

Mission Critical



State of Social Enterprise Survey 2023



Acknowledgements

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This report and the wider evidence that the State of Social Enterprise survey generates would not be possible without hundreds of social enterprises giving up their valuable time to take part in our research. The largest thanks of all goes to those that gave up their time to respond, representing and supporting the thousands of social enterprises across the UK.

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Front Cover: Beyond Food Foundation

In Focus 1: NAViGO

In Focus 2: Diversity & Ability

Foreword from Social Enterprise UK

The United Kingdom is enduring a prolonged period of unprecedented economic and social disruption. Departure from the European Union, the Covid-19 pandemic, conflicts across the continent and substantial shifts in national macroeconomic policy are but some of the major events that have contributed to an unstable environment for British business.

Growth is set to remain sluggish until at least 2025. Public services are struggling to meet demand and maintain quality, with public purses under strain. The climate emergency is ever more apparent, while efforts to manage this crisis threaten to upend businesses' entire operations. All of this creates a perfect storm for social enterprises, both in the challenges of running the business itself and the increasing urgency of the mission it serves.

In this context, this report presents impressive statistics about social enterprise performance. In many areas, social enterprises are holding their own, providing crucial products and services where they are most needed in our economy and society. In the last financial year alone, they reinvested more than £1 billion of profits to drive progress on their vital missions.

Out-performing other forms of business on many metrics, social enterprises are retaining staff when other businesses will shed people to save profit, as well as being more likely to have teams that reflect our diverse society and operations based in our most deprived areas. They provide vital support for people and planet – carrying a heavy burden in public service delivery, where contract values have failed to rise with costs, and actively working to ensure their businesses are environmentally sustainable.

However, these achievements have been made under intense pressure, from which the cracks are beginning to show. Results from this survey, and the wider work of Social Enterprise UK's Social Enterprise Knowledge Centre, show that social enterprises are increasingly feeling the strain.

Reserve positions, growth prospects and other metrics indicate that we cannot take for granted the ongoing contributions of social enterprise – to our economy, our environment and wider society. Given the sector's impact despite present challenges, its potential in a more supportive ecosystem could be transformative. Social enterprises are surviving but they should be thriving. As we look ahead to a general election year, there is recognition from all quarters of a need for change. Social enterprise solutions must be front and centre of a British economy that drives fair growth for all.

While social enterprises continue to start up and grow, despite the obstacles, the scale of our ambition should not be to keep things going. 'Business as usual' isn't working, and the pioneering minority of social enterprise must become the new normal.

Lord Victor Adebawale CBE
Chair, Social Enterprise UK



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State of Social Enterprise 2023

Executive Summary

This report sets out key findings from the biennial State of Social Enterprise survey, run by Social Enterprise UK since 2009, to provide a comprehensive national picture of the sector in 2023, as part of Social Enterprise UK's wider evidence in the Social Enterprise Knowledge Centre. Using government estimates and data from the State of Social Enterprise, we find:

131,000 social enterprises across the UK.¹



1 in 42 UK businesses is a social enterprise.²



- Social enterprise **turnover was approximately £78 billion** last financial year, which is equivalent to around **3.4% of GDP**.³
- Last financial year, social enterprises generated **more than £1.2 billion in profits**, of which £1 billion was reinvested into their social and environmental missions⁴. By comparison, FTSE 100 companies were on track to spend a record amount on share buy-backs, alongside nearly half of expected net-profit of £170 billion going to paying dividends.⁵
- Social enterprises **employ around 2.3 million people** UK-wide.
- **Social enterprises in the UK's most deprived communities reinvested more than £270m profit** – equivalent to more than a fifth of the amount invested through Phase Two of the Government's Levelling Up Fund.⁶

While social enterprises are doing relatively well, considering the difficult operating circumstances for all business, evidence from the 2023 data indicates an increasing trend of strain. Given more appropriate support and understanding, social enterprise could thrive rather than survive.

State of Social Enterprise 2023 analysis highlights that:

- Start-up rates remain high, with one in three social enterprises operating for less than three years, and the proportion of Community Interest Companies registered across the country significantly higher than the total number of Companies House registered businesses – but the proportion of long-established social enterprises has decreased.
- The proportion of social enterprises operating in the most deprived places has fallen over the last decade; these social enterprises are seeing higher drop in turnover, fewer public sector contracts and greater contraction in jobs.
- While social enterprises overall report strong turnover growth, the proportion of those expecting turnover to decrease is double the pre-pandemic levels.
- Almost half of social enterprises report an insufficient amount of suitable finance available, with over a third saying the available forms of finance are unsuitable for their business and a third lacking the skills to obtain external finance or investment.

¹ Latest government figures estimate that there are 131,000 social enterprises with employees across the UK, and a further 325,000 self-employed or non-employer enterprises. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1101560/Social_Enterprise_Market_Trends_2019_-_Middlesex_University.pdf

² Based on estimates of 5.5 million UK businesses in operation: www.gov.uk/government/statistics/business-population-estimates-2022/business-population-estimates-for-the-uk-and-regions-2022-statistical-release-html

³ Based on latest ONS estimates of UK GDP in 2022: www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmi/pn2

⁴ See methodology for calculation approach

⁵ www.qjbell.co.uk/sites/default/files/AJBYL_Q1-2022_Dividend_dashboard.pdf

⁶ www.bbc.co.uk/news/56238260

Despite operating in times of acute social and financial pressure, social enterprises deliver not only for our economy but also society and environment. The sector continues to prove resilient in the face of challenge, and to out-perform other forms of business across multiple metrics.

Economy

33%

of social enterprises are under three years old



65%

of social enterprises grew their turnover last year



70%

made a profit or broke even last year



68%

of social enterprises developed a new product or service in the last year



Society

58%

of social enterprises have leadership teams that are at least half female



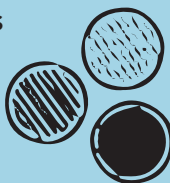
84%

of social enterprises said they were a real Living Wage employer



43%

of social enterprises have at least one leader from Black, Asian or Minority Ethnic backgrounds



22%

of social enterprises said operate in the most deprived areas of the UK, compared to 14% of wider business



Environment

83%

of social enterprises believe that buying socially and environmentally-friendly products is as important, or more important, than costs



19%

of social enterprises have a core mission addressing climate change



65%

of social enterprises have a plan for reducing greenhouse gas emissions



Data is from the State of Social Enterprise 2023 survey unless otherwise stated, and methodology is detailed at the end of the report. For feedback or queries, contact research@socialenterprise.org.uk.

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Introduction

Social enterprises continually demonstrate significant contributions to addressing the challenges Britain faces. They achieve more positive financial outcomes compared to other forms of business, while outperforming on social and environmental impact. This survey shows, for the first time, the enormous contribution of profit reinvestment by social enterprise – as well as the sector’s ongoing contribution to good quality jobs, tackling Net Zero, and providing vital goods and services in the UK’s most deprived areas.

While social enterprises have proven resilient in recent years, their transformative potential remains unfulfilled. This survey highlights that the growth of new social enterprises has slowed, and many fail to generate the profits necessary for achieving their core missions.

Persistent barriers prevent the adaption and expansion of social enterprise models. Inadequate access to finance and grant funding, skills shortages and generally poor economic conditions have diminished the scope of social enterprises to improve capacity and build custom. More must be done to broaden awareness of social enterprise as a business model that can help meet demand, while addressing many of the collective challenges holding back the economy.

The State of Social Enterprise 2023 delves deeper into how social enterprises are performing in harsh economic conditions, with fresh insights into the challenges they face and their expectations of the future. It tells a story of businesses striving and surviving rather than thriving, in need of greater support. However, it also recognises the potent role social enterprises play in creating value and opportunity - often in the most disadvantaged places and communities.

This report expands on evidence collected in previous State of Social Enterprise surveys to cover:

Social enterprise demographics

An overview of the size, scale, and nature of social enterprises today;

Financial performance and operations

The economic achievements of social enterprise and their expectations for the future;

Employment and community

Mapping the role of social enterprises as employers and the ways in which they achieve social impact;

Landscape of support

Exploration of funding and other forms of support, and extent to which they are meeting the needs of social enterprise.

Social enterprise business structures

This section looks at the demographic profile of social enterprise, including the size and scale of these businesses and the economic sectors in which they trade.

Key findings:

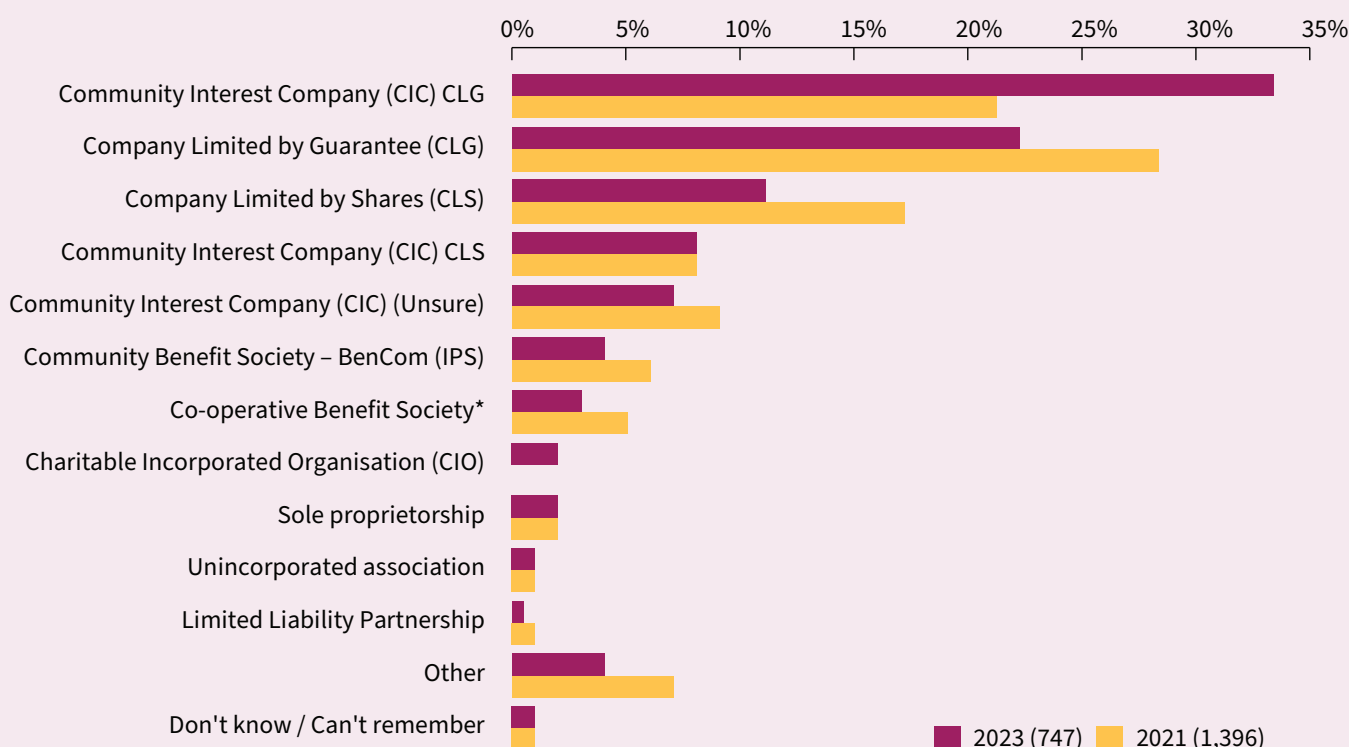
- One in three social enterprises has been operating for less than three years
- The proportion of Community Interest Company (CIC) registered respondents jumped to 51% from 38% in 2021 and the number of CICs across the country rose by 9.1% between 2021 and 2022, while the total number of Companies House registered businesses fell by 1.5%
- There has been a fall in the proportion of social enterprises operating in the most deprived places over the last decade, however, this is still a larger proportion than business as a whole operating in the most deprived parts of England
- More than half of social enterprises operate within just five sectors of the economy

Legal form

Social enterprises take many legal forms,⁷ with a growing number in the sample surveyed opting to register as Community Interest Companies (CICs). The majority of social enterprise respondents to this survey (51%) are CICs, of which 33% are limited by guarantee and 11% are limited by shares.⁸ Companies House data shows that the number of CICs across the country rose by 9.1% between 2021 and 2022, while the total number of Companies House registered businesses fell by 1.5%.

13% of social enterprise respondents are registered as companies limited by shares (18% in 2021) and 22% are companies limited by guarantees (28% in 2021) with the remainder a mixture of Co-operative Benefit Societies, Charitable Incorporated Organisations, Limited Liability Partnerships and other unincorporated associations.

Registered legal form



⁷ <https://assets.publishing.service.gov.uk/media/5a79cda1ed915d6b1deb375d/11-1400-guide-legal-forms-for-social-enterprise.pdf>

⁸ Some respondents couldn't confirm if their CIC was limited by guarantee or shares.

Start-ups and longevity

There has been a continued rise in social enterprise start-ups over the past few years. One in three (33%) social enterprise respondents to this survey had been operating for less than three years. This is higher than patterns across the wider business community: 28% of VAT and/or Pay As You Earn (PAYE) based companies in the UK were less than three years old.⁹

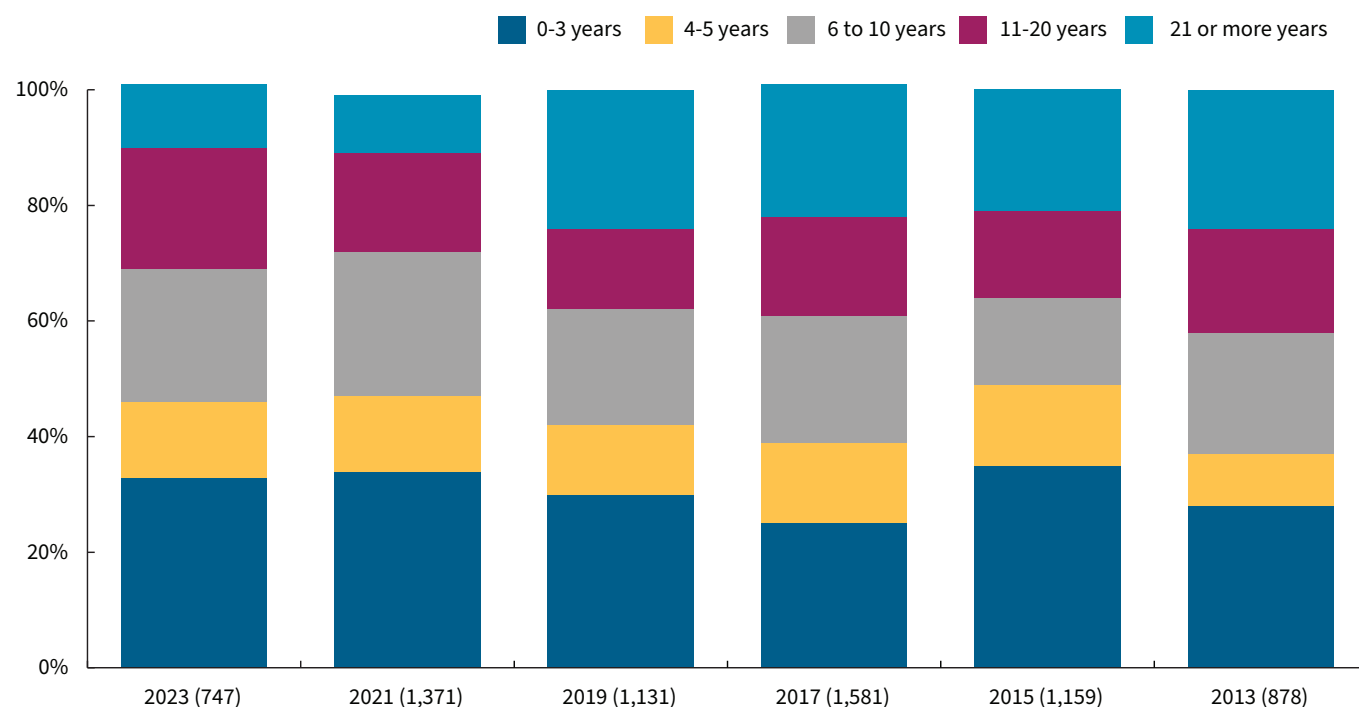
CICs have higher start-up rates than the wider business community. Since 2016, the average registration rate of CICs has been 23% compared to 12.6% among all business forms. At the same time, the dissolution rates of 10.7% among CICs and 10.6% for wider business are comparable.¹⁰ However, it is estimated that the average age of dissolution for CICs is just 3.4 years compared to 4.9 years for business as a whole.

