

Social enterprise and employment practices

1. SUMMARY

This paper is the culmination of research conducted by Social Enterprise London into the employment practices of social enterprises and comparing them against each other as well as with voluntary, private, and public sector businesses. The intent was to gain a better understanding of the levels of employee satisfaction between the different types of employers.

During the past few months desk research has been conducted and a survey has been developed and circulated with this initiative in mind.

Most impressively, 66.7% of employees of social enterprises understand the goals and social missions of their organisations, and 59% share in the same goals and missions. There was also a strong correlation between the responses of the employees and employers suggesting an understanding on the part of employers pertaining to their own employee's levels of satisfaction.

2. INTRODUCTION

Many social enterprises specifically tackle issues of employment, hiring those that are normally more excluded from the labour market (women, black, Asian, and ethnic minorities, disabled persons, long-term unemployed, etc.). However, historically there is a lack of quality information on the employment practices of these organisations, and how they compare to different types of employers. The purpose of this paper is to examine the employment practices in the social enterprises in relation to the public, private and voluntary sectors in the London area.

This paper examines employee satisfaction from both the employee and the employer perspective. Using desk research, a survey was developed to highlight issues such as equal opportunity and flexibility, stress, benefits and compensation, motivation, and workplace environment. The purpose of the survey is two fold. First, to be able to find commonalities in the employment practices of social enterprises. And secondly, to compare these to the practices of the other three sectors.

Please note this is just the beginning of a much larger project. However, the findings from this study can feed into future research on the topic.

3. BACKGROUND

In providing context to this issue, the paper begins by examining the criteria for measuring employee satisfaction. This includes government acts and codes of practice (on race, disability, age, etc.), perceptions of treatment (in terms of respect, discrimination, hours, benefits, etc.), and well being at work. These were taken into account when building the survey questions.

3.1 Government acts and codes of practice:

The six equality strands of employment discrimination covered by UK law are gender, race, disability, religion, sexual orientation, and age. One of the most recent acts passed was the Age Discrimination Act, which among other things aims to stop age discrimination in employment and training to all those under the age of 65.¹

Policies and practices should ideally be founded on the government's acts and codes of practice in combination with employee concerns. There are many resources available to help employers lay out appropriate policies and practices specific to their workers. Some include the Chartered Institute of Personal Development (CIPD), the Parliamentary and Health Service Ombudsman, the Governance Hub, and the Workforce Hub. These sites outline critical questions to ask when designing human resource policies and practices and guidelines for assessing performance levels.

3.2 Perceptions of treatment at work:

Employee satisfaction is dependent on perceptions of treatment at work. The government has passed several acts within the past few decades to ensure fairness in the workplace. Recently the 'Action on Stigma: Promoting mental health, ending discrimination at work' initiative was started. It lays out a set of core principles that employers should seek to meet as well as information, advice and support to employers².

The Health and Safety Executive (HSE) has set up management standards designed to help employers measure their work conditions. Its' six core areas are demands, control, support, relationship, role and change³. Each standard is explained in terms of what is appropriate for the employee, making sure there are systems in place to take care of concerns, and also what should be happening within the organisation to help achieve the standards⁴. Standards like these make it simple for employers to assess work conditions and are a good way to ensure that employees are able to work up to their potential without becoming over-whelmed.

Questions such as 'sense of achievement' are very subjective, and make it difficult for the government to pass laws to enforce positive results. However, according to 24dash.com, a social housing and public sector news site in the UK, 'maintaining high levels of morale is important within organisations in order to retain and get the most from employees⁵.'

3.3 Well being at work:

¹ BBC (25 September 2006). 'Quick Guide: Age Discrimination.'
<http://news.bbc.co.uk/1/hi/business/5378876.stm>.

² Department of Health (10 October, 2006). 'Action on Stigma: Promoting mental health, ending discrimination at work.'
http://www.dh.gov.uk/en/Publicationsandstatistics/Lettersandcirculars/Dearcolleagueletters/DH_4140200

³ Health and Safety Executive. 'The Management Standards.'
<http://www.hse.gov.uk/stress/standards/standards.htm>

⁴ Health and Safety Executive, *ibid*

⁵ 24dash.com (06/06/2007). 'Staff morale is lowest in the public sector.'
<http://24dash.com/localgovernment/21513.htm>.

