

## Response to Social Enterprise Policy Consultation

submitted by

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May 9<sup>th</sup> 2019

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### 1. Comments on Section 1

- Identifying the social enterprise sector as falling within the remit of DRCD carries some risks, unless DRCD and the agencies tasked with implementing the strategy recognise that social enterprises combine the traits and objectives of both the not-for-profit sector and the for-profit SME sector, and will require policy support from DRCD and DBEI at a minimum, along with the development of relationships of other government departments that can influence the development of opportunities for social enterprise within their domain.
- Implementation of a social enterprise strategy represents an ideal opportunity to mainstream – by linking them to funding or policy support - a number of trends that have become more visible in the social enterprise sector in recent years. These include:
  - Initiatives such as the Governance Code and Benefacts, which aim to increase transparency and public confidence in the not-for-profit sector.
  - Initiatives and methodologies to measure, verify and communicate the social impact of the work carried out by social enterprises.
  - Initiatives to identify and measure the environmental impact of all social enterprises, not only those operating within the environmental space.
- Development and implementation of the strategy is likely to be improved – within the state sector and beyond – by its inclusion within the job title of a designated Minister. This will send a clear signal that the government is taking the sector seriously in a way that has not been done previously.
- All political parties have voiced their support for the sector at some point. Given that we are – at most – 21 months away from the next general election, extra emphasis should be given to developing structures and support frameworks that will withstand a change of government. Given where we are in the election cycle, perhaps government might engage with other political parties in order to smooth the way for the new strategy through potential changes in the make-up of the government. It should be noted that the publication of the Forfás report in 2013 did not result in the development of a strategy within the lifetime of the last government, to the disappointment of many within the social enterprise sector.

## **2. Comments on Section 2**

- The phrase “an ambition to trade” is an interesting and ambiguous one. It may lead to confusion – will a social enterprise qualify for support by stating its “ambition”? If it does not succeed in its “ambition”, will support be withdrawn? Unless properly applied, it is a clause that might lead to many organisations claiming to be social enterprises without sufficient justification.
- Being “independent of the public sector” is a reasonable aspect of the definition. But it is up to the public sector to allow that independence to exist, rather than it being sufficient for the social enterprise to merely declare its own independence. Does the requirement for independence prevent public sector employees from taking up board positions with social enterprises? This is one of a number of issues that may need to be addressed.
- The document recognises that social enterprises have played an important role internationally in peripheral areas. Peripheral areas – whether in terms of geography or through other forms of economic and social disadvantage – are often characterised by a lack of commercial and trading activity. The difficulties involved in establishing trading models in such areas should not preclude social enterprises from qualifying for policy support. In many such areas in Ireland, support is currently provided through mechanisms like CE, Tus and RSS. The social impact of this work needs to be better valued, so that organisations do not lose the expertise of participants completing fixed term contracts as is invariably the case at present.
- The summary of the Irish context does not mention the co-operative movement. The long tradition of rural social enterprises was damaged by the demutualisation of major dairy and food co-operatives. Worker co-operatives and the trade union movement have never been as prevalent within the social enterprise sector to the extent that they have been in other European countries. A new strategy should seek to explore the potential of the co-operative movement.
- Many new initiatives in the growing social entrepreneurship sector have come about as a result of opportunities for innovation being identified by social entrepreneurs who become successful by selling their services to the public sector, often focusing on health and social services. Promotion of this sector must not be allowed to mask the potential for its abuse by a public service that is unable to successfully implement social innovation within existing structures in the public sector.
- In order for a new strategy to be comprehensive, best practice examples from Local Authorities need to be mainstreamed into every area.

## **3. Comments on Section 3**

- The document does not identify the stakeholder groups that have been engaged with, or that will be in the future. Transparency on this point would be welcome, and would enable the social enterprise sector to have confidence of the government’s commitment to openness and inclusivity.

## **4. Policy Objective One - Creating Awareness of Social Enterprise**

- a) Are these suggested policy measures sufficient to achieve the objective of raising greater awareness of social enterprise?*  
No – see b) below
- b) Are there other actions the Government could consider to raise awareness of social enterprise, and if so, what are those actions?*

Creating public awareness is, by itself, too limited in scope as an objective in order to deliver meaningful and actionable results. For the general public, an awareness campaign could be deemed successful if they become better able to answer the following questions:

- How do I learn about social enterprise?
  - Learning opportunities, from national school onwards: action projects, TY work placement, third-level work placement and research
- How do I work in a social enterprise?
  - Development of quality employment and career progression opportunities within the social enterprise sector, so that the sector can attract and retain the best talent. Initiatives could include mainstreaming of staff funding beyond labour market programmes, secondment arrangements for staff in the private and public sectors.
- How I start a social enterprise?
  - Availability of Start Your Own Social Enterprise programmes and tools, through LEO, LDCs, ETBs, etc. They may share much of the same content with Start Your Own Business programmes, but they need to be clearly distinguished.
- How do I buy from a social enterprise?
  - Buy Social campaigns, support from the commercial sector (meet-the-buyer programmes, mentoring, etc) and Local Authorities (development of retail opportunities, pop-up shops, etc)
  - Development of procurement policy and opportunities at a scale that social enterprises can competitively deliver.

c) *Are these suggested policy measures sufficient to achieve the objective of increasing social enterprise initiation?*

No – see d) below

d) *Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?*

It is noticeable that Institutes of Technology are absent from the list of HEIs offering relevant modules – perhaps more needs to be done with them.

