buildings or land | 25.9 | 46.2 |
| Investing in new or significantly improved goods or services | 17.2 | 14.3 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Unweighted base for obtained subset 1162, 1043 SME employers, 119 social enterprises. Figures are too small for reliable significance tests.

## 8.3 Main types of finance sought

Social enterprise employers exhibit some distinct differences in their finance sourcing compared to SME employers, including greater use of multiple sources during the past year. Social enterprises were significantly less likely than SME employers to apply for bank overdrafts (19.2 per cent versus 41.4 per cent) during the last year, but significantly more likely to apply for local authority grants and finance schemes (30.1 per cent versus 5.1 per cent). Social enterprise employers did not seek internal finance from directors or partners or informal financing from friends and family but 11.5 per cent were seeking other ‘alternative’ forms of finance (not disclosed in the survey).

Table 8.3: Main types of finance sought in the last year

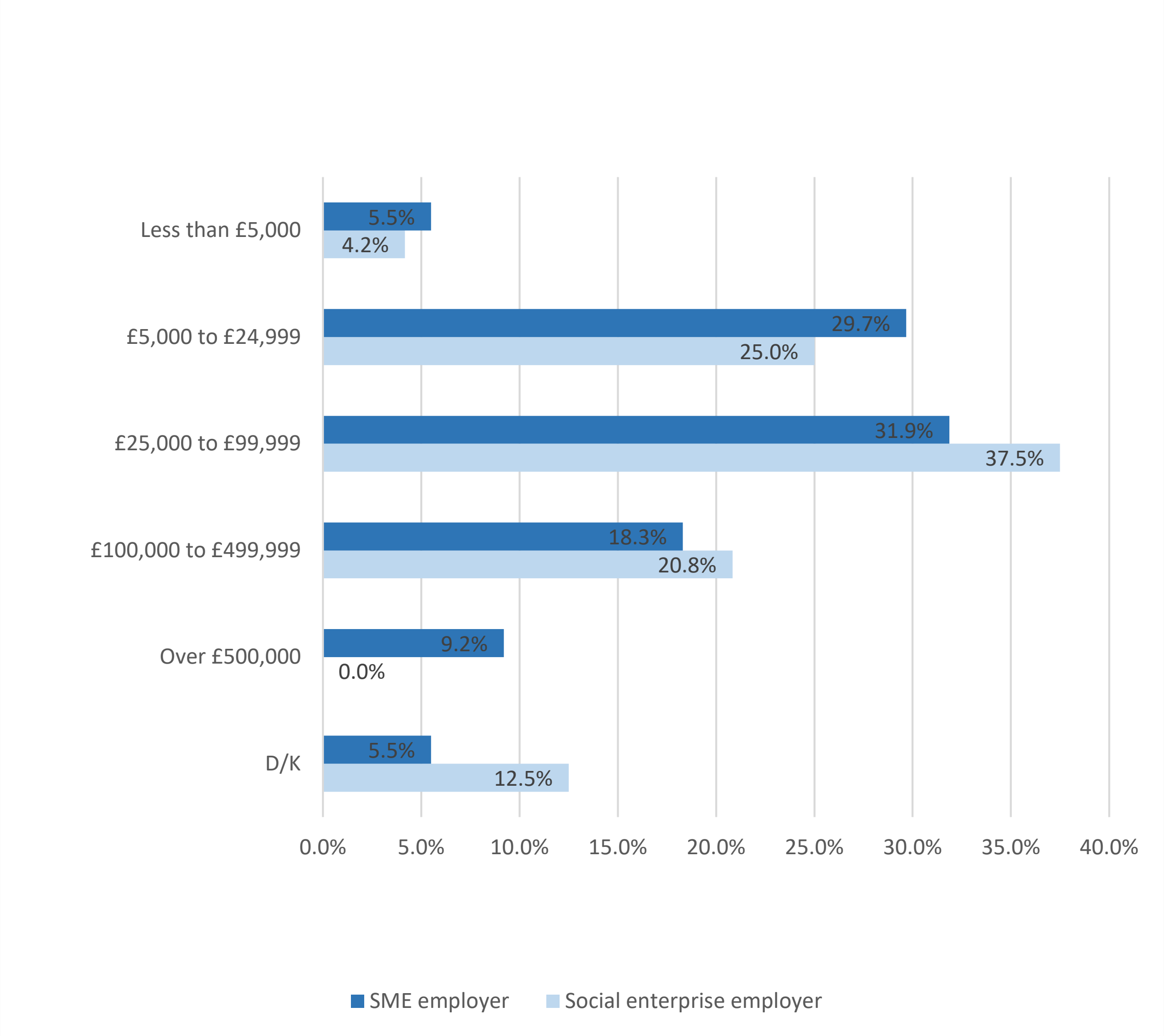
| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 1043 | 119 |
| | % | % |
| Bank overdraft | **41.4** | **19.2** |
| Bank loan | 39.6 | 30.8 |
| Leasing or hire purchase | 23.1 | 11.1 |
| Government or local authority grant or financing scheme | **5.1** | **30.1** |
| Credit cards | 15.4 | 7.7 |
| Loans form family and friends | 5.9 | 0 |
| Loans from partner/directors | 7.3 | 0 |
| Peer to peer (P2P) | 7 | 3.8 |
| Other finance | 6.4 | 11.5 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Unweighted base for obtained subset 1162, 1043 SME employers, 119 social enterprises. Figures in bold are significant at beyond 95 per cent confidence level.