The latest data from the CIC Regulator shows that the number of active CICs in the UK rose by 9.1% between April 2021 and March 2022. This contrasts with the wider business landscape, where the total number of active businesses registered with Companies House fell by 1.5% between 2021 and 2022.¹¹ Over time, this trend is more pronounced; the number of CICs grew by 66% between 2018 and 2022, while the total number of businesses fell by 2.8%.

The State of Social Enterprise survey sample has a higher proportion of newer social enterprises in the least deprived parts of the UK. 37% of social enterprises operating in the least deprived quintile have been in operation for less than three years, compared to 28% of those operating in the most deprived quintile - indicating both a higher proportion of more established social enterprises in these areas, and that there may be challenges for start-ups in these locations.

In recent years, there has been a decline in the proportion of more mature social enterprises responding to this survey. The proportion of social enterprises operating for more than 21 years has fallen to 11%, having been above 20% throughout the period 2011-2019.

Length of operation



⁹ www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/adhocs/15585companieslessthanthreeyearsold

¹⁰ CICs figure calculated using data from most recent CICs regulator annual report (www.gov.uk/government/publications/community-interest-companies-regulator-annual-report-2021-to-2022/cic-regulator-annual-report-2021-to-2022) and ONS Business demography data (www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2021)

¹¹ www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2023

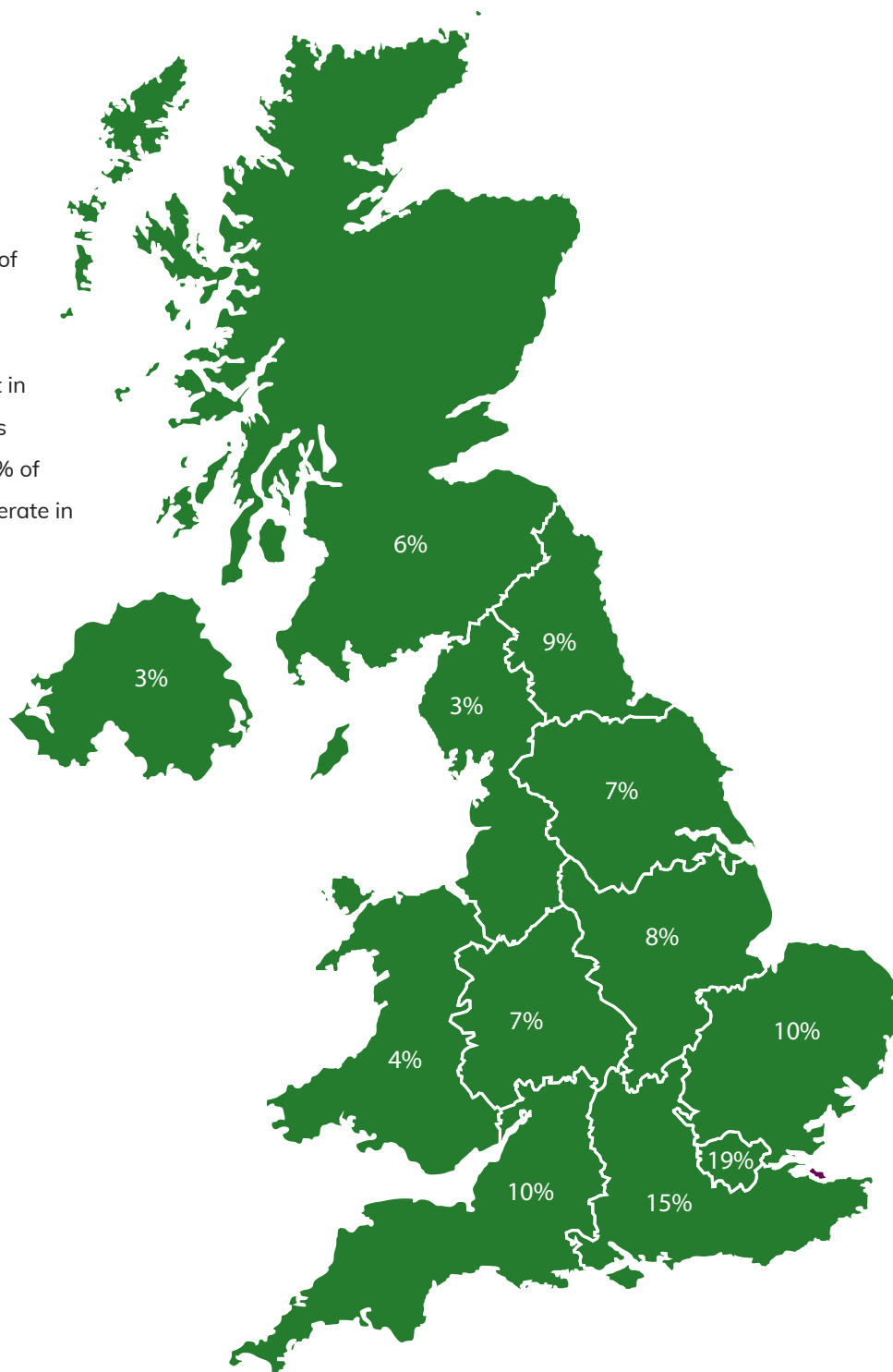
Location

Social enterprises operate in all parts of the UK and play a vital role in the most deprived parts of the country, so it is of note that the proportion of social enterprises in most deprived areas has declined.

22% of respondents were based in the most deprived quintile – a similar proportion as in 2021 and 2019, although over time there has been a decline in the proportion of social enterprises in the most deprived parts of the country, from 38% in 2013.

Social enterprises remain more present in deprived areas than the wider business community. It is estimated that just 14% of VAT and/or PAYE based enterprises operate in the most deprived quintile of England in 2023, which is a small increase on the 12% in 2014.¹²

Over the past decade, social enterprises operating in the least deprived quintile has almost doubled, from 8% in 2013 to 15% in 2023.



Location of organisations in UK

¹² Based on calculations using English-based enterprises and the Indices of Multiple Deprivation (www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation and www.gov.uk/government/statistics/english-indices-of-deprivation-2019). Scotland, Wales and Northern Ireland use separate data on deprivation – but for the purpose of these calculations, we have only focused on England, which offers the largest uniform sample.

Area of operation

Social enterprises operate from neighbourhood level to internationally, with the majority operating at a UK-wide level or in one of the four nations. City Region and/or Combined Authority level is an addition to the 2023 survey, responding to changing political administrative areas.

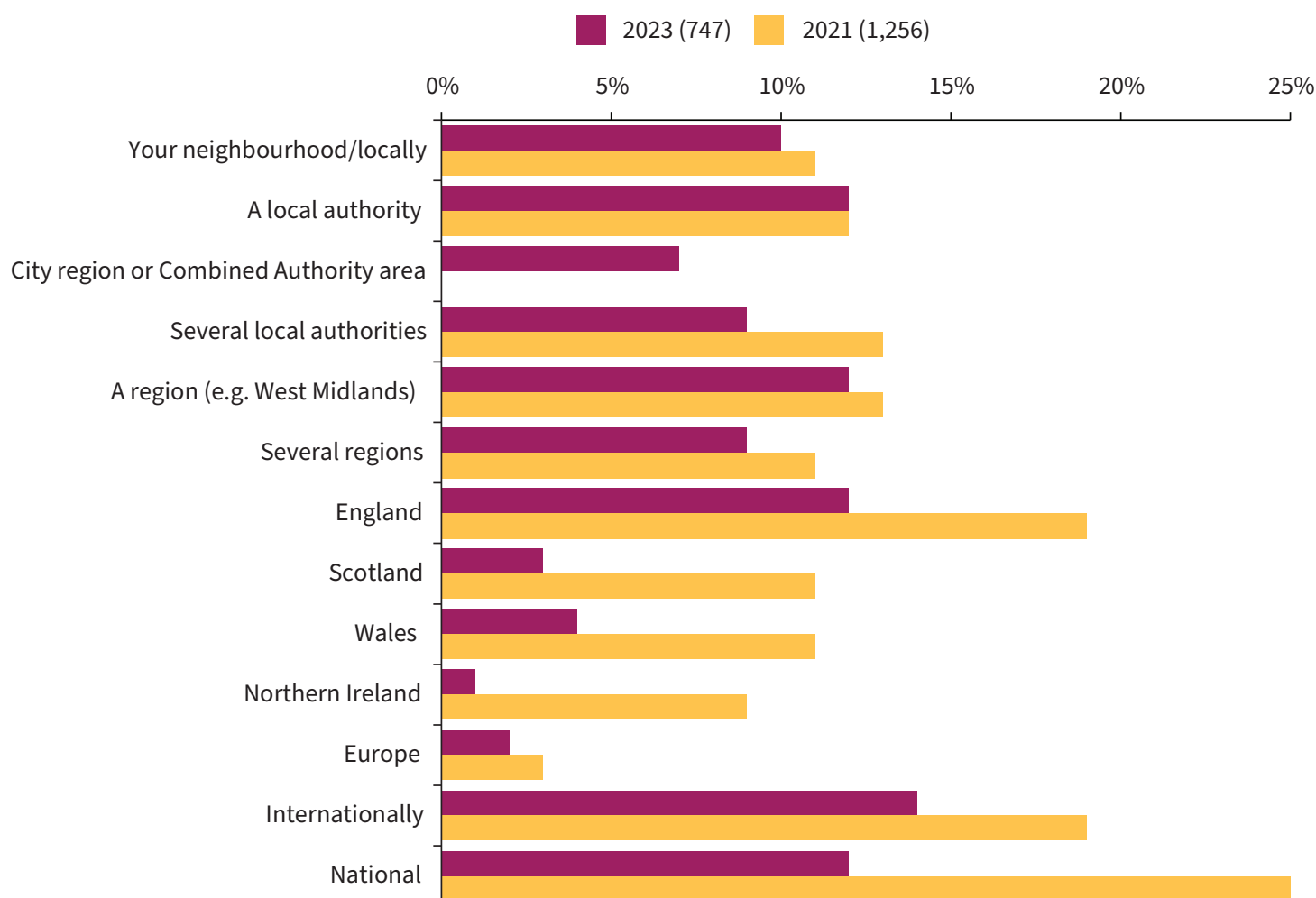
10% of social enterprises reported their furthest reach as their local neighbourhood, compared to 11% in 2021 and 21% in 2019. Social enterprises across the devolved nations were more likely to work exclusively within their local area. 28% of respondents based in Scotland, Wales and Northern Ireland reported the furthest reach of their operation was either their neighbourhood or their local authority.

Social enterprises in the least deprived parts of the UK are more present at both a neighbour and an international level, whereas those in the most deprived areas are more likely to be operating at local authority up to sub-national level.

International reach seems to have spiked in 2021 and has returned now closer to levels in 2019 and before. 14% reported their widest geographical reach was international, including 25% of social enterprises based in London.

Reflecting the declining proportion of social enterprises that operate internationally, there has been a significant fall in those who either sell or license their products or services outside the UK. The proportion of social enterprises exporting fell to 14% in 2023, from 22% in 2021. This reverses the progress that was made between 2019 and 2021, when the proportion exporting with an expanded international reach had increased from the same level.

Widest area of operation



Principal social and environmental missions

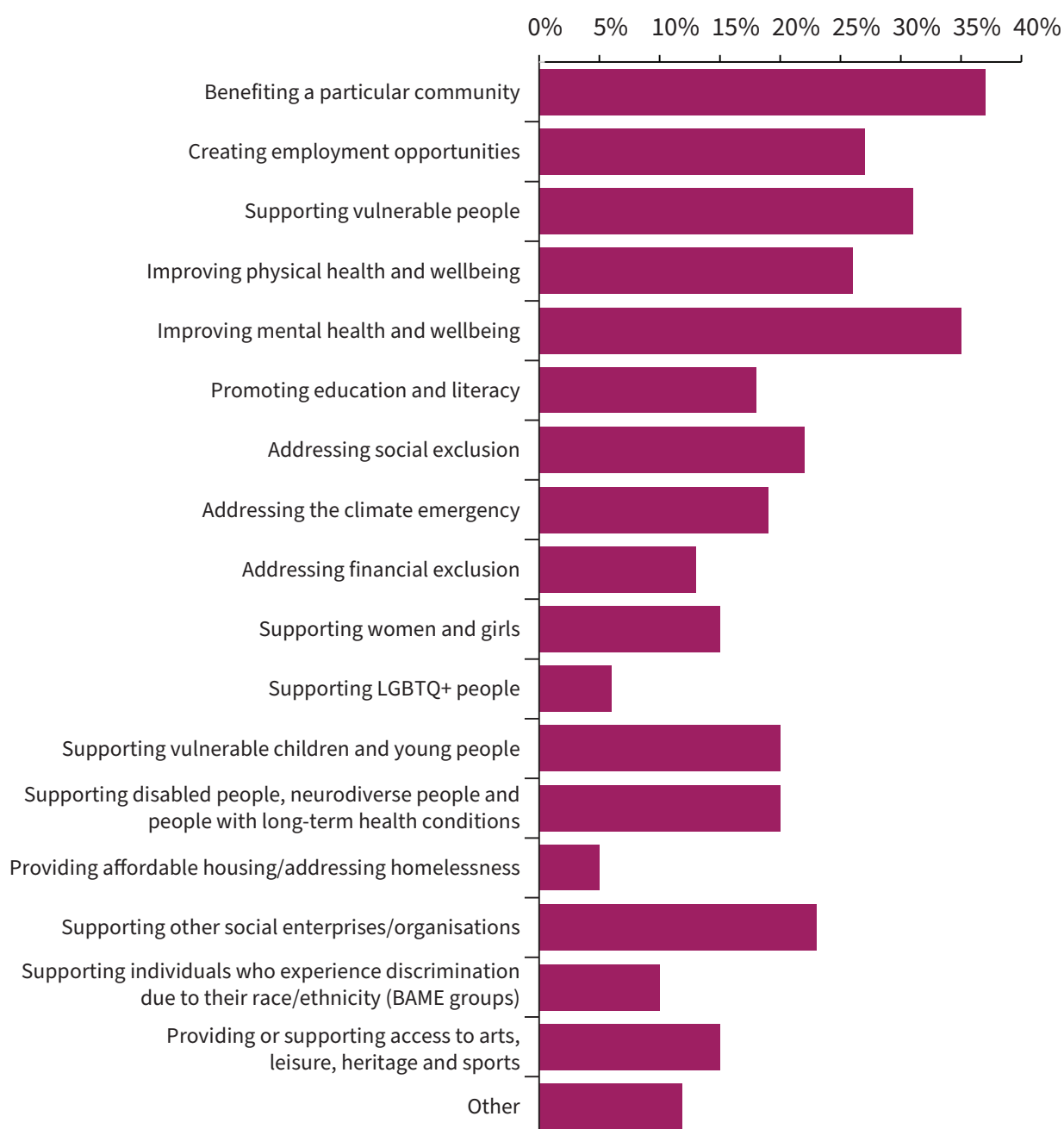
Social enterprises trade to deliver social and environmental missions, rather than to maximise profit.

