ASSESSMENT OF THE SOCIAL ECONOMY OF THE HIGHLANDS AND ISLANDS

Background

SQW and Simon Clark Associates were commissioned by HIE to carry out an assessment of the social economy to provide a better understanding of the size and scope of the sector. The social economy has continued to grow in importance since the previous 1996 audit making a valuable contribution to the development of the Highlands and Islands.

Social economy organisations in the Highlands and Islands were analysed in terms of their structures and activities, their beneficiaries, wages, employment, income and growth, barriers to further development and support and linkages with other organisations.

Key points

- The social economy comprises 8,142 organisations and generates an annual income of £360m pa.

- Employs 6,250 people on a full-time basis and 12,900 part-time. The sector provides paid employment for nearly 20,000 individuals, equivalent to 10,700 FTE jobs. In addition to this total, the sector creates 100,000 volunteering opportunities.

- The social economy sector is essentially a small SME sector. Half of the organisations sampled reported an annual income of £14,000 or less.

- A wide range of activities are conducted within the social economy, relating to arts, culture and music, business and employment support, community development, education, environment, health care, housing, religion, social care, social groups, sport and lifeboat/mountain rescue.

- The areas with the strongest relationships between social economy organisations and main agencies were Western Isles and Caithness and Sutherland. Relationships with the Councils are strongest in Argyll, Caithness and Sutherland and Ross and Cromarty and Western Isles. In Caithness and Sutherland, 82% of social economy organisations reported a strong or average relationship with the LEC.

Organisational structure and activities

The social economy has traditionally played an important role in the Highlands and Islands. The remote and dispersed nature of many communities has resulted in a greater reliance on community and voluntary sector controlled organisations than is the case in lowland Scotland. The current study presented the opportunity to examine development of this important sector since 1996.

Thirty nine percent of the sample had been formed over the last 10 years and 62% over the last 20 years. Since 1996, 15% of the sample has been established as a social economy enterprise. Over the period 1996-2001, 1,200 new organisations have been established.

In 71% of cases, the activities and services provided were aimed at improving the quality of life in local communities, rather than specific groups.

Overall, 54% of organisations receive charitable status. While the vast majority of groups – 71% are local and independent a significant proportion are part of Scottish (15%) or UK wide (10%) organisations.

Comparison between 1996 and 2001 results

Table 1. Comparison between results

	1996	2001*	%change
No. of organisations	2,700	5,000	85%
Paid employment (FT and PT)	8,800	15,300	74%
Employee FTEs	6,540	8,451	29%
Number of volunteers	16,000	63,000	294%
Annual income	£200m	£280m	40%

* adjusted to remove sports, social groups and religion

Results indicate that there are now around 5,000 organisations (1996 social economy study definition) in the social economy compared with the 1996 estimate of 2,700. Paid FTE employment has grown by 29% and annual income by 40%. The increase of 294% in volunteer opportunities is attributable to definitional changes and reflects the characteristics of the many, smaller organisations covered in the 2001 survey.

Table 2. Comparison between wage rates

1996 report	2001 report
• 72% paid employees women and 28% men • 61% of volunteers women and 39% men • Average hourly wage approx. £4.00 per hour	• 66% paid employees women and 34% men • 54% of volunteers women and 46% men • Average hourly wage for full-time is £8.15 • Average hourly wage for part –time is £5.77

The 2001 report illustrates that the balance between male and female employment (and volunteering) has changed since the 1996 survey. Hourly wages, which in 1996 were estimated to be approx. £4.00 per hour, are now over £8.00 an hour for full-time work and £5.80 for part-time.

Employment

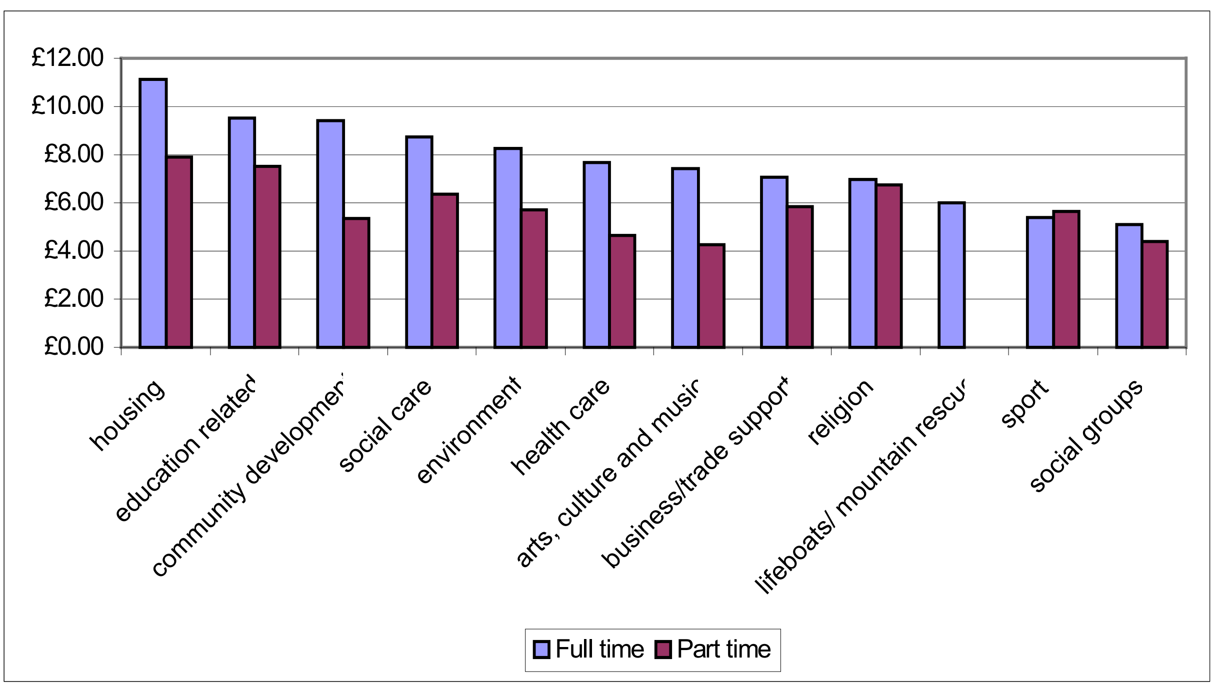
Further analysis of the total employment estimates illustrates that 27% of organisations employ at least one full time member of staff. An important finding is that less than half the organisations in the survey do not employ any paid staff at all.