## 8.4 Amount of finance sought in the last year

Two thirds of social enterprises were seeking less than £100,000, a similar proportion to SME employers. No social enterprises sought more than £500,000, compared with almost one in ten (9.2 per cent) of SME employers (Figure 8.1) although due to the small numbers of finance seekers involved there are no statistically significant results.

Figure 8.1: Amount of finance sought in the last year




Note: Unweighted base for obtained subset 1162, 1043 SME employers, 119 social enterprises.

# 9. Business support for social enterprises

This chapter examines the proportion of social enterprise employers seeking business support and the sources and types of assistance sought.

## 9.1 Information or advice sought in the last twelve months

Almost one quarter (22.9 per cent) of SME employers sought either information or advice during the year previous to interview. The proportion of social enterprise employers seeking information or advice in this period was significantly greater, representing 29.2 per cent (Table 9.1).

Table 9.1: Sought information or advice in the last year

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 6950 | 945 |
| | % | % |
| Sought information or advice | **22.9** | **29.2** |
| Did not seek information or advice | 75.8 | 68.4 |
| D/K | 1.3 | 3.6 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline N=7895, 66 missing cases. Figures in bold are Significant at beyond 90 per cent confidence level.

## 9.2 Types of assistance sought in the last year

Table 9.2 shows the types of business assistance sought. Only single answers were allowed for this question and the data is limited to the subset of English and Welsh respondents to LSBS 2019 that had used some form of assistance. These data indicate that 30 percent of social enterprises had only sought advice on the day-to-day running of the business, such as assistance with regulations and financial compliance (e.g. from accountants) and 28.6 per cent had only sought strategic advice to help make a step change to grow the business. Similar proportions are found amongst the SME employers with no statistically significant differences.

Table 9.2: Types of assistance sought in the last year (in England and Wales)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 1581 | 250 |
| | % | % |
| Only sought information for the day to running of the business | 35.9 | 30.2 |
| Only sought strategic advice to assist step change to grow the business | 22.9 | 28.6 |
| Sought both information and advice | 26.8 | 36.5 |
| Did not seek information or advice | 13.8 | 4.8 |
| D/K | 0.6 | 0 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline subset of assistance users in England and Wales: N= 1831

## 9.3 Sources of information or advice

There is very little difference between social enterprise and SME employers in terms of sources of information and advice, with the exception that social enterprises are less likely to use accountants than their SME counterparts (24.3 per cent compared to 35.6 per cent) (Table 9.2). Social enterprise employers are more frequent users of Local Enterprise Partnerships (LEPs) in England (significant at beyond 95 per cent confidence; 6.8 per cent versus 0.8 per cent).

Table 9.3: Source of information or advice (England and Wales selected results)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 1289 | 240 |
| | % | % |
| Accountant | **35.6** | **24.3** |
| Consultant | 27.3 | 28.8 |
| Trade Association | 12.6 | 13.7 |
| Lawyer or Solicitor | 11 | 13.5 |
| Local Enterprise Partnership (LEP) | **0.8** | **6.8** |
| Internet | 5.4 | 6.8 |
| .GOV website | 5 | 6.8 |
| Bank | 3.9 | 6.8 |
| Financial specialist | 3.5 | 6.8 |
| Local Authority | 3.1 | 6.8 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline subset of assistance users in England and Wales: N=1529 (the subset that sought information or advice). Figure in bold is significant at beyond 95 per cent confidence level.

