

Good Work:

Working conditions in social enterprise



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Introduction

Social enterprises play a vital role in the creation of good quality jobs. Not only are social enterprises responsible for around 2.3 million jobs nationally¹, many of which bring those furthest from the labour market into work, they also hire more women and people from minoritised ethnicity backgrounds than other forms of business.

Social enterprise employers are more likely to pay better, offer training, involve employees in organisational decision-making, and retain staff. Both the presence of and quality of these jobs can have a major impact both on the wellbeing and lives of the social enterprise workforce, and the wider communities these businesses work within.

Good jobs are the foundation of a prosperous economy. For workers, a job that provides them with decent pay and security can greatly enhance their wellbeing. Employers that invest in their staff can nurture their development - in turn boosting their incomes, enhancing productivity, and creating wealth that can drive growth and support stronger local communities².

However, poor employment conditions are rampant across the UK. It has been estimated that as many as 25% of jobs are considered poor-quality³. The expansion of the 'gig economy' has been linked to rising levels of low-paid and insecure employment. This exacerbates the hardship of workers and

can entrench economic inequalities that subdue growth and leave entire communities to fall behind.

Improving working conditions is a priority for the recently elected UK Government. Their manifesto included a commitment to implement a 'New Deal for Working People', which promises to overhaul existing conditions and strengthen workers' rights⁴. Social enterprises are already leading the way, with better working conditions an integral part of many of their business models, offering some insight into how good work can be good for business.

Expanding analysis of our 'Mission Critical: the State of Social Enterprise survey 2023' with additional data collected by our Social Enterprise Knowledge Centre, this paper delves into the quality of employment created by social enterprises compared to the wider business community, exploring the relationship between indicators linked to employment and social enterprise performance.

Our report looks at the following areas of employment practice:

- Recruitment and retention
- Real living wage payment
- In-work training
- Flexible working
- Employee engagement in decision-making
- Treatment of staff during crises (including Covid-19 and cost of living crisis)

Through a combination of data and case studies, we demonstrate that social enterprises are not only leading the way when it comes to creating good jobs, but that this is often associated with positive performance outcomes.

Supporting social enterprises to continue their efforts to

create high-quality employment opportunities is a win-win for the economy and society, and the wider business community should be encouraged to follow their lead.

Social enterprises are businesses which trade for a social or environmental purpose. There are more than 131,000 social enterprises in the UK, with a collective turnover of £78 billion and employing around 2.3 million people. Social enterprises demonstrate a better way to do business, one that prioritises benefit to people and planet and uses the majority of any profit to further their mission. Social enterprises contribute to reducing economic inequality, improving social justice and to environmental sustainability.

¹ <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf>

² <https://www.local.gov.uk/topics/employment-and-skills/good-work-project>

³ <https://www.lse.ac.uk/News/Latest-news-from-LSE/2023/k-November-2023/One-in-four-UK-jobs-are-bad-jobs-or-poor-quality-employment#:~:text=It%20is%20therefore%20urgent%20that,23%20per%20cent%20of%20men>

⁴ <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

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Key findings

Social enterprises are significant employers – and employ from across society

- Social enterprises employ **2.3 million** people across the UK
- Social enterprises have a diverse workforce:
 - **58%** of social enterprise employers report at least half their workforce are women
 - **10%** of social enterprise employers report at least half their staff are from an ethnic minority background
- **27%** of social enterprises create employment opportunities as one of their core social objectives
- **55%** of social enterprises recruit people from disadvantaged, marginalised or vulnerable groups including those furthest from the labour market including ex-offenders, refugees and those with a history of substance abuse. Of those recruiting people from disadvantaged groups:
 - **33%** recruit people with mental health problems
 - **27%** recruit people with a learning disability
 - **24%** recruit people with a physical disability
 - **22%** recruit people who have experienced long-term unemployment

Social enterprises pay fairly

- **84%** of social enterprises report paying the real Living Wage, that's **8 in 10** social enterprises compared to an estimated 1 in 9 employers across the wider economy
 - **54%** of real Living Wage social enterprise employers expect to grow staff numbers over the next year, compared to 33% of social enterprises that are not real Living Wage employers
 - Over **90%** of social enterprises providing financial services, employment services, environmental services and business support reported paying the real Living Wage

Social enterprises train staff and provide flexible, inclusive workplaces

- **77%** of social enterprises reported providing some form of formal or informal training opportunities in the workplace, compared to just **60%** of other businesses⁵
- **95%** of social enterprises reported offering some form of flexible working arrangement in 2023 - an increase from 83% in 2021
- **38%** of social enterprises include employees as a member of their board

Social enterprises adapt and support staff through crises

- **56%** of social enterprises have reported taking actions to cope with the impact of inflation and energy cost increases on their workforce:
 - **15%** provided facilities for remote working
 - **8%** asked staff members to take on more tasks
 - **8%** provided additional training to upskill staff
 - **7%** reduced staff working hours
 - **3%** made staff redundancies

⁵ <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf>

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Photo credits: Clean for Good

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Recruitment

Social enterprises employ around 2.3 million people across the UK and are more likely than other forms of business to represent the communities they serve in terms of gender, ethnicity, and geography on staff teams⁶.