The long hours culture in the UK finds over 5.8 million people working more than 45 hours a week⁶. The number of hours worked depends on the type of job as the working hours could vary between different types of employers. The CIPD believes that the long hours culture needs to be addressed and may be helped out by the possibility of offering flexible working hours⁷.

The comfort and safety of the working environment has a series of standards as well under the health and safety laws. If these standards are not met, presumably employees would be under added stress⁸. Henderson Global Investors has found that 'stress is the biggest cause of sickness absence in the UK, resulting in 13.4 million lost working days each year⁹'.

4. METHODOLOGY

We conducted two surveys, one for employers and one for employees, which were sent out electronically. They were sent to members of some of the programs that we have managed, such as our GRO2 program as well as all of the members of the London Social Enterprise Network (LSEN).

Employee opinions and satisfaction on compensation, influence over the job, sense of achievement from work, respect, communication and stress are all crucial subjects. A survey is an easy and effective way for employers to determine the satisfaction of their workers in regards to these areas.

5. SURVEY RESULTS

A total of 167 replies were received, including 106 from employees and 61 from employers. Once all of the information was gathered, we compared the data from the surveys using charts and graphs, and also examined additional written responses that were collected to help emphasise the data.

5.1 Commonalities within social enterprises:

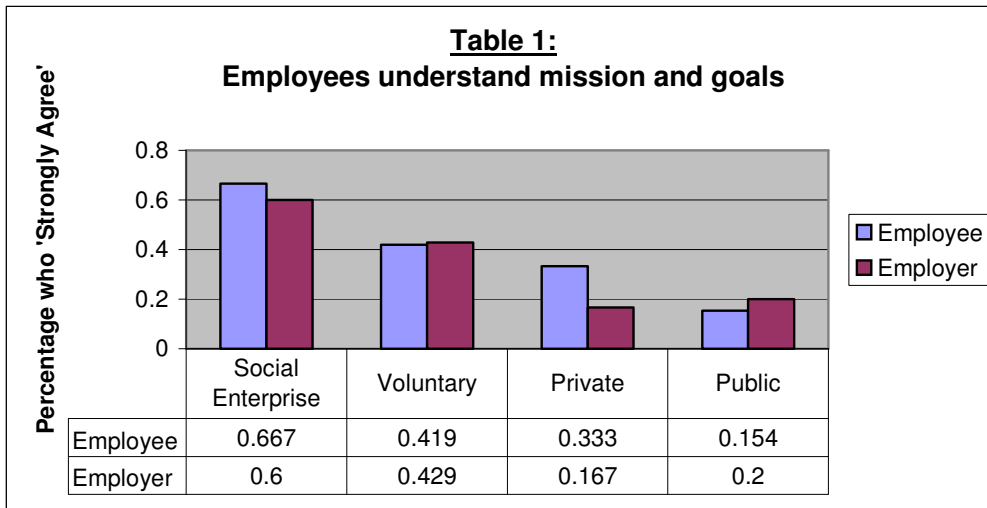
Our first objective was to find commonalities in the employment practices of social enterprises. The most evident commonality between both the employees and employers was their pride in what they do and agreement on the **mission and goals of the organisation**. In fact the majority of the questions pertaining to this subject achieved a rating of 'strongly agree' for more than 50% with some topping 60%. The most impressive in this section was a 66.7% rating on the part of social enterprise employees saying that they 'understand the mission and goals of their organisation,' as compared to the composite rating of only 30.3% agreement for the other three sectors (Table 1).

⁶ Chartered Institute of Personnel Development (CIPD). June 2007. 'Working Hours in the UK'. <http://www.cipd.co.uk/subjects/wrkgtime/general/ukworkhrs.htm>.