Learning about social innovation and social enterprise should not be confined to subjects within the business and social context. There is potential, especially at third level, for cross-disciplinary work with science, engineering and other technical disciplines in the development of innovative products and applications that address social problems.

As mentioned earlier, there needs to be a mainstreaming of successful policy interventions across all Local Authority and LDC areas.

## **5. Policy Objective Two - Growing and Strengthening Social Enterprise**

e) *Are these suggested policy measures sufficient to achieve the objective?*

The idea that social enterprises can become self-sustaining and grow is, on the surface at least, a legitimate policy objective but it is at odds with the context experienced by the deficient demand social enterprises identified in the document that are likely to require long-term subsidy in order to serve markets that need essential services but cannot be served by conventional enterprises in a viable manner.

- f) *Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?*

It may be argued that social enterprises are, by their nature, creative and resourceful in seeking out support. In addressing the communications gap between support providers and social enterprises, perhaps the onus should be on support providers to better communicate the services they provide and to ensure that strategic priorities are carried through at an operational level.

In the area of governance, many social enterprises experience difficulties with succession planning – ensuring that candidates to take on board roles are available to them. Initiatives like Boardmatch Ireland attempt to address this within the business sector and are deserving of further support. Programmes to develop capacity and leadership potential in communities should be more widespread and tailored to social enterprises, perhaps linking in with initiatives to support the community and voluntary sector and volunteering.

- g) *Are these suggested policy measures sufficient to achieve the objective of improving access to finance and funding for social enterprises?*

No – see h) below.

- h) *How could current government funding streams be improved to support social enterprises?*

It should be welcomed that labour market activation programmes are identified here as financial support measures. In order to improve them to support social enterprises, their criteria should be relaxed to allow for participants to spend longer on programmes (particularly those facing greater challenges on the open labour market) and for barriers to entry to be lowered for participants.

- i) *Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?*

Social impact bonds were addressed a number of years ago, but the initiative seems not to have progressed. This, and other initiatives, could be explored further in order to attract private sector funding.

Alternative legal structures could be explored to facilitate the private sector in taking equity stakes in social enterprises – patient equity that allows for a longer-term return. Other initiatives that have been trialled in the past include community gain clauses (where developers of infrastructure pay a levy into a fund to support social enterprise) and tax designation (developers of tax shelter sites pay into funds to support community and social enterprise development). Credit unions could be supported to develop lending products tailored to the social enterprise sector.

- j) *Are these suggested policy measures sufficient to achieve the objective of improving market opportunities for social enterprises?*

No – see k) below

- k) *Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?*

As well as capacity-building for social enterprises, there needs to be capacity-building for the commissioners of contracts to enable them understand the social enterprise sector.

It was mentioned earlier about the potential for exploitation of social enterprises by public sector bodies unable to deliver innovation within existing frameworks. Similarly, the

development of social enterprise opportunities within the business-to-business supply chain must allow social enterprises to be respected and valued, and not exploited due to their ability to have a lower cost base as a result of labour market programme subsidies.

*l) What should the Government's priority be in working towards achieving this objective?*

The EU is regularly cited as an enabler of social enterprise policy. It is also, at least in Ireland, cited as a potential barrier due to EU procurement policy. Firstly, research should be carried out among member states to determine how social enterprises succeed with public sector procurement. Secondly, Ireland should seek to influence EU policy to make it more conducive to social enterprise development.

## **6. Policy Objective Three - Achieving Better Policy Alignment**

*m) Are these suggested policy measures sufficient to achieve the objective of achieving better policy alignment for social enterprises?*

No – they are vague, therefore open to a wide interpretation and incapable of having their success or failure assessed adequately.

*n) Are there other actions the Government could consider to achieve this objective, and if so, what are those actions?*

Over many years, Ireland has been effectively absent from the international policy arena in social enterprise. Efforts should be concentrated to ensure that Irish policy-makers interact with their peers at EU-wide events and conferences. Academics should be supported to share their research across the EU.

Significant progress has been made in recent years in the UK, through devolved structures in Scotland, Wales and Northern Ireland. Relationships have also been developed through INTERREG initiatives. Efforts should be made to continue these learning and networking relationships beyond Brexit.

*o) Are there specific areas of Government policy which are causing difficulty for social enterprises, or which could be improved?*

The fact that there is not a dedicated policy for social enterprise means that, by definition, other areas of policy cause difficulty for social enterprises. Successful mainstreaming of social enterprise policy across other areas will lessen these difficulties.

*p) What should the Government's priority be in working towards achieving this objective?*

See o) above.

*q) Are there other actions could the Government consider to establish a reliable evidence-base for social enterprises?*

This question is linked to the policy objective of creating awareness of social enterprises. There are many organisations in the wider community and voluntary sector that may be unaware that they are social enterprises. Defining the sector and its constituents will help to establish a reliable evidence base.

As outlined above in the comments on Section 1, initiatives to support the measurement of social impact must be supported.

*r) What should the Government's priority be in working towards achieving this objective?*

Although company law has recently been significantly revised, Government could look at a designation at CRO/ Revenue Commissioners level of social enterprise status to aid in the building of an evidence base. Likewise, notwithstanding the obligations of charitable status, mandatory reporting and publication of the financial reports of social enterprises should be examined.