Social enterprises also often look to create employment opportunities for those furthest from the labour market. 18% of social enterprises employ individuals who have suffered from mental health problems, while 15% employ individuals with learning difficulties, and 13% employ those with physical disabilities.

Other groups who are notably supported into employment by social enterprises include the long-term unemployed, veterans, ex-offenders, and those who have experienced homelessness or drug and alcohol addiction. Such groups are often extremely vulnerable and face barriers entering the labour market.

Proportion of social enterprises employing those from vulnerable/marginalised groups

Members of the local community	19%
People with mental illness or mental health problems	18%
Individuals with a learning disability	15%
Individuals with a physical disability	13%
Long-term unemployed	12%
Individuals who experience discrimination due to their race/ethnicity (Black, Asian and Minoritised Ethnic groups)	12%
LGBTQ+ people	10%
Individuals with a sensory disability	8%
Ex-offenders / coming out of offending	6%
Young parents	5%
Other	5%
Young people leaving care	4%
Homeless / coming out of homelessness	4%
Alcohol or drug addiction / dependency	4%
Older people losing independence	4%
Refugees and asylum seekers	4%
Veterans / ex-military	3%
Women (inc. single mothers)	2%
Young people in general	2%
Don't know	2%
Any of the above categories	1%
Low income/deprived/socioeconomically disadvantaged	1%

⁶<https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf>

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Real Living Wage payment

8 in 10 social enterprises pay the Real Living Wage, compared to just 1 in 9 UK employers as a whole.

Every year, the Living Wage Foundation calculates the minimum hourly wage necessary to meet basic living costs. At the time of writing, the real Living Wage (RLW) is set at £12 across the UK, and £13.15 in London. The National Living Wage - the de facto minimum wage set by government for workers aged 21 and over - is currently £11.44 per hour across the entire country.

An investigation into companies accredited by the Living Wage Foundation found that 94% reported benefits from their status as RLW employers. For example, 87% reported that their reputation had been improved through accreditation⁷. 62% of accredited organisations said that it improved their recruitment process, which can mean better suited staff able to deliver positive outcomes for their business. Better wages can also improve the lives of their own staff and allow social

enterprises to address broader economic challenges, such as the prevalence of in-work poverty.

Recent estimates suggest that as many as 3.7 million workers take home an hourly wage that will not cover basic necessities, including accommodation and food⁸. 1 in 8 employees are paid below the RLW, including nearly half of all jobs in hospitality and 1 in 6 jobs in the North East of England⁹.

By contrast, more than 8 out of 10 social enterprises pay the RLW. 84% of social enterprises with paid employees reported paying them the RLW. There has been a significant increase in the number of UK employers who pay the RLW, which is now estimated to be 1 in 9. However, there is still room for improvement, and social enterprises offer a potential model to emulate.

84% of social enterprises with paid employees reported paying the real Living Wage

The median turnover among social enterprises that pay the RLW was £185,000, compared to £146,000 among those that do not. 70% of social enterprises that paid the RLW reported an increase in their turnover during the past year, while just 59% of those that did not pay it report the same.

The average profit reported among those that paid the RLW was just over £100,000, compared to £57,000 among those that did not. Those that paid the RLW on average generated higher levels of profit. Net-profit among those paying the RLW was £90,000, compared to £53,000 among those that did not.

Social enterprises that pay the RLW are also more optimistic about increasing staff numbers, with 54% reporting they expect to have more paid staff within the next year compared

to 39% of those that do not. This suggests correlation - albeit not causality - between productivity, growth, financial resilience, and paying the RLW.

90% of social enterprises under three years of age report paying the RLW, compared to 84% of those aged 11 years and over. Similarly, 88% of social enterprises employing fewer than 10 employees pay the RLW compared to 72% of those with more than 100 employees¹⁰.

3% of social enterprises led by people from Black, Asian and Minoritised Ethnicity backgrounds reported not paying the real Living Wage, compared to 16% of those led by people from White backgrounds¹¹.