⁷ CIPD, *ibid*

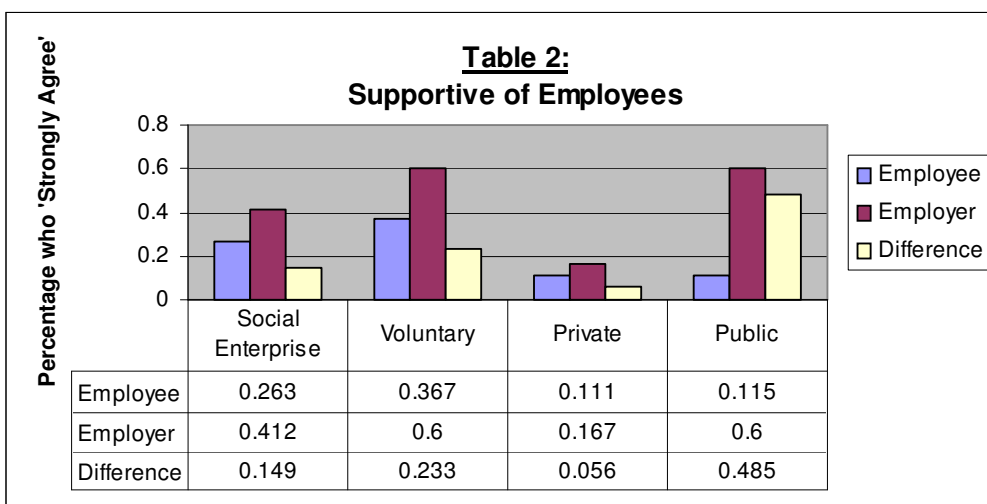
⁸ Health and Safety Executive, *ibid*

⁹ Henderson Global Investors (October 2004). *Stress: An Epidemic in the UK's workplace?* http://www.henderson.com/global_includes/pdf/corporate_governance/Stress%20An%20Epidemic%20in%20the%20UKs%20Workplace.pdf

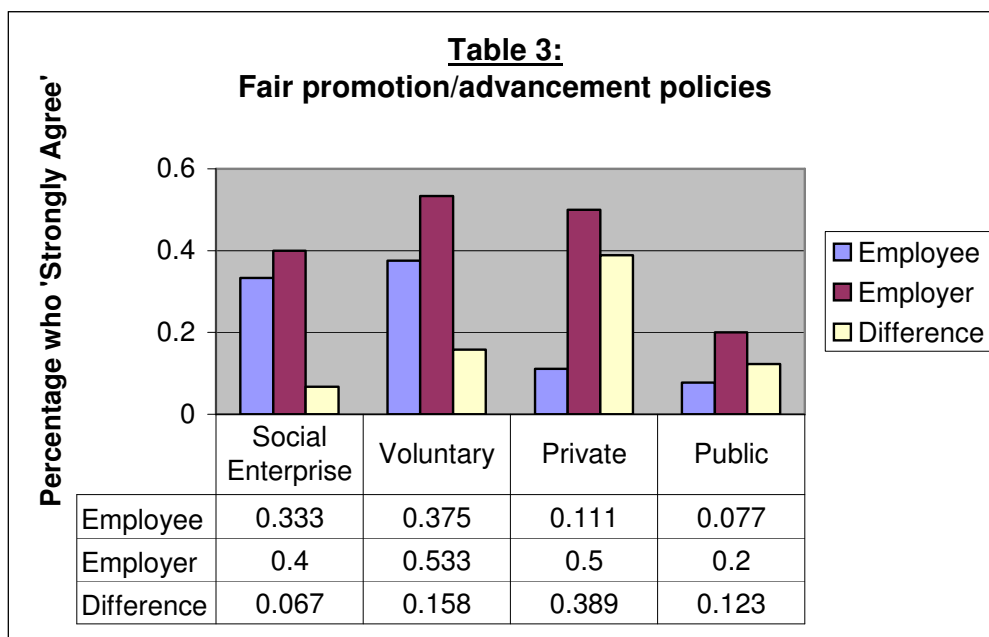


Other questions provided similar results for social enterprise employees as compared to the other sectors. 56.4% of social enterprise employees compared to 27.3% of other employees who **shared the goals** of the organisation with their employers, and 59% social enterprises as compared to 27.3% for being **proud of where they worked**. One reason for this could be that because social enterprises tend to target the more excluded groups when hiring, their employees then can identify more with the social causes that they are promoting. According to one social enterprise employer, 'most of our employees are women with children themselves, and so live the work-life balance that we promote.'

