

Social Business Wales

Mapping the Social Business
Sector in Wales / 2020 Census

Executive Summary

June 2021



» 01 Introduction

Mapping the Social Business Sector in Wales is the definitive census of social business activity in 2020. It follows similar exercises undertaken every two years since 2014 with the aim of providing an up-to-date outline of the state, size, and scale of the sector – including a health check of the sector. Linked to the latter, the exercise is also an opportunity to understand how the sector has been affected by the COVID-19 pandemic.

For many commentators, social businesses are seen as a means of rebalancing economic thinking by shifting the emphasis away from profit-maximisation towards improving the well-being, resilience and sustainability of the communities they are based in. Social businesses can be a key component of the Welsh Government's ambition to create 'inclusive growth', a concept front and centre in the Welsh Government's core strategy paper leading up to 2021, 'Prosperity for All'.

This report demonstrates the impact that social enterprises make. On the one hand, they provide essential services in a wide range of sectors to communities across Wales. On the other hand, they play a crucial role in creating a fairer and more resilient economy by operating in the most deprived parts of the country, with comparatively high levels of workers earning the living wage and coming from unemployment. The pandemic has accelerated determination across government and society to create a fairer economy, free from poverty and more resilient to future crises. It is clear that the social business sector can play a key role in achieving this ambition, and this report sets out the impact it already has and how it can grow even further.



» 02 Methodology and context

The study followed a broadly similar approach to that adopted in previous exercises, and can be summarised in three work packages: data gathering, survey work, and analysis. Equally, some adjustments were made to the approach in recognition of the different context brought about by the COVID-19 pandemic.



» 03 Composition of the sector

KEY FINDINGS: »»»

- The sector is estimated to include up to 2,309 businesses and up to 56,000 employees, generating £3.1–3.8 billion in value
- Social businesses are particularly concentrated in some of the poorer South Wales Valleys and are more likely to operate in areas of deprivation
- The sector is composed of a core group of well-established social businesses supplemented by a growing group of start-ups
- There appears to have been a substantial increase in start-up activity over the last two years, which is linked to the Social Business Wales New Start project
- Start-up activity is particularly concentrated in North East Wales – Denbighshire and Wrexham, and areas starting from a lower base of social business activity
- There is a positive gender balance within businesses' leadership, which compares favourably with the general business stock and social enterprises throughout the UK
- However, ethnic minority communities and people living with a disability or long-term health condition are underrepresented within the sector's leadership, whilst there is a lack of young entrepreneurs (which is below the UK average)
- Social businesses cut across a wide range of operational sectors but are primarily based in arts and recreation, community centres/groups, education, and health and care
- Some of these sectors, such as arts/recreation businesses and community centres, account for a high proportion of businesses but a much smaller proportion of employment and value generated
- Conversely, health and care represents a much higher proportion of employment than it does in businesses, whilst the small group of RSLs within the 'property' sector account for most of the turnover generated (excluding the largest social businesses, i.e. Glas Cymru and the Principality Building Society, who were not surveyed)

» 04 Social value and impacts



KEY FINDINGS: »»»

- There has been an increasing focus on supporting communities and individuals that are socially or financially excluded
- Overall, businesses described more social objectives this year, which potentially demonstrates the sector's role in broadening their support to address the increasing social needs created by the pandemic
- Seventy-three per cent are aware of the WBFGA and most believe that it is having an impact on their business by, for example, informing their support offer, incorporated into their governance document or used within funding applications
- Fifty-four per cent are aware of the Social Services and Well-being Act and, again, the majority reported that it affects their business through, for example, forming part of their safeguarding policies and staff training
- Only 20 per cent are aware of the foundational economy
- Forty-four per cent measure their social impacts, although only 12 per cent use this to promote their business
- Sixty-eight per cent pay the Living Wage to all staff, which is slightly below the equivalent SEUK figure
- Thirty-six per cent employed people who were unemployed directly before taking up the post, highlighting the sector's role in supporting those furthest from the labour market
- Sixty-nine per cent of businesses' workforce live within 10 miles of their workplace, demonstrating the sector's role as local employers
- There appears to have been a drop in volunteering activity as a result of COVID-19 restrictions
- However, it is estimated that there are 36,000–47,500 volunteers within the sector in Wales