Providing support to specific groups and communities is the most common primary objective of social enterprises. 37% reported their main objective was to benefit a particular community, while 35% reported improving mental health and wellbeing, and 31% supporting vulnerable people.

One in five social enterprises has a core mission to address the climate emergency. More than a fifth of social enterprises provide support to other social enterprises.

Broadly, the core objectives of social enterprises have remained very similar to previous surveys.

Main social and or environmental objectives



Principal trading activity

Social enterprises are active across every sector of the economy, from critical public services such as education and healthcare to high street retail and professional services.

Education and skills development are the most common principal trading activities for social enterprises, with 14% operating in this area. Across the wider economy, only 1.7% of businesses are found within the education sector. Similarly, a larger proportion of social enterprises work in the health care compared to the wider business community.¹³

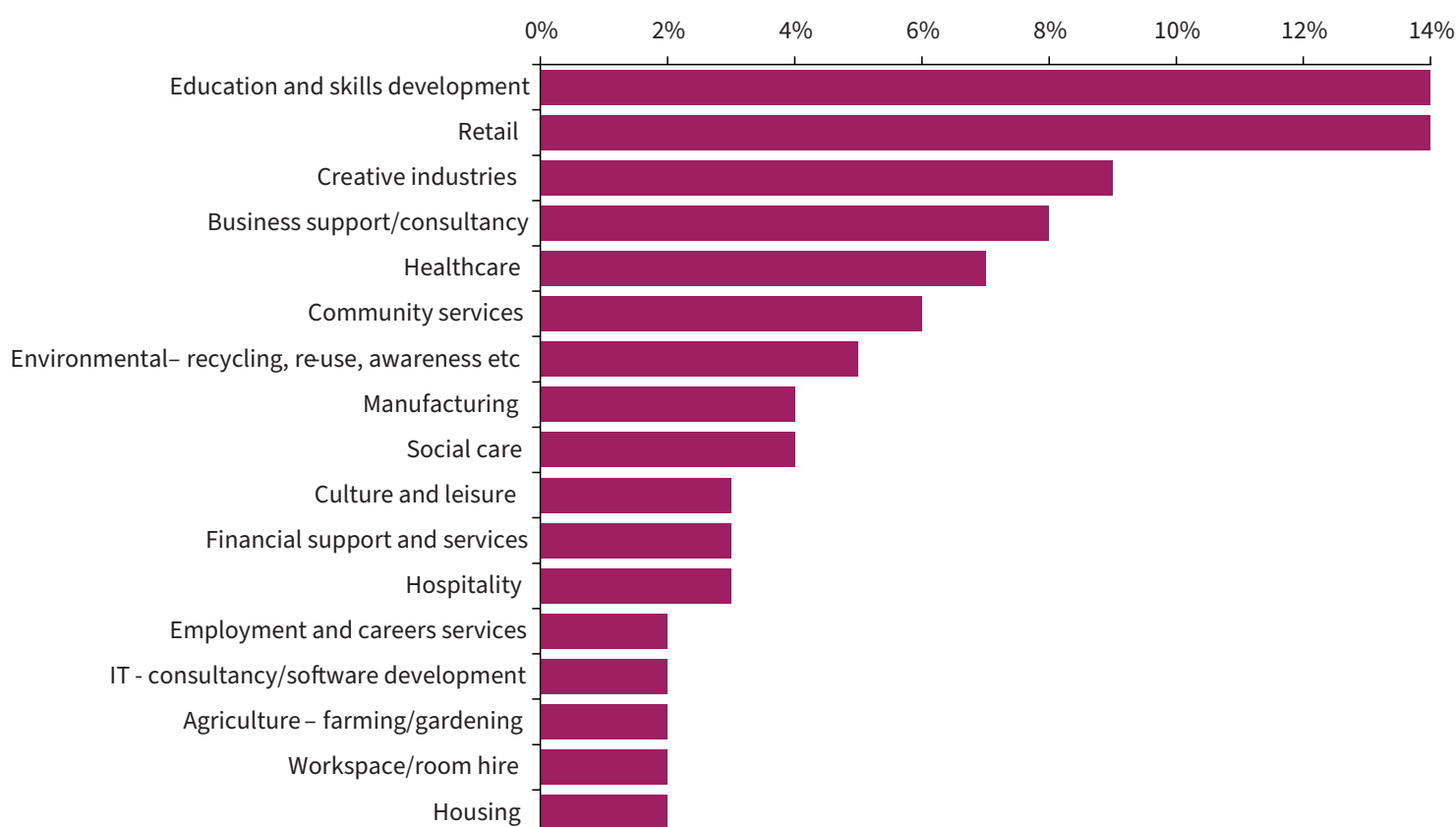
Social enterprises operating in health and social care tend to be larger than average; 13% of healthcare and 19% of social care organisations have more than 100 employees. This indicates the potential influence of public policy on the shape of the social enterprise landscape, and the role for procurement to shape social enterprise inclusion in other areas of the economy.

The proportion of social enterprises working in retail has grown to 14% , becoming the joint most common principal trading activity with education and skills development. The proportion of social enterprises working in retail is almost double that of business as a whole.¹⁴

The response rate of social enterprises in the hospitality sector hasn't recovered since before the Covid-19 pandemic, and is currently at 3% - down from 10% in 2019 - in contrast to retail sector recovery for business as a whole.

51% of social enterprises operate within just five sectors of the economy: education, retail, business services, creative industries and community services. Indicating that social enterprises are present across sectors, more could be done to increase the supply of social enterprises.

Principal trading sectors



¹³ www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2022

¹⁴ Ibid

Financial performance and Operations

This section documents the financial performance of social enterprise, the steps they have taken to ensure competitiveness and their expectations for the future, alongside comparisons with the wider business community.

Key findings:

- 65% of social enterprises reported an increase in their turnover during the past financial year - notably higher than the 52% that reported the same pre-Covid in 2019
- 62% of social enterprises expect their turnover to increase next year, compared to just 36% of small businesses
- Only 17% of social enterprises reported their turnover had decreased in the past year, compared to 30% of businesses as a whole - but more than one in ten social enterprises expect turnover to decrease next year, which is double pre-pandemic levels
- 70% of social enterprises made a profit/surplus or broke even last financial year
- 18% of social enterprises in the most deprived areas expect their turnovers to decrease, compared to 9% in 2021 - and 21% of social enterprises in the most deprived places reported that their public sector income had decreased, compared to just 10% in the least deprived areas

Income generation

This section explores how social enterprises generate income, how they trade and who with

Trading income

Social enterprises generate income through trading, and trading income levels are now recovering post-Covid.

Social enterprises generate most their income through trading. On average, 82% of income is generated via trading activities, with more than half of social enterprises generating at least 90% of their income through trade.

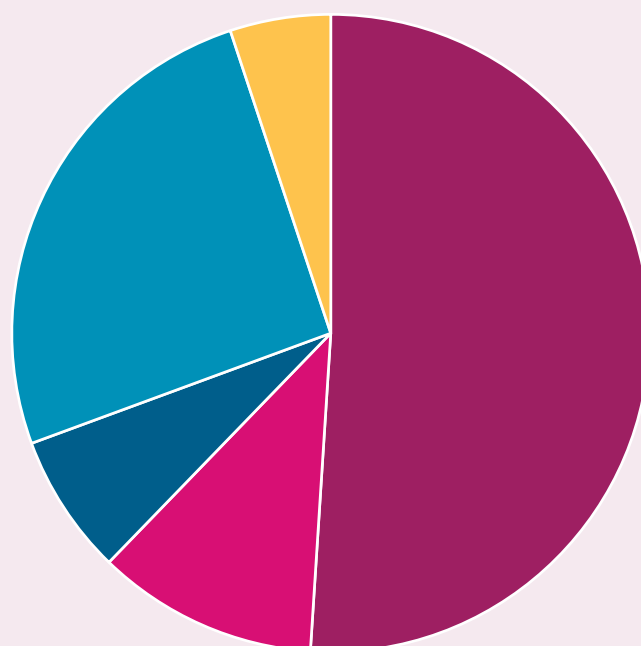
CICs and companies limited by guarantee generate less of their income through trading activities, on average, compared to Companies Limited by Shares and Industrial and Provident Societies.

Trading activity and partners

Social enterprises, like other businesses, supply products, works and services and trade across the public, private and third sectors.

Social enterprises are more like to deliver services than products to works. 86% reported they deliver services, compared to 45% that deliver products and 14% that deliver works¹⁵. Social enterprises are more service-led than the wider business community, where the service industry accounts for 76% of businesses.¹⁶

Business activity



■ Services only ■ Products only ■ Services, products, and works
■ Products and services ■ Services and works

¹⁵ Civil works – construction, renovation, repairs and public utilities

¹⁶ <https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf>

Social enterprises trade with the general public, government, private businesses and other social enterprises, as well as charities and the public sector. In 2023, when respondents were asked to cite all their trading relationships, there was an increase in reports of trade with every partner except international organisations.

21% of social enterprises in the most deprived places reported that their public sector income had decreased, compared to just 10% in the least deprived areas.

Main sources of income generation

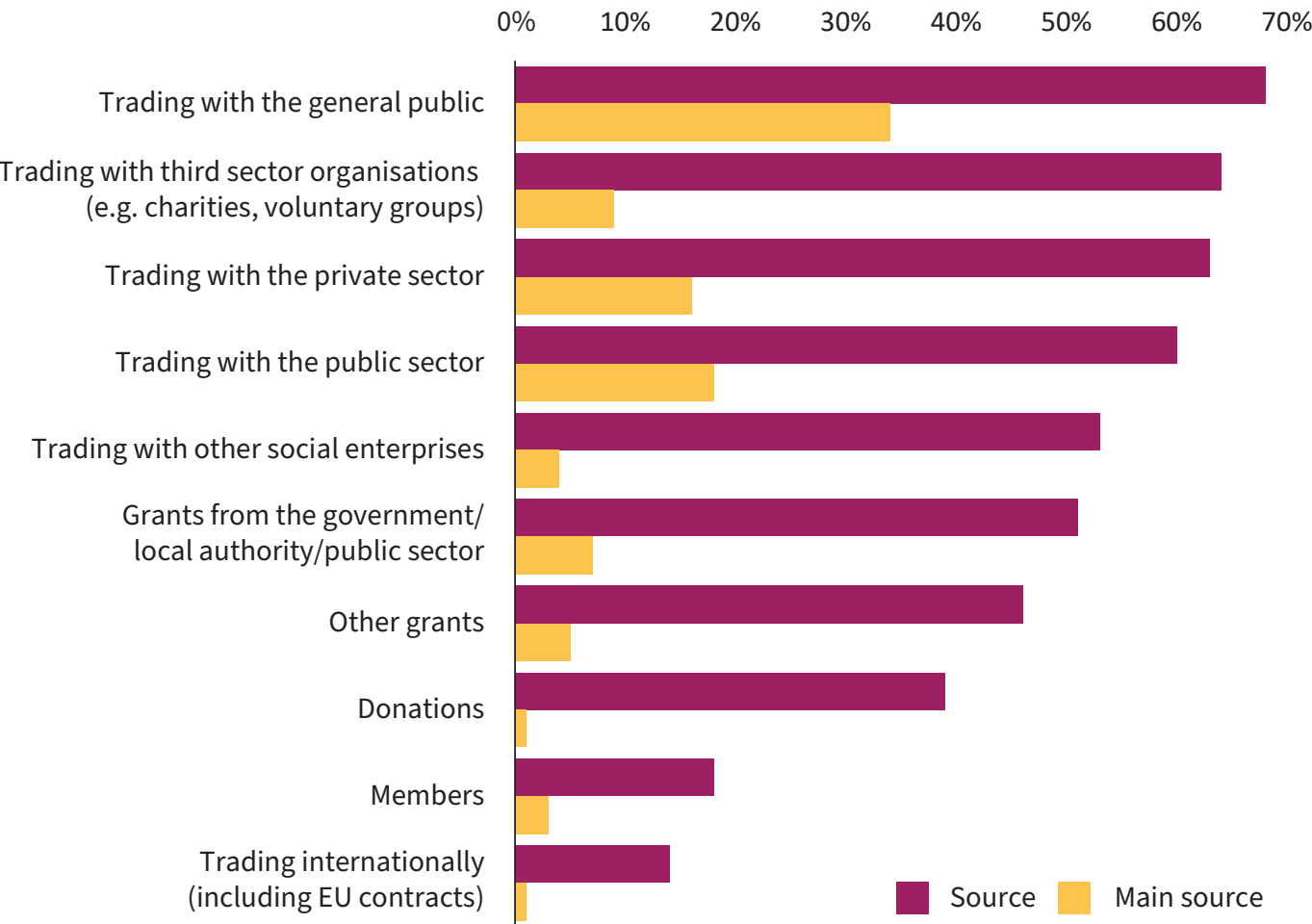
In addition to identifying all trading relationships, respondents cite their main source of income and the proportion of income from this source.

While there has been a small rise in the proportion of social enterprises citing trading with the general public as their main source of income, up to 34% from 26% in 2019, other main sources of income show little change compared to past years.

Only 25% of social enterprises in the most deprived areas cited trading with the general public as their main source of income - significantly below the national average. However, 18% of social enterprises in the most deprived places reported some form of grant as their main source of income, compared to 12% across the country.

Slightly more than half of those who primarily trade with the general public reported that at least 80% of their income was generated in this way. Four in ten of those who primarily traded with the public sector reported this as generating at least 80% of their income.

Income generation



In Focus: Public sector contracts

Social enterprises play a vital role in public services provision, and this box looks at the profile of social enterprise in terms of income generation through public sector contracts.

Social enterprises that had been trading for more than two years were asked if they had expressed an interest in or made a bid for contracts advertised by the public sector. 23% of organisations reported making a bid, while a further 8% expressed an interest, but had not make a bid.

38% of social enterprises working in health and care had either made a bid or expressed an interest - far more than any other sector.

Among those that generated income through trading with the public sector or government grants, 73% reported that this had come from a local or Combined Authority. Social enterprises whose furthest geographical reach was their neighbourhood or local authority were more likely than average (83%) to receive local authority funding. 26% of social enterprises trading with or receiving grants from the public sector reported their income came from the

National Health Service or Clinical Commissioning Groups. 57% of health and social care organisations reported receiving income from public health bodies.

However, 71% of health and social care organisations also reported receiving local authority funding, likely reflecting the fact that local authorities are often responsible for commissioning social care services.