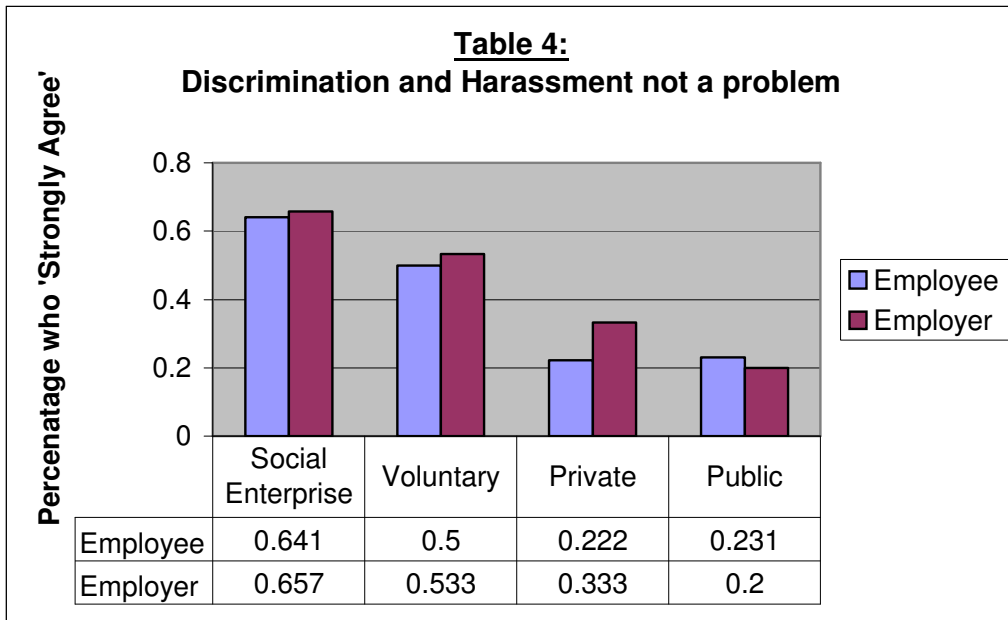
When looking at the commonalities in the social enterprise sector we not only wanted to look at the similarities between the workers, but also at whether or not there was more of an **agreement between the employees and employers** than in other sectors. First, we looked at whether both parties agreed that social enterprise employers were **supportive of their employees needs**. 26.3% of employees agreed and 41.2% of employers agreed, with a difference of only 14.9%. The only sector with a closer margin was that of the private sector with a difference of 5.6% (Table 2).



Another issue we looked at for this comparison were the **policies for promotion and advancement** and if they were fair or not. In this case, social enterprises had the lowest levels of disagreement between employees and employers at only 6.7%. The next closest was the public sector with a difference of 12.3% (Table 3). These low levels of difference could hold quite a bit of significance because it could point towards the fact that social enterprises place more emphasis on regular communication between employees and their line managers.

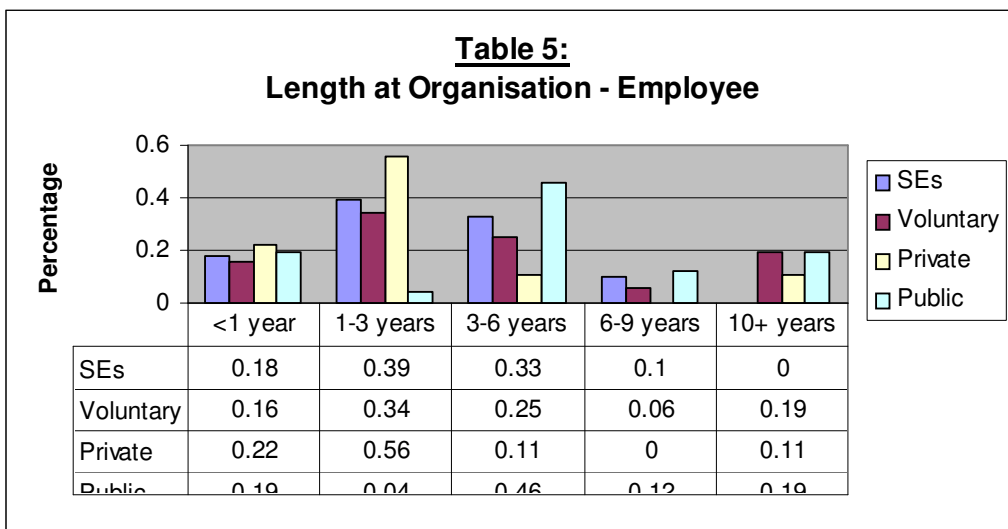


A further commonality was that the issues of **discrimination and harassment** were lower in social enterprises than they were in the other organisations, especially the public and private sector businesses. This appears to be linked to the fact that social enterprises, unlike the other types of businesses, have social goals that are an integral part of the organisations and prove to be more socially tolerable. When looking at the opinions of both the employees and employers in social enterprises on this issue 64.1% and 65.7%, respectively, did not think that this was an issue in their organisations. On the other hand the numbers were 22.2% and 33.3% for the private sector, and 23.1% and 20% for the public sector. The voluntary sector was closer, at 50% and 53.3% but still lagged behind social enterprises by more than 10% (Table 4).