Organisations working in the housing field with 4.6 FTEs have the greatest average number of full time equivalent staff. The education sector recorded the highest average part-time employment numbers at just under 4.

Organisations working in social care recorded the largest average number of volunteers - 20.8, followed by religion with 18.8. The average hours worked by volunteers across the social economy was 41 hours per month.

Distribution of employment varies across the different categories. Figure 1 illustrates that average paid employment was higher among housing groups - £11.14 full-time and education - £9.51 full-time. It is interesting to note that the hourly wage for individuals working with sporting groups is 5% more on a part-time basis than full-time basis (£5.65 compared to £5.38).

Figure 1. Hourly and part-time pay by category



Source – Assessment of the Social Economy of the Highlands and Islands 2002

Organisational Incomes

The majority of income; 64%, is raised through trading services or products, including fees and membership charges. Grants from local authorities, LECs, lottery and national or EU sources represented 21% of income. The largest recipient of grants were in the arts, music and culture groups.

Forty percent of organisations reported growth in annual income over the last three years compared with 21% receiving reduced income. More organisations reported that incomes had been increasing rather than decreasing between 1996 and 2000.

The social economy sector is essentially a small SME sector. Half of the organisations sampled reported an annual income of £14,000 or less.

By LEC area, a higher proportion of organisations in Orkney, CASE, Lochaber and SALE reported an increase in income, while those from WIE and MBSE were more likely to report a decrease.

Developmental Issues

Across the sample, 74% of organisations believe that they have scope to increase the size and range of the activities their organisation offers. Enterprise-orientated groups, including housing and business and employment support, reported an above average belief for development. There was thought to be less scope for growth with groups involved in lifeboats, sport, health care and social activities. More scope was considered where organisations are directly selling services or where there is increased public sector funding.

When asked about the type of support that the organisations would find most useful in developing their activities, 56% thought funding was the single most important issue. No other category received a response of more than 20%. Interest in training was higher among community enterprises than associations and voluntary groups and also among larger organisations.

Barriers to Growth

Across the survey, 55% of respondents thought the biggest barrier to growth was the availability of funding followed by the availability of volunteers - 35%. This trend was evident among the social and community groups in particular. Availability of premises was viewed by 27% of respondents to be a significant barrier, particularly for the more socially orientated groups. Advice and support from other agencies was a barrier for 11% and training for 14%.

Relationships with supporting organisations

A major issue for the development of the social economy is the strength of relationships between the organisations and the local authorities, schools, churches, LECs, SCVO and CsVS. Across the survey, there are stronger links between the local authorities and LECs. For example, eighty two percent of the responses from CASE reported a strong or average relationship with the LEC. Around half of the organisations across all areas had a relationship with the local school.

Conclusion

It is clear that the social economy is an important component of life in the Highlands and Islands, comprising 8,142 organisations and generating an annual income of some £360m.

Increases in the number of social economy enterprises, the number of FTE paid employment and volunteering opportunities have occurred since 1996.

The majority of groups are local and independent organisations, with 54% receiving charitable status. The net birth rate in the sector is fairly healthy, with 1,200 new organisations since 1996. In 71% of cases, the main reason for activity is to increase the quality of life in local communities.

The housing sector recorded the greatest proportion of full-time employment and the highest level of paid employment. An important finding is that less than half the organisations in the survey do not employ any paid staff at all.

Overall, more organisations reported that organisational incomes had been increasing rather than decreasing. Housing, education and advice and social care showed rapid incomes growth, with the more socially orientated groups and community development groups showing lower increases.

Funding was the single most important issue when asked about the type of support that the organisations would find most useful in developing their activities.

A major issue for the development of the social economy is the strength of relationships between the organisations. Across the survey, stronger links are with the local authorities and LECs.