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MEASURING ENTERPRISE IMPACTS IN DEPRIVED AREAS

REPORT TO THE SMALL BUSINESS SERVICE

December 2002

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MEASURING ENTERPRISE IMPACTS UPON DEPRIVED AREAS

Summary

Key findings:

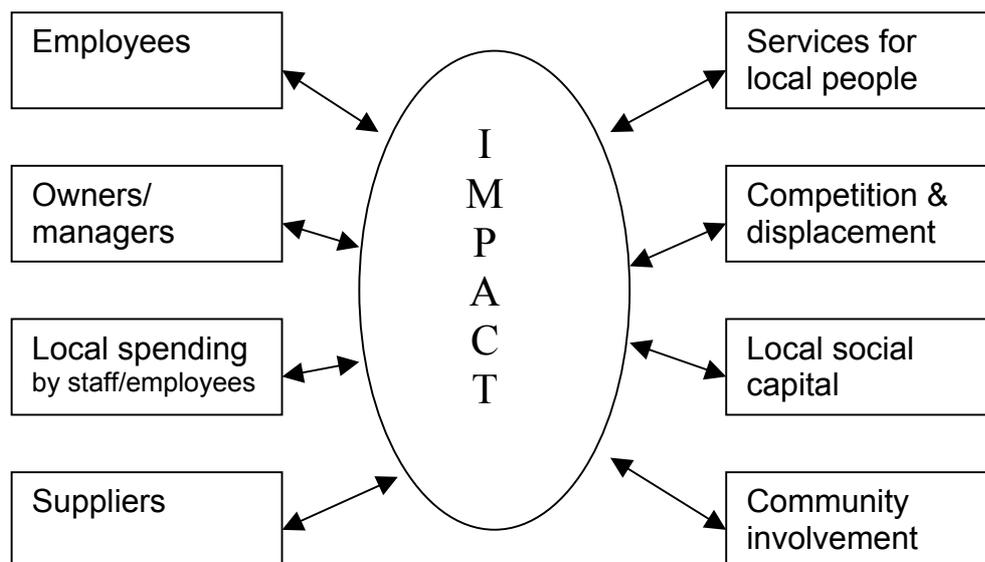
- A wide range of indicators measuring the impact of enterprise in deprived areas can be collected. In addition to jobs created, other impacts include provision of services, local money flows, benefits to supply chains, building social capital and community contributions.
- While some indicators can be quantified, qualitative impacts such as job satisfaction, quality of life and personal development are also important indicators of impact
- Impact studies should assess the extent to which benefits are received by people resident in deprived areas and from disadvantaged groups. The impact of enterprise upon deprived areas comes from both those firms located in deprived areas *and* those firms outside these areas but employing deprived area residents
- By drawing on a range of research approaches (including academic studies, social auditing, money flow studies, corporate social responsibility assessments), ways of collecting these indicators have been identified
- Through a rigorous pilot testing and exploratory study, the methodology has been refined and three types of survey have been identified.
- Follow up studies are required that measure the impacts of a larger sample in order to compare the impact of different types of enterprise and provide the evidence base for policy making. The indicators can also be adapted for use by individual enterprises measuring their own impact.

There has been a growing interest amongst policy makers concerning the role of enterprise development in deprived areas. At present there is a lack of robust empirical evidence to demonstrate the actual contribution of enterprises to the alleviation of deprivation. While many existing studies rely on measuring the number of jobs created, this report presents a new methodology for measuring the contribution of different types of enterprises to disadvantaged areas using a wide range of economic and social indicators.

The report begins by offering a conceptual overview of the types of impacts. The framework recognises the range of impacts received by a wide range of stakeholders, as shown in the figure below.

The issue of enterprise success in deprived areas offers the promise of uniting the Government's interests of economic competitiveness, social inclusion and neighbourhood renewal. In addition to a wide range of local and regional government policy, the types of national policy include: the Small Business Service's Phoenix Fund and Business Link support services, the Department for Education and Skills' New Entrepreneur Scholarship scheme, the Department for Work and Pensions' New Deal for the Self-employed, H.M. Treasury's Stamp Duty Relief, the Office of the Deputy Prime Minister's Business Improvement Districts, the Department for Environment, Food and Rural Affairs' support for rural businesses as well as many other non governmental initiatives aimed at enterprise development in deprived areas.

The multiple impact and stakeholder model



Using the methodology developed, future studies will be able compare the impact of different types of enterprise. These comparisons include: social versus conventional enterprises; high skill versus low skill enterprises; inward investors versus indigenous enterprise; large versus small enterprises; established versus new enterprises. Data is also needed to ascertain whether impact varies between types of sectors and location such as inner cities, coalfield areas, coastal towns, rural areas and market towns.

The purpose of this study is to develop an impact assessment methodology in the shape of a conceptual framework, guidelines for future studies and the piloting of key impact assessment questions. The use of the methodology allows those implementing projects in and around deprived areas to assess the relative impact of different types of enterprise and identify specific types of businesses that might receive priority in terms of business support. Such an approach might also be used to measure the impact of many national, regional and local policies in terms of how they allow different firms to impact upon populations in deprived areas.

This study reviews the main literatures used to examine business impacts with a view to identifying what tools already exist. The following approaches were reviewed:

- Aggregate statistics on deprivation - such as the Index of Multiple Deprivation. This can be used to identify patterns of deprivation over a range of scales from wards to the national level and can also demonstrate changes over time.
- Economic approaches - conventional impact assessment studies concentrate on quantifiable indicators such as jobs created, increases in income and turn over of businesses. Much attention has been given to measuring job displacement (i.e. how new jobs are created at the cost of displace existing jobs).
- Social Audit approaches – These measure the wider impact on the stakeholders shown in the figure above (including local communities and employees). Indicators of business community relations are also included which involve measures of the explicit impacts such as donations, sponsorship etc, and the less obvious impacts such as community cohesion, trust and supporting people from a diverse range of groups.

- Monitoring local money flows – Multiplier effect studies aim to provide information on where money coming into a community goes and the extent to which it circulates within the local economy.

A set of questions was developed from these reviews which was then empirically tested in two locations, one rural and one urban. From this pilot testing, the research approaches of measuring impacts were refined and some new issues identified. The empirical study was also used to explore the types of impact in more detail and to make classifications of the types of impact that are commonly reported by enterprises.

Implications for research and impact assessment studies

This study has developed and tested a methodology to measure both social and economic impacts of enterprise. The table below presents the types of impact, measurable indicators, means of measurement and the types of survey. Three types of surveys are recommended by the study. The choice between methods being dependent on the information needs. Some impacts are easier to measure than others and this project has categorised the indicators into three types, based on the depth of impact study that is appropriate.

These types are:

1. *Comprehensive qualitative and quantitative studies* – These can provide the most detailed understanding, combining both qualitative and quantitative indicators of all aspects of impact. The methodology would use both a questionnaires and a range of qualitative methods such as interviewing, discussions of critical incidents in the enterprise's life, and focus groups.
2. *In depth quantitative surveys* – When detailed quantitative information on a wide range of indicators is required and there are not resources for a detailed qualitative study, in depth location-specific questionnaire studies can be used. These could be collected through face to face extended interviews.
3. *Short quantitative surveys* - For less in-depth studies that aim to generate information from large samples, a smaller number of easily identifiable indicators are set out. These could be collected through interviewing enterprise owner managers and employees by telephone or face-to face

To measure the impact of enterprises on residents of deprived areas, it is necessary to use a two pronged approach: firstly measuring the impact of firms located in deprived areas and secondly measuring the impact of enterprises located elsewhere but employing residents from deprived areas. Identifying the firms located outside the deprived areas requires surveys of the residents living in the deprived areas.

Future work on impact assessment methods could be used to develop an index of impact for different types of enterprise. As there are a large number of indicators used, such an index would require some indicators to be weighted differently to others. Establishing the weighting values would depend on negotiations between the different stakeholders involved in the impact study and the research questions being explored. For example, studies of the impact of social enterprises may place less value on the role of job creation compared to the service provision.

The multiple enterprise impact framework

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|-------------------------------------|--|--|--|-----------------------------|-----------------|-------------|
| | | | | Compr ehensive | In- depth quant | Short quant |
| Jobs for people from deprived areas | The types of employment currently available to people in deprived areas | Location of employment for people in deprived areas | Resident survey in deprived areas | X | X | X |
| | | Quality of employment opportunities (see below) | | | | |
| | Number of employees and extent to which staff match local labour market and disadvantaged groups | Number of jobs (full and part time) | Estimation of owner/manager and comparison to aggregate statistics | X | X | X |
| | | Number of full time equivalent jobs | | X | X | |
| | | Proportion of socially excluded /low skilled amongst recruited staff | | X | X | |
| | | Proportion from different ethnic groups | | X | X | |
| | | Proportion of men and women | | X | X | |
| | | Proportion from different age groups | | X | X | |
| | | Methods of recruitment | | X | | |
| | | Proportion of employees that are casual / seasonal labour | | Estimation of owner/manager | X | X |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|--|--|---|---|-----------------------|-----------------------|----------------|
| | | | | Compr ehensi ve | In- depth quant | Short quant |
| Quality of jobs | Wage levels | Wages of different levels of staff (Managerial, professional, artisanal/skilled, less skilled) | Estimation of owner/manager | X | X | X |
| | Skill development and learning | Amount of formal training provided | Estimation of owner/manager | X | X | |
| | | Percentage of staff claiming to have gained skills and earning potential | Interview sample of employees | X | X | |
| | | Perceived change in specific skill aspects including technical, communications, negotiation, research, organisational and managerial skills | | | | |
| | Job satisfaction | Staff turnover in past three years | Estimation of owner/manager | X | X | |
| | | Perception of satisfaction | Interview sample of employees using likert scale and qualitative research | X | | |
| | Changes in quality of life | Perception of quality of life | Interview sample of employees using likert scale and qualitative research | X | | |
| Workplaces as arenas for social cohesion | Extent of intra firm mixing and examples of how this has had an impact | Qualitative inquiry | X | X | | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|--|---|---|--|-----------------------|-----------------------|----------------|
| | | | | Compr ehensi ve | In- depth quant | Short quant |
| Impacts on business owners/managers | Avoiding unemployment and low wages | What were they doing before starting | Only applicable to those starting up recently | X | X | X |
| | Change in income | Percentage change in income for past 12 months compared to before starting | Only applicable to those starting up recently | X | X | X |
| | Change in quality of life | Increase or decrease in income, stress, leisure time, family time, and general perception of quality of life | Only applicable to those starting up recently | X | X | X |
| | Skill development and learning | Amount of formal training gained Perceived change in specific skill aspects including technical, communications, negotiation, research, organisational and managerial skills | | X | X | |
| | Personal development | Perceived changes in confidence, self esteem and ability | Qualitative e.g. critical incident analysis | X | | |
| Local spending (by employees and owners) | Multiplier effects of spending patterns | Extent of staff and owners spending in locality | Estimations of owner mangers and a sample of employees | X | X | |
| | | Extent to which local retailers purchase locally | Interview retailers | X | | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|---|--|---|--|-----------------|-----------|-------------|
| | | | | Compr ehensive | In- depth | Short quant |
| Provision of products and services | Service provision for people in deprived areas | Size of sales (turnover) | Estimation of owner/ manager | X | X | X |
| | | Number and percentage of customers from deprived areas and disadvantaged groups using service | Estimation of owner/ manager | X | X | |
| | | Impact on people from deprived areas | Survey of beneficiaries | X | X | |
| Supply chains and subcontractors | Local purchasing and generating local business | Extent of enterprise's spending in locality | Estimation of owner/ manager | X | X | X |
| | | Extent to which local suppliers purchase locally | Interview suppliers | X | | |
| Competition | Potential for displacement | Number of direct competitors in locality | Estimation of owner manager | X | X | X |
| | | Extent to which market for goods or services is saturated | Comparison with aggregate statistics | X | X | |
| Social capital and inter-business links | Helping other local firms | Number of collaborative links | Estimation of owner/manger | X | X | |
| | | Examples of helping each other | Qualitative critical incident analysis | X | | |
| | Participating in business networks and clubs | Membership of business networks and clubs | Estimation of owner manager | X | X | |
| | | Extent of involvement | Qualitative critical incident analysis | X | X | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|---|--|---|--|-----------------------|-----------------------|----------------|
| | | | | Compr ehensi ve | In- depth quant | Short quant |
| Community involvement by businesses and employees | Donations and sponsorship | Amount of donations and sponsorship for deprived areas Use of company resources (time, space, equipment, vehicles etc)for deprived areas | Estimations by owner managers and employees | X | X | |
| | Participation in and managing community activities | What types of activities What management roles or committee membership | Qualitative critical incident analysis with owners and employees | X | | |
| | Apprenticeships, student placements | Number and length of apprenticeships over past three years Number of student placements over past three years | Estimations by owner managers | X | X | |
| | Improving the image of a locality | Whether enterprise is involved in promoting image What kind of involvement | Qualitative critical incident analysis with owners and employees | X | | |
| | Encouraging people to move into the locality | Describe examples of cases where your encouraged others to move | Qualitative critical incident analysis with owners and employees | X | | |
| | Encouraging people to start, sustain or grow a business through advice and mentoring | Describe examples of cases where your encouraged other businesses Types of support | Qualitative critical incident analysis with owners and employees | X | | |

Discussion and findings

The tables above demonstrate that it is possible to collect a wide range of social and economic indicators. These can be used to measure the multiple impacts of different types of enterprises and therefore provide evidence from which informed policy decisions can be made. While the testing of the methodology has resulted in the development of a comprehensive methodology for measuring the impact of enterprise, each set of indicators raises a number of research questions with implications for how impact assessment can be carried out in future. The key findings are as follows:

Extent and quality of jobs for people from deprived areas

The impact on employees depends on the extent to which enterprises employ those from the deprived areas and in particular people from disadvantaged or socially excluded groups resident within such areas. This study found that a large proportion of employees of enterprises in deprived areas live outside the area although the extent to which people in deprived areas travel elsewhere for work is not known. It is important to gain a greater understanding of the distance socially excluded people are willing to travel and, if necessary, what can be done to encourage them to look for opportunities further afield. The analysis of the 2001 census will add to our knowledge on 'travel to work' patterns.