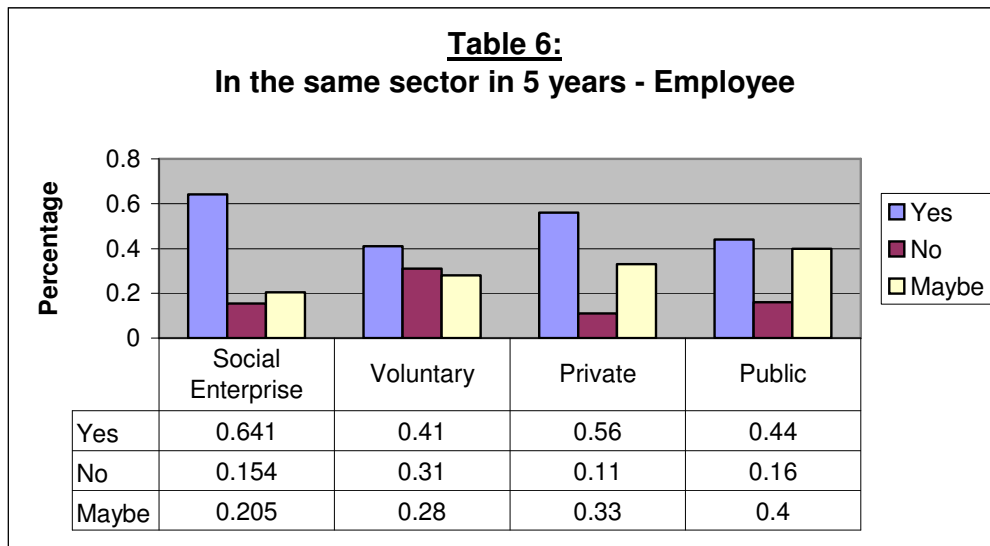
5.2 Comparing employment practices:

The second objective of our research was to compare the employment practices of social enterprises to those of the other three sectors. One of the things looked at were the **retention rates** of the employees in the social enterprise sector as compared to the others. Looking first at the long term, within social enterprises no employees had been with their organisations for more than 10 years, and only 10.3% had been there for 6-9 years (Table 5). It has to be taken into account the social enterprises surveyed were relatively new as is typical for the community. Which may mean that both employees and employers have not had a chance to establish longevity at a social enterprise.



However, looking at the other data sets and the trends that they showed, social enterprises actually seem to be in a better position for **long-term stability**. This is because of the high costs incurred in both money and time

when replacing an employee. It costs on average £8,200 per employee¹⁰ and takes approximately 13.5 months for the new employees to reach profitability¹¹. Boasting a fairly stable amount of workers in all other yearly sub-sections, and also a 64.1% rate of employees saying that they plan on still working in a social enterprise in 5 years time is a strong sign for the retention rates. The closest to social enterprises for being in the same sector in 5 years was the private sector at 56% (Table 6).



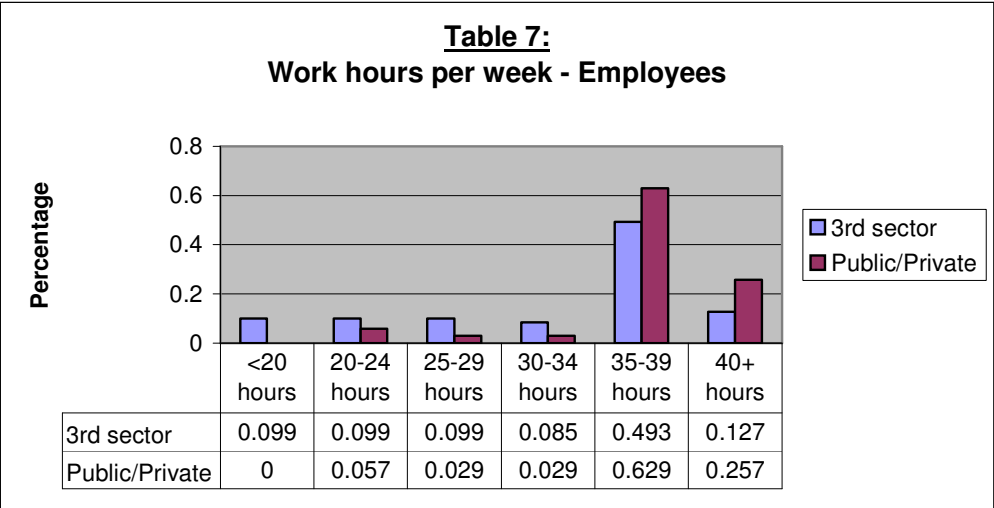
Work-life balance is ‘about people having a measure of control over when, where, and how they work, leading them to be able to enjoy an optimum quality of life.’¹² Whether or not employers are supportive of the needs of their employees is a crucial element in having a **stable work-life balance**. Third sector employers, which includes social enterprises and voluntary organisations, responded with ‘strongly agree’ or ‘agree’ 78% of the time while the private and public sectors responded with a rating of only 68%. This high level of support is accompanied by only 12.7% of the third sector employees **working 40 or more hours a week**, compared to 25.7% of private and public sector employees (Table 7).