Of those who had been trading for more than two years and traded with the public sector, 38% reported that the amount of paid work they had done with the public sector had stayed the same over the last year. 27% reported that it had increased, while 16% reported a decrease.

21% of social enterprises in the most deprived places reported their public sector income had decreased, compared to just 10% in the least deprived areas. However, while 32% of social enterprises in the most deprived areas had made a bid for a public sector contract, only 19% of those in the least deprived areas had done the same.

90% of social enterprises that either bid or expressed interest in bidding for public sector contracts plan on developing a new product or service, compared to 56% of organisations that do not seek public service contracts.



Turnover

This section looks at turnover performance over the last financial year, and overall turnover positions for social enterprise in the last year.

Despite tough trading conditions, 65% of respondents reported their turnover had increased last financial year, compared to the previous year. While this is an expected rise on the last survey, it is also higher than pre-Covid levels of 52% in 2019 and 47% in 2017 – and higher than the rest of the business community, where only 13% reported their turnover was higher than the previous year.¹⁷

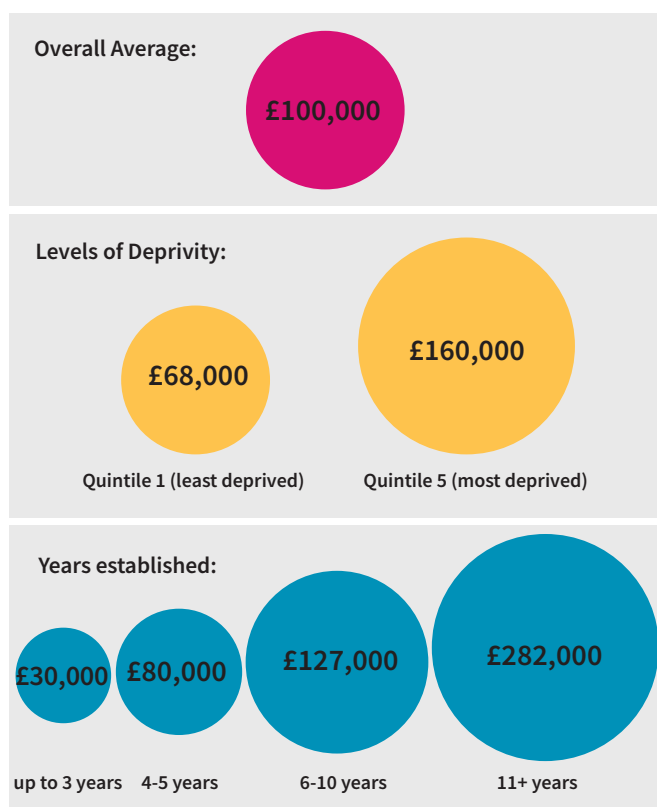
Social enterprises are trading their way out of the crisis faster than other businesses. Significantly fewer social enterprises reported that their turnover decreased in the

past year (17%), compared to the 30% of businesses as a whole that reported a decrease in turnover.¹⁸ Social enterprises in the most deprived areas were less likely than average to report falling turnover.

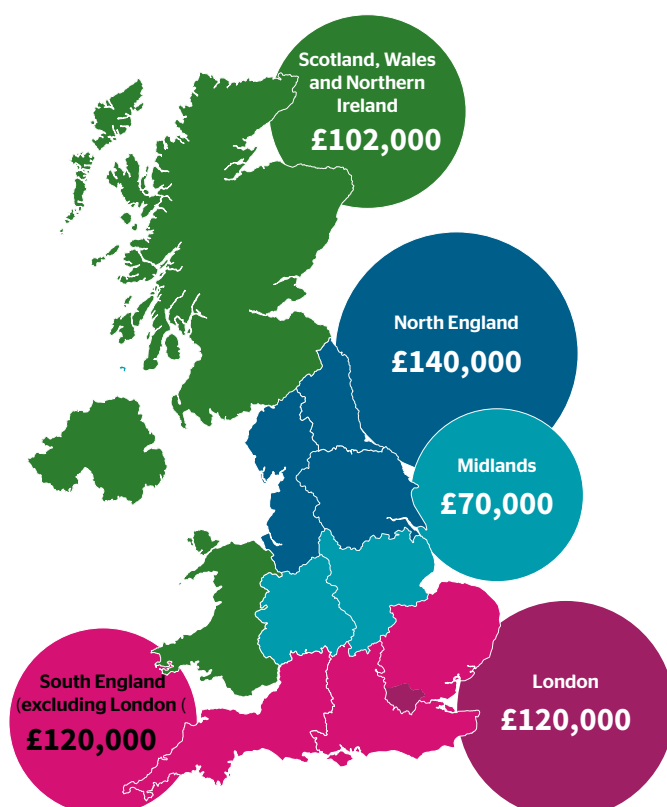
The median annual turnover for social enterprises remains stable at £100,000. A lower proportion reported total turnover below £50,000 than in previous surveys, with a corresponding rise in proportion of those reporting incomes between £50,000 and £250,000. There was also a small decline in the proportion of those reporting turnovers in excess of £1 million.

Social enterprises in the most deprived areas generally report higher turnovers. The median turnover among those in the most deprived areas was £170,000 – almost three times higher than the £60,000 reported by those in the least deprived areas.

Median annual turnover/income by organisational characteristics



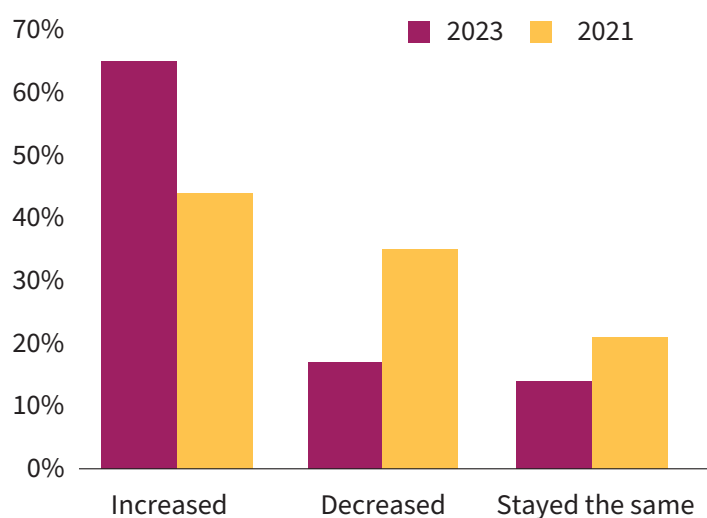
Geographical



¹⁷ www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheeconomy/26january2023

¹⁸ Ibid

What has happened to turnover in past 12 months



Profit, assets, and tax

Social enterprises generate profits and surplus, most of which is reinvested into their social and environmental missions.

Looking forward

Social enterprises are broadly optimistic about their future prospects, and more likely than other businesses to be anticipating turnover growth. 62% reported that they expected their turnover to increase next year – significantly higher than the 36% of Small and Midsize Enterprises (SMEs) that expected their turnover to increase in the 2022 Small Business Survey.¹⁹

Operating across a wider geographical area reach is correlated to a more positive outlook for future turnover. 69% of social enterprises whose widest geographical reach includes international markets expect growth over the next year, in contrast to only 56% of those who operate at the neighbourhood level.

However, the proportion of social enterprises expecting turnover to decrease (13%) has more than doubled since the last pre-Covid survey (6% in 2019) and is now even worse than at the height of the pandemic (10% in 2021). This figure is higher in the most deprived areas, with almost one in five (18%) social enterprises expecting a decline in turnover – up from 9% in 2021.

¹⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1180700/LSBS_2022_SME_Employers.pdf

Profits for purpose

While more social enterprises have reported increasing turnovers, this has not translated into a higher proportion of social enterprises reporting that they were making a profit. Just under half (48%) reported making a profit in the last financial year, while 26% reported making a loss – both in line with responses from 2021 and 2019.

Of those who generated a profit or surplus, the median net profit was £19,000. This means that social enterprises as a whole generated an estimated £1.2 billion in profits last financial year.

The survey asked the proportion of profit re-invested. On average, 88% of social enterprise profits are reinvested into social and environmental missions by those social enterprises making a profit. Based on the re-investment rate and total profits, we estimate that social enterprises would have re-invested at least £1 billion into addressing social challenges and expanding their business. In contrast, FTSE 100 companies were on track to spend a record amount on share buy-backs and more than £80 billion in dividends last year, against an expected net-profit of £170 billion.²⁰

Similar to turnover, net profit is typically higher in more deprived areas. Median net profit in the most deprived areas was £21,000, while just £9,450 in the least deprived. We estimate that this would mean social enterprises in the most deprived areas are generating £315 million in profit, while re-investing £270 million into their communities.

Taxation

Corporation tax is payable for limited businesses, co-operatives and trading charities on trading profits, asset sales and investments. The average amount paid by social enterprises last year was £5,430. Female-led social enterprises paid £6,200 on average, compared to £4,400 for social enterprises led by men.

Net Assets

The value of assets is another indicator of business strength. Median net assets across respondents²¹ were worth £25,000, with just over half reporting their net assets were worth less than £50,000. Again, the value of net assets in more deprived areas were typically higher.

²⁰ www.ajbell.co.uk/sites/default/files/AJBYL_Q1-2022_Dividend_dashboard.pdf

²¹ This question was only asked of respondents who had filled in the online survey and where last year's turnover was known, reducing the total sample.

Actions for growth

Over the past 12 months, social enterprises took a range of actions to drive business growth – and those expecting to increase their turnover in the coming year plan to implement various measures to achieve this.

Actions taken to achieve growth

Innovation has been important, with most (53%) social enterprises that saw growth in their turnover reporting that they had also developed products and/or services new to their organisation.

This is significantly higher than the wider business community; only 32% of SMEs innovated goods or services, with 79% of this group introducing innovative processes that were only new to their business, according to the latest Small Business Survey.²²

However, it is a reduction from 2021, when 61% of social enterprises had developed a new product and/or service. There has also been a fall in those developing new products and/or services for the market, to 23% from 37% in 2021.

Research and development (R&D) was included as a new option this year. 18% reported that that had invested in R&D in the past year, similar to the 19% invested by SME businesses as a whole between 2019 and 2022²³.

42% of social enterprises diversified into new customer markets, 40% invested in new marketing and 37% invested in new equipment.

Actions taken in previous 12 months by social enterprises who achieved turnover growth



²² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1180700/LSBS_2022_SME_Employers.pdf

²³ Ibid

In focus: Cost of living crisis

Inflation and energy price rises in winter 2022/23 were big news earlier this year, so the survey explored the impacts on social enterprises.

46% of all social enterprises reported that they had increased prices to manage the impacts of rising inflation and energy costs, with price increases highest in the South East (excluding London) and the devolved nations. While this is higher than the 20% that reported increasing prices in 2021, it is markedly lower than the 73% of the wider business community estimated to be raising prices.²⁴

Social enterprises have relied on various other measures to deal with rising costs. 32% drew on reserves and 23% postponed investment. This may have longer-term consequences on the financial stability of their businesses, and their ability to seek investment or grow.

38% reported that they had changed operating processes, while 28% said that they had changed the services they offer or the products they provide.

Social enterprises were also asked whether they had taken measures to cope with the impact of inflation on their workforces. While 44% said they had taken no measures, and 29% reported taken other options not included in the survey, there were a small number of responses in line with the presented options.

15% said that they had provided facilities for homeworking. 24% of organisations with more than 100 employees reported introducing home-working facilities, suggesting that larger social enterprises have recognised the need for more flexible working arrangements.

While 7% of respondents said that they had reduced staff working hours, only 3% said that they had laid off staff. This resonates with findings from the quarterly Social Enterprise Advisory Panel survey, which has repeatedly shown that social enterprises are far more likely than the rest of the business community to retain and grow staff teams even in the face of financial difficulties.



Actions planned to achieve future growth

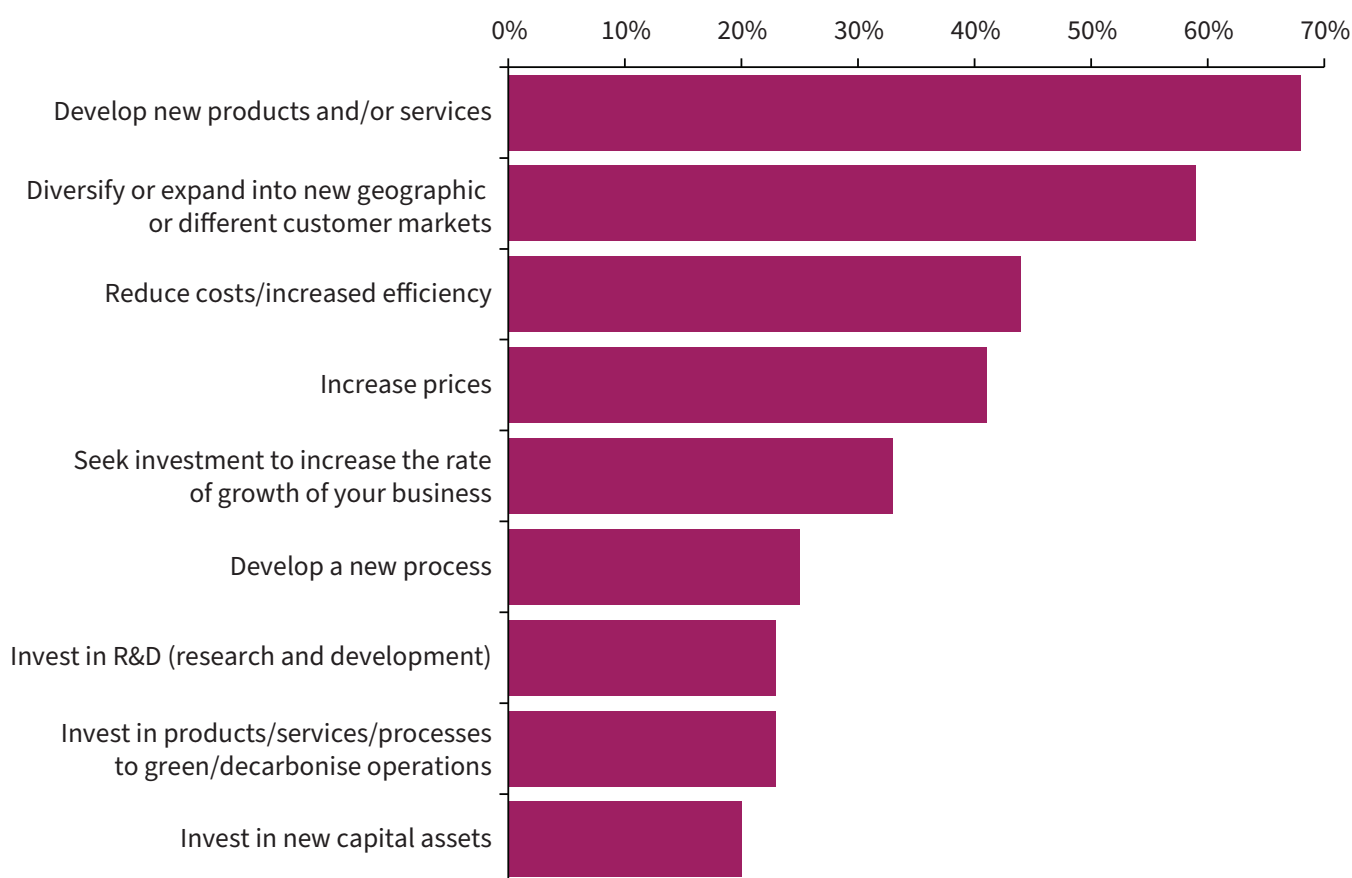
Social enterprises expecting to increase their turnover in the next year plan to implement various measures to achieve growth. There has been little change from the previous survey, with the majority either planning to develop new products and/or services (68%) or expand into new geographic or different customer markets (59%).