The methodology developed in this study can be used to assess whether the needs of the socially excluded are best met by encouraging firms to establish themselves in deprived areas or to set up in a location where they perceive that they will grow faster and therefore employ more people. The benefits of having local jobs (in terms of reduced travel times, less congestion, access for those without access to cars or public transport, and helping those who want to be near to childcare) should also be recognised. This methodology can also be used to assess which types of firms create more jobs for the socially excluded, and therefore might be supported in deprived areas. For example the growth of specialist 'knowledge intensive' firms may be of less benefit to those with few skills than other types of enterprise

Impacts on owners and managers

The survey found that a large proportion of owners and managers were not resident in the deprived areas selected for the pilot study. However, a greater proportion of smaller businesses were found to have owners living in the deprived areas and therefore contributing to the locality, compared to larger businesses with more than 10 employees.

Provision of products and services;

Enterprises in deprived areas can provide valuable retail services for those without access to transport; this is particularly important in rural and some suburban areas. Social enterprises have a much greater emphasis on delivery of local services especially in under-served communities. The impact on the environment (built and natural) of business activity can be both positive and negative. Enterprises (conventional and social) can have the objective of improving the physical environment reclaiming brown field land and saving buildings from dereliction, while others may have significant negative impacts on water, air and land quality.

Supply chains and subcontractors

Some sectors and types of firms are more 'embedded' in local supply chains than others resulting in more of their expenditure circulating and a greater multiplier effect for their contribution. Identification of these types of firms may be required in order to target support that has the greatest impact. We suggest that enterprises trading in less specialist products and services will also source more locally and have more local customers. An exception to this may be clusters of specialised companies that gain competitive advantage through working closely together and using 'Just in time' approaches.

Competition and Displacement

The extent of displacement within different sectors is not known. At present evaluations of enterprise development use crude estimates and there is a lack of information about which types of enterprise have the higher rates of displacement. Levels of displacement can be found by collecting information on the amount of competition within different geographic areas , the extent of each firms markets and the uniqueness of their products.

Social capital and inter-business links

While there is considerable policy interest in supporting clustering and the nurturing of social capital, the ability to measure these phenomena is limited. This study has identified a range of questions that can offer some measurable indicators that are easily collected, as well as identifying the issues that need to be investigated in more detail. Types of collaborative activities include sharing equipment, ideas and information, referrals, and joint projects.

Community involvement by businesses and employees

This study has identified a wide range of community benefits to which enterprises may contribute. These come in the form of donations of money, and resources, as well as participating in community groups, providing encouragement and guidance to other members of the community and helping other local businesses. While ‘corporate social responsibility’ has received much discussion in relation to larger businesses, this study shows how information on smaller businesses, and their impacts within their communities, can be collected.

Section 1: Introduction

1.1. Aims of the Report

All policies aiming to assist businesses in deprived areas need to be able to assess business impacts upon deprivation when establishing a policy and when measuring its impact. The overall aim of this project is to develop methodologies to do just this. By examining a range of economic and social indicators the study aims to develop tools for measuring the contribution of different types of enterprises to disadvantaged areas. At present there is a lack of robust empirical evidence to demonstrate the actual contribution of enterprises to the alleviation of deprivation, which would seem to be a priority need, in view of the current direction of policy.

Using the methodology developed, future studies will be able to make a number of comparisons such as: social versus conventional enterprises; high skill versus low skill enterprises; inward investors versus indigenous enterprise; large versus small enterprises; existing versus new enterprises. It is particularly important to measure the impact of micro-enterprises, those that are not VAT registered or do not operate in the formal sector. Data is also needed to ascertain whether impact varies between sectors or types of location such as inner cities, coalfield areas, coastal towns, rural areas and market towns. These aims were met by undertaking the following stages:

Stage 1: Assess existing tools and methodologies used in previous research and regeneration programmes to measure the impact of different types of enterprise (both mainstream and social), on local economies.

Stage 2: Based on best practice, develop and test a set of methodologies and tools that could cost effectively and systematically measure the impact of different types of conventional businesses and social enterprises in neighbourhood renewal and regeneration. In-depth interviews are used to explore the different indicators and identify the most appropriate way of measuring the impact. The qualitative and quantitative indicators of impacts include: jobs created, services provided, money circulating in the local economy, building experience, skills and self esteem of socially excluded, involvement in community activities and building social capital (networks and trust).

Stage 3: In the light of experience, amend these tools to inform the work of those implementing the above policies, both nationally and on the ground in the areas eligible for support and meet the information needs of SBS, RDAs and other bodies. Recommendations will also be made about how impact measurements can be collected and the types of surveys required.

1.2 Context For The Report

There has been considerable policy interest in recent years in the positive role that enterprise can play in regenerating disadvantaged areas. (This section describes the range of these programmes operating in October 2002.) This interest began with the Treasury's Policy Action Team's Report on 'Enterprise and Social Inclusion' (H.M. Treasury, 1999). The report made it clear that enterprise is one of the key elements identified by government as a potential source of renewal of the poorest and most marginalised communities and localities in the UK.

The DTI has a Public Service Agreement target to generate more sustainable enterprise in the 20 per cent most disadvantaged local authority wards¹ on the Government's Index of Multiple Deprivation (IMD). The DTI also has an Ethnic Minority Business Forum that has 'Regeneration' as one of its five sub-groups. This has a strong implicit inner-city dimension in

¹ 69% of the bottom 20% of wards are also in the 88 National Strategy for Neighbourhood Renewal local authorities.

that the majority of ethnic minority businesses are situated in urban areas in need of regeneration. Thus, the work of the EMBF more generally is implicitly targeted at inner-city areas. However, it is through the SBS that the Department has been most active on the enterprise and deprived areas agenda.

The Small Business Service (SBS) has a core objective to champion entrepreneurship across society, particularly in under-represented and disadvantaged *groups*. To take this mission forward it created a Social Inclusion Team that oversees the Phoenix Fund (for business support in deprived areas and championing ethnic minority and women owned businesses). The SBS oversaw the award of Business Link franchises and required that applications had to stress commitment to assist businesses in disadvantaged areas. The SBS now makes allocations to the BL's based partly on deprivation levels of areas in which they're located.

The aim of the Phoenix Fund is to encourage entrepreneurship in disadvantaged or under represented *groups* including many of those living in disadvantaged areas. It offers assistance to business support providers and finance to Community Development Finance Institutions. Eighty per cent of projects funded to date operate in the 88 National Strategy for Neighbourhood Renewal local authority districts. The Funds are:

- *Development Fund* - seeks to encourage innovative ideas to promote and support enterprise in disadvantaged areas and in groups currently under-represented in terms of business ownership.
- *Community Investment Tax Credit* - tax relief for investment in start-up businesses and social enterprises in deprived areas.
- *Challenge Fund* to stimulate the development and growth of community development finance institutions (CDFIs) that promote successful enterprise among disadvantaged groups and, to do this, usually operate in defined deprived geographic areas. CDFIs tend to be locally run, not-for-profit organisations
- *Loan Guarantees Fund* - CDFIs borrows from the bank and then lends on to local enterprises.
- *Community Development Venture Fund* - Government investment on a pound for pound basis with private sector investors in order to stimulate the provision (and benefits) of venture capital to viable SME's capable of substantial growth, located in the 25% most deprived wards in England IMD ranking.
- *Rural renewal Fund* – Set up following the foot and mouth epidemic to support rural enterprise

The Phoenix (Development) Fund has also funded other initiatives and partnerships. Amongst the initiatives that receive money from the Fund are the City Growth Strategies pilot projects in four English cities – the aim being to encourage towns and cities to put enterprise and business at the heart of regeneration by focusing on competitive economic advantages of inner city areas. Phoenix funding has also been used for the Business Volunteers' Mentors Association, which has sought to find business mentors to give advice to pre-start, start-up and micro-businesses, particularly those in deprived areas.

Several other Departments have also introduced policies for supporting enterprise in deprived areas. These include the DfES' New Entrepreneur Scholarship Scheme administered by the Learning and Skills Council. This is a six month part-time development programme for new entrepreneurs that was initially piloted in Manchester, Cornwall and Greenwich but was extended nationally (England) in September 2001. All are run by a partnership of an Enterprise Agency, The Prince's Trust, and a local Business School. They cover the most deprived wards in each Government Office region and are eligible to everyone over 18, not in full-time education in those areas and with a new, independent business. Also implicitly targeted at start-ups in poor areas is the New Deal for the Self-Employed - 1 of 5 options for young people (aged 18 - 24)

who have been unemployed for at least 6 months. In addition to various forms of business support this allows business operation for 6 month period under 'test trading' conditions while still on benefits.

The Treasury has allowed Stamp Duty Relief on non-residential property transactions in deprived areas which will support small businesses who are more likely to occupy leased premises. The ODPM is introducing Business Planning Zones – a key strand of which is to ensure that the planning system is capable of meeting the needs of fast-moving businesses in “areas of low growth or high unemployment”. This same Department, through the Neighbourhood Renewal Unit, has also funded a review of literature on business impacts – both in terms of evidence on firms and evidence on policies that seek to increase such impacts. This work is overseen by a cross-Whitehall team that includes the Treasury, SBS and DTI. The Department for Environment and rural Affairs has also been supporting firms in deprived rural areas, although working closely with SBS for two enterprise development programmes. Finally, public money has also been available through the European Union route – most notably through Social Venture Capital in the Objective 1 Regions and enterprise elements of the Urban II Community Initiative.

Social enterprises (defined by DTI as “Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners”) have been encouraged by a number of specific policies as well as many of those outlined above. Support for social enterprises will be coordinated through DTI’s recently established Social Enterprise Unit.

The private sector has played a part too - several initiatives having emerged through Business in the Community, a business-led organisation whose roots lay in the inner city riots of the early 1980s. In the late 1990s the DTI piloted its ‘City Cares’ schemes (based on a successful US model of the same name) that aimed to make it easy for employees to give time and skills to the communities where they work. Similar City Cares now exist in over 20 (predominantly large urban) areas of England and Wales .

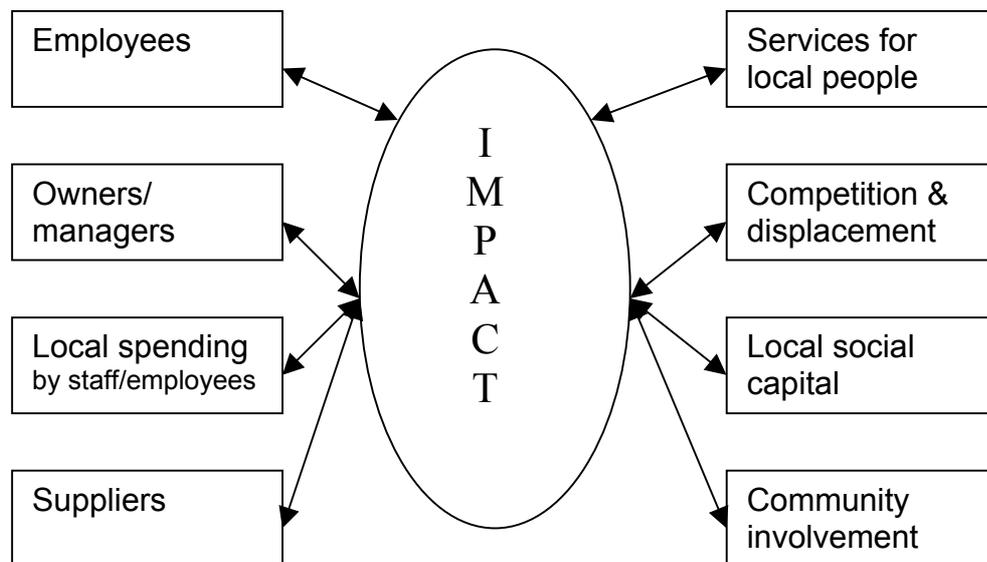
More recently still, the Partnership Academy & Business Brokers Pilot have been set up as a joint venture between Business in the Community and British Chambers of Commerce. Funded by NRU (ODPM), the Active Community Unit (HO) & the Phoenix Fund (DTI), it has initial money for two years. It is being run in 9 pilot areas across England [1 per region]. The aim of the Business Brokers is to increase and enhance the business voice within the new Local Strategic Partnerships. BiC, with the assistance of its President HRH the Prince of Wales, oversaw ‘Seeing is Believing’ Programme. This encourages business leaders to visit 2-3 organisations or schools, in deprived UK inner city areas. They are then invited to report back to HRH on what action they are taking. BiC also launched its 40 Regeneration Action Areas in July 1997 to focus business support on targeted areas of particular disadvantage. So far nearly £3m in business time and money has been secured and 250 companies engaged [the areas also being the focus for Seeing is Believing]. Finally, there are the BiC/Financial Times corporate community awards (sponsored by DTI) that includes an ‘Enterprising Communities’ award for the social & economic regeneration of local communities.

Section 2: Types of business impacts upon deprived areas

2.1 Introduction

This section presents a review of the types of impact that businesses of different kinds can have on deprived areas. It draws on a range of literature and presents a set of research questions. The next chapter examines the different approaches to measuring impact used in the past. These two chapters contribute to the development of a framework of elements that are explored and tested in the pilot study. The review is structured around the impacts of enterprises on different stakeholders, shown in the figure below.

Figure 1: The multiple impact and stakeholder model



2.2 Employment for people from deprived areas

Enterprises have a direct impact on those employed by providing income as well as providing training and non financial benefits. A challenge facing studies on the impact of enterprise in disadvantaged areas is measuring the extent to which the employees are from the deprived area itself and are drawn from disadvantaged groups.

The ‘employment deprived’ (DETR 2000), are those who want to work but are unable to do so through unemployment, sickness or disability. This is seen as separate from the domain of income deprivation to which the lack of work may of course often lead (and lead quite quickly). The issue of sickness and disability makes it important that impact studies seek to gauge the importance of Social Firms (those whose explicit aim is to recruit from the ranks of such individuals).

Less skilled workers in deprived areas are often, almost by definition, in the very worst positions in the labour market. As a result, even if there *are* jobs for unskilled workers on their doorstep the deprived area residents are not guaranteed to get them. This is due to a process of ‘bumping down’ (Gordon 2000) in which more skilled workers will often travel in to take such jobs. However, this will also depend on the intervening opportunities and therefore the local sub-regional context. The policy consequences of this are that any exercise to see business-led regeneration may be a forlorn exercise unless it occurs alongside a wider renaissance in the

urban and regional labour market. Social enterprises may be able to offer some support through local labour clauses, although their extent and scale is limited at present (Lyon, 2002b; Amin et al., 2002) and the impact of their employment policies not known. The extent of demand for the less skilled also differs dramatically according to sector.