⁷ <https://www.livingwage.org.uk/media-key-information-and-statistics#:~:text=87%25%20say%20it's%20improved%20the,has%20improved%20recruitment%20of%20employees.>

⁸ <https://www.livingwage.org.uk/news/37m-jobs-paid-below-real-living-wage-first-rise-2020>

⁹ Ibid

¹⁰ The latter sample of 100+ staff based on a sample of just 11

¹¹ Based on a sample of 57

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Some of the reputational benefits may help with the business development of social enterprises. In the past year, 31% of social enterprises that paid the RLW bid for a public sector contract, compared to just 12% of those that did not pay the RLW.

A further 31% of RLW social enterprise employers reported that they had increased the amount of paid work they had done with the public sector over the past year. Only 22% that did not pay the RLW reported the same. This potentially reflects the importance of social value in the procurement process and that paying the RLW could potentially improve the prospects of those businesses looking to submit tenders for government contracts.

Social enterprises that reported paying the RLW and increasing their paid work with the public sector are significantly larger, with an average turnover of £3.6 million. Those that did not pay the RLW and increased public sector

funding had an average turnover of £228,000.

Notably, social enterprises that pay the RLW are less likely to report recruitment issues overall as a barrier to their growth. 27% of those paying the RLW reported issues linked to skills as a barrier, compared to 30% of those who did not. 64% of those paying the RLW cited staff recruitment as a barrier to growth, compared to 79% among those that did not.

A slightly smaller proportion of social enterprises paying the RLW reported a skills shortage (27% to 30%). However, a larger proportion of those paying the RLW reported their specific issue as being a shortage of managerial skills (38% to 30%). This could suggest that while the RLW is an effective way of recruiting staff, there are still challenges in developing managerial capacity in their organisations, potentially reflecting the fact that more skilled and specialist roles would demand higher salaries.

Barriers to organisation's sustainability and/or growth

	Paying the RLW	Not paying the RLW
Financial barriers	60%	65%
Customer demand/market issues	43%	39%
Skills issues	27%	30%
Wider economic and general issues	70%	72%
Issues linked to being a social enterprise	18%	15%
Other	20%	23%

Remaining challenges

Certain sectors have a lower RLW coverage rate than others. 76% of social enterprises trading in retail sectors and 79% of those in the health and social care sector report paying the RLW, compared to 91% of those providing environmental services. This potentially reflects wider economic patterns of strain in certain sector which impacts staff pay. For example, public social care provision has been impacted by public funding constraints which influence pay levels within the sector more widely.¹²

Proportion of social enterprises paying the RLW by trading activity.

Employment/Careers	82%
Environmental	91%
Health and Social Care	79%
Retail	76%
Community Services	82%

¹² <https://livingwage.org.uk/real-living-wage-social-care-living-wage-foundation-policy-paper#:~:text=A%20key%20factor%20in%20social,private%20and%20third%20sector%20employers.>

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Staff training and development

Social enterprises are more likely to offer forms of training and development than the wider business community. 77% of social enterprises reported providing some form of formal or informal training opportunities in the workplace, compared to just 60% of other businesses¹³.

Social enterprises that provide only informal training tend to be smaller and overall social enterprises making a profit are more likely to provide staff training than those that aren't. Growth prospects are also stronger for those providing training.

77% of social enterprises reported providing training opportunities in the workplace, compared to 60% of other businesses

Flexible working

In recent years, flexible working arrangements have surged among social enterprises, as across the economy, largely driven by adaptations made during the Covid-19 pandemic. With the inclusion of working from home as an option, 95% of social enterprises offer some form of flexible working arrangement for their staff, an increase from 83% in 2021. 50% of social enterprises that offer some form of flexible arrangement provide at least three distinct forms of flexible working for their staff.

Flexible working arrangements have been linked to numerous benefits for both businesses and workers. Providing workers with greater control over their hours can help improve work life balance, and ensure they are motivated and engaged. This can have spillover effects into productivity and performance, as well as improving the appeal of social enterprises so that they can better recruit and retain staff.

95% of social enterprises offer some form of flexible working arrangement for their staff

While homeworking was a common arrangement, with 64% of social enterprises offering this to their staff, the most prominent offer was flexible working hours; this increased to 83% in 2023, compared to 72% in 2021. Job sharing, term-time working, and the 4-day week were also popular options.