However, the proportion planning to increase prices has risen to 41% from 12% in 2021. There has also been a jump in social enterprises reporting that they plan on

reducing costs or increasing efficiency, up to 44% from 22% in 2021. Only 21% of social enterprises in the least deprived places plan on increasing prices, compared to 47% in the most deprived places.

While a growing proportion of social enterprises report that they will seek investment, compared to past years there has been a decline in those looking to develop a new process, and in those who plan to invest in decarbonising their operation or new capital assets.

Actions planned by social enterprises anticipating turnover growth



Social performance and operations

This section sets out the social performance of social enterprises, how they are led, who they employ and what kind of difference they are trying to make.

Key findings:

- Social enterprise leadership teams reflect society; 77% include at least one person with lived experience of the issues that their organisation aims to address, 59% are at least half female and 13% are at least half comprised of people from ethnic minority backgrounds
- The wider social enterprise workforce is also diverse, with most staff teams at least half female and one in ten at least half people from ethnic minority backgrounds
- Social enterprises create more jobs in deprived areas; 80% of those in the most deprived areas report having paid employees, compared to just 56% in the least deprived areas
- The proportion of social enterprises paying the Real Living Wage and offering flexible working has increased since 2021
- Nearly a fifth of social enterprises reduced the size of their staff team in the last year – but almost half (47%) expect to increase staff numbers in the next year, compared to just 26% of small businesses as a whole

Leadership

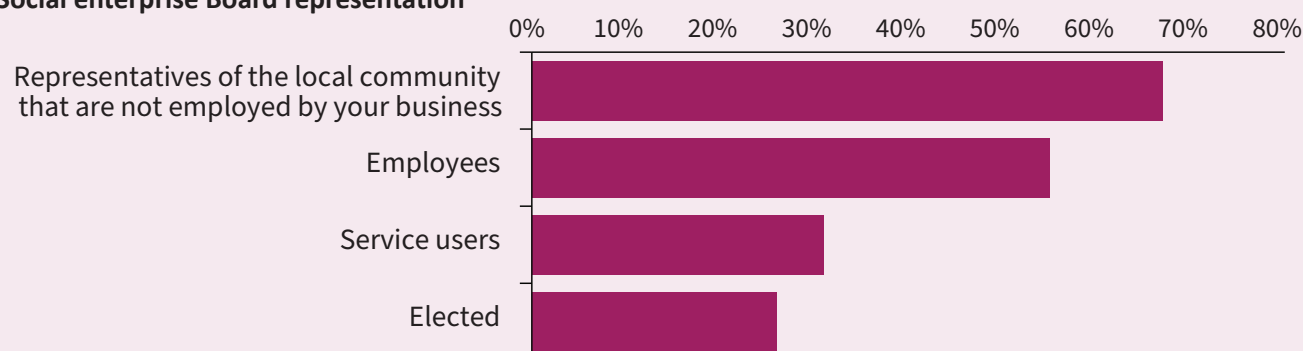
Social enterprise leadership is integral to their mission delivery and, as such, senior teams tend to be more reflective of wider society than in other forms of business.

Board make-up

- 67% of social enterprise boards include local community representatives
- 55% of social enterprise boards include employees
- 31% of social enterprises boards include service users
- 26% of social enterprise boards include elected representatives
- 77% of social enterprise leadership teams include at least one person with lived experience of the issues that their organisation aims to address
- 59% of social enterprise leadership teams are at least half female
- 13% of social enterprise leadership teams are at least half comprised of people from ethnic minority backgrounds

Inclusive and representative leadership teams have been found to enhance business performance - fostering more collaborative working, deepening awareness and understanding of different views and cultural outlooks, and highlighting blind spots and systemic flaws. Social enterprise leadership teams consistently outperform other business models in terms of diversity. In 2021, 47% of social enterprises were led by women, compared to just 16% of SMEs. Social enterprises also on average had 0.59 directors from ethnic backgrounds other than White, compared to just 0.14 in wider SMEs.²⁵

Social enterprise Board representation



²⁵ www.socialenterprise.org.uk/seuk-report/no-going-back-state-of-social-enterprise-survey-2021

Leadership teams

Many social enterprises actively aim to address the structural inequalities that impact certain communities and groups. This makes it even more important that they lead by example and cultivate leadership teams that are reflective of society.

Gender – 88% of leadership teams include at least one woman, 59% of leadership teams are majority-led by women and more than half of leadership roles are held by women. In contrast, only 18% of small business as a whole are led by women.²⁶

Race and ethnicity – 43% of leadership teams include at least one person from an ethnic minority background - up from 35% in 2019. While 13% of social enterprises have a leadership majority-led by people from ethnic minority backgrounds, only 6.1% of SME employers are majority-led by those from an ethnic minority background.²⁷

Disability – 40% of leadership teams include at least one person who identifies as either disabled or neurodivergent. People with disabilities remain “significantly underrepresented” in formal business leadership roles.²⁸

Socio-economic status – An estimated 48% of CEOs for FTSE 350 companies reportedly attended an independent school, with corporate leadership teams having among the highest rates of privately educated representatives.²⁹ 29% of social enterprise leadership teams include at least one person who attended a private secondary school, while 77% of leadership teams include at least one person with lived experience of the issue they were trying to address.

Decision-making

Many social enterprises actively include staff in their decision-making process. Among those with employed staff, 65% reported that their staff were involved to a large extent in the decision-making process, and 27% said they were involved to some extent. Involving staff in the decision-making process was common regardless of size, sector or where they were based.

External stakeholders such as beneficiaries and members of the local community are also involved in the decision-making process of social enterprises. 67% reported that external stakeholders had some influence over decision-making, with 25% saying that they were involved to a large extent. Those social enterprises actively delivering community services were more likely than average to report some stakeholder involvement.

Leadership salaries

Median earnings of the highest paid person within a social enterprise are £35,000 - up from £28,000 in the previous two surveys. Median earnings among the highest paid person in larger social enterprises with more than 100 employees are considerably higher, at £75,000. While this likely reflects the typically higher earnings of senior teams in larger organisations, this is still considerably lower than the median earnings of FTSE 100 chief executives, who enjoyed median earnings of £3.91 million in 2022.³⁰

²⁶ www.gov.uk/government/statistics/small-business-survey-2022-businesses-with-employees

²⁷ www.ethnicity-facts-figures.service.gov.uk/workforce-and-business/business/leadership-of-small-and-medium-enterprises/latest#by-ethnicity-and-area-employers

²⁸ www.birmingham.ac.uk/documents/college-social-sciences/business/research/leadership-place/final-summary-report-august-2021.pdf

²⁹ www.suttontrust.com/wp-content/uploads/2020/01/Elitist-Britain-2019-Summary-Report.pdf

³⁰ <https://highpaycentre.org/ftse-100-ceos-get-half-a-million-pound-pay-rise>

Social enterprise workforce

One of the most substantial economic benefits of social enterprises are the employment opportunities they create. Over two million people across the UK work in social enterprises, which often generate jobs in the most deprived communities and help bring those furthest from the labour market back into work. As with leadership, staff teams tend to be more reflective of the communities they work in than the wider business world. Most social enterprise staff teams are at least 50% female, and one in ten are at least 50% people from ethnic minority backgrounds.

Creating and sustaining jobs

There has been a significant rise in the proportion of social enterprises reporting they have no paid employees, now up to 33% from 16% over the last three surveys. Among those that did recruit paid employees, 18% reported having no full-time staff.

Almost 80% of social enterprises in the most deprived places have paid employees, with almost 90% having at least one full-time position. Just 56% in the least deprived areas have paid employees.

However, while social enterprises in more deprived areas are more likely to create jobs, they are also more likely than average to rely on temporary or casual contracts for their employees. Among social enterprises with employees, 35% have at least one paid employee on a temporary contract, compared to 42% of social enterprises in the most deprived places.

Social enterprise staff

The social enterprise workforce is diverse. Among social enterprises with paid employees, 58% report at least half their workforce are women, with 15% reporting that their entire workforce are women. 82% of the very largest social enterprises, with more than 250 paid employees, report that at least half their workforce are women.

10% of social enterprises report at least half their staff are from ethnic minority backgrounds, and 5% reported that all their staff were from ethnic minority backgrounds. Just over half have at least one staff member from an ethnic minority background.

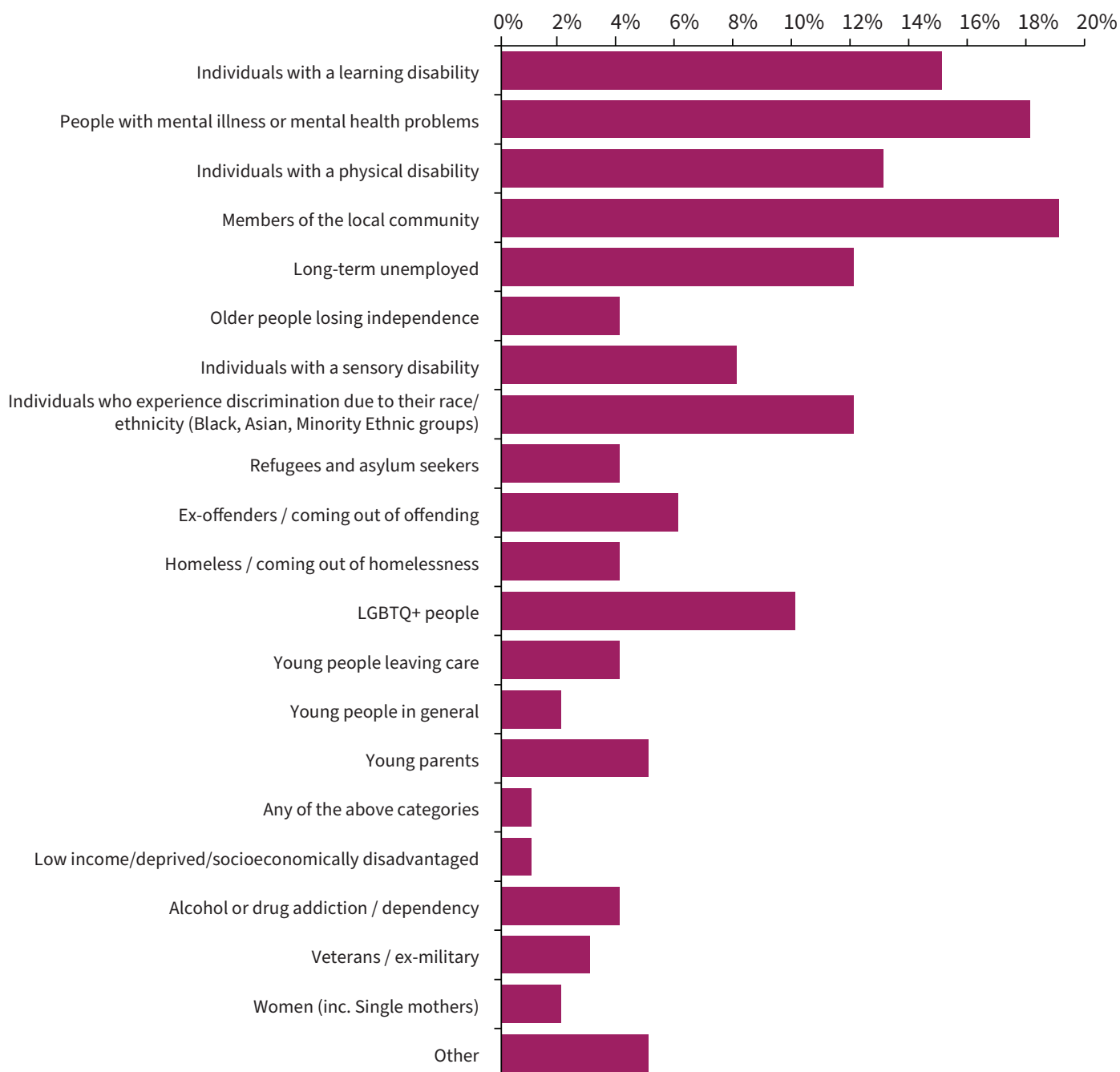
Social enterprises are more likely to employ a person living with a disability than the wider business community. Just under 60% of social enterprises had at least one member of staff with a disability, compared to 51% of small businesses that had employed a disabled person during the last three years.³¹

³¹ www.fsb.org.uk/resource-report/business-without-barriers.html

Recruiting from communities and groups affected by marginalisation in the mainstream labour market

Many social enterprises recruit from specific communities who often face challenges accessing the labour market. More than one in ten social enterprises employ people with learning, sensory or physical disabilities, or people who have faced long-term unemployment. Others have a special focus on employing ex-offenders, young people leaving care, veterans, members of the LGBTQ+ community and other marginalised groups.

Group social enterprises seek to employ



Employment and staff retention

A growing proportion of social enterprises report reducing staff numbers over the last year. 17% reduced staff teams, compared to 12% in 2019. This aligns with the 19% of SMEs in the wider business community that reported a decrease in employment in both 2022 and 2019.³²

Social enterprises in the least deprived areas are less likely than those in the most deprived to have seen a reduction in paid staff, but this may be linked to the higher proportion of younger social enterprises in least deprived areas.

Social enterprises are broadly optimistic about expanding staff in the year ahead. 47% expect to growth their number of paid employees, while only 4% believe they will have fewer staff members. This is substantially higher than the 26% of SMEs with paid employers who expect to increase staff numbers over the next year.³³

Employment conditions

Real living wage payment

84% of social enterprises with paid staff reported paying the real Living Wage – an increase on the 72% from 2021. Those in the most deprived areas were slightly more likely to pay the real Living Wage than those in the least deprived areas.

A greater proportion of social enterprises that paid the real Living Wage (70%) reported an increase in turnover from the previous year than those that did not (59%). However, there were no major differences between the proportions that reported making a profit or expecting turnovers to increase in the next year.

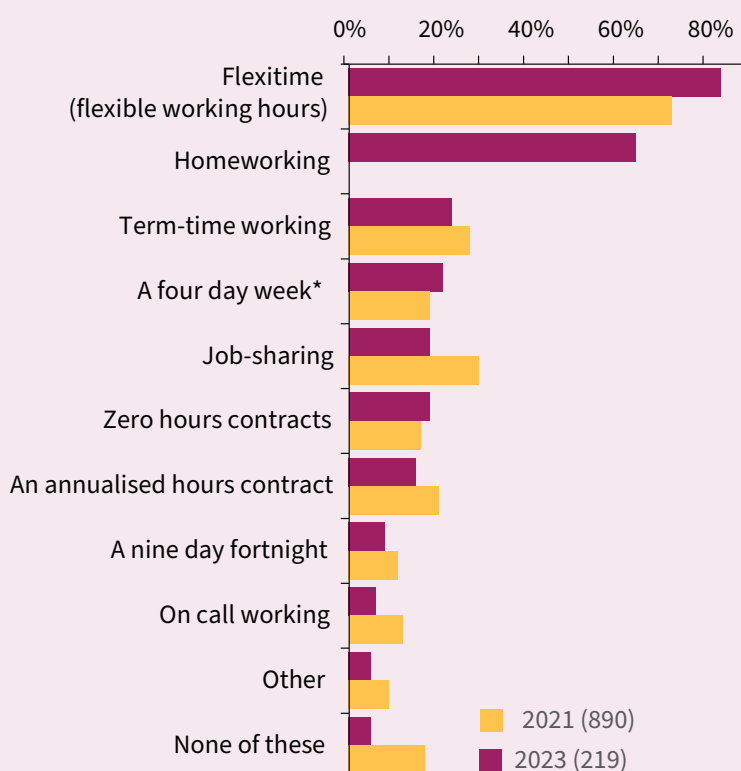
Flexible working options

Earnings are not the only metric of decent working conditions. Flexibility can help give workers autonomy to adapt their job to their needs. 95% of social enterprises offer some form of flexible working, which is an increase from 83% in 2021, and in contrast to just 76% of wider businesses.