Clearly there are *some* jobs where being local is at a premium – for example where there are night shifts, where public transport is inaccessible and costly, and, even sometimes, where firms feel that employing locally reduces crime against them and provides better staff recruitment channels. Varying combinations of transport costs, childcare and low wages also mean that many workers will not be prepared/able to travel far. Low waged groups are found to spend a disproportionate amount of their income on getting work and longer commuting times can have wider environmental side effects of congestion and pollution. The extent to which people live within the same ward as businesses or within short commuting distances is not known at present, although information may become available using the new census data.

Implications for assessing impacts:

- Use a two pronged approach to measuring the impact of both firms in deprived areas and enterprises located elsewhere but employing residents from deprived areas
- Job impacts cannot be seen independently of the wider local (travel to work area) labour market and will depend upon the level of wider unemployment levels – only at near full employment will a local firm be maximising its local impact upon a particular deprived area.
- Identify the types of firms which are more likely to have jobs requiring low/no skills (i.e. that do or *could* go to deprived area residents) and those that require local workforces
- Identify key skill/geographical barriers to employment of deprived area workers in low/unskilled work (i.e. are there issues that might prevent them gaining such basic jobs even in conditions of full employment).

2.3 The Quality of Jobs

Employment is a source of income, an opportunity to acquire skills and a source of various forms of occupational welfare. The role of enterprise in building human capital differs between firms with different types of contracts and conditions. There is some evidence that the wage levels and formal training opportunities are limited in smaller firms (Atkinson and Storey, 1993; Johnson and Devins, 2001), although many employees state that they prefer the flexibility and personalised relations with the employer (Johnson, 1991). Flexibility is particularly important to those with childcare responsibilities, returning to work and combining several part time jobs. The quality of employment conditions in social enterprises varies considerably depending on their aims and their sectors. While some have stated aims to offer improved working conditions, others in sectors such as care provision, follow similar working conditions to conventional firms (Amin et al, 2002).

Employment can affect participation in various formal and informal social networks² and can provide an individual with skills that can be used outside the workplace. Furthermore the number and timing of hours worked can affect the quality of life especially if it is shift work and unsociable hours. Ways in which companies encourage staff to mix (e.g. company away-days, shared eating facilities/spaces etc) can also determine workers' friendship networks (which may also have implications for cohesion).

² There is even a danger, recognised in many debates on welfare-to-work policies that local informal social support networks may be disrupted if unemployed people central to these networks' operation are forced off benefits into work.

Implications for assessing impacts:

- It is necessary to examine wage levels with particular attention to the wages in un-/low-skilled jobs.
- Examine the extent to which jobs develop un-/low-skilled staff in a way that increases their earning power, moves them away from low incomes and leaves staff with transferable skills.
- Assess the satisfaction of those in jobs employing un-/low-skilled workers with their working conditions.
- Assess the extent to which certain forms of working conditions [of those in work requiring low/no skills] are favourable/inimical to a healthy family/social life.
- Assess any unintended consequences of movement off benefits and into work in terms of lost opportunities and reduced community involvement

2.4 Impact on owners and managers

New enterprises can increase income for business owners (if they are currently unemployed or in low income jobs), as well as for any employees they may create jobs for. Starting enterprises can also increase access to opportunities for making a living for groups that are otherwise disadvantaged or excluded (LRN, 2001). Indeed, disadvantage or discrimination in the labour market is one of the factors influencing some members of ethnic minorities to set up businesses (Blackburn and Ram, 2001). Although some may prefer salaried employment, starting a business may be a viable option for disadvantaged residents (Gavron et al, 1998). Start-ups can also benefit women re-entering work since they can provide more flexible working conditions, such as part time working, which can be attractive to women with child care responsibilities, who may otherwise be excluded from the jobs market.

At the same time, studies of the start up rate show that rates of new firm formation are lower in most deprived areas of these areas although there are exceptions to this (Westall et al, 2000). the current contribution of self employment from new enterprises to reducing social exclusion in disadvantaged communities is limited by the Other limitations are that those starting up in business are more likely to do so because of 'push factors' rather than 'pull factors', and those pushed into self employment are less likely to employ anyone else (Gray, 1998). It also needs to be recognised that self-employment is risky and not necessarily better than waged labour especially for the socially excluded. Moreover, the survival of businesses set up by those who have been unemployed has been shown to be lower than those coming from employment (Smallbone, 1990).

Implications:

- Self employment can be a way of raising income for people in deprived areas, although the extent of new firm formation differs between areas
- There is a need to examine the softer impacts of those starting their own enterprise. These can include raised self confidence and building skills. There are also increases in risk and negative effects particularly if the business does not survive.
- The extent to which the start-up of business in deprived areas are motivated by labour market discrimination (particularly in regard to ethnicity, postcode etc.) needs to be assessed.

2.5 Impact of local spending

Increased incomes of employees and owners are likely to contribute to a greater demand for local services (LRN, 2001). However, the scale of this impact is affected by the spending patterns of those in receipt of higher incomes and their ability to buy locally. If new consumer service firms allow/encourage residents to use local rather than non-local services, the flow of income within the locality will be increased with positive multiplier benefits (Westall et al, 2000).

However, the extent to which purchases will be local – other than for those that are so poor that they can only afford bare (subsistence) minima in terms of goods and services and/or that have insufficient funds to travel elsewhere to make their purchases. It is with such groups that the Index of Multiple Deprivation's 'geographical access to services' domain is concerned. It is actually mainly concerned with physical proximity to *public sector* services but through mentioning 'access to food shops' it clearly opens the door to a wider definition of private services for poor areas/groups (security, transport, gyms, banking etc.).

Implications:

- Measure the extent to which local salaries of staff and employers remains in a locality
- The wider impact also depends on the extent to which local retailers and other service businesses source locally

2.6 Provision of products and services

Social benefits can also be said to accrue in terms of the improvement in access to service provision for local residents. Businesses can also impact upon poor areas through offering goods and services for sale. Indeed, the issue of 'under-served' markets has been a major policy discussion in the US in recent years (see Porter 1997) and has attracted some attention in the UK (see BITC 2002). Here social enterprises and the social economy (including L.E.T.s and credit unions) might well be expected to have a particular contribution to make to inclusion within disadvantaged communities and localities (Pearce, 1993; Leadbetter and Christie, 1999). This may be by filling gaps in service delivery, improving employability and giving people experience of enterprise. However, the small number and scale of existing social enterprises at present suggests that their contribution is limited (Lyon et al, 2002; Amin et al, 2002).

It is also worth pointing out that certain forms of business activities (particularly shops, shopping parades/centres, pubs and clubs of varying descriptions) offer an arena for people to meet – over and above the purchases that they may or may not make when there.

Implications:

- Identify those firms whose goods and services primarily serve deprived areas/groups
- Find ways of measuring the impact of these services
- Physical accessibility of goods/services can differ between wealthier groups and the poor

2.7 Supply-Chains

Businesses can impact upon other businesses through buying from or selling to them. Curran and Blackburn (1994) found that the types of small firms that have been increasing since the 1980s tend to be the least reliant on local markets. Although many other firms do provide retail and

personal services for local people and businesses, thereby allowing greater amounts of money to be spent in the locality, increasing the multiplier effect and reducing the flows of resources out of deprived areas (Westall et al, 2000; LRN, 2001). Before deciding how to treat the issue of firms' impacts upon local suppliers, and customers it is again necessary to question the extent to which businesses of any size have their suppliers, or markets within the *same* ward (the basic unit for measuring deprivation in the UK) or a larger local area. Impact measures also need to consider the extent to which the suppliers are employing people from deprived areas.

Implications:

- Those firms that buy from and *supply* firms that employ/serve un-/low-skilled workers are more likely to have a larger impact on deprived areas
- Measure impact of sourcing across groups of wards as well as from a single ward

2.8 Competition and displacement

Local competition is of course less obviously beneficial, to the area in question, where one company's gains come at the expense of another (referred to as displacement. The work of Michael Porter has stressed the virtues of strong local competition to keep business' performance high – that is to encourage the sorts of constant innovation that characterise the clusters of competitive advantage upon which he focuses. Robson et al. (1999) note that displacement “may also be seen more positively, in ecological terms, as constituting the invasion of new and more buoyant economic activity weeding out less competitive enterprises”.

In those instances where firms are overly concentrated on similar types of low-entry-threshold activity in a constrained local market (hairdressing, car repairs etc.) it can lead to high rates of displacement, contributing little to a diversification of the local economy (Turok and Richardson, 1991; Atkinson and Storey, 1993; Storey and Johnson, 1987; Storey and Strange, 1992; Mole et al, 2002). New or growing firms may also encourage job switching which adds no benefit if the jobs are similar and in the same labour market.

Displacement is measured by looking at the location of competition, the extent of the geographic market and the uniqueness of the product/service (Hughes, 1991). Conventional studies of enterprise have only looked at displacement of jobs, although there can be displacement of other indicators such as services provided, money circulating in the local economy and community involvement. Displacement can be measured at a range of scales: within a ward/neighbourhood, within a local authority area, within a region, nationally or even internationally. Most studies ignore the displacement at an international level and concentrate on other scales. However, as Robson et al. (1999) note, displacement:

“may also be seen more positively, in ecological terms, as constituting the invasion of new and more buoyant economic activity weeding out less competitive enterprises”.

Implications:

- Competition can stimulate the performance of firms that employ un/low skilled workers.
- The different extent of displacement between sectors and types of firms needs to be assessed
- Displacement occurs at arrange of scales and any study needs to clarify the area in which displacement is measured.

2.9 Social capital and inter-business links

Business can also have a positive impact through working with partners to develop local collaborative links on R&D, training, infrastructure, marketing, purchasing, supply etc.

The extent to which these forms of collaboration can stimulate improved performance from firms that employ un/low-skilled workers and/or serve deprived areas/groups needs to be assessed. In the research on 'Innovative Milieux', the notion of there being a 'Learning Dynamic' (a culture of continuous innovation, an enthusiasm for technology and ongoing dialogue about current/future products between user and producer) is prominent (see, for example, Morgan 1997). Similarly, in the clusters approach of Porter (1998) the role of demanding customers receives particular emphasis.

Much has been made in literature on successful regional economies (notably the Innovative Milieux and New Industrial Districts work) about trust relationships between firms. In addition to making companies ready to trade and collaborate it may allow discussion of commercially-sensitive information (with suppliers, buyers and collaborators etc.) without recourse to a formal (costly) contractual/legalistic approach. Trust ties can perform an informal social control function against unethical business practices such as deliberate sale of defective goods/services, hostile (zero-sum) worker-poaching, late/non payment; poaching not training; overpricing, renegeing on informal agreements (confidentiality concerning technical or commercial information) etc. Clearly, many firms have legal agreements to protect them against most forms of malpractice – the point is that some degree of trust is needed before firms will even enter into such agreements in the first instance.

Businesses play a role in building trust based networks within communities through collaboration and increasing the amount of interaction and transactions and can be an important part of the intra community linkages that allow sharing of information and encouragement to entrepreneurs. However, defining trust and social capital is notoriously difficult. The economic benefits of this are mainly identified in terms of reduced transaction costs and the appropriability of the accumulated social capital in groups (Woolcock, 1998; 2001). The difficulties of defining, operationalising and measuring social capital are well documented however (See CONSCISE 2002).

Implications:

- Social capital is an important factor in shaping performance and hence the impact on deprived areas.
- The quality and implications of each collaborative link varies greatly.
- There are wider benefits to the local business community from building social capital

2.10 Community involvement by businesses and employees

Business support for local good causes (community engagement) is also another way, perhaps the most overt way, in which businesses can enhance the local social fabric. Examples here include: donations to, and sponsorship of, local good causes; apprenticeships, student placements, and mentoring; participation in and managing community activities (Potts 2002; Atherton and Sear, 2001; Business-Community Connections (2000). Curran and Blackburn (1994) found little evidence of a 'local consciousness' amongst business owners, over and above a necessity to trade locally.

As well as economic multipliers, enterprise activity can produce social, cultural and psychological multipliers. These include investor, resident and business confidence from local

business success stories as well as peer support and encouragement through the demonstration effect and knowing entrepreneurs. This is particularly important for those parts of society where there are low start up rates (particular ethnic groups, women, particular localities such as coalfields). Flora et al (1997) refers to this as part of the entrepreneurial social infrastructure.

Enterprises can clearly play a key role in shaping the image of neighbourhoods. While businesses that invest in local infrastructure and provide services can increase the attractiveness of an area, impacts can be negative – for example, the steel processors and scrap dealers in parts of Sheffield (Dabinett and Ramsden, 1999).

Implications.

- Enterprises and their employees also have a potential contribution through the payment of local taxes.
- Assess the nature and extent of corporate community engagement [that impacts upon residents of deprived areas].
- Examine how peer support and role models encourages local entrepreneurship
- Examine how enterprises can have both positive and negative effects on a locality

2.11 Conclusions

The chapter has provided a comprehensive overview of the ways in which business can impact upon deprived areas. We have sought to put business impacts into nine categories. These include:

- Extent of jobs for people from deprived areas;
- Quality of jobs;
- Impacts on business owners/managers
- Local spending (by employees and owners)
- Provision of services;
- Supply chains and subcontractors
- Competition
- Social capital and inter-business links
- Community involvement by businesses and employees

The next chapter explores the different approaches that have been used in the past to measure impact. Following these two chapters a conceptual framework will be set out.

Drawing on this review of the types of impact of enterprise in deprived areas a number of key issues can be identified. A central theme running throughout the conceptual framework is the notion that the basic Government unit for measuring deprivation is the ward – a unit that, as NEF's Inner City 100 work has shown, is far too small to capture firms' impacts. Although impact studies of enterprises in deprived areas are needed, they should be complemented by other studies that start with the impacts and work 'backwards' to the firms that make them - whether they are in a deprived area or not. This will contribute to the policy debates concerning the relative impact of concentrating enterprise support in deprived areas compared to supporting enterprise over a wider geographical scale.

The impact of enterprises on deprived areas is greater if there are more low skilled jobs. In particular, we hold that job impacts cannot be seen independently of the wider local (travel to work area) labour market. The extent to which people from deprived areas get access to jobs depends on the competition from more skilled people from elsewhere and upon the wider unemployment levels. Furthermore impact studies need to assess the quality of jobs in terms of

wage levels, working conditions, skill development and building a informal networks for employees.

As well as considering the impact in terms of employment creation, a range of other indicators can be identified that measure the 'softer' impacts of enterprises on both employees and employers. Economic impacts in terms of measuring the multiplier effects of individuals spending patterns, the spending of firms and the contributions firms make to the locality in financial and non-financial terms, can also be measured.

