

## **Council for Economic Development**

### **The Social Business Sector in Wales**

#### **Purpose**

1. To provide information to the Council on the social business sector in Wales and request that Welsh Government meets with representatives of the sector to discuss how the sector can feature more prominently in policy development going forward.

#### **Background**

2. Social businesses include social enterprises, co-operatives and employee-owned businesses. The social business sector is performing well in Wales. In 2016 it was estimated to be worth £2.37 billion to the Welsh economy, a significant increase on 2014 estimation of £1.7 billion. The typical size of a social business (in turnover) is increasing. The sector supports 40,800 paid jobs.

#### **Addressing those issues that matter to the people of Wales.**

3. The social business sector contributes to economic growth and the creation of new jobs. However it does much more besides, helping to achieve social policy objectives as well as economic ones. The sector is an important tool in assisting Welsh Government achieve its goal of prosperity for all.

4. Social businesses often employ people furthest away from the labour market. For a certain category of social businesses called social firms this is their purpose. They support people with employment and skills, improving the lives of many disabled or disadvantaged people and reducing dependency on welfare. As a result social businesses help reduce poverty.

5. Mapping exercises have shown that social businesses are more likely to be found in areas suffering from higher levels of deprivation than are mainstream businesses. They 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. In Blaenau Ffestiniog a mountain biking social enterprise has acted as the catalyst that is leading to significant regeneration in the town. Social businesses play a crucial role in helping to regenerate deprived areas.

6. Social businesses are often run and controlled by their members. As a result they are able to respond appropriately to the needs of local communities. Social businesses provide services that are user led and responsive to the needs of local people.

7. Social businesses play an important role in the fair work agenda. Because of their values they seek to provide decent pay and conditions. Research tells us that social businesses often perform better in the area of equality. For example the proportion of women-led social businesses at 32% is significantly higher than across mainstream businesses where 24% of SMEs in Wales are majority-led by women.

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8. Many social businesses operate in the foundational economy. They provide everyday goods and services in their community. As a result of their ownership models their surpluses stay local and are reinvested in these communities. Social businesses contribute to a more inclusive economy.

### **Policy development**

9. Welsh Government already provides financial resources for specialist business support and loan funding to the sector, which is welcomed. Nonetheless, despite this financial support and the sector's clear alignment to the delivery of key policy objectives, there is a need to ensure that the sector is included in policy development to support the delivery of Welsh Government policy objectives. For instance the social business sector is barely mentioned in Welsh Government's national strategy, Prosperity for All and receives only the briefest of references in the Economic Action Plan. Regional strategies and initiatives, in particular the City Deals, appear to have largely overlooked the social business sector in terms of policy as well as representation.

### **New report**

10. As a contribution to the policy debate about how to create greater prosperity for everyone in Wales, the Bevan Foundation and the Wales Co-operative Centre have joined forces to develop practical proposals that can help achieve an inclusive economy in Wales. The report provides a definition of an inclusive economy and identifies what an inclusive economy would look like.

11. The report goes on to set out six essential steps that evidence suggests are most likely to achieve economic inclusion, both socially and geographically. These steps include developing the Foundational Economy, promoting fair work and supporting the social business sector, including the development of an ambitious ten-year development framework for the social business sector. A full copy of the report can be found on the Wales Co-operative Centre's website:

[www.wales.coop/forward-thinking-policy-and-research](http://www.wales.coop/forward-thinking-policy-and-research)

### **Next steps**

12. Social businesses groups have already started work to develop a long term framework for the social business sector, which will set out a long term vision of where the sector wants to be in ten years' time and how we can get there in Wales. The aim would be to make clear the role the sector can play in responding to the challenges and opportunities facing Wales today and what support is needed for the sector in future to realise its potential. We are asking for the Council for Economic Development's support in taking forward this work. We are also requesting further engagement with Welsh Government officials to discuss how the sector can feature more prominently in policy development going forward.

For more information please contact:

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