Zero-hour contracts have been the subject of scrutiny, with many debates over the extent to which they effectively balance flexibility for employers and workers, while compromising on workplace rights and wellbeing. The Trade Union Congress has called for "exploitative" zero-hour contracts to be

banned, which fail to reflect the typical working conditions of employees and where workers are given little notice regarding shift change.¹⁴

They are used by 18% of social enterprises, however this figure rises to 66% among those in the health and social care sector. This reflects the fact that zero-hours contracts have become especially concentrated in the social care sector in recent years.¹⁵ It is critical that their use by social enterprises meets high standards and offer a flexibility that works for both employers and workers.

¹³ <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf>

¹⁴ <https://www.tuc.org.uk/blogs/new-deal-gets-one-step-closer#:~:text=Among%20the%20measures%20in%20the,are%20cancelled%20or%20cut%20short.>

¹⁵ https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/rb_may16_zero_hour_contracts.pdf

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Working hour options social enterprises offer to their employees

Flexitime (flexible working hours)	83%
An annualised hours contract	15%
Term-time working	23%
Job-sharing	18%
A nine-day fortnight	8%
4-day week	21%
Zero hours contracts	18%
On call working	6%
Home-working	64%
Other	5%
None of these	5%

Through allowing for more flexible opportunities, social enterprises can widen the pool of staff they can approach. The growth of remote working means that businesses can hire a wider range of people - not only allowing them to develop a team whose skills compliment the organisation, but also helping to bring people into their business who may otherwise struggle with set times and more rigid working hours.

Representation

Social enterprises have a diverse range of ownership and leadership models more likely to provide workers with a voice to influence their organisation. 38% of social enterprises with business boards reported that membership included employees.

Various ownership models exist for social enterprises that elevate the role of employees in the operation of the business. Employee ownership and worker co-operatives, for example, are distinct business structures that provide employees with a stake in the business.

Such models can have positive benefits for an organisation – for example, through keeping staff engaged and invested in the success of the business, these models help to improve staff engagement and motivation as well as retention¹⁶.

Employees on boards

38% of social enterprises include employees as members of their board¹⁷. There is some variation across regions and place when it comes to employee board membership, with only 30% of social enterprises in the most deprived parts of the country reporting employee representation on boards.

38% of social enterprise include employees on their boards

Social enterprises that do not bid for government contracts are also more likely than average to include employees on their boards: 60%, compared to 39% of those that did bid for a government contract.

Among social enterprises that reported making a profit in 2021, 42% reported they had employees on their board - an increase from 36% in 2019.

In terms of turnover, companies with employee board representation tend to be larger, which is likely a reflection of larger companies being more likely to have established boards.

¹⁶ <https://www.fsb.org.uk/resources-page/how-employee-ownership-could-give-your-business-a-boost.html>

¹⁷ <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf>

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Treatment of staff during crises

Social enterprises have consistently retained staff more effectively than other forms of business in times of challenge.

56% of social enterprises have reported taking actions to cope with the impact of inflation and energy cost increases on their workforce. Only 7% of social enterprises reported reducing staff hours, which could potentially limit the earnings of staff members below an adequate amount to live, and 3% reported making staff redundant to cope with the impact of inflation and the cost of living crisis.

Further, 15% of social enterprises had taken steps to provide facilities for remote working, while 8% had asked staff members to take on additional tasks, which could improve efficiency.

While this is a relatively small proportion, it still indicates that 1 in 10 social enterprises have had their staff arrangements negatively impacted by inflation, which could potentially remain an issue as the economy struggles to rebound.

This is echoed by previous Social Enterprise UK research throughout the Covid-19 pandemic. The quarterly Social Enterprise Advisory Panel surveys conducted through 2021 and 2022 found that a stable proportion of social enterprises reported decreasing staff numbers, indicative of their commitment to maintain staff levels, even in the face of substantial economic shocks¹⁸.

Measures taken to cope with impacts of inflation and energy price increases on workforce

Increased staff working hours i.e. more hours for one or more or across all	3%
Reduced staff working hours i.e. fewer hours for one or more or across all	7%
Laid off staff permanently/made staff redundant	3%
Recruited staff for the short term	4%
Recruited staff for the longer term	3%
Provided facilities for remote working	15%
Moved staff to new or different roles	6%
Asked staff to take on additional tasks	8%
Reduced staff training provisions	2%
Provided additional training to upskill staff (e.g. online service provision)	8%
Other	29%
No measures taken	44%

However, the cost of living crisis has impacted the wider business community. The Longitudinal Small Business Survey found in one cohort that 55% had growth plans impacted by rising costs. Of this group, 27% specifically reported that it had impacted plans to increase the skills of their workforce.¹⁹

There remain economic challenges ahead, but social enterprises have demonstrated that actions can be taken to mitigate the impact on their workforce, and it is important that good practice continues to be developed and implemented among social enterprises and the wider business community.