Section 3: A review of existing measurement approaches and tools

3.1 Introduction

This part of the study examines the existing indicators, tools and methodologies used to measure the impact of different types of enterprise (mainstream or social) on local economies. These have been adapted and drawn upon to develop the methodology for the case study research. In addition to examining how aggregate statistics such as the Index of Multiple Deprivation can demonstrate changes over time, we also look at four main types of impacts assessment approach:

- Economic approaches - conventional impact assessment studies which concentrate on quantifiable indicators such as jobs created, increase in income and turn over of businesses. Much attention has been given to measuring job displacement (i.e. how new firms displace existing jobs).
- Social Audit approaches – measuring the wider impact on the stakeholders (including local communities and employees).
- Business community relations – Measures the explicit impacts such as donations, sponsorship etc, and the less obvious impacts such as community cohesion, trust and supporting people from a diverse range of groups.
- Monitoring local money flows – to provide information on where money coming into a community goes. This information can be used to calculate multiplier effects.

Aspects of best practice are drawn from the use of these tools and are used to develop research questions and indicators to measure the issues discussed in the previous chapter. These are then developed into the *Multiple Enterprise Impact Framework* presented in section 4.

3.2 Aggregate measures of deprivation

In terms of defining deprivation the Government's Index of Multiple Deprivation (IMD) can be used to measure changes in deprived areas over time (DETR 2000). Three of the IMD's six domains of deprivation used to calculate the Index are of overt relevance to enterprise impacts. These are: 'employment'; 'education, skills and training'; and 'geographical access to services'.

The most obvious impact is 'Employment'. For IMD purposes the 'employment deprived' are defined as those who want to work but are unable to do so through unemployment, sickness or disability. The domain measures forced exclusion from the world of work. This is seen as separate from the income deprivation to which lack of employment may lead (and lead quickly). The indicators in this domain (see Table 2) constitute non-overlapping counts of those excluded from the labour market through unemployment, ill-health or disability.

The 'Education, Skills and Training' domain measures education deprivation in as direct a way as possible. This is predominantly measured by lack of qualifications amongst adults and children of different ages in a local area. Most of the indicators within the domain relate to those in their teenage years however and so don't really indicate whether work itself is actually helping to provide qualifications.

The IMD also considers 'geographical access to services'. It is mainly concerned with physical proximity to *public sector* services but through mentioning 'access to food shops' it clearly opens the door to a wider definition of private services for poor areas/groups (security, transport, gyms, banking etc.).

Access to essential services is also an important aspect of people's everyday lives. People with low incomes are more likely to be experiencing the disadvantage of lack of access to services more acutely than those on higher incomes, who are in principle more able to afford public or private transport. The indicators all refer to access to state provision with the only reference to private sector services being access to food shops.

Table 2: IMD Indicators Most Relevant to the Issue of Business Impacts

| Indicator | Data Source |
|---|--|
| Unemployment claimant counts | JUVOS, ONS - average of May 1998, August 1998, November 1998 and February 1999 |
| People out of work but in TEC delivered government supported training | DfEE |
| People aged 18-24 on New Deal options | Employment Service |
| Incapacity Benefit recipients aged 16-59 | DSS for 1998 |
| Severe Disablement Allowance claimants aged 16-59 | DSS for 1999 |
| Working age adults with no qualifications | 3 years aggregated LFS data at district level, modeled to ward level for 1995-1998 |
| Access to food shops | Data Consultancy 1998 |

Source: DETR 2000

However, we would argue that all of the Government's six deprivation domains are individualistic – that is they ignore some of the strong recent political concerns with social capital and social cohesion that are very much concerned with social relations. Again, such relations are by no means exclusive to deprived areas but often assume greater importance in such locations owing to lower levels of material resources (that is, mutual aid becomes more important).

3.3 Economic Approaches

Academic and policy studies on the general impact of enterprise have concentrated predominantly on creation of jobs (Birch, 1979; Storey and Strange, 1992; Cowling and Hayward, 2000; Dale and Morgan, 2001). Some studies examine economic growth although this is not at a local scale. Turok and Richardson (1991), Atkinson and Story (1993) and Storey and Strange (1992) have examined the types of jobs created and the changes to the sectoral structure of the local economy.

Hughes (1991) stresses the importance of defining a job as some studies do not distinguish between full and part time work. Most studies (see, for example, Dabinett and Ramsden 1999) define full-time as 30 or more hours a week. Studies that examine the total number of full time equivalent jobs may fail to recognise the wider benefit of the ability to combine a range of part time jobs and the flexibility of part time work particularly for women with childcare responsibilities. Furthermore, most evaluation studies fail to examine the quality of jobs (in terms of salaries, conditions and security) or whether those getting jobs reflect the diversity of the local labour market.

Nevin et al. (1998) also asked how many workers were on a weekly wage more than the national average [excluding overtime pay]. They further broke down employment types into categories

that can assist any attempt to gauge impacts upon deprived areas. The categories they used were: 'skilled manual'; 'semi-skilled'; 'unskilled general'; 'shop assistant'; clerical/secretarial'; 'management/professional'. Baldock (1998) used the 1991 Census Standard Occupational Classification for his categories.

Then there is the crucial question as to who gets the work – in terms of groups and areas. Most authors typically seek to differentiate employment impacts by gender, ethnicity and previous employment status. Nevin et al. (1998) took a more dynamic view in looking at whether or not companies have an equal opportunities policy, the extent to which they recruit through word-of-mouth (a practice that can be exclusionary) and at whether workers are unionised. These same authors categorised the geography of employees' homes into: 'one mile from firm'; 'Sandwell' (the local authority area); 'Black Country' (the wider city-region area); the 'rest of West Midlands'; 'rest of UK'. Green (1995, quoted in Nevin) notes the existence of 'special workplace statistics' contained in the 1991 Census of Population that allow construction of a matrix which measures the level of economic self-containment – that is the extent to which local jobs are filled by local people and the proportion of employed residents working locally.

The issue of displacement is considered in many of these studies – the extent to which site-based economic activity has been transferred from within a specified geographical area (minus the growth in employment and other outputs since occupation). This is discussed in more detail in section 2.8.

3.4 The Social Audit Approach

Social auditing is a method of measuring a wide range of impacts of an organisation. There has been growing interest in these approaches amongst the private sector as consumers and investors are putting pressure on larger firms to consider their impact on the local communities where they operate and to ensure they have beneficial impacts (Dennis et al 1998). Social auditing approaches are also being used by social enterprises and voluntary organisations (Spreckley, 1990; Pearce, 1996, 1997; Dawson, 1998) often to justify receiving public or private sector funding (or other support). However, social auditing methods place less stress upon external impact and more upon performance against stated social objectives. There have been recent endeavours to extend beyond stated social objectives and to add other kinds of impacts (e.g. social capital) to be measured (CONSCISE, 2001).

An important element of such work is the idea of stakeholder analysis – breaking down the different groups that have a vested interest in a company's performance. These include, staff, customers, suppliers, investors and the local community.

Indicators, targets and (even) stakeholders are often defined through a negotiation process between an organisation and its stakeholders. Details of some of the indicators are given in the appendix and are built into the framework at the end of this section. There is a particular emphasis on the working conditions of the staff and the level of customer satisfaction. Impact on the environment (from business and its supply chain) can also be considered in social auditing. Indicators used include sustainability of raw materials, emissions (air and water), waste management, and number and length of vehicle trips.

Although focus groups and interviews are discussed in the social audit methodology, questionnaire surveys seem to prevail as the dominant methodology. Many of the issues are qualitative in nature and use a 'Likert' scale methodology where respondents are asked to respond to a statement by selecting an answer on a sliding scale (eg. Disagree strongly, disagree, don't know, agree, agree strongly). However, many questionnaires also leave room for written answers that may encourage respondents to expand on their response.

Intra-company comparisons may then be possible over time or with wider industry-wide benchmarks, although there are problems if the indicators are not comparable. This can come about because indicators are defined, measured or collected differently. There are moves to ensure greater comparability over time and with external benchmarks (Gonella et al ,1998) although this may restrict the ability of stakeholders to shape the social audit process. This study has drawn on many of the social audit indicators that have been developed. These have been adapted into research methodologies that can meet the evidence needs of policy makers rather than involve the participation of a wide range of stakeholders. A similar range of methods has been grouped under the term Social Impact Assessment (SIA) (Barrow, 1997). The heterogeneous collection of approaches, and methods include social surveys, questionnaires, interviews, secondary data analysis and Delphi techniques. The book's greatest value in the work lay in its pointing to ways in which the wider social fabric can be affected by different types of development.

3.5 Business Community Interactions

Business support for community activity can be charitable (that is where there is no obvious commercial gain) or it can be based on a 'business case', which either aims to raise the competitiveness of the business directly or, at least contributes some potential 'bottom-line' benefits for it. Furthermore, businesses may undertake activities without careful rationalisation and just see it as part of their work. Recent interest in promoting business community relations has been spearheaded by Business in the Community, an organisations that encourages larger firms to contribute money and staff resources to local community projects. They have drawn on the long history of philanthropic gestures by businesses to the communities in which they operate. An example of the methods to measure community activities used is shown in the box below

The London Benchmarking Group (LBG) Model

Inputs

The basic model defines 3 types of community *input* by business:

charitable gifts:

given with minimal concern for a return to the business. contributions which respond to local or national appeals to support good causes. This will include occasional donations to charities and social sponsorships not part of a marketing strategy. Also included are gifts by the company to match staff fundraising or encourage volunteering.

community investment:

done by company to secure long-term returns. Includes the costs of sustained involvement in issues important to the company. An example is a grant by a retailer, concerned about vandalism and shop-lifting, to a community group trying to reduce school truancy and prevent crime.

commercial initiatives:

must give a direct competitive advantage

as partnerships to promote and protect commercial interests, and includes sponsorships, cause-related marketing and community assignments for staff training.

In addition, the programme management costs should be included, covering the salaries, benefits and overheads of staff fully or partly engaged in managing community relations.

The three categories help put a monetary value on 'input' costs of community involvement [whether in cash, time or kind]. To this must be added the salaries, benefits and overheads of staff involved in community relations, enables a total cost of community involvement to be calculated.

Impact Assessment

The basic LBG model assesses outputs in terms of:

Leverage:

cash and resources from other sources drawn in by the programme. Examples are the cash generated from a marketing campaign on behalf of a charity and government funds attracted to a local community by the company contribution.

Community Benefit:

such as the number of people in society who benefit – say, the number of young people gaining jobs from a company-supported training scheme.

Business Benefit:

This would include enhanced reputation from a donation and increased sales during a cause-related marketing promotion.

Impacts are inevitably harder to evaluate because of the difficulty in isolating the causes and the longer timescales.

Input calculation is not entirely straightforward. One area of frequent confusion is the difference between the cost to the company of, for example, in-kind donations of goods and the 'opportunity cost' (notional sales income foregone) if the charity had had to purchase the goods on the open market. Some companies use the latter (larger) figure as their contribution, but in the view of the London Benchmarking Group this is incorrect: only the actual cost of manufacturing the goods counts as the input figure; an amount for the worth to the charity, based on a sales price, can be used as an output measure of benefit to the community. Indeed, under the charity SORP rules, this is the figure normally used in the beneficiary's accounts. Also, including programme management costs, as the LBG model does, allows a judgement about efficiency. Charities are often asked about their spending overheads as a proportion of direct programme expenditure, and companies need to be similarly vigilant.

Up until now, the main indicator was the cost of total community contribution against pre-tax profits, with 0.5% being the norm for the minimum acceptable. However this measure suffers from several weaknesses:

- profit fluctuations mean that it is important to collect data on an average over the business cycle rather than a single year
- misses the scale of voluntary effort by staff & customers, facilitated by the company
- company figure can hide wide national variations within international groups
- LBG methodology goes beyond narrowly defined charity or philanthropy.

3.6 Monitoring Local Money Flows

Monitoring money flows involves examining where a firm, its employees and suppliers spend their money and calculating how much is spent in a particular locality. Approaches, such as New Economics Foundation's *Plugging the Leaks* (see www.neweconomics.org), help communities to collect this information and find ways to reduce the movement of money out of the community. The benefits include increasing the flow of money in poorer communities and building trust as more transactions are done face to face. An assessment of the multiplier effect also makes it possible to judge the impact of different businesses on an area. Studies of multipliers are frequently used to assess the potential impact of a new development, a large firm closure or a new tourism development. Within the academic literature there are many studies on the impact of the growth of universities. Economic evaluation studies often make assumptions of the multiplier effects at different scales as collecting data from firms is difficult as they cannot easily recall the geographical locations of their spending (Nevin, 1998).

The NEF Plugging the Leaks approach concentrates on the local area although this is often difficult to define; rural areas include an area within a 10-15 mile radius., while urban areas typically look at a 1-2 mile radius. In many cases the boundaries are defined by administrative areas such as wards, local authorities or project boundaries. Other studies may take the region or

nation as a whole as the unit of analysis and can explore the multiplier effect of specific fiscal policies. Multiplier effect and money flow studies concentrate on the economic indicators and do not attempt to measure the important social and cultural multiplier effects such as increases in confidence, peer support and building social capital. These are discussed in the next section.

In order to work out the multiplier effect of a selected firm, it is necessary to calculate its *direct*, *indirect* and *induced* effects on the locality

Direct Effect

The direct effect of the firm on the local economy is the effect of expenditure. This should be calculated over a year, thereby offsetting seasonal variations.

Indirect Effect

There are three stages to working out the indirect effect of a business on a local economy.

1] how much of the money coming in is then re-spent locally. This re-spending will either be on the owner's profits (where the owners live locally), salaries to local staff, payments to local sub-contractors, and on payments to local suppliers.

2] what do the firm's local suppliers themselves re-spend locally, taking a representative sample if necessary

3] The third stage of the indirect effect is to look at what the firm's suppliers' suppliers spend locally and follow this questioning through the supply chain. This technique simply assumes that if these suppliers re-spend a certain %, on average, then the next suppliers in the chain will do the same on average, and so on. Rather than having to use that long-winded process for working out Stage 3 indirect spending, a simple formula exists. Having done this the firm's spending on local suppliers is then multiplied by the Stage 3 multiplier to work out the subsequent rounds plus the initial local spending by the firm's suppliers. The total indirect effect on the local economy is the sum of the effects calculated in Stages 1, 2 and 3.