## 9.4 Main reasons for seeking strategic advice

Table 9.4 shows the main reasons for seeking information or advice. Due to the relatively small sample size (drawn only from England and Wales), reasons for seeking advice and guidance have been combined. Business growth was by far the main reason for seeking assistance in the past year for social enterprise (29.3 per cent) and SME employers (30.3 per cent). Assistance with regard to finance in the general running of the business, efficiency and productivity, marketing and e-commerce make up the top five most frequently mentioned reasons for both SME and social enterprise employers.

Table 9.4: Reasons for seeking information or advice (England and Wales selected results)

| | SME employers | Social enterprise employers |
|---|---|---|
| Unweighted base | 817 | 145 |
| | % | % |
| Business growth | 30.3 | 29.3 |
| Financial for general running of business | 14.5 | 12.2 |
| Efficiency and productivity | 14.2 | 7.5 |
| Marketing | 9.8 | 9.8 |
| E-commerce | 5.6 | 9.8 |
| Financial advice seeking finance | 7.7 | 7.5 |
| Legal issues | 6.4 | 7.3 |
| Health and safety | 4.3 | 7.3 |
| Regulations | 3.8 | 7.3 |
| Leadership | 2.1 | 7.3 |
| Employment law | 8.5 | 5 |
| Innovation | 8.5 | 4.9 |
| Training | 2.6 | 4.9 |
| Tax, NI law and payments | 9.4 | 2.5 |
| Other | 23.5 | 30 |
| D/K | 3 | 4.9 |
| | | |
| Total | 100 | 100 |

Note: Unweighted baseline subset of assistance users in England and Wales: N=962 (the subset that sought information or advice)

# 10. Training

This chapter explores how social enterprise employers compare with their SME counterparts with regard to the extent and type of training undertaken during the year prior to the survey.

Table 10.1: Types of Training Undertaken

| 2019 | SME employers | Social enterprise employers | Total |
|---|---|---|---|
| Unweighted Base | 6977 | 948 | 7925 |
| | % | % | % |
| Undertook training | **46.2** | **58.2** | 47.5 |
| Formal | 11.6 | 11.6 | 11.6 |
| Informal on the job | 10.8 | 13.1 | 11.1 |
| Both | **23.8** | **33.5** | 24.8 |
| D/K | 1.2 | 0.4 | 1.1 |
| None | 52.6 | 41.4 | 51.4 |
| | | | |

Note: Figures in bold show statistically significant differences at beyond 95 per cent confidence level.