Flexible working hours remain the most popular arrangement, up to 83% from 72% in 2021. Meanwhile, there has been a

decrease in job sharing opportunities. 21% have implemented the four-day week, which has been the subject of various trials across the country and shown to have had a positive impact on the wellbeing and health of workers.³⁴

Flexible working options



Development and training

Staff at social enterprises are more likely to receive training and development opportunities than employees in other forms of business. Over three-quarters of social enterprises offer some form of training and development opportunities. 77% report offering some formal or informal training in the past year, while the Employer Skills Survey reports that 60% of wider businesses funded or arranged staff training in this timeframe.³⁵

³² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1180700/LSBS_2022_SME_Employers.pdf

³³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1180700/LSBS_2022_SME_Employers.pdf

³⁴ <https://autonomy.work/portfolio/uk4dwpilotresults/>

³⁵ <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2022>

Environmental performance and operations

This section looks at how social enterprises are taking steps to ensure their business is environmentally sustainable.

Key findings:

- 83% of social enterprises said that environmental considerations were as important as cost, or even more important, when purchasing goods and services
- 65% of social enterprises have a plan for reducing greenhouse gas emissions
- 19% of social enterprises have a core mission addressing climate change

Social and environmental prioritisation in procurement

16% of social enterprises prioritise whether goods and services they are purchasing are socially and environmentally friendly as a more important consideration than cost. A further 67% said that cost and being socially/environmentally friendly are equally important considerations. This was relatively consistent regardless of the age, location or leadership of the social enterprise, and has remained constant since 2021.

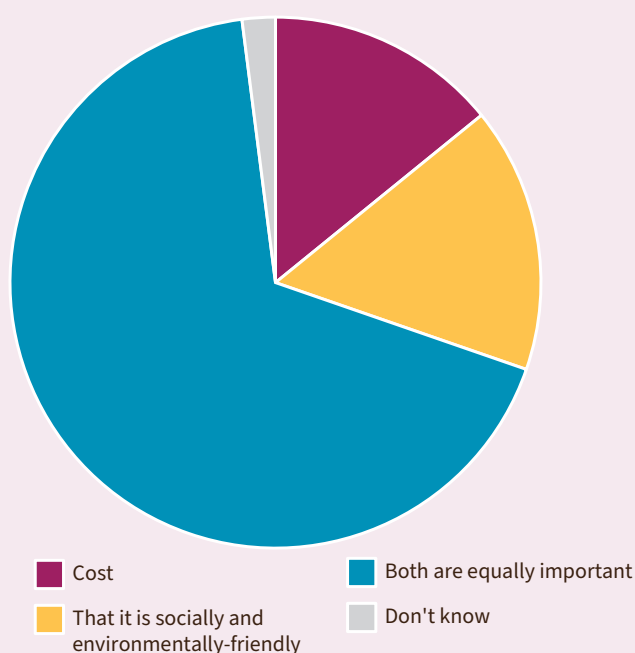
19% of social enterprises report their main aim as addressing the climate emergency. Of this group, 37%

report that the social and environmentally friendliness of the products they procure is more important than costs - more than twice the average.

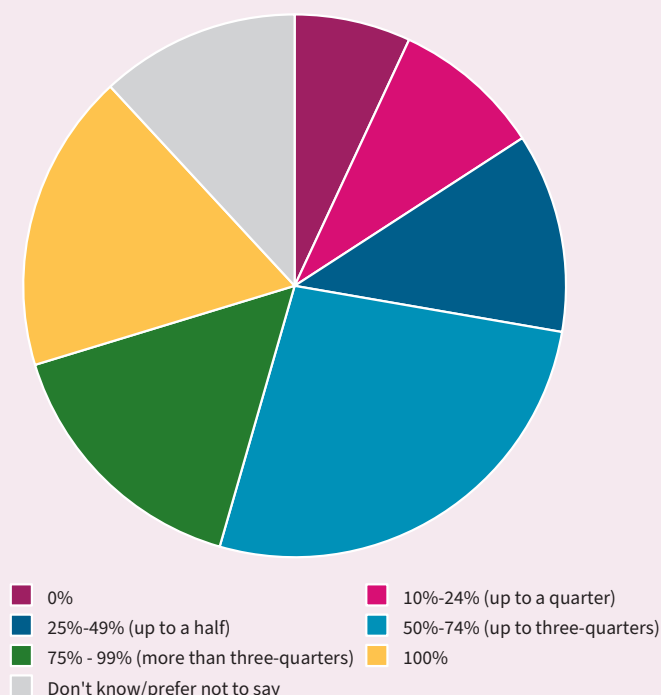
9% of social enterprises report that the entirety of their procurement spending on products and services prioritises social and environmental considerations over cost. A further 36% of organisations said this is the case with at least half of their procurement spending.

Again, organisations with a climate mission are substantially more likely to report higher proportions of procurement spend that prioritises the environmental friendliness of goods and services over cost, with 29% saying that this matters for the entirety of their procurement spend.

Procurement decisions



Proportion of spend assessed with social environmental factors prioritised over cost quality



Energy efficiency

33% of social enterprises report installing energy efficiency measures in the last 12 months, which is up slightly from the 30% that reported doing the same in 2021. Only 16% of the wider SME community had switched to renewable energy in the past 12 months.³⁶

43% of social enterprises in the most deprived areas implemented energy efficiency measures in the last 12 months, compared to just 22% of those in the least deprived areas. A higher proportion had implemented energy efficiency measures in the most compared to the least deprived areas in 2021 too.

Older organisations are significantly more likely to have implemented energy efficiency measures than younger social enterprises - potentially a reflection of their size, generating higher energy costs, and greater savings.

Emission reduction plans

65% of social enterprises report plans to work towards a target to reduce carbon emissions over the next three years. In contrast to energy efficiency, 70% of social enterprises in the least deprived places have a plan to reduce emissions, compared to just 61% in the most deprived places.

86% of organisations with a specific focus on addressing climate change have a plan to reduce emissions - significantly higher than the average.

³⁶ Based on 58% of survey respondents reporting they had taken steps to reduce emissions in the past 12 month, and 27% of this group reporting this involved switching to renewable energy. Data available at www.gov.uk/government/statistics/small-business-survey-2022-businesses-with-employees

Eco-system for social enterprise development

This final section explores the business landscape in which social enterprises operate, the barriers they face to growth, and their experience with financial, and other forms of support.

Key findings:

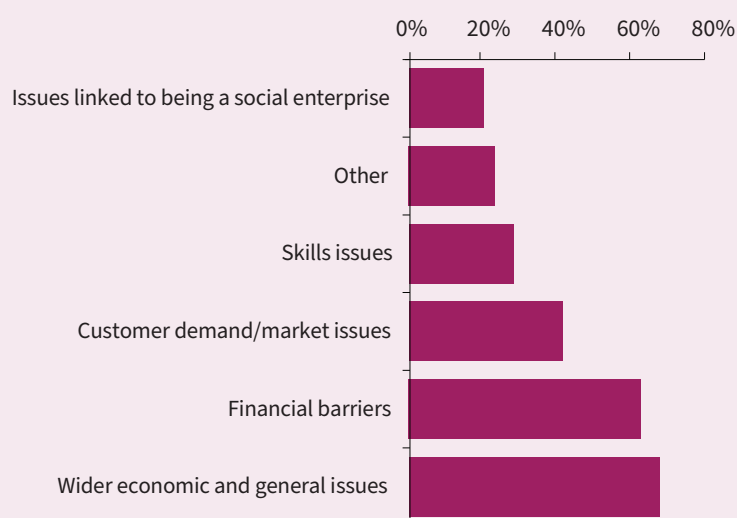
- 67% of social enterprises say wider economic conditions are a barrier to growth, with 62% stating that financial barriers are limiting their growth, with obtaining grant funding a key issue
- Almost half of social enterprises report an insufficient amount of suitable finance available and 40% say the forms of finance available are unsuitable for their business. A third say that they lack skills to obtain external finance and investment
- 52% of respondents reported they made use of providers of external support, such as peer to peer networks and informal conversations

Barriers to growth

Aligned to the government small business survey, we asked social enterprises about factors affecting their ability to grow.

Categorising barriers, social enterprises were most likely to cite economic and general factors as their main barriers to growth, followed by financial barriers and market issues. For those who cited one of the following barrier categories, a further question asked for detail on how these barriers manifest.³⁷

Significant barriers to sustainability and/or growth



Wider economic and general issues

Economic factors are the most prominent barrier to growth identified by social enterprises, with economic uncertainty a major concern. Among those who reported this as a significant barrier, 76% referenced the prospect of a recession and the cost of living crisis. Economic concerns are common across the business community, with more than 25% of respondents to the Business Insights and Conditions survey citing inflation, energy prices and interest rates as their main concern.³⁸

Those in the North of England are more likely than the other regions of England and the devolved nations to flag the prospect of a recession and cost of living as a specific barrier.

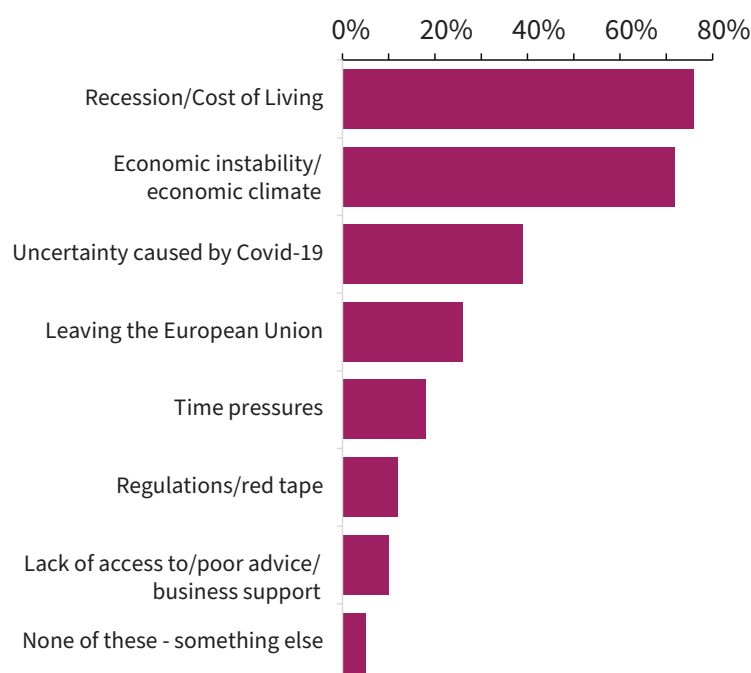
Uncertainty caused by Covid-19 was the most commonly cited top-three barrier in 2021. While this has diminished, 39% of those with economic concerns still flag it as a specific barrier.

Leaving the European Union is a concern for 26% of social enterprises as a whole, and 39% of those who trade internationally.

³⁷ Previous surveys are not directly comparable, as respondents were asked to provide their three most significant barriers from a longer-list of options, however they may provide some useful contextual information.

³⁸ www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheeconomy/5october2023#business-concerns

Specific barriers relating to wider economic and general issues



Skills issues

Skills issues were cited as a barrier by 28%. Skills issues were more commonly cited as a growth barrier by larger organisations. 49% of those with more than 100 paid employees, compared to 25% of those with 0 to 9 employees. Similarly, 39% in the health and social care sector, sectors with higher staff numbers, cited skills issues as a concern.

Recruiting staff (60%) and a general skills shortage (48%) were the two most commonly mentioned specific barriers. Social enterprises, which are more likely than other forms of business to offer staff training and development, are also less likely to report skills issues as a barrier to growth.

The Business Barometer, conducted by the British Chamber of Commerce, found that 68% of SMEs faced a skills shortage, with 28% even having to turn down work due to inadequate staffing levels.

Specific barriers relating to skills



Customer demand and market issues

Difficulty accessing customers was the main issue among those who reported customer demand and market issues as a barrier, followed by lack of demand.

51% of social enterprises led by people from ethnic minority backgrounds reported difficulty accessing procurement and commissioning services - significantly higher than the average.

Issues being linked to a social enterprise

Survey responses also highlighted issues specific to operating as a social enterprise: lack of understanding about social enterprise, either among banks and support organisations or the general public, cited by 61% and 62% respectively.

Finance and funding

Financial barriers impact a majority of social enterprises regardless of their size, location and age - although a slightly higher than average proportion of younger and smaller social enterprises cite financial barriers to growth.

Obtaining grant funding remains the most commonly cited issue, for 48% of those who cite financial barriers overall as a main barrier. 65% of organisations operating for less than three years that faced financial barriers said obtaining grant funding was a specific barrier - almost double the level among organisations that had been operating for more than 11 years (35%).

The next most cited issue is cashflow. Findings from the Social Enterprise Advisory Panel have shown around one in ten social enterprises persistently report not having a cashflow position to cover more than a month of costs between July 2021 and July 2023.³⁹

The next most common challenge is obtaining debt or equity finance. A far smaller proportion of social enterprises in the most deprived areas (18%) cite this as a specific barrier, compared to those in the least deprived areas (33%).

Barriers to finance are also common across the wider business community. Recent polling found 53% of SMEs ranked access to supply of finance in the top three barriers restricting their demand for finance, and 31% said the cost of finance was an issue.⁴⁰

Grant funding

Grant funding is the most commonly accessed form of external funding. 12% of organisations report using grants from national or local government, or schemes directly related to the Covid-19 pandemic. A further 37% report accessing a grant from another source.

Social enterprises in the most deprived parts of the country are more likely than average to access grant funding. 58% of those in the most deprived places use grant funding, with 16% reporting that they use some form of government grant. 45% of organisations in the least deprived places are using grants, with 8% using government grants.

There are similar differences between younger and older organisations. 56% of organisations less than three years old use some form of grant, with 47% reporting a non-government source. 43% of organisations in operation for more than 11 years use grants, with 29% reporting non-government sources.

58% of organisations applied for grant funding in the past year. Organisations in the North of England are more likely than elsewhere to have applied for grant funding, as are younger social enterprises and those in the most deprived parts of the country.

The median amount of grant funding secured over the past 12 months is £11,000 nationwide, and highest in the North of England at £15,000.

Repayable finance

While grants are the most common source of external funding, 11% of social enterprises applied for repayable finance in the past 12 months.

Forms of finance

Most (52%) social enterprises pursuing external finance have applied for a loan. A further 18% applied for blended capital, a mixture of loans and grants. Credit and bank overdrafts were the only other two options used by more than 10% of social enterprises.