Induced Effect

1] The induced effect is the amount of local spending generated from the salaries of the firm's local staff, sub-contractors and profits to local owners. To find out this figure all these three groups' general spending patterns need to be surveyed. The questionnaire should only ask for percentages in order to protect people's privacy. Again, averages can be employed in the absence of full returns.

2] As with the indirect effect, the need is then to see how *and where* those receiving this money re-spend it. The total induced effect on the local economy is the sum of the effects calculated in Stages 1 and 2.

To arrive at the overall multiplier it is necessary to take the total of the direct, indirect and induced effects, and divide the result by the direct effect.

3.7 Conclusions

This section has reviewed a number of approaches and measurement tools that can be used in collecting data on the impact of enterprises in deprived areas. The approaches include both use of existing data, such as the neighbourhood statistics and Index of Multiple Deprivation that measures employment, education and access to services, and a number of other approaches for collecting data from individual enterprises and their employees. While there has been some research carried out using conventional questionnaire and interviewing approaches for academic or policy formulation/evaluation purposes there has also been a rich source of experience coming from more 'participatory' research approaches. Examples of these examined include companies doing social audits and measuring community contributions, and communities measuring the money flows in their areas.

Based on the review of the literature and practice, a conceptual framework has been developed that is the basis of the pilot survey. This framework, presented at the start of the next section, recognises the multiple stakeholders that which are affected by an enterprise as well as recognising the multiple indicators of impact, both quantitative and qualitative. The aim in the remainder of the report is to use our synthesised toolkit and, more importantly, develop and test specific indicators for measuring the impact of enterprise on deprived areas.

4. Guidelines for assessing the impact of enterprises.

4.1 Introduction

This study has shown how the impact of enterprises can be measured using a wide range of indicators. This section documents the results of the testing of the methodology and presents guidelines and recommendations for how a broad range of economic and social indicators can be measured. Drawing on the results of the rigorous pilot testing, it identifies the constraints that could be faced by future studies that are following the conceptual model and framework set out in this report. The initial results of the pilot survey (based on interviews with 30 enterprises and 10 employees) are presented in the annex. The pilot survey took place in one urban location (Luton) and one rural area (Boston, Lincolnshire). The locations and businesses were selected purposely to ensure a cross section of business types.

4.2 A conceptual framework

Building on the previous two sections, a framework is presented with details of indicators, means of measuring them and a prioritisation process. The indicators are derived from the review of literature set out in sections two and three, with additions and amendments following a pilot testing and adapting exercise of the methodology (this is shown in the annex). This testing and development phase used both specific questions about detailed impact and more open qualitative questions that allowed the interviewees to discuss the impact, often drawing on past experiences and key moments (critical incident analysis). This qualitative data has been analysed in order to develop and adapt indicators, and present categories of types of impact.

Three types of surveys are recommended by the study, with the choice between them being dependent on the information required. Some impacts are easier to measure than others and this project has prioritised the indicators into three categories based on the depth of impact study that is required.

- Comprehensive qualitative and quantitative studies – This can provide the most detailed understanding, combining both qualitative and quantitative indicators of all aspects of impact. The methodology would use both questionnaires and a range of qualitative methods such as interviewing and focus groups. Data can be collected through direct questioning and through more open discussions that allow the respondent to reflect on key moments in their past (referred to as critical incident analysis). This is particularly important for collecting data on softer impacts that cannot be easily measured.
- In depth quantitative surveys – When detailed quantitative information on a wide range of indicators is required and there are not resources for a detailed qualitative study, in depth location-specific questionnaire studies can be used. These could be collected through face to face extended interviews.
- Short quantitative surveys - For more superficial studies that aim to generate information from large samples, a smaller number of easily identifiable indicators are set out. These could be collected through interviewing enterprise owner managers and employees by telephone or face-to face

To measure the impact of enterprises on residents of deprived areas, it is necessary to use a two pronged approach: firstly measuring the impact of firms located in deprived areas and secondly measuring the impact of enterprises located elsewhere but employing residents from deprived areas. Identifying the firms located outside the deprived areas requires surveys of the residents living in the deprived areas.

The multiple enterprise impact framework

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | | |
|-------------------------------------|---|--|--|--|----------------|-------------|---|
| | | | | Compr ehensive | In-depth quant | Short quant | |
| Jobs for people from deprived areas | The types of employment currently available to people in deprived areas | Location of employment for people in deprived areas | Resident survey in deprived areas | X | X | X | |
| | | Quality of employment opportunities (see below) | | | | | |
| | | Number of employees and extent to which staff match local labour market and disadvantaged groups | Number of jobs (full and part time) | Estimation of owner/manager and comparison to aggregate statistics | X | X | X |
| | | | Number of full time equivalent jobs | | X | X | |
| | | | Proportion of socially excluded /low skilled amongst recruited staff | | X | X | |
| | | | Proportion from different ethnic groups | | X | X | |
| | | | Proportion of men and women | | X | X | |
| | | | Proportion from different age groups | | X | X | |
| | | | Methods of recruitment | | X | | |
| | | | Proportion of employees that are casual / seasonal labour | Estimation of owner/manager | X | X | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|--|--|---|---|-----------------------|-----------------------|----------------|
| | | | | Compr ehensi ve | In- depth quant | Short quant |
| Quality of jobs | Wage levels | Wages of different levels of staff (Managerial, professional, artisanal/skilled, less skilled) | Estimation of owner/manager | X | X | X |
| | Skill development and learning | Amount of formal training provided | Estimation of owner/manager | X | X | |
| | | Percentage of staff claiming to have gained skills and earning potential | Interview sample of employees | X | X | |
| | | Perceived change in specific skill aspects including technical, communications, negotiation, research, organisational and managerial skills | | | | |
| | Job satisfaction | Staff turnover in past three years | Estimation of owner/manager | X | X | |
| | | Perception of satisfaction | Interview sample of employees using likert scale and qualitative research | X | | |
| | Changes in quality of life | Perception of quality of life | Interview sample of employees using likert scale and qualitative research | X | | |
| Workplaces as arenas for social cohesion | Extent of intra firm mixing and examples of how this has had an impact | Qualitative inquiry | X | X | | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|--|---|---|--|-----------------------|-----------------------|----------------|
| | | | | Compr ehensi ve | In- depth quant | Short quant |
| Impacts on business owners/managers | Avoiding unemployment and low wages | What were they doing before starting | Only applicable to those starting up recently | X | X | X |
| | Change in income | Percentage change in income for past 12 months compared to before starting | Only applicable to those starting up recently | X | X | X |
| | Change in quality of life | Increase or decrease in income, stress, leisure time, family time, and general perception of quality of life | Only applicable to those starting up recently | X | X | X |
| | Skill development and learning | Amount of formal training gained Perceived change in specific skill aspects including technical, communications, negotiation, research, organisational and managerial skills | | X | X | |
| | Personal development | Perceived changes in confidence, self esteem and ability | Qualitative e.g. critical incident analysis | X | | |
| Local spending (by employees and owners) | Multiplier effects of spending patterns | Extent of staff and owners spending in locality | Estimations of owner mangers and a sample of employees | X | X | |
| | | Extent to which local retailers purchase locally | Interview retailers | X | | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|---|--|---|--|-----------------|-----------|-------------|
| | | | | Compr ehensive | In- depth | Short quant |
| Provision of products and services | Service provision for people in deprived areas | Size of sales (turnover) | Estimation of owner/ manager | X | X | X |
| | | Number and percentage of customers from deprived areas and disadvantaged groups using service | Estimation of owner/ manager | X | X | |
| | | Impact on people from deprived areas | Survey of beneficiaries | X | X | |
| Supply chains and subcontractors | Local purchasing and generating local business | Extent of enterprise's spending in locality | Estimation of owner/ manager | X | X | X |
| | | Extent to which local suppliers purchase locally | Interview suppliers | X | | |
| Competition | Potential for displacement | Number of direct competitors in locality | Estimation of owner manager | X | X | X |
| | | Extent to which market for goods or services is saturated | Comparison with aggregate statistics | X | X | |
| Social capital and inter-business links | Helping other local firms | Number of collaborative links | Estimation of owner/manger | X | X | |
| | | Examples of helping each other | Qualitative critical incident analysis | X | | |
| | Participating in business networks and clubs | Membership of business networks and clubs | Estimation of owner manager | X | X | |
| | | Extent of involvement | Qualitative critical incident analysis | X | X | |

| Types of impact | Types of indicators | Specific indicators | Means of measurement | Types of survey | | |
|---|--|---|--|-----------------------|-----------------------|----------------|
| | | | | Compr ehensi ve | In- depth quant | Short quant |
| Community involvement by businesses and employees | Donations and sponsorship | Amount of donations and sponsorship for deprived areas Use of company resources (time, space, equipment, vehicles etc)for deprived areas | Estimations by owner managers and employees | X | X | |
| | Participation in and managing community activities | What types of activities What management roles or committee membership | Qualitative critical incident analysis with owners and employees | X | | |
| | Apprenticeships, student placements | Number and length of apprenticeships over past three years Number of student placements over past three years | Estimations by owner managers | X | X | |
| | Improving the image of a locality | Whether enterprise is involved in promoting image What kind of involvement | Qualitative critical incident analysis with owners and employees | X | | |
| | Encouraging people to move into the locality | Describe examples of cases where your encouraged others to move | Qualitative critical incident analysis with owners and employees | X | | |
| | Encouraging people to start, sustain or grow a business through advice and mentoring | Describe examples of cases where your encouraged other businesses Types of support | Qualitative critical incident analysis with owners and employees | X | | |

4.3 Testing the research questions and recommendations for future surveys

4.3.1 Extent of jobs for people from deprived areas

Jobs for people from deprived areas may be with firms located in the deprived area (i.e. ward) and from firms located outside this area. It is recommended that both types of firms should be interviewed. Selection of firms outside the deprived area can be based on the results of a survey of residents, asking them where they work and details on the type of employment.

Questions tested

Measuring the impact on employees of enterprises requires data to be collected on four key issues: what is the employment created, what proportion of staff are from the deprived area, to what extent are jobs filled by those from disadvantaged groups, and what are the benefits that come from employment. The following questions were tested:

Number of jobs (full and part time)

Number of full time equivalent jobs

Proportion of employees that are casual / seasonal labour

Proportion of socially excluded /low skilled amongst recruited staff

Proportion from different ethnic groups

Proportion of men and women

Proportion from different age groups

Methods of recruitment (indicator of potentially wider access)

Analysis and lessons

All interviewees were easily able to provide information on the number of employees. The pilot study found that care needs to be taken in defining the term 'part time' as it can refer to someone working 5% of a full time worker or someone working 95%. Other studies use a definition of part time as less than thirty hours a week although detailed studies may need to calculate the number of full time equivalent jobs. A figure of total labour input can therefore be estimated by adding the proportions of full time jobs together. However, the total number of part time workers is an important statistic as the part time salaries may be an important part of the livelihoods of poorer people. The total annual wage bill is a useful figure of assessing the contribution to the locally economy although the extent to which this is to people from deprived areas and the extent to which the employees in deprived areas spend in the deprived areas, is considered later.

Questions on seasonal, casual and unpaid (family and volunteers) employees provide valuable information. However, defining what is meant by casual staff was found to be difficult as in many cases casual or temporary work is supplied by employment agencies that are considered by some firms to be suppliers, while other firms refer to them as subcontractors. Collecting information on these agencies is particularly difficult, although it is important in terms of the impact on deprived areas as a large proportion of these types of jobs are low skill, and therefore one of the few options for those excluded from other employment opportunities. Many businesses refer to employment agencies as suppliers to their business rather than staff. Furthermore, the actual input of casual workers, and family members is difficult to quantify as it may be irregular and depend on what work is available.

Analysis of impacts needs to differentiate between types of staff in each enterprise. The Standard Occupational Classification of the Office of National Statistics presents nine categories. This study found that it was not possible to ask about the impact on nine categories and develops a simplified four way categorisation based on the analysis of qualitative responses from business owners concerning their perceptions of the types of employees in their business. The four categories include management, professional skills, craft skills and manual/administrative and are presented in the table below.

Classification of staff

| | |
|-------------------------------|---|
| Manual/ administration | This refers to tasks that can be learnt relatively quickly and examples from the survey include grading of vegetables, secretarial staff, sales support staff and warehouse operatives. |
| Specialist skills or craft | Staff in these categories have specialist skills built up over many years. Examples include farm workers with mechanical skills, drivers, sales staff, and machinists. |
| Professional skilled staff | Staff with skills built up through graduate level and post graduate level qualifications such as engineers, post harvest technologists, accountancy. |
| Managers | This refers to those staff who play a role in managing others and managing the business. |

The impact on employees depends on the salaries they receive, which in turn depends on their tasks and positions, and the type of work the business is undertaking. It is therefore necessary to consider the impact on the different types of employees separately. A range of questions about the impact can be asked for each category as shown in the table below.

Questions on the background of staff explore the extent to which the workforce profile matches the profile of the local area and the extent to which employees are drawn from deprived areas. They can be asked for each type of employee. The pilot study found that some business owners are not able to answer questions about the impact of their staff on the local area as they may not have the information to hand and in large firms different types of information on staff is held by different individuals. Interviewees were more comfortable with this question if they were given the opportunity to find the information from their records.

Recommended framework for assessing background information on staff

| | <i>Manual/ administration</i> | <i>Specialist skilled</i> | <i>Professional skilled</i> | <i>Managerial</i> |
|--|-----------------------------------|-------------------------------|---------------------------------|-------------------|
| <i>Number of full time and part time staff in each category</i> | | | | |
| <i>What percentage that were unemployed before starting at the firm?</i> | | | | |
| <i>What percentage from ethnic minorities?</i> | | | | |
| <i>What percentage of men and women?</i> | | | | |
| <i>What percentage of 16-35?</i> | | | | |
| <i>What percentage of 36-50?</i> | | | | |
| <i>What percentage of 50+?</i> | | | | |
| | | | | |
| <i>What percentage of each category of the workforce here live:</i> | | | | |
| <i>within settlement / ward</i> | | | | |
| <i>Locally (within 10 miles)</i> | | | | |
| <i>Regionally (within 50 mile radius)</i> | | | | |
| <i>Nationally (within the UK)?</i> | | | | |

When asked about the location of employees' homes, some owner/managers were not clear about their ward boundaries were, and the percentage of their staff living in these areas. For larger firms, we recommend that a small selection of staff are asked to make estimations of the proportion of colleagues living in different areas. Following the experience of the pilot study, we recommend that interviewees are asked about the staff living within the settlement or parish (in

rural areas) or within walking distance (for urban areas). Alternatively business owners can be shown maps of the ward boundaries.