» 05 Business practices, trading performance, and COVID-19

KEY FINDINGS: »»»

- There was a consistent rate of growth from 2016 through to 2019, before levelling off up to when the respondents were surveyed at the end of 2020/the beginning of 2021 (when the pandemic was having its effect on the economy)
- COVID-19 has had a significant impact on the sector, with 63 per cent forced to pause trading, 69 per cent reporting a lower-than-expected turnover, and 38 per cent citing a risk to their reserves — the data appears to suggest a greater adverse impact on the social business sector than on the economy as a whole.
- Several measures have been taken, such as providing remote support and/or developing their online market, and there has been significant uptake of various funding and governmental support
- Businesses have focused on maintaining their operations (rather than on seeking to diversify their markets)
- Forty-five per cent of social businesses perceived COVID-19 to be a large or critical threat to their financial viability over the next 12 months (at the time of the survey), demonstrating an ongoing risk
- The commercial focus of social businesses found in the previous mapping exercise has been sustained in 2020, with 64 per cent generating at least half of their income through trade
- Trading with the general public has consistently been the main income source for social businesses since 2016, replacing grant funding as the primary income source
- There appears to have been a slight drop in trade with the public sector; however, the data shows that the vast majority of businesses not currently trading with the sector wish to do so
- Businesses were least proficient in procurement, followed by accessing external finance, marketing, and online marketing/sales
- There is extensive collaboration within the sector, with 67 per cent engaged in sectoral networking, 57 per cent in peer-to-peer support, and 42 per cent of those undertaking public procurement having entered joint bidding arrangements

» 06 Challenges, support needs and pathways to growth



KEY FINDINGS: »»

- The vast majority of businesses indicated that COVID-19 restrictions will continue to be a barrier to growth
- Besides those restrictions, access to grant finance remains the most commonly cited barrier, primarily because businesses did not know where to look for finance
- Most businesses are aware of the blended finance model and would be interested in accessing such a fund
- Advice, information or mentoring support in relation to finance (primarily how to find appropriate finance) was the main support need stated
- Thirty per cent have experienced or expect to experience an impact from Brexit, primarily because of the withdrawal of EU funding
- Marketing remains one of the main barriers and, aside from finance, is the second most commonly cited support need
- Support in relation to digital marketing and social media is a particular need
- Support in relation to procurement was also one of the most commonly cited needs



» 07 Summary of findings

This research finds that the social business sector continues to make an important social and economic contribution in Wales, with up to 2,309 businesses employing up to 56,000 people, offering a similar amount of volunteering opportunities, and generating up to £3.8 billion in value. Whilst the COVID-19 pandemic has, undoubtedly, had a significant impact on the sector, it has also shown a surprising amount of resilience where the COVID-19 effect appears to have manifested in stalling growth, rather than decline.

The data also demonstrates the sector's important role in combatting the effects of the pandemic, with an increased focus on supporting communities and individuals that are socially or financially excluded. Overall, businesses appear to have contributed towards a greater range of social objectives this year, suggesting that the sector has sought to broaden its offer in order to combat the social and financial crises created by the pandemic.

The majority of businesses have been forced to pause trading and have experienced a loss of income; however, there has been high uptake of the various support provisions, which has helped to maintain their operations. Generally, businesses have not attempted to diversify their offer and markets; rather, they have sought to maintain their operations as best they can, with some adjustments to their processes (e.g. remote support and developing their online market). The fact that businesses have not been forced to diversify, highlights the resilience shown in the face of the pandemic.

Having shown considerable resilience amidst the COVID-19 pandemic, social businesses are on course to continue making an important contribution to social and economic life in Wales in the years ahead, with the survey showing high business confidence over the next 2–3 years.

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