¹⁸ <https://www.socialenterprise.org.uk/app/uploads/2022/08/SEUK-Social-Enterprise-Barometer-August-22.pdf>

¹⁹ <https://www.gov.uk/government/statistics/small-business-survey-2022-businesses-with-employees>

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Case study – Clean for Good

Clean for Good is an ethical cleaning company based in East London, providing cleaning services for offices and workspaces across the city. Founded in 2017, Clean for Good embedded the RLW into its business model and social purpose. It looks to provide professional cleaning services, while ensuring cleaners are treated with respect and fairness.

Recognising the major challenges within the cleaning sector, where workers have been too often left to struggle on low pay with little recognition of their hard work and economic contribution, Clean for Good stands apart. Not only has it been committed to paying the RLW since its foundation, but it is leading the way across the industry through an ethical employment practice supporting all of its cleaners to enjoy terms and conditions above the statutory minimums, including occupational sick pay and pension contributions.

Paying the RLW is rooted in the operational structure of Clean for Good. It embeds the Living Wage within all quotes for contracts, demonstrating that we do not need a race to the bottom on working conditions and standards.

Since the company began in February 2017, it has demonstrated continual growth. This is in large thanks to several key benefits that help the business stand out:

- Communicating its core values to potential customers in a clear, accessible manner
- Differentiating its business from the wider competition
- Winning recognition from the wider business community, including being named as a Top 100 Social Business by NatWest
- Being able to recruit staff faster and retain staff for longer, helping to save money on hiring and training.

As of June 2024, Clean for Good has over 75 cleaners on its payroll being paid at least the London Living Wage. Even through the cost of living crisis, Clean for Good has maintained its commitment to decent wages for staff.

How the company treats its workforce is reported as one of the top reasons why clients choose their services, while the business maintains a satisfaction score in regular staff surveys in excess of 85% who report they are happy with their employment.



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Conclusion

Good working conditions can generate huge economic and social benefits. Providing people with secure incomes and investing in their professional development can not only raise living standards and improve wellbeing, but ultimately boost economic capacity to achieve fair and sustainable economic growth.

Social enterprises are leading the way in delivering better conditions for their workforce. From paying the RLW to providing flexible work opportunities and investing in skills to including workers on boards, social enterprises are demonstrating business models that strive towards better working conditions.

Critically, good work can be good for business. Social enterprises benefit from being able to attract and retain staff, and win business, through their reputations for looking after their workforce. Diverse models of ownership and employee representation can motivate a workforce who have a genuine voice and stake in the future of their business.

As the UK Government looks to implement a New Deal for Working People, it should look to the social enterprise experience as an exemplar of good practice. The voice of good employers should guide policy, to help lay the foundations for rights and protections that are in the interests both of workers and good business – and there are great lessons to be learned from social enterprises here.

For further information please contact research@socialenterprise.org.uk.

About the authors

About Social Enterprise UK

Social Enterprise UK is the UK membership body for social enterprises.

We lead the world's largest network of businesses with a social or environmental purpose, working together to create a fairer economy and a more sustainable future for everyone. We exist to be a strong voice for social enterprise, demonstrating the difference that mission-led businesses are making in the world and influencing decision-makers to create an environment where this way of doing business can thrive.

We campaign on behalf of the social enterprise community, having led public policy for decades and helped to pass the Social Value Act (2012), using the mounting evidence from our comprehensive research to make the case for change. We drive cross-sector collaboration, working with private companies and public institutions to bring social enterprises into their supply chains, helping any organisation to create positive social and environmental impact.

Find out more & join the community at socialenterprise.org.uk

About the Living Wage Foundation

The real Living Wage is the only rate calculated according to what people need to make ends meet. It provides a voluntary benchmark for employers that choose to take a stand by ensuring their staff earn a wage that meets the costs and pressures they face in their everyday lives. The real Living Wage for the UK is currently £12 per hour, whereas the London Living Wage is £13.15 per hour to reflect the higher costs of transport, childcare and housing in the capital. These figures are calculated annually by the Resolution Foundation and overseen by the Living Wage Commission, based on the best available evidence on living standards in London and the UK.

The Living Wage Foundation is the organisation at the heart of the movement of businesses, organisations and individuals who campaign for the simple idea that a hard day's work deserves a fair day's pay. The Living Wage Foundation receives guidance and advice from the Living Wage Advisory Council. The Foundation is supported by our principal partners: Aviva; IKEA; Joseph Rowntree Foundation; KPMG; Linklaters; Nationwide; Nestle; Resolution Foundation; Oxfam; Trust for London; People's Health Trust; and Queen Mary University of London.

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