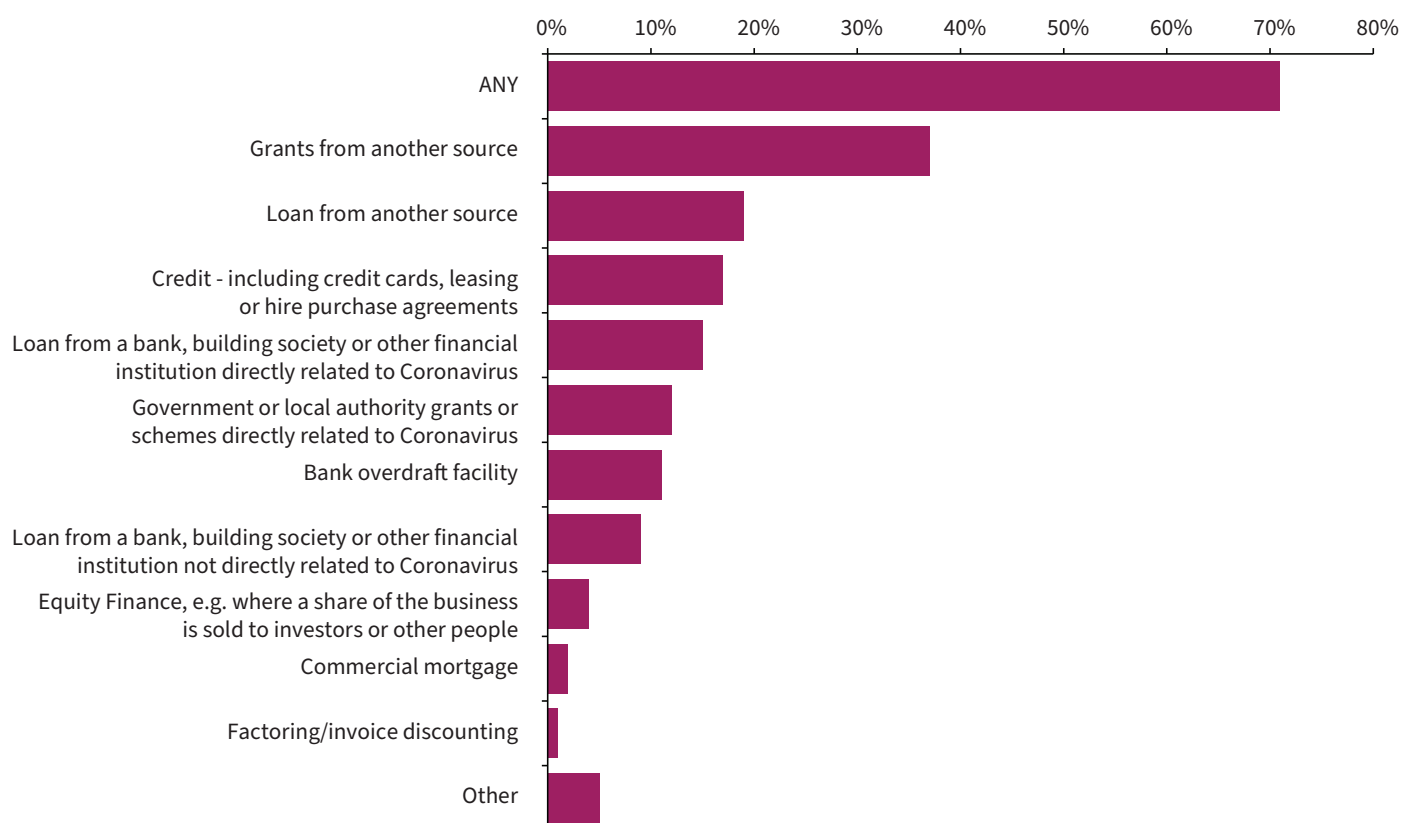
There are some geographical disparities in access to loans. While there was a degree of uniformity among those reporting loans directly linked to Covid-19, social enterprises in the South East and South West of England were far more likely than average to have a loan from a bank or alternative source. This resonates with findings from previous Social Enterprise UK research that has found there have been challenges in the distribution of finance across the country.⁴¹

³⁹ www.socialenterprise.org.uk/app/uploads/2023/08/Social-Enterprise-Barometer-July-23.pdf

⁴⁰ www.ipsos.com/sites/default/files/ct/publication/documents/2021-07/access-to-finance-national-spotlight.pdf

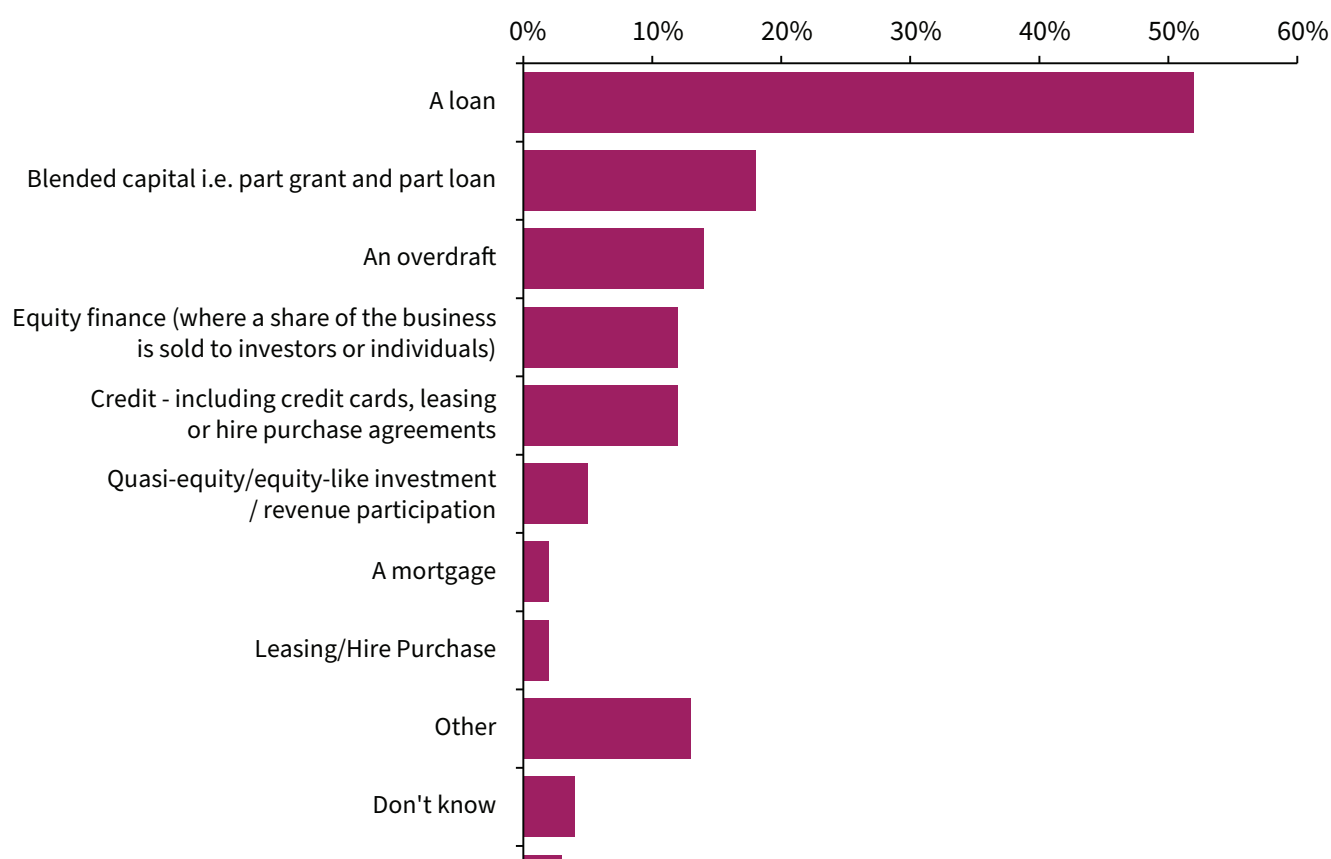
⁴¹ www.socialenterprise.org.uk/adebowale-commission-on-social-investment%E2%82%AC%82%80%2F

Types of external finance currently used



40% of Black-led organisations that applied for external finance chose a loan, compared to 55% of organisations led by someone from a White British Background.

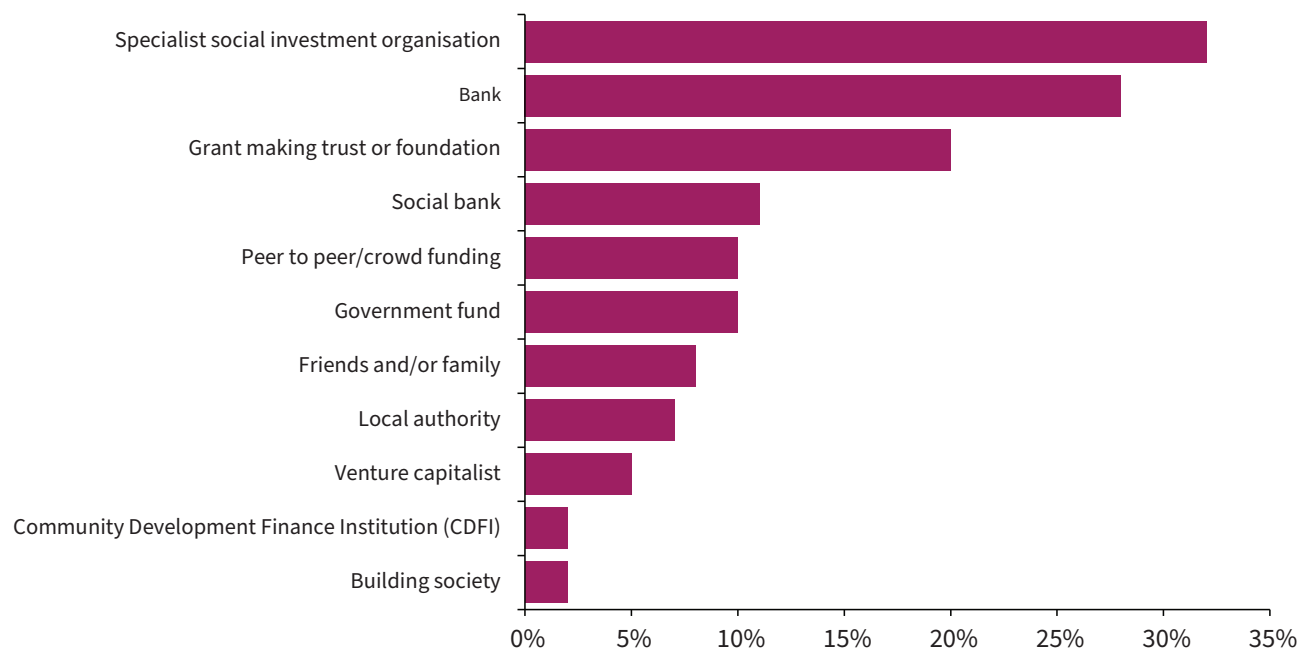
Finance applied for



Sources of finance

Social enterprises that applied for external finance went to a variety of lenders. Specialist social investment organisations have become a more popular option amongst those applying for external finance, rising to 32% from 19% in 2021. A similar proportion applied for finance with a regular bank. However, a smaller proportion of respondents applied for finance overall in the most recent survey than was the case in 2021.

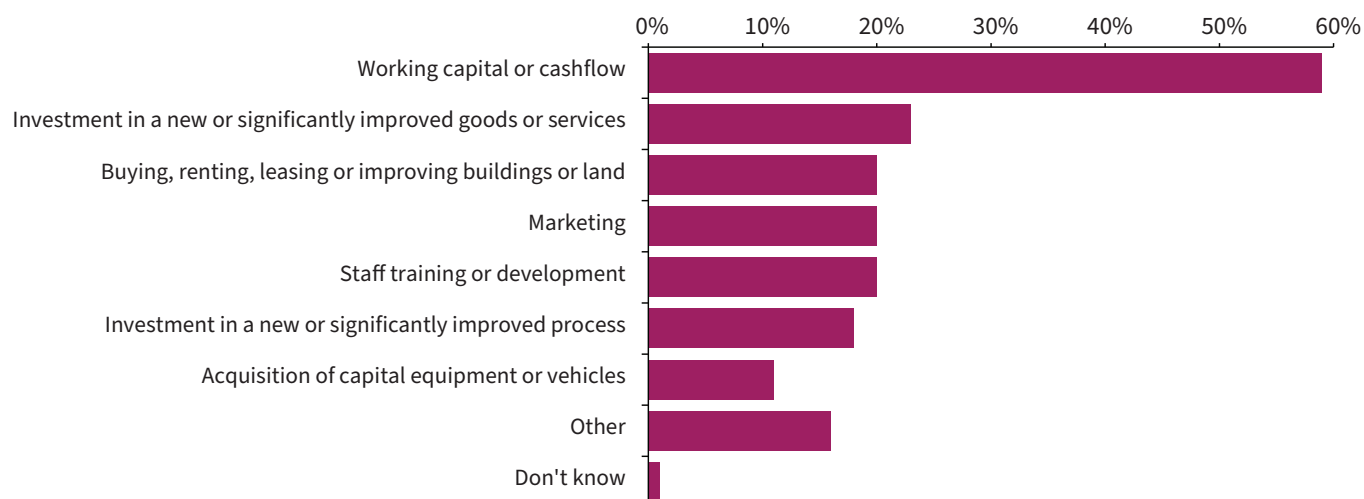
Where social enterprises applied for external finance



Need for finance

When asked for the reason why they applied for external finance, a majority (59%) of social enterprises cite working capital or supporting their cashflow - similar to 2021 (55%). A similar proportion said that they wanted external finance to invest - either in product and service delivery, staff training and marketing, or buying, renting, leasing or improving buildings or land. There has been a notable fall in the proportion of social enterprises looking to use external financing for capital development, from 52% in 2021.

Purpose of finance sought



Application success rates

Among those that applied for external finance, 54% were successful. 54% of successful applicants took out a loan, while a further 16% reported that they had successfully secured blended finance.

28% of successful applicants secured finance from a specialist social investment organisation, while 18% secured finance from a regular bank.

While the median amount social enterprises wanted to secure in external finance or credit was £50,000, the actual median amount secured is just £40,000 – as in 2021.

The median desired amount from those that specifically secured loan funding was £80,000, while the median of how much they actually secured is £47,000. Only 42% of social enterprises that sought external finance were able to secure the entirety of the amount they wanted.

Secured loans

In general, many social enterprises do not have security to offer when seeking a loan. 64% of those with a loan reported that it was unsecured, while only 28% secured it against either their business or personal assets. There has been an increase in the proportion reporting taking out an unsecured loan from 56% in 2021.

Older organisations were more than average to have a secured loan. 43% of those operating more than 11 years report taking out an unsecured loan, with 49% securing this against either business or personal assets. In contrast, 72% of loans taken out by organisations less than three years old are unsecured.