¹⁰ The price tag on turnover. J. Douglas Phillips. *Personnel Journal*. V.69.n12 (December 1990): pp 58(4).

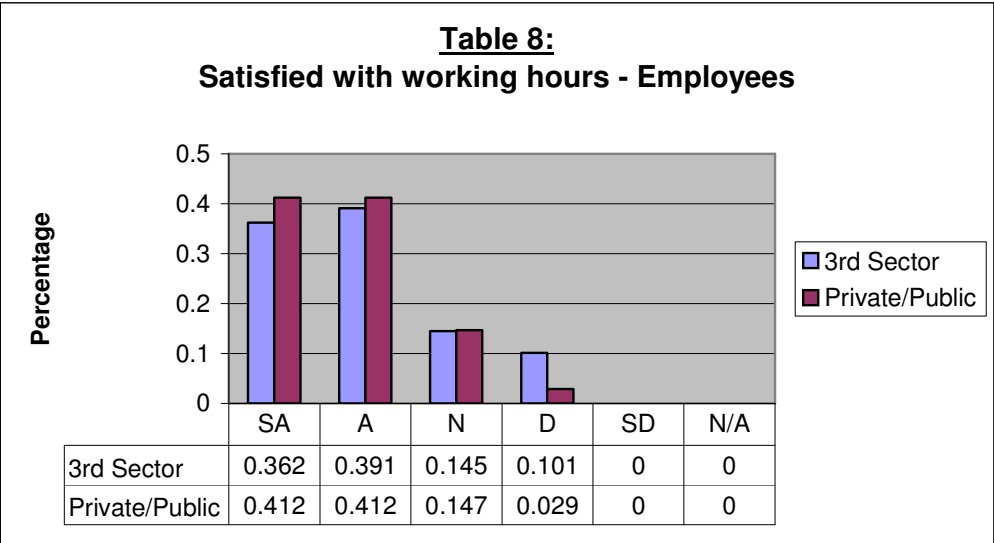
¹¹ CIPD. July 2006. ‘Employee Turnover and Retention.’

<http://www.cipd.co.uk/subjects/hrpract/turnover/empturnretent.htm?lsSrchRes=1>.

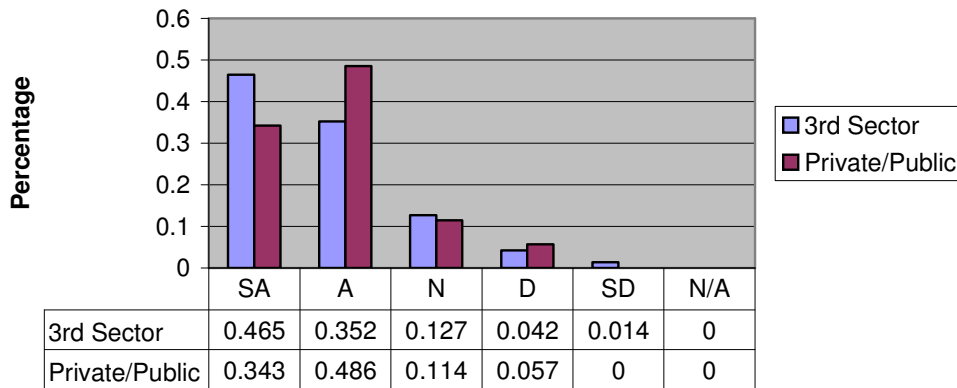
¹² The Work Foundation (2005). ‘Work-life balance,’ *Employers for Work-Life Balance*, 11 April 2007, http://www.employersforwork-lifebalance.org.uk/work/faqs_a1.htm#Q1.