Figure 10.1: Types of Training, 2019

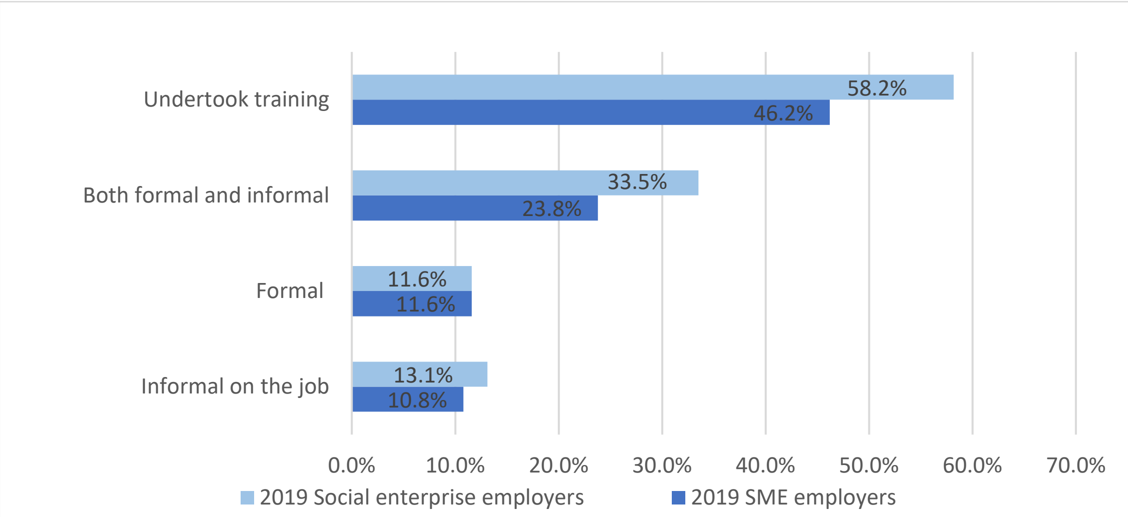



Table 10.1 shows that almost three-fifths (58 per cent) of social enterprise employers undertook some form of training during the year prior to survey, a significantly higher proportion than the 47 per cent for SME employers. Whilst the proportion of social enterprises undertaking formal off the job training with specialist training providers and informal on the job training (e.g. through internally managed work supervision) was similar, social enterprises were significantly more likely than SME employers to undertake a combination of formal and informal training (34 per cent versus 24 per cent).

# 11. Conclusion

Social enterprises take diverse forms but are generally understood as organisations that trade in order to support a primary social or environmental mission. With growing recognition of the role and potential of social enterprise, this report provides detailed insight into the nature of the sector in the UK and its trends.

In order to identify the scale of the sector, the UK government utilises a definition of social enterprise which includes organisations that take voluntary and community sector legal forms and also enterprises with private sector legal forms. This analysis of the LSBS 2019 survey data on 1.4 million employer SMEs in the UK identifies an estimated 131,000 social enterprises**.** Within this broad category, 35,000 have voluntary and community sector legal forms with restrictions on profit and asset distribution, thus conforming to a stricter definition of social enterprise. There are also a further 325,000 self-employed or non-employer enterprises (i.e. single entrepreneurs) that meet the DCMS definition. In total, social enterprises, broadly defined, employed approximately 1.8 million people in 2019.

The study compares DCMS defined social enterprise employers with their more commercially focused SME counterparts. There are relatively few statistically significant differences between the DCMS defined social enterprises (which including a large proportion of enterprises with private sector legal forms) and commercial SMEs. Greater differences might be expected between commercial SMEs and the smaller subset of social enterprises that have limits on profit and asset distributions (CLG, CIC, etc). As might be expected, social enterprises are less likely to be found in business services, but more likely to be found in education, health, arts and entertainment. Further differences between social enterprises and SMEs may be attributed, in part, to these sectoral differences.

Key areas of significant difference are as follows:

- Social enterprise employers are significantly found in human facing services, operating in local rather than international markets.
- Social enterprises are significantly less likely to be exporters and tend to be focused on local/regional markets within the UK
- They are less likely to be entirely male-led but they are more likely to have minority ethnic group (MEG) leaders.
- Access to finance (grants and repayable finance) is reported to be a persistently significant barrier to social enterprises and significantly more so than for their SME employer counterparts.
- Social enterprise employers remain more likely to use information and advice and are more likely to use public support, but less likely to use accountants.
- Social enterprise employers remain more likely to use formal training than their more commercial employer counterparts.

# Annex: Table 4.1b

Table 4.1b Classifications of All enterprises, All Employers and Non-employers by Number of all enterprises (BPE estimates, 2018)

| | All | Employers | Non-employers |
|---|---|---|---|
| | | | |
| No. Enterprise BPE | 5,660,000 | 1,382,000 | 4,278,000 |
| Traditional non- profit organisations | 239,000 | 65,000 | 171,000 |
| **Social enterprise** | **458,000** | **131,000** | 325,000 |
| - Restricted Legal SE | 103,000 | 35,000 | 68,000 |
| SME (mainstream) | 4,931,000 | 1,168,000 | 3,726,000 |
| - Commercial SME | 3,825,000 | 911,000 | 2,888,000 |
| - Socially oriented | 1,106,000 | 257,000 | 838,000 |
| D/K | 68,000 | 17,000 | 51,000 |

Note. BPE – Business Population Estimates, Due to rounding, in some instances, the figures in 'Employers' and 'Non-employers' columns do not add up precisely to those in the 'All' column. Unweighted base 10,379 (590 missing cases where unclassified response)

Due to sampling and weighting requirements, the figures for non-employer Social Enterprises should be treated with caution.