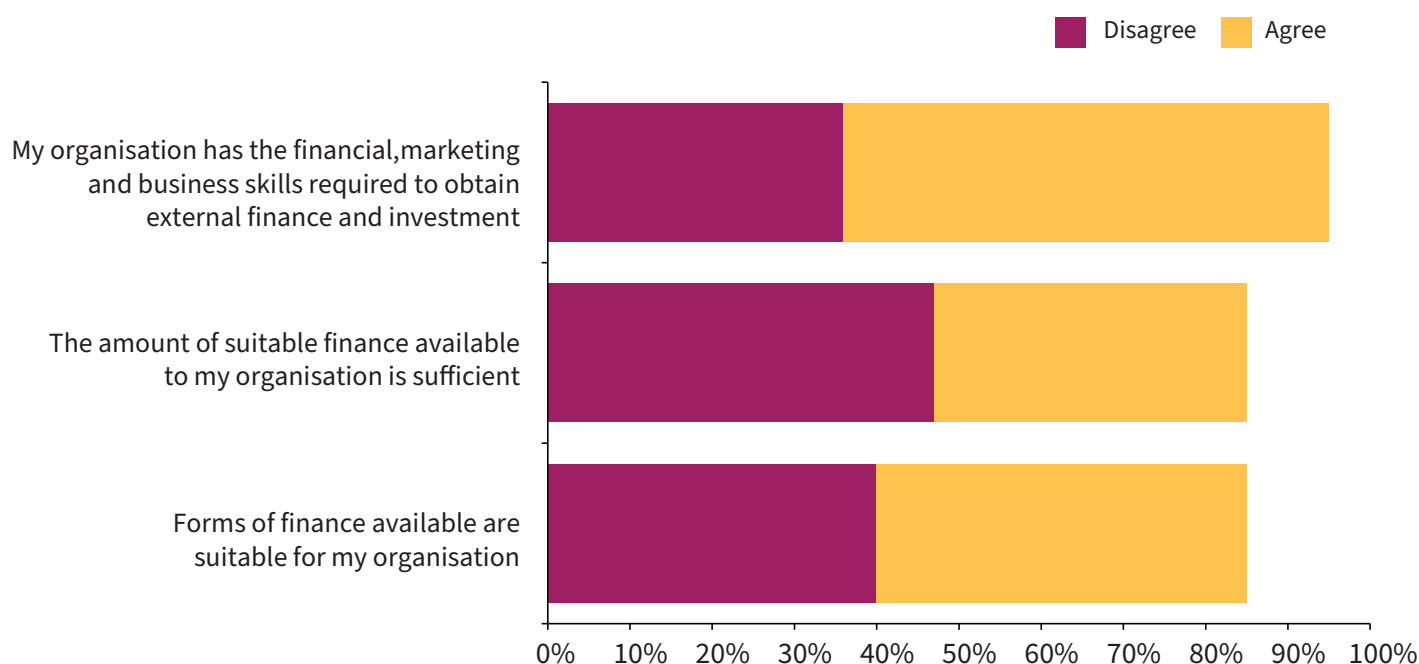
Considering finance

While 56% of social enterprises did not consider applying for external finance, 31% considered applying but ultimately did not. This is an increase from 22% in 2021.

The main reason given for not applying for finance after consideration was time pressures or lack of resourcing. Concern over economic conditions, the prospect of additional risk and the cost of borrowing were the next most common reasons provided.

Perceptions of available finance

Almost half of social enterprises report that the amount of suitable finance available to their organisations is insufficient, and 40% said that forms of finance available are unsuitable for their business. A third report lacking the skills to obtain external finance and investment.

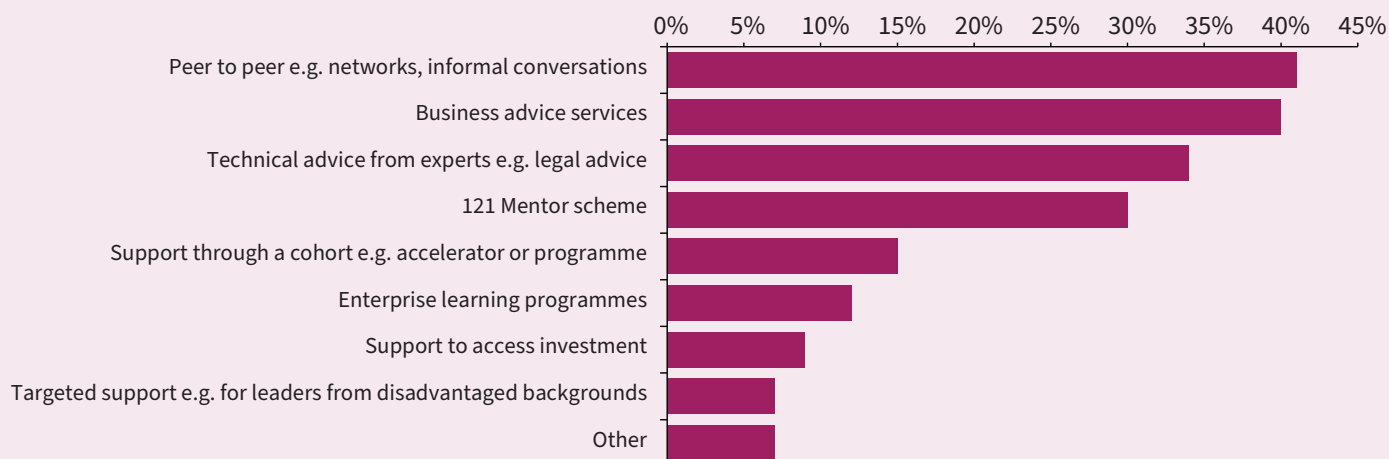


Non-financial support

Over half of social enterprises (52%) reported using some form of external support provision last year. Organisations with ethnic minority leadership were more likely to turn to external forms of support than the average (60%).

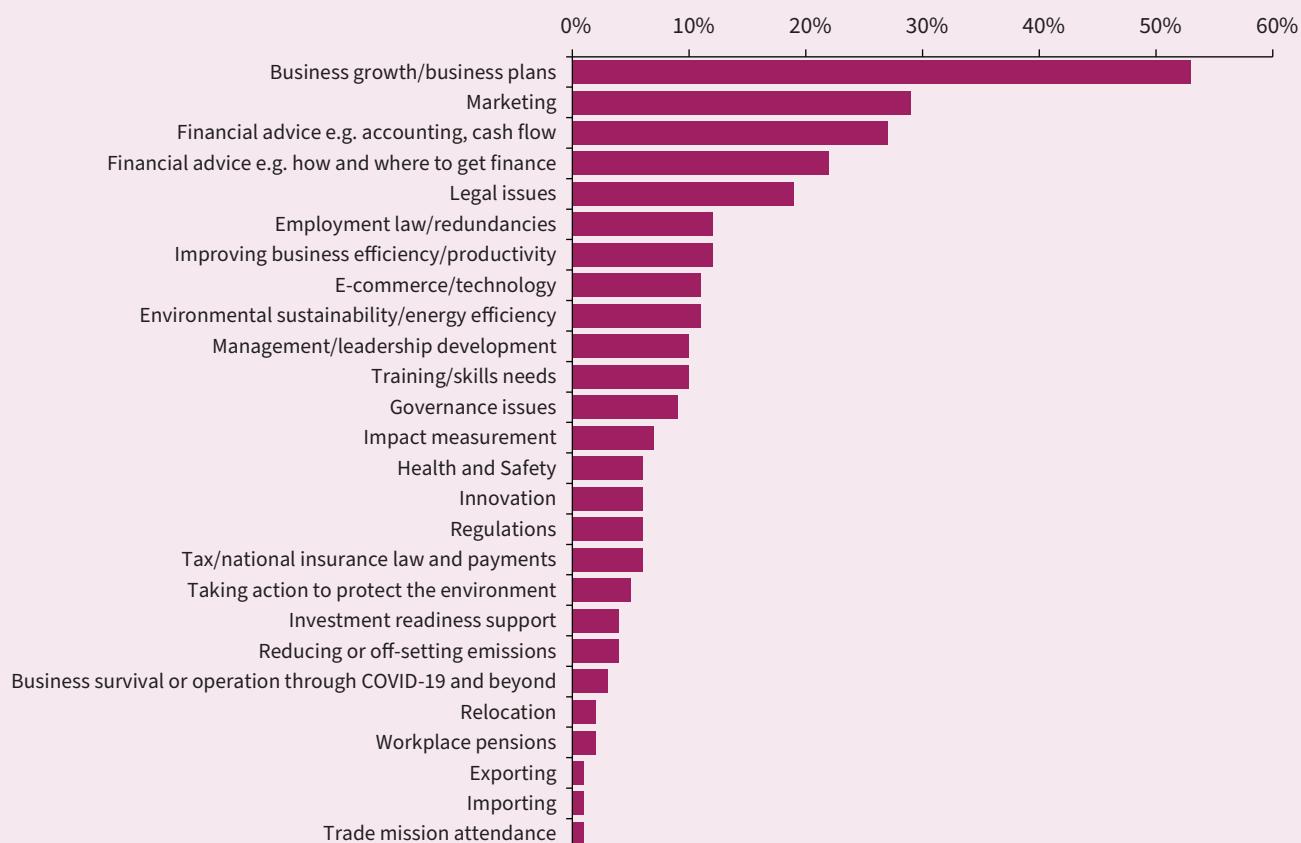
In terms of type of support sought, peer-to-peer networks and informal conversations were the most popular option, with business advice services a close second.

Forms of support accessed



The most common information or advice that social enterprises sought was on business growth and plans. 63% of organisations under three years old had sought advice on how to grow their business, compared to just 38% of those aged 11 or older. Marketing, financial advice and legal issues were also commonly cited.

Issues on which support or advice sought



Methodology

The State of Social Enterprise survey has run since 2009 and seeks to provide a comprehensive picture of in the sector across the UK, aligning questions where possible to the UK Government's Small Business Survey for comparison. The questionnaire was developed jointly by Social Enterprise UK with BMG Research (who conducted the data collection) and external reviewers.

The survey employed two approaches to data collection: a telephone survey in instances where contact numbers were supplied, and an online version of the survey accessed via unique links sent to all remaining contacts with email addresses as well as all opt-ins. Both elements were undertaken concurrently during February, March and April 2023, using Computer Aided Telephone Interviewing and Computer Aided Web-based Interviewing. A total of 747 interviews were completed: 448 by telephone and 298 online.

As in previous surveys, the data have been supplemented by data collected by the Wales Co-operative Centre (Cwmpas) using an online survey based on the Social Enterprise UK survey. This generated 216 completed responses from Welsh organisations. It should be noted that there were differences between the State of Social Enterprise 2023 survey and the Cwmpas survey - both in terms of the questions asked and, in some instances, the response options provided. Where questions are common to both surveys, Cwmpas data has been presented in the tables but not included in the total within the tables or in the weighted data, and in instances where different response options were provided this has been noted in discussion of the findings.

Sample characteristics

The scope of the survey included organisations that defined themselves as a social enterprise - i.e. they agreed that their business has "primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners".

There is a smaller sample size compared to 2021. However, the sample aligns with past State of Social Enterprise Survey data and with the overall business population in

terms of region and legal form, so representation broadly aligns to the 2021 and previous samples.

The survey data has been weighted using the latest available business population estimates at the time (2022) to ensure that the findings are representative by nation and English government office region. This corrected any disproportionate representation of a region or nation across the achieved sample, part of which was achieved through an online survey. Online surveys are more difficult to quota-control and have an element of self-selection.

As in previous surveys, the data has been supplemented by Welsh social business census data. These cases have been weighted down so that the total number of responses from Welsh organisations - including those in the main survey - are representative of the business population in Wales.

Survey coverage

The survey collected a wide range of information from participating organisations, covering the following broad areas:

- **Organisational characteristics** such as legal status, area of operation, method of income generation, headcounts, make-up of leadership team etc;
- **Social and environmental objectives and activities;**
- **Barriers** to growth and sustainability;
- **Financial characteristics** such as turnover/income, expansion/diversification, sourcing finance/capital etc.

For a full copy of the survey questions, please contact research@socialenterprise.org.uk.

IMD quintile

This quintile is based on the Index of Multiple Deprivation (IMD) 2015, which is the official measure of relative deprivation for small areas or neighbourhoods in England. It is common to describe how relatively deprived a small area is by saying whether it falls into the most deprived 20% of small areas nationally or the least deprived 20% of small areas nationally. These are the IMD quintiles that have been used to classify locations within the data report. Quintiles are calculated by ranking every small area in England from one (most deprived) to 32,844 (least deprived) and dividing them into five equal groups, where one indicates the lowest level of deprivation and five the highest level.

Sourcing the sample

Social Enterprise UK supplied its own membership database for the purposes of conducting the survey. This year debuted a 'panel' approach in order to reduce the demands on respondents, as well as to further enrich the data analysis by allowing additional questions to be asked to panels for whom relevant data existed from the 2021 survey. Panel 1 comprised State of Social Enterprise 2021 respondents that had agreed to take part in a further survey; Panel 2 comprised Social Enterprise UK contacts for whom some information on length of time established and business activity was available in the membership database; Panel 3 comprised all other contacts provided by Social Enterprise UK and third-party organisations.

Similarly to previous surveys, Co-operatives UK and UnLtd.org.uk submitted data for use in the survey. The data from Co-operatives UK lacked sufficient information to be viable for use in the telephone survey, and no email addresses were provided for an online approach, so these were not used. Contact details from these databases were collated into a single database and de-duplicated to ensure that, wherever possible, organisations were only included once in the overall database.

The amount of information provided for each record varied, with some containing full contact information (organisation name, contact name, address, email address, telephone number etc.), and some containing only partial information (e.g. email only or telephone number only).

Exhaustive promotion of the survey by Social Enterprise UK resulted in a number of additional requests to take part in the survey (opt-ins), which were de-duplicated against

the existing contacts. All that was known about these contacts was what was included in the email request to be included – often a potential respondent name, organisation name, telephone number and email address.

Additional data sources

Additional data sources have been used throughout this report to provide supplementary commentary and comparisons with the wider business community.

Additional sources include: The Social Enterprise Advisory Panel, the Longitudinal Study of Small Businesses, the Regulator of Community Interest Companies, and datasets collected from the Office for National Statistics.

Analysis

We have presented results rounded to zero decimal places, which may mean that some percentages may not amount to exactly 100%. Some questions have multiple answers, so responses in these cases make up more than 100%. Median and mean figures are used, and the main report clarifies where appropriate.

Aggregate profit and employment methodologies

To estimate the proportion of profits generated and re-invested, we used estimates on the median and mean on both net-profits and average re-invested. For the mean estimates, we calculated the Z-values of the data set to exclude outliers. Applying the proportion of respondents who reported making a profit to the total number of social enterprises, we estimated how many would have made a profit, and multiplied by both the mean and median to produce aggregate estimates.

For the aggregate employment number, we excluded co-operatives and outliers and took the average paid staff members, which was 15. We then multiplied this by the 131,000 social enterprises estimated by government, minus the estimated 9,113 co-operatives in the UK⁴² which gives around 1.85 million total jobs. We then added the co-ops UK 411,000 jobs to that figure and rounded up to get 2.3 million jobs.

For further methodology details, or any other feedback or enquiries on this report and the wider Social Enterprise Knowledge Centre data, please contact research@socialenterprise.org.uk.

⁴² https://www.uk.coop/sites/default/files/2023-09/Key%20stats_0.png

This report was produced by Social Enterprise UK, the national 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. A strong voice for our social enterprise, we exist to demonstrate the difference that mission-led businesses are making in the world and influence decision-makers to create an environment where this way of doing business can thrive.

Campaigning on behalf of the social enterprise community, we have 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 also 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 and join the community at www.socialenterprise.org.uk.