The survey took a ten mile radius from the business as a definition of local, although in large urban areas this may cover a sizeable population. When matching the firm to the *local* labour market, the definition of what is the '*local*' needs to be clearly set out. For example in some areas there are considerable differences from ward to ward in terms of ethnicity, and poverty.

4.3.2 Quality of jobs

Indicators of the quality of the jobs provided, include salaries, skill development and learning, job satisfaction and changes in quality of life. The questions explored are given below

Questions tested

Wages of different levels of staff

Amount of formal training provided

Percentage of staff claiming to have gained skills and earning potential

Perceived change in specific skill aspects including technical, communications, negotiation, research, organisational and managerial skills

Staff turnover in past three years (an indicator of job satisfaction)

Perception of satisfaction

Perception of quality of life

Extent of intra firm mixing and examples of how this has had an impact

Analysis and lessons

In order to assess the extent of impact on disadvantaged groups, it is necessary to differentiate between levels of staff (Managerial, professional, artisanal/skilled, less skilled). This information can come from estimations of owner/managers. The pilot study asked open questions concerning job quality. Issues related to training were raised and the types of training were identified were classified into five categories:

- In house mentoring/ apprenticeships
- Internal training courses
- External short training
- External long term PT education e.g. day release building up to a qualification
- Other

We recommend that detailed studies should interview a sample of employees as well as employers in order to collect information on qualitative perceptions. In particular the measurements of changes in quality of life and personal development need to be explored. This is explored in greater detail in the next section.

4.3.3 Impacts on business owners/managers

The study identified a number of key indicators for measuring the impact on owners of businesses themselves (or most senior manager of social enterprises and firms with non-active owners). The types of questions included financial impact and softer indicators such as quality of life and personal development.

Questions tested

What were they doing before starting? (Extent of reducing unemployment/low wages)

Percentage change in income for past 12 months compared to before starting
Increase or decrease in income, stress, leisure time, family time, and general perception of quality of life
Amount of formal training gained
Perceived change in specific skill aspects including technical, communications, negotiation, research, organisational and managerial skills
Perceived changes in confidence, self esteem and ability

Analysis and lessons

As with the impact in terms of jobs, details of where they lived, their ethnic background and age was used to assess the extent to which the sample of business owners matched local demographic statistics. These questions were posed at the end of the interview once a rapport had been established between interviewer and interviewee.

It is expected that the impact of owning an enterprise or becoming self employed is greater if the person was previously unemployed. By asking *What were you doing immediately before you started the business?*, the types of routes into self employment can be explored. However, this question was only applicable to those who had started recently, as many self employed had started a business as their first job long ago. The pilot survey interviewees' answers could be classified into the following categories:

- Self employment
- Other employment
- Made redundant
- Unemployed
- Economic inactive/at home
- Studying

Changes in income are important impacts although interviewees were not able or comfortable providing information in the percentage change in salary. This is due to the fluctuations of owner/managers salary, the difficulty in distinguishing personal expenditure from business expenditure, the extent of reinvestment in the business and concerns about the confidentiality of personal information.

This study recommends that this question should only be posed to those who have become self employed in the past five years. For those who had been self employed for all their working life, a comparison of their present salary with their salary prior to starting was meaningless. Those who had started more recently were happy to state whether their income in the last tax year was more, less or the same as before starting the business. We also recommend that interviewees should be asked to select a broad percentage band rather than giving the exact percentage.

The survey has identified a number of types of changes in quality of life that can be grouped into five categories: income, stress, leisure time, family time and quality of life in general. As many of the indicators of changes to quality of life are qualitative and hard to measure this study used open questions and allowed the interviewees to talk at length about their experiences. We recommend that future surveys should combine qualitative and quantitative methods for exploring this impact. Future surveys could quantify these impacts to some extent by following the set of structured questions set out in the table below. As mentioned previously, these questions would only be relevant to those who had started a business in the past five years. We also recommend that efforts are made to interview people who were self employed but who decided to stop trading. While it is difficult to identify these people they are more likely to have experienced the negative effects (financially and emotionally) of starting a business.

How have the following aspects changed since you started up?

| | Increased | Same | Decreased |
|------------------------------------|-----------|------|-----------|
| Income | | | |
| Stress | | | |
| Leisure time | | | |
| Family time | | | |
| Job satisfaction generally | | | |
| Quality of the working environment | | | |

Personal development in terms of perceived changes to confidence, ability and self esteem are important impacts on the owner manager but difficult to quantify. Many respondents, however, felt that it was an important impact. Identifying these changes in oneself is difficult as they may occur without being noticed. It is also difficult to know the extent to which these changes occurred because of the experience of managing an enterprise or would have been built up anyway if the individual had other employment. Information on these issues are best collected using qualitative methods and recording case studies.

Much information was collected by using ‘critical incident analysis’ about particular key events and how they coped. Other critical incidents include participation in community and civic activities and responses to the question: “*What have you learnt from running your business that is useful for helping these groups?*” Respondents found it easier to discuss personal changes when reflecting on specific activities such as participating in a community group. We recommend that detailed impact studies use this approach in the future in order to collect qualitative information.

We also recommend that more structured questions could be used as well. This could be a simple checklist of perceived impacts that could be read out to respondents or a set of statements that respondents could agree, or disagree with using a Likert Scale of measurements. The list of indicators could include:

- communication skills
- research skills
- negotiating skills
- organisational and managerial skills
- technical skills (e.g. computers, accountancy, etc)
- “knowing how to deal with a situation”,
- “I’m more confident about meeting new people”.

4.3.4 Local spending by employees and staff

Spending patterns of employees, and owner/managers in their local area also shape the impacts and can be used to calculate the multiplier effect (the extent to which money is re-circulated in the local economy) of a local business. The extent to which local retailers purchase locally is also needed.

Questions tested

- *In total, what percentage of your total income do you spend:*
 - *In this settlement / ward*
 - *Locally (within 10 miles)*
 - *Regionally (within 50 mile radius)*

- *Nationally (within the UK)*
- *Internationally*

Analysis and lessons

The pilot study found that respondents found the question easier to answer if the interviewer had previously broken down their expenditure and asked about the following categories:

- Where they bought their food, household and transport
- Where they spent money on leisure/eating out
- Where they spent money on clothes and consumer goods
- If they rent a house, where the owner lives

The pilot study also found that there are some types of expenditure that are difficult to place. For example holidays may be bought at a local travel agent, and mortgages may be paid to a local bank. It is also difficult to distinguish between expenditure on goods that have a high value added locally, and those that do not. As mentioned earlier, respondents were not clear about the definitions and boundaries of 'local' areas and wards.

We recommend that detailed impact assessment studies examine the spending patterns of individuals and also the spending patterns of those businesses they buy from, and the suppliers of these businesses. The spending patterns of employees can be collected by interviewing a sample of the staff.

4.3.5 Provision of products and services

Enterprise can make a particular contribution to deprived areas if they provide services such as shops, transport or leisure. In particular impact can be measured by asking owners or managers the size of sales, and percentage of customers from deprived areas. Further information on the impact of services can be collected from assessing the impact of the service on customers.

Questions tested

- *What kinds of services/goods do you provide?*
- *Are you selling to consumers or direct to businesses?*
- *How much were your total sales in the past year?*
- *What percentage of your sales are to customers:*
Within settlement / ward
Locally (within 10 miles)
Elsewhere

Analysis and lessons

The pilot study found that defining customers can be difficult for social enterprises. They may have a customer such as a local authority for whom they are delivering a service and have beneficiaries in the local community who are not actually buying a service or product.

The means of measuring the impact on beneficiaries will depend on the type of service offered. The small size of this study did not allow this complex issue to be explored in detail. Detailed studies of impact can assess the extent to which the services provided are benefiting disadvantaged groups as well as other residents in deprived areas. Questions about the service or product being provided can also be used to identify the types of product being created and hence identify the extent of any environmental impacts based on previous research of the environmental impact of firms in that sector.

4.3.6 Supply chains and subcontractors

The extent to which firms are sourcing from the local area and the direct multiplier effect of their involvement can be found by asking about the extent to which they buy in the locality. For more detailed studies, the extent to which their suppliers source locally can also be found by interviewing them.

Questions tested

- *What is the value of your supplies and sub contracting*
- *What proportion of your expenditure, supplies and subcontracting (by value, not quantity) is*
Within settlement / ward
Locally (within 10 miles)
Elsewhere

The pilot study found that respondents were found to under-report the expenditure on services and rent until they were prompted. The main categories of types of supplies and sub contracting provision reported by this survey included:

- Materials
- Rent
- Office supplies
- Services (training, accountancy etc)
- Consultancy
- Contract labour
- Food, drink and entertainment

Some services and capital expenditure are large sums of one off investments that might distort the figure. The contribution of salaries should not be included as it has been considered in earlier sections.

The answers to this question give a view of the local supplies at one point of the supply chain. It is necessary to collect data from those suppliers or make assumptions about the extent to which those supplier source and employ people from the local area (e.g. supermarkets and fuel stations may not add much value locally).

It can sometimes be difficult to distinguish between a supplier, a sub contractor and an employee. For example many enterprises have out-sourced activities to self employed people who are often considered to be employees. As mentioned before the use of contract labour is classified as staff by some owner/managers and as a supplier by others. Care needs to be taken by the person collecting data to ensure that the impact on subcontractors is not counted twice or ignored.

4.3.7 Competition

Enterprises starting up, moving into a new area and growing have an impact on competitors especially if they reduce the viability of others, either by taking customers or by attracting staff from competitors. This is referred to as displacement. Estimating displacement can be done by assessing the extent of the local market an enterprise has, the uniqueness of the product, the number of competitors in the local area and the extent to which there is market growth or saturation.

Questions tested

- *Number of direct competitors in the market*
None
One

2-5
6-10
11-50
More than 50

- *Where are your competitors based: percentage within:*
Within settlement / ward
Locally (within 10 miles)
Elsewhere

Analysis and lessons

The pilot survey found that there can be different interpretations of the term direct competitor, depending on the extent to which they are competing over the same market or with the same product and service. Most firms will differentiate their product in one way or another. The benefits of competition in terms of encouraging innovation and improved service delivery could not be measured. In future, larger sample surveys could be used to develop a displacement index for different types of businesses and sectors.

4.3.8 Social capital and inter-business links

Enterprises build relationships with suppliers, customers and other businesses as part of their day-to-day activities. These networks can be seen as an important part of a community's social capital and can be an important resource in terms of encouraging new enterprises to start and allowing others to grow. Through participation in some of these networks, disadvantaged groups can have better access to resources. The types of relationships can be bi-lateral (i.e. one to one) or multilateral (i.e. a group of enterprises in an association). Relationships can also be formalised or informal.

Measuring the impact of enterprises on social capital can be undertaken through a number of proxy indicators and through documenting types of collaborative activity that require and create social capital. The pilot study asked the following open question in order to identify the types of activities indicating social capital being used and built.

Questions tested

What examples of helping other local firms?

How many collaborative links do you have locally?

- *How many business networks or clubs do you participate in?*

What is the extent of your involvement?

How important is this collaboration to the performance of your company

What input do you provide

Analysis and lessons

The types of collaboration mentioned can be classified into the following categories:

- Sharing equipment, space, staff –(e.g. Security equipment sales firm allows others to use its offices, farmers borrow equipment and exchange fields for a year, manufacturing firms lend out forklift trucks and trailers)
- Sharing ideas knowledge and information – (e.g. talking to other enterprises involved in marketing at social events in the village, farmers discuss which crops to use or the quality of different consultants).
- Referrals – (e.g. “we put work their way”, get new markets through referrals from others).

- Joint projects/alliances – (e.g. a garage works with a car dealership to do their MOTs, a flooring company gives preferential deal to an estate agent and pub who can demonstrate their product).

Questions concerning the number of links and examples of helping other firms give some indication of efforts to build social capital. However, the ‘quality’ of these links needs to be investigated using detailed studies of particular cases and ‘critical incident analysis’ as well as asking how the relationship developed, estimations of the quality of the link can be gauged by asking about the contributions that the enterprise makes and how important the collaboration is to the performance of the company: (How important is this collaboration to the performance of your company (1 is unimportant and 10 is important))

The pilot survey found that respondents may not recall the more informal relationships and the results of these. Furthermore the reasons for the relationships are not always in terms of immediate benefit. Interviewees were not always able to explain the exact reason for the link as some relationships are built up so that they can be used in the future for unexpected reasons. In such cases social capital is linked to serendipitous outcomes and is considered as a ‘bank of goodwill’ that can be drawn on later. In many cases, the relationships are seen as friendships rather than a calculated investment of time and resources with a clear expectation of a return. The pilot survey also identified cases where these linkages might be used to exclude people from some business activities through creating a cartel.

4.3.9 Community involvement by businesses and employees

Enterprise has an impact on communities through a wide range of involvement by the enterprise itself, the owners and the staff. Interviewees were asked the open question: *What do you do for your community?* as way of letting them describe their impact. The types of impact included:

- Donations and sponsorship
- Participation in and managing community activities
- Apprenticeships, student placements
- Improving the image of a locality
- Encouraging people to move into the locality
- Encouraging people to start, sustain or grow a business through advice and mentoring

The following more specific questions were asked:

Questions tested

- *Do you sponsor other organisations?*
- *How much given?*
- *What use of company resources for local groups?*
(work/office space, equipment, vehicles, staff time etc)
- *What percentage to organisations located*
Within settlement / ward
Locally (within 10 miles)
Elsewhere
- *What non-work groups, clubs or community activities are you involved in?*
- *Are you member of any committees or boards?*
- *Do you have student placements/*
- *Do you have apprenticeships? Length of apprenticeship*
- *Are you doing anything with other business to raise the reputation of the local area?*
- *Do you advise or act as a mentor for others?*
- *Do you provide any kind of support or encouragement to those starting up?*

Analysis and lessons

Definitions of sponsorship can include material goods and services as well as financial contributions. Some sponsorship is closely related to advertising which may have been included in the answer on the question of expenditure to suppliers of services. It may be necessary to ask how the enterprise benefits from such corporate giving in order to clarify its motivation.