Since social enterprises tend to be newer businesses, they also have a tendency to be smaller and more dependent on the **role of the individual** in the workplace. This could be the reasoning behind the slightly higher stress levels found. Eleven percent of social enterprise employees responded that they had high levels of stress at work. Although despite the higher stress levels three out of four workers in the third sector responded as being satisfied (with responses of either 'strongly agree' or 'agree') with their working hours (Table 8), and four out of five workers say that their **working arrangements are flexible** (Table 9), both of which are comparable to the public and private sectors.



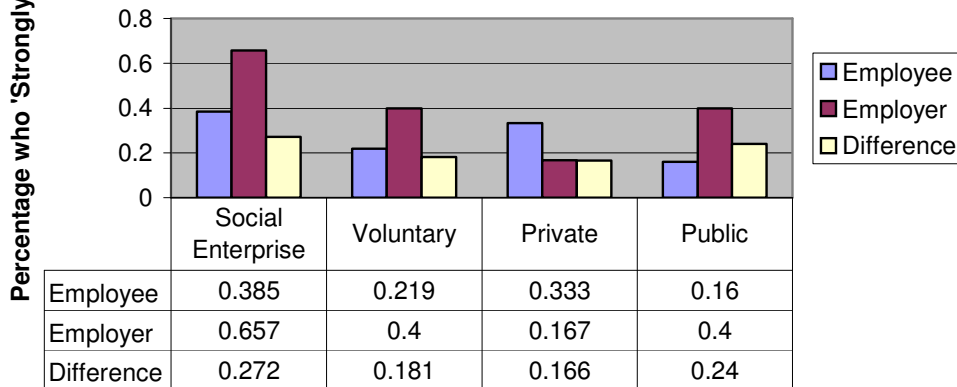
**Table 9:
Flexible working arrangements - Employees**



This supports the idea that employee satisfaction rates are higher in social enterprises even with the long hours culture and higher stress levels. These higher levels of employee satisfaction can also have an impact on self-imposed long hours. According to one respondent, 'sometimes I have to take on more responsibility than is probably reasonable but I enjoy the opportunity to grow.' And in another case, 'I work far too many hours. This is partly my own fault because I am no good at delegating or turning down opportunities.'

Communication is a key element in the performance of employees and their inclusion in the work that the organisation does. Employees of social enterprises have a 38.5% rate of agreement that **communication is encouraged** in their organisation. This tops both the composite rating of all four types of employers at 27.6%, and also all individual ratings. Social enterprise employers however, agree at rate of 65.7% that they encourage communication within their organisation.

**Table 10:
Communication is Encouraged**



David Coats, Associate Director for The Work Foundation said: 'Big improvements in communication are needed if employers are to unlock the full potential of their staff – there is no substitute for genuine employee involvement and engagement.'

6. CONCLUSION

Looking at the similarities and differences in social enterprise employment practices and how they compare to other sectors has pointed out some interesting commonalities that social enterprises have as well as comparisons between the sectors. These results have brought to the forefront some observations about social enterprise. The first is that many social enterprises are small start-up organisations that do not have access to a lot of resources that can make it hard to provide a comfortable work environment and give employees the benefits and compensation that they deserve.

The study has also shown that there are parts of the human resources side of running a business in which social enterprises seem to have a much higher success rate. These are areas such as motivation, work-life balance, and communication on the mission and goals of the organisation. It appears that in the minds of the employees of social enterprises these aspects of the job outweigh many of the negatives and make them desirable places to work. This finding is reiterated by Aviva, the UK's largest insurance service provider, 'Londoners would be prepared to earn less money in exchange for fulfilment (42% compared to a national average of 36%)¹³.'

The idea is that a more satisfied employee creates a better workplace and in turn allows the social enterprise to be a better business, creating a greater likelihood of prolonged sustainability.

The author of this report is Jennifer Bradley, who was a Policy and Research Intern at SEL from May-August 2007. She is an undergraduate student at Michigan State University pursuing a degree in International Studies and Economics.

¹³ Aviva (11 May, 2007). 'UK: Britain's bosses to face a rush of resignations as fortysomething workers chase fulfilment.' <http://www.aviva.com/index.asp?PageID=55&newsid=3240>.