

National Social Enterprise Policy for Ireland 2019-2022

Response to Draft for Public Consultation
from Third Space Ltd.



Background. Third Space is a Social Business set up as a CLG with no charitable status. Formed in 2011 it has traded in Smithfield, Dublin since 2012 as a café/hospitality space with a social and community focus. During that time it has generated in excess of €5 million in income and contributed about €1 million to the exchequer in VAT, PRSI and PAYE. It has created 22 new jobs including permanent paid positions for 8 people formerly dependent on some form of welfare income. It has provided training and work experience for over 20 others from the welfare system that has often led to their subsequent employment elsewhere. It provides meeting space for over 30 community and voluntary bodies, has taken on the role of a social hub for Smithfield and provides financial support to several local projects. Since it began trading Third Space has received no grant funding other than a one-time award of €10,000 which was to fund a temporary part-time position. It runs entirely on traded income and uses business loans for development.

Response to Policy Objective 1: Building Awareness of Social Enterprise

Are these suggested policy measures sufficient to achieve the objective of raising greater awareness of social enterprise?

They need to go further. “Building Awareness” needs to become “Building Awareness and **Understanding.**” The campaign needs to be crystal clear about what a social enterprise is. The consultation document does not contain that clarity.

Muhammad Yunus writes: *It is necessary to create social business as **a clearly defined alternative, separate from the worlds of business and charity,** in order to change mind-sets, reshape economic structures and encourage new forms of thinking.* (“Building Social Business” - Yunus M. 2010) Social enterprise must be presented as a third sector alongside the business and the community/voluntary sector, all three of which are vital for a flourishing society.

The awareness campaign should include clarification that within the social enterprise space there are “State funded social enterprises” and “stand-alone social enterprises.” Third Space falls into the second category – it aims to make a slight profit while providing life skill training for all employees, paying employees a living wage, giving some funding to local charities and providing community space to local organizations. Both models of social enterprise are vital to the development of the sector but it appears that this second category is not recognised in the draft policy.

Are there other actions the Government could consider to raise awareness of social enterprise, and if so, what are those actions?

Yes. To raise awareness in the Business Sector the Government could:

- provide incentives to encourage businesses to rotate high performing employees through a Social Enterprise to help embed best practices in the Social Enterprise and perhaps, in time, devise an incentive scheme that encourages innovative people from the Business Sector to join the Social Enterprise sector full time.

- ensure that the proposed Forum creates an environment to stimulate “outside the box” thinking by giving responsibility for running it to an outside facilitator with no stakeholding in the process.

Response to Policy Objective 2 - Growing and Strengthening Social Enterprise

This is a vital objective. Social Enterprise is basically about applying business solutions to social issues. Social Enterprises, if properly run, can reduce some of the financial burden currently absorbed by the State’s social safety nets. The developing of Social Enterprises can become a critical linchpin in the strengthening of local community.

Business supports, leadership and governance

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

The focus on training, education and targeted programmes is welcome. The results and research work should be made widely available to those working in social enterprise and to those considering it to ensure all have access to best practice and lessons learned.

It is vital that the Business Sector is incentivised to be involved in such efforts. Successful businesses can develop small social enterprises to run alongside their “profit maximising” enterprises that would add to the sector and, in the long run, provide significantly greater social benefit than normal Business CSR strategies. The Business Sector also has a potential role in providing training and personnel for leadership and governance.

Ultimately the best way of achieving the highest standards of leadership and governance is the creation of a separate register of Social Enterprise Companies with its own regulator in distinction from both the Charity Regulator and the Companies Regulator.

Access to Finance and Funding

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

No. The focus here in this section is entirely on grant funding. Long term and short term loan finance is vitally important to non-funded social enterprises but the policy measures do not reflect that.

How could current government funding streams be improved to support social enterprises?

Third Space is not a funded social enterprise and does not wish to become one. However as a developing business it does need access to loan finance. A welcome addition to the funding policy would be that low interest or no interest loans to be repaid within a fixed term be made available to entities that have a demonstrable impact on the community in which it operates.

Qualified Social Enterprises would greatly benefit from a favourable market approach (term funding-to be paid back at a low or no interest rate) to social enterprise loan finance. In the United States banks provide “community financing at market favourable rates as part of their “Community Reinvestment Act” obligations. Perhaps there is a mechanism to ensure that Irish Regulated Banks and all mainstream credit institutions provide a similar service to Irish social enterprises. The State can initiate policies to ensure such financing is available.

We especially applaud the proposal to increase market opportunities for social enterprises in procurement contracts. It is primarily through greater access to market that social enterprises will have the opportunity to grow and strengthen their financial stability.

Enabling Market Opportunities

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

There should be additional measures aimed at making social enterprise an attractive career choice for third level graduates. Making social enterprise a desirable career choice for talented and motivated young people is one of the best ways of strengthening social enterprise.

In the face of rising commercial rents another way of growing and strengthening social enterprise is to make unused space in publicly owned buildings available at reasonable rent to social enterprises or offer subsidies or tax benefits to landlords who rent to social enterprises.

Response to Policy Objective 3 - Achieving Better Policy Alignment

Interaction with national and international policies

Are these suggested policy measures sufficient to achieve the objective of achieving better policy alignment?

No. This policy proposal as it stands could create greater confusion for the social enterprise sector. By connecting it with the Community and Voluntary Sector and the National Volunteering Strategies the policy misses the vital potential of Social Enterprise to become a separate sector providing **business solutions to social challenges**. As such it sits in a different sector to the vitally important work of the Community and Voluntary sector.

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

The government needs to give greater weight to the input it receives from social enterprises. While there are other important stakeholders, without social entrepreneurs there will be no social enterprise. So the voices of both types of social enterprises, funded and unfunded, need to be given priority in shaping policy.

Ultimately the best way of achieving this objective is the creation of a separate register of Social Enterprise Companies with its own regulator in distinction from both the Charity Regulator and the Companies Regulator.

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

Yes - the overly broad use of the term “social enterprise” to include initiatives that do not trade. Not every social innovation is a social enterprise. There are excellent social innovations that will never become businesses. Allow the category to develop by creating a clear understanding that a social enterprise is a business trading in goods or services. No one is helped by confusion about the term.

As a social business seeking to provide long term “real” unfunded jobs for “at risk” people, the process of navigating the various state bodies is extraordinarily complex. An easier path through the process needs to be designed for social businesses that are not receiving state funding. Such businesses are committed to providing secure and meaningful employment for “at risk” people thus reducing the strain on the Welfare system and this needs to be recognised in the way the system deals with them.

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

Yes. Not all social impact is measurable with a mechanism. Along with statistical analysis and measurements of outcome there should be a place for stories of transformation. Stories often capture what the figures can't.

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

The priority should be learning from other nations that are ahead of us. Sending representatives from both government and existing social enterprises to the Social Enterprise World Forum in Ethiopia in October 2019 would be a great start. Build links to the social enterprise departments of governments such as Scotland, Greece and New Zealand who have already travelled the path before us.