Other community involvement comes in the form of individuals participating in activities. The types of community involvement referred to in the pilot study can be classified into the following categories:

- Charitable – Trustee of various charities, on board of directors of charity or other social enterprise
- Church/religious group – on Parochial Church Council for the parish church
- School – School governor, PTA,
- Civic e.g. local council, parish council, local regeneration board, community playing fields committee

Specialist interest group – sports club, horse show jumping society, ploughing competition. While the pilot survey found that a majority of owner/managers were involved in community activities, almost half of the 30 owner/managers interviewed did not live in the same wards as their business. For those living outside the ward, their community involvement tends not to benefit the deprived wards where their businesses are located. The extent and impact of their participation can only be documented by looking at critical incidents and occasions where the individual felt they personally made an impact.

The question “*What have you learnt from running your business that is useful for helping these groups?*” was found to be a useful question that provided valuable data on the impact of enterprise on the owner/manager themselves. Respondents could easily reflect on the skills and attributes they had used while participating in committees.

Only four interviewees could think of any activities that improved the reputation of the area and only one reported being involved in local development agencies or associations promoting the area. Respondents stated that they had talked to others thinking of moving to the area but they had no way of knowing whether they had encouraged or influenced the other party. The act of speaking to others about moving to the area is the only type of question that can provide useful data

Asking whether they ever consider relocation explores the extent to which firms are well embedded in a locality or ready to move if the need arises. The responses could be put into four categories:

- Yes
- Unlikely, only if dramatic changes to our market
- Very unlikely
- Never/we couldn't
- Don't Know

For those are likely to move, the impact of their moving depends on the distance moved and the ability of existing staff to carry on working for them.

The extent to which an enterprise or individual involved is encouraging others was explored by asking whether they advise or act as a mentor for others and by asking if they provide any kind of support or encouragement to those starting up. Much mentoring takes place as informal conversations, rather than a formal mentoring process. Owner/managers are unlikely to recall these events and may not realise they have given advice or support. The extent to which informal mentoring benefits the individual deprived wards in which the business is located cannot be measured. Most businesses assumed that this question referred to technical advice which they were unwilling to give to potential competitors.

4.4 Sampling

From inside and outside deprived areas. Those outside can be identified by asking residents in deprived areas about the firms they work for and documenting those enterprises that are providing services or involved in community activities in these areas.

To generate statistically valid material care needs to be taken with the sampling. When building a sampling frame the definition used for an enterprise needs to be carefully considered. Many micro-businesses and self employed people combine their enterprise with working part time for others, or by having a number of enterprises as a 'portfolio'. Collecting information on these enterprises is particularly challenging. The same may be true for those managing social enterprises. Defining social enterprises presents particular problems in itself with the distinction with conventional enterprises and with the voluntary sector organisations often vague. Furthermore, social enterprises may not like to refer to themselves as an enterprise, particularly if they have originated from and still perceive themselves to be a voluntary sector organisations.

4.5 Conclusion

This section has documented the lessons learnt and guidelines for measuring social and economic impacts of enterprises in disadvantaged areas. It provides guidelines that can be drawn on by future studies that are adapting the approaches taken in this study. While this study has adapted and tested different approaches it is recognised that there is not blueprint for impact surveys. Future research can draw on the experience of this work and develop their own questions and impact criteria based on their specific objectives. This survey has explored in detail the type of data that can be collected and found ways of collecting and analysing it. It has also identified the types of data that cannot be easily collected and looked for alternative indicators that can provide some information on the less tangible social impacts.

5. Conclusions

5.1 Applying the methodology

This study has explored in detail a wide range of indicators that can be used to measure the impact of different types of enterprise in deprived areas. The results can be used for a range of impact assessment studies in the future and feed into the evidence base for policy makers. The methodology of this study can be used to answer the following research questions:

- What types of business have the most beneficial impact on deprived areas (social versus conventional enterprises; high skill versus low skill enterprises; inward investors versus indigenous enterprise; large versus small enterprises; existing versus new enterprises)
- What is the impact of those enterprises located in deprived areas v those located elsewhere but employing people from deprived areas? What types of business provide most jobs for the low or un-skilled?
- What is the contribution of different types of social enterprise and how do these compare to the impact of conventional enterprises? To what extent do social enterprises compete in the same markets as conventional businesses and what are the implications of this for the quality of employment provided?
- What are the contributions of black and minority ethnic businesses to deprived areas? Are they more embedded in deprived communities than other firms and what are the implications of this?
- What is the impact of the informal sector on deprived areas? How can quality data be collected on these activities?
- When awarding public sector procurement contracts, what types of enterprise will provide the best service and have the largest indirect benefit on the local economy
- What is the impact on deprived areas of public sector funding for enterprise development support. To what extent do existing methods used to evaluate policy incorporate a full range of impact measures?

These research questions can be tackled on a number of levels. Firstly detailed surveys can provide information on the impacts of different types of enterprise. The framework set out in section 4 has prioritised the indicators of impact in into three levels based on the depth of impact study that is required. For more superficial studies that aim to generate information from large samples, a smaller number of easily identifiable indicators are set out. For more detailed studies of quantitative data collection a wider range of indicators are identified. Finally, the most detailed understanding a combination of both qualitative and quantitative measures are recommended that covers all aspects of impact. Finally future work on impact assessment methods could be used to develop an index of impact with a weighting of different impact indicators.

5.2 Implications for research and impact assessment studies

This study has examined the range of impacts enterprise can have in deprived areas. Each set of indicators raises a number of questions with implications for how impact assessment can be carried out in future

Extent and quality of jobs for people from deprived areas

The impact on employees depends on the extent to which enterprises employ those from the deprived areas and in particular people from disadvantaged or socially excluded groups within such areas. This study found that a large proportion of employees of enterprises in deprived areas do not live in the area although the extent to which people in deprived areas travel elsewhere for work is not known. It is important to get a greater understanding of the distance socially excluded people are willing to travel and what can be done to encourage them to look for opportunities

further away. The analysis of the 2001 census will add to our knowledge on 'travel to work' patterns.

The methodology developed in this study can be used to assess whether the needs of the socially excluded are best met by encouraging firms to establish themselves in deprived areas or to set up in a location where they perceive that they will grow faster and therefore employ more people. The benefits of having local jobs (in terms of reduced travel times, less congestion, access for those without access to cars or public transport, and helping those who want to be near to childcare) should also be recognised. This methodology can also be used to assess which types of firms create more jobs for the socially excluded, and therefore should be supported in deprived areas. For example the growth of specialist 'knowledge intensive' firms may not help those with few skills.

Impacts on owners and managers

The survey found that a large proportion owners and managers do not live in the deprived areas. A greater proportion of smaller businesses have owners living in the deprived areas, although the extent to which they are contributing to the locality is not known.

Provision of products and services;

Enterprises in deprived areas can provide valuable retail services for those without access to transport. This is particularly important in rural and some suburban areas. Social enterprises have a much greater emphasis on delivery of local services especially in under-served communities. The impact on the environment of business activity can be both positive and negative. Enterprises (conventional and social) can have the objective of improving the physical environment reclaiming brown field land and saving buildings from dereliction, while others may have significant negative impacts on water, air and land quality..

Supply chains and subcontractors

Some sectors and types of firms are more 'embedded' in local supply chains resulting a more of their expenditure circulating and a greater multiplier effect for their contribution. Identification of these types of firms is required in order to target support that has the greatest impact. It is hypothesised that the less specialist products and services will source more locally and have more local customers. An exception to this may be clusters of specialised companies that gain competitive advantage through working closely together and using 'Just in time' approaches.

Competition and Displacement

The extent of displacement by different sectors is not known. At present evaluations of enterprise development use crude estimates and there is a lack of information about which types of enterprise should be encouraged. Larger sample surveys that examine this issue will be able to provide the information needed.

Social capital and inter-business links

While there is considerable policy interest in supporting clustering and building of social capital, the ability to measure this concept is limited. This study has identified a range of questions that can offer some measurable indicators that are easily collected, as well as identifying the issues that need to be investigated in more detail.

Community involvement by businesses and employees

This study has identified a wide range of community benefits and contributions of enterprises. These come in the form of donations of money, and resources, as well as participating in community groups, providing encouragement and guidance to other members of the community and helping other local businesses. While 'corporate social responsibility' has received much

discussion in relation to larger businesses, this study shows how information on smaller businesses, and their impact with their community, can be collected.

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ANNEX

MEASURING ENTERPRISE IMPACTS UPON DEPRIVED AREAS
CEEDR, Middlesex University
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Draft Final Report
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A1. Introduction

Having identified the impacts and measurement tools we were interested in, we sought to ascertain the impacts of companies *within* the two (deprived) case study areas.

The objectives of this part of the project are to:

- Give examples of the types of data that can be collected and illustrates the kinds of impacts businesses are having in deprived areas.
- While collecting the presented data, the methodology was tested and its constraints noted. These lessons are drawn on in the chapter guidelines for assessing the impact of enterprises.

The data presented is drawn from two case study pilot surveys, each involving 15 businesses and 5 employees. These were carried out in Boston, Lincolnshire and Luton, Bedfordshire both selected to represent different types of deprived areas. One urban ward in Luton (Dallow) and two rural wards in Boston were then selected (Holland Fen and Swineshead) based on ward level statistics of the indices of deprivation (www.neighbourhood.statistics.gov.uk). Six key informants were interviewed in each area. The areas were profiled using local economic research and labour market intelligence data sources.

The wards of Swineshead and Holland Fen in Boston are rural with much of the population in remote areas. There are relatively low levels of unemployment but average income levels are low. The Dallow ward of Luton is an urban area with an estimated 47% of the population from ethnic minorities with the ward being amongst the most deprived 5% of the ranking of wards according to indices of multiple deprivation.

Comprehensive studies of impact would need to include household surveys and interviews with businesses outside deprived areas as well as enterprises in deprived areas. This would involve starting with the key target groups (the 'deprived') and then working back from them to the firms that had good and bad impacts upon them and their communities. Such a study was not possible in this project.

In depth case study interviews were carried out with 15 owner managers and 5 employees of businesses in each case study area. These were purposively selected to address the research objectives and adequately represent the range of economic activity in the localities, including social enterprises. The sampling also ensured that the interviewees included both men and women and different ethnic groups representative of the locality. Face to face interviews were tape recorded and transcribed for subsequent analysis. Interviews were based on a check list of questions that were adjusted after some of the interviews had been completed, in order to test out new questions that had arisen from the content of previous interviews. The questions included some 'closed questions' that asked about quantifiable indicators or simple 'yes/no' answers, while others were more open enabling the interviewee to talk about impacts in their own words. Critical incident analysis was used in cases where interviewees were encouraged to talk about key events in detail. This qualitative data has been analysed using coding systems resulting in classifications of types of impact and the identification of alternative questions.

A2: Background to case study areas

1 INTRODUCTION

This part of the report provides some background information about the two case study areas of Boston and Luton. This data shows why these locations were chosen as case studies and provides information on the local labour market that can be compared to the employees of the case study businesses. Each area will be examined in two parts: firstly, by describing their local economy in terms of their demographic (e.g. population trends) and business profiles (e.g. business size, key sectors of the local economy). Secondly, by looking at some social issues faced by the local community particularly in terms of deprivation, unemployment and other social indicators.

These wards were purposely selected to represent a range of characteristics such as rural-urban differences, concentrations of deprivation and differences in sector concentrations. Studies were undertaken at the ward level in order to understand some of the local dynamics and because the SBS has a Public Service Agreement based on number of enterprises starting in more deprived wards. This study recognises that research on impact of enterprises on deprived areas should examine those firms located in the wards and those firms outside the ward but employing residents from the deprived areas.

| | Boston | Luton | National average |
|--|--|--|------------------|
| Geography | Rural fenland and coastal areas. Case study is a village and scattered hamlets | Urban | |
| Key sectors | Agriculture and fishing, and distribution | Distribution, other services, construction and manufacturing | |
| VAT registrations per 10,000 people | 333 | 198 | 280 |
| Ranking of ward according to deprivation (out of 8414) | 1261 and 2538 | 477 | |
| Ranking of local authority according to deprivation (out of 354) | 109 | 81 | |
| Unemployment | 3.0% | 3.7% | 3.7% |
| Percentage in lower grade occupations | 40.3% | | 55.2% |
| Family credit claimants per 1,000 people | 20.5 | 24.3 | 13.3 |
| Percentage from ethnic minorities in ward | n.a | 29.0% (46.8%in Dallow ward) | 7% |

2 BOSTON

The Borough of Boston covers an area of 139 square miles in the southern part of Lincolnshire (East Midlands). The borough combines two main geographical areas: the coast line where the city of Boston is located and the agricultural 'fenland'.

The wards of Holland Fen and Swineshead are located in the area dedicated to agricultural 'fenland'. Holland Fen ward consists of small hamlets and dispersed houses. Swineshead is a small village around a mile long road and surrounded by farming land.

The Local economy

Demographic profile

The Boston area Local Authority is characterised by the low population density (150 per square kilometer compared with an average population density of 243 people for square Km for the UK as a whole). In 1998 the Boston population stood at about 54,600 people (NOMIS) and saw a percentage change in population by 3.1% between 1981 and 1996, considerably lower than Lincolnshire as a whole with 11.4% for the same period.

In spite of the low percentage change in population, some of the Boston areas such as Swineshead have recently been experiencing a population increase due to lower property prices in comparison with other areas and the consequent inflow of people particularly of retired age. In 1999, the county was ranked as the fourth cheapest location in the UK for semi-detached houses (Lincolnshire Agenda) and a property in Boston can be purchased at half price in comparison with the rest of Lincolnshire (Internet – upmystreet.com. April-June 1998).

In future the Boston area will face an issue of ageing population with the number of 15-24 year olds in Boston forecasted to decrease by 7% over 1999-2011 as well as younger age groups between 0-4, 5-14 and 25-44. The area will see a large increase in older population groups particularly the over 75s with a 27.5% increase compared with 15.9% regionally and 9.7% nationally (Boston 2000 – Bridging the gap).

If we look at the population in the two selected wards, Holland Fen and Swineshead account for 900 and 2,300 residents in 1998 respectively (ONS). In the same year, Holland Fen and Swineshead made up respectively 2% and 4% of the population of Boston local authority. In terms of the age structure, Holland Fen and Swineshead have similar characteristics to the overall Boston local authority which has just less than one fifth (18%) of its population aged under 16, just over half (57%) between 16 and 59, and a quarter (25%) aged 60 and over.

Business profile

In the year 2000, 28.4% of the VAT registered companies in the Boston areas were operating in the 'Agriculture and Fishing' sector compared to 7.6% for England and Wales. However, in terms of the number of companies operating in the area, the most important sector is 'Distribution, hotels and Restaurants' with above national average (England and Wales) level of engagement in the area. The remaining sectors lag far behind with 'Construction' in third position constituting 9.4% (VAT registered companies - Nomis, 2000). Even in terms of employment, 'Distribution, Hotels and Restaurants' is the largest employer in the area constituting 26% of employment followed by 'Agriculture and Fishing' at 13%. Boston shows an overall number of VAT registered businesses per 10,000 higher than England and Wales (333.2 compared with 280.5).

At ward level, Swineshead tends to be coherent with the trend showed in the Boston area, while Holland Fen shows a higher number of companies concentrated in the Agriculture sector due to the farming nature of the area. (see appendix, ONS March 2000).

In terms of business size, the vast majority of the companies in the Boston area (93%) employ between 1-25 people, while 6.8% employ between 25-199 people and only a small proportion (0.4%) employ 200+ employees (Annual Empl Survey, ONS, 1996). The small business size-band nature of the companies is also reflected at the ward level in Holland Fen and Swineshead with respectively 70 and 100 companies in the 1-49 employee size-band and no companies in the other size-bands (ONS, March 2000).

Road and rail infrastructures are generally poor with only 0.7% of the roads in the overall region of Lincolnshire being dual carriageway and a rail network that has been mostly lost since the

1960s. In addition, due to generally dispersed population, the frequency and level of service on bus routes is generally poor, although more recently some initiatives have been put in place to overcome this problem.

Deprivation

The Office for National Statistics (ONS) has produced an index of the level of deprivation by district and by ward. The overall level of deprivation combines information from six individual domains as follows: income deprivation, employment deprivation, health deprivation and disability, education, skills and training, housing deprivation and, last but not least, geographical access to services. Following this index, Boston Local Authority stands in the top third (109) of the most deprived boroughs in the country (354 districts in total where 1 is the most deprived). The wards of Holland Fen and Swineshead are positioned in the top third of the most deprived wards in the country (1,261st and 2,538th position respectively) out of 8,414 wards (where 1 is the most deprived).

Unemployment

The unemployment rate (based on claimant count) in Boston was 3% in the year 2000. This was above Lincolnshire (2.8%) but below the national average of 3.7%. However, the overall income level in the Boston area is lower than the national average (14% lower for males and 17% for females) and in many cases as low as 20%. This means that in general is not unemployment but the significantly low level of wages that generates poverty and deprivation in the area.

Moreover, if we look at the types of jobs in the Boston area, the 1991 Census provides a breakdown by occupation in which two fifths of the employees and self employed (40.3%) are concentrated in 'Clerical and Secretarial Occupations', 'Plant & Machinery Operators, Drivers and Assemblers' and 'Elementary Occupations'. This figure is significantly higher than the same occupational breakdown in Lincolnshire (35.1%) and Great Britain (35.2). These figures show the lower level of professional jobs in the area and although the statistical data is related to the 1991 Census, more recent studies have confirmed the low skilled nature of the workforce. Almost three quarters of employers (71%) in the borough identified the need for improvement in practical skills and about a third (65%) in management skills (99-2000 Drivers for Change).

Other social indicators

However, unemployment is only one of the indicators of social exclusions and deprivation. If we look at the household, family credit claimants per 1,000 are substantially above average with 20.5 claimants per 1,000 compared with 13.3 for England and Wales. On the other hand, indicators concerning offences recorded by the Police between 1999 and 2001 do not show great differences with the national trend, except for 'sexual offences' that recorded a net increase of 0.2 per 1,000 against a no increase in the country as a whole.

While Boston seems to have problems that are common to other parts of the county, the extent of some problems are accentuated. For instance, South Lincolnshire Healthcare report Boston has on the worst drug problems in the county. The New Deal advisors report that a significant number of their clients are almost unemployable due to substance misuse problems (Boston 2000: Bridging the gap).

The region overall and within that the Boston area suffers from a problem of decline of services that accentuates the state of isolation and deprivation of rural communities. Over half of all Lincolnshire parishes have no post office or village shops, almost two thirds have no school, and almost 90% have no daily bus service and once rural services have been withdrawn they are rarely reinstated.

This is very much the case in Swineshead where banking facilities, bus services and in the future the local surgery will be disappearing leaving the local community to move to a bigger centre to be able to take advantage of these services. This problem becomes even more important if we

take into account the increasing inflow of older people in the area who are generally most in need of local services and may not have a vehicle to enable them to move to neighbouring towns where the services will be located.

3 LUTON

Luton is located 25 miles north of London, in the county of Bedfordshire. It has good transport links with London-Luton airport, and the M1 running close to the Borough enabling easy access to routes to the North and South of the country. Rail links are very frequent with services running to Brighton, St Albans, London and Gatwick and Bedford. Busses and coaches are also linking Luton with Cambridge, Oxford and Milton Keynes.

The Local economy

Demographic profile

Current estimates for Luton's population indicates that there are about 183,300 people within the Borough (ONS, mid 1998 estimates) with a population increase of about 4.9% since 1991. The estimates from the ONS (Office for National Statistics) for mid 1998 showed that out of the total population in the Luton area almost a quarter (24%) were aged under 16 while about a third (60%) were aged between 16 and 59. In the ward of Dallow the situation was slightly different where about a third (32%) of the local population were aged under 16, while just over half (57%) aged between 16 and 59 (see table below).

In terms of ethnicity, according to the estimates of the Luton Borough Council for 1998, Luton is home to several different ethnic groups with a significant proportion of Pakistani (8.5%) followed by Indian (3.8%) and Black Caribbean (3.7%). The Luton area has recorded a marked increase of ethnic minority population by 10% between 1991 and 1998 from 19.8% to an estimated 29%.

The case study area of Dallow follows and reinforces the trend of the wider Luton area: in 1991, 46.8% of the people living in the ward were from ethnic minorities with the largest non white group being Pakistani (27%) followed by Bangladeshi (10.5%).

Business profile

The analysis of VAT registered companies (Nomis 2000) shows that almost 30% of companies in Luton operate in the 'Distribution, Hotels and Restaurants' sector followed by 'Other Services' (27.8%), 'Construction' (15.8%) and 'Manufacturing' (13.1%). However, if we examine employment by sector in Luton, we can see that the area is characterised by an above average employment in the manufacturing sector (22.6%) if compared with national figure (15.7%) (ABI 1999, ONS). On the other hand, other sectors such as Construction and Services employing 4% and 73.2% of Luton's workers respectively are positioned below the country's average that stands at 4.5% and 77.9%. Even if we examine the number of VAT registered companies per 10,000 people in Luton, it is possible to note that there is a greater number of companies in manufacturing (28.1) than in the rest of the country (26.7), although if we look at the trend of employment in the manufacturing and services sectors between 1981 and 1999, we can see that manufacturing has been subject to a marked decline (12.4%) and conversely, 'services' has increased its employment by 13.2%.

The increase in employment in the service sector has also changed the nature of the jobs available. Creating more jobs for women than for men and more part-time work than full time. Between 1981 and 1999, male employment has declined by 4.7% whereas female employment has increased by 4.7%. In the same period, part time employment has risen by 4.8% whereas full time employment has declined by 4.8%.

In addition, the closure of some large employers such as Vauxhall has generated a substantial impact on Luton's local economy in terms of job shed by the company (2,000) as well as the negative spin off effect on suppliers and other businesses such as local cafes, shop etc. which brings the overall estimates of direct and indirect job losses up to 3,700 jobs in the Luton area.

The downward trend of the manufacturing sector has prompted Luton Borough Council to consider implementing some policies aimed at re-skilling the workforce in order to make it more capable of finding employment in the expanding 'service sector'. Data from the Business Trend Survey 2000 indicated that almost a third of respondents (32%) stated that a lack of skilled labour is a significant barrier to the growth of their company and the same figure rises to 55% within primary and construction industries. This may create a dangerous situation in which employers may seek workers from outside the Luton area thus removing those jobs and their income from the local economy.

If we examine the ward of Dallow, statistics only enable us to distinguish between 'Production' on one hand and 'Construction and other' on the other. 'Production' makes up about one fifth of the VAT registered companies (19%) in the area whereas 'Construction and other' represents the remaining four fifth (81%) (ONS, March 2000). Assuming that in these statistics 'Production' is equivalent to the previous data on manufacturing showed above, it is possible to see that Dallow is characterised by a larger number of companies in the manufacturing sector than the rest of Luton although the predominant number of businesses is still concentrated in 'Construction and other' that includes the service sector.

In terms of business size, the Dallow ward registers a higher concentration of businesses (7%) in the 50 to 249 employees size-band than Luton (2%) and in the 250+ size-band (2% for Dallow against 1% for Luton) in the year 2000 (ONS). Conversely, Luton is characterised by a stronger presence of businesses in the 1 to 49 size-band (97% against 91%).

Deprivation

In order to assess the extent of deprivation within the Borough of Luton and in the Dallow ward in particular, it is possible to examine data related to the Index of Multiple Deprivation 2000 (IMD 2000) which combines information from six individual domains as follows: income deprivation, employment deprivation, health deprivation and disability, education, skills and training, housing deprivation and, last but not least, geographical access to services. The higher the IMD 2000 score the more deprived the ward.

Following this indicator, the IMD 2000 for Luton is 29.11 significantly higher than the national average of 21.70. However, the higher average is mainly due to the disproportionately high level of deprivation of the two wards of Dallow and Biscot that show an IMD 2000 as high as 52.68 and 51.18 respectively (Luton, Research and Intelligent Team, Oct. 2001).

In general, Luton is in the top 25% (81 out of 354) of the most deprived borough in the country and following the index of deprivation by ward, Dallow figures in the top 5% (477 out of 8,414).

Unemployment

In August 2001, the number of unemployed claimants in Luton amounted to 3,186 people. The resulting unemployment rate (3.7%) was substantially higher than the rate for Bedfordshire and the for the South East Region (both 2.1%).

In line with the multiple index of deprivation, the Dallow area exhibits the highest unemployment rate within all the wards in Luton (7.2%). The extent of the differences between wards is also significant. The least unemployed ward of Putteridge recorded an unemployment rate as low as 1.4% making Dallow's unemployment rate five times greater than that of Putteridge .

Other social indicators

Additional indicators of deprivation include the number of Family Credit claimants per 1,000 people. In Luton the figure is 24.3 compared to a national figure of 13.3. Another way to assess deprivation is to look at 'Notifiable offences Recorded by the Police per 1000 people'. The data produced include offences such as violence against the person, sexual offences, robbery, burglary from dwelling, theft of a motor vehicle and theft from a motor vehicle.

In this regard, Luton shows similar trends to the national average being altogether more successful. However, it is possible to note one exception: between 1999 and 2001 'theft of a motor vehicle' recorded a net increase of 0.3 per 1,000 in Luton against a decline of 0.6 per 1,000 in the country.

A3 Data from the pilot testing

Introduction and summary

The rest of this section will examine the results of the investigations and pilot tests of the survey instrument developed. This will follow the structure set out in the conceptual framework. A summary of the results is set out in the table below:

| Type of indicator | Summary results from case study areas |
|---|--|
| Extent of jobs for people from deprived areas | <ul style="list-style-type: none"> • On average half of employees live in the same ward as the business • More part time workers, women, young and ethnic minorities in social enterprises • While 47% the population in Dallow (Luton) are from ethnic minorities, 10 out of 15 firms were employing less than 10% • Enterprises requiring people with fewer skills are more likely to benefit people living in deprived areas • A simplified categorisation of types of occupations was developed that has fewer categories and is understandable to respondents • Many lower skilled people are working as employees of agencies and may not be recognised as firm employees |
| Quality of jobs | <ul style="list-style-type: none"> • Salaries are lower in rural areas • Job satisfaction is important with indicators such as levels of stress, working conditions and staff turnover. • Building skills benefits employees. This is through courses as well as building experience |
| Impacts on enterprise owners/managers | <ul style="list-style-type: none"> • Increased income since start up unless start up following redundancy or moving jobs for lifestyle reasons. • Only 3 of the 30 on enterprise owners/ managers were previously unemployed or economically inactive. • A majority of interviewees reported that self employment increases the stress, and reduces family/leisure time, although it gave considerable satisfaction • Negative effects are more likely to be found amongst those who have been forced to close their business • changes in skills, confidence, participation in community activities and aspirations were frequently mentioned • 16 of the 30 owner/managers interviewed lived in the same wards as their business, with a higher proportion in rural areas and amongst smaller firms. |
| Local spending (by employees and owners) | <ul style="list-style-type: none"> • Two thirds of expenditure was locally or in their wards, with a greater proportion in urban areas |
| Provision of products and services | <ul style="list-style-type: none"> • Greater impact by firms offering services to customers and retail outlets. • Social enterprises often have local service provision as their primary objective. |
| Supply chains and subcontractors | <ul style="list-style-type: none"> • An average of the 30 enterprises interviewed shows that less than half of all supplies come from the ward or locally (within 10 miles) • The seven social enterprises sourced on average three quarters of supplies locally • Five of the fifteen rural enterprises have a policy of local sourcing were possible |
| Competition | <ul style="list-style-type: none"> • Depends on extent of local market, number of local competitors and |

| | |
|---|---|
| and displacement | uniqueness of product. Service sector firms more likely to be displacing local firms, although the very little evidence of displacement was found in the small sample interviewed. |
| Social capital and inter-business links | <ul style="list-style-type: none"> • Types of collaboration include sharing equipment, space, staff, ideas and information, referrals, joint projects, general informal networks • Half of enterprises are not a member of any club or formal network |
| Community involvement by businesses and employees | <ul style="list-style-type: none"> • Examples include sponsorship, donations, use of company resources, • A third of firms (and all 7 social enterprises) had owner/managers on community related committees, • Almost half of enterprises interviewed are involved in school placements and a similar proportion are mentoring others, usually informally |

3.1 Jobs for people from deprived areas

This section examines the types of impact coming from employment creation for people living in deprived areas. In particular the number of employees and extent to which staff match local labour market and disadvantaged groups are explored.

Questions concerning the number of employees demonstrate the importance of part time work in all enterprises but particularly in the seven social enterprises where it makes up almost a third of all employees compared to less than a tenth of all employees of the 23 conventional business interviewed. This work is particularly important for women, students and elderly who might be excluded from full time employment.

The extent to which employment benefits a deprived area depends on the location of the employees residences and the extent to which the labour profile of the business matches the labour profile of the deprived areas. The pilot survey found that on average approximately half of the employees are residents in the same ward as their work. This has considerable policy implications as support for enterprise in deprived areas assumes the people living there will benefit.

The pilot survey also attempted to assess whether