

Council for Economic Development

Social Business in Wales – State of the Sector 2017

Purpose

1. To provide information to the Council on a recent report into the state of the social business sector in Wales. Social businesses include social enterprises, co-operatives and employee-owned businesses. The report is based on a research survey with the sector and highlights the successes of the sector in addition to the challenges and opportunities it faces.

Background

2. The report describes the social business sector in Wales following a survey of almost half of the businesses operating in the sector that have been identified. The research provides an update on previous research undertaken on the sector in 2014. The research was commissioned by Social Business Wales, the specialist advice service for social businesses that is delivered by the Wales Co-operative Centre. A copy of the full report is available on the Wales Co-operative Centre website at wales.coop.

Scale and scope of social businesses

3. The report estimates that the sector is worth £2.37 billion to the Welsh economy, a significant increase on 2014 estimations. The typical size of a social business (in turnover) has increased too.

4. The sector supports 40,800 paid jobs. To gain further insight into patterns of employment growth, respondent businesses were asked how many staff they employed a year ago, and then their expectations of employment in 12 months' time. On average, respondent businesses expected a 5.3% increase in employment during that 24-month period.

5. Social businesses are often located in areas of deprivation, with clusters of social businesses found (for example) in Merthyr Tydfil and along the Heads of the Valleys, in Llanelli and in Swansea. Social businesses are more likely to be found in areas suffering from higher levels of deprivation than are mainstream businesses.

Social business sectors

6. Social businesses most frequently operate in financial and professional services, retail, creative services, tourism and care service sectors. Seventy-two per cent of social businesses described their main social or environmental objectives as seeking to improve a particular community, whilst almost half seek to improve health and well-being.

Performance of social businesses

7. Compared to the 2014 report, the latest research found that the social business sector is growing, diversifying and becoming more innovative. The respondents were asked about how their organisation had performed last year, and whether there had been any particular indicators of

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development. In response, 84% of organisations reported that they had attracted new customers or clients, a statistically significant increase of 24 percentage points since the 2014 research. Comparable proportions had developed new products and services (both samples at 49%) and diversified into new markets (33% in 2016 vs. 34% in 2014).

8. The proportion of respondents reporting having attracted investment to expand in the previous year has leapt 10 percentage points since 2014. There has been a similar increase of enterprises expanding into new geographical areas. New products or services were most frequently developed in education/training, leisure/culture or support services. When asked about their perceived business capabilities, social businesses reported being most capable of financial management and people management, whilst they are least capable of accessing external finance and marketing. Taken together, the results indicate a buoyant sector growing at a healthy rate.

Looking to the future: opportunities and challenges

9. The majority of our sample of social businesses were positive about their immediate future, with 69% expecting turnover to increase in the next two to three years. The lack of/poor access to finance/funding was most commonly referred to as a barrier to sustainability/growth; however, the proportion referring to it as a barrier has fallen when compared to 2014. The proportion of social businesses identifying time pressures as a growth constraint on their business has doubled when compared to the 2014 survey. Similarly, there is a concern about the trading environment for social businesses, with the issues arising from Brexit and, in particular, its impact on European funding alongside public sector cuts identified as likely constraints on social businesses going forward. Social businesses identified the need for support with grant applications, marketing and finance to help grow and sustain their businesses.

Conclusion

10. Collectively, there is clear evidence of a growing, increasingly confident and entrepreneurial social business sector that is built upon strengthening foundations. The report suggests that the sector has experienced real growth in the two years since the last in-depth research was carried out. It offers a snapshot of a sector that is dynamic and responsive and is constantly looking to evolve and offer new products and services. The increase in turnover, jobs and volunteer opportunities supported by the sector will have an impact on local economies, community cohesion, and individual people's potential to develop themselves through paid employment, work experience, and training. The social benefits of these businesses have tangible effects which are having a positive impact on communities throughout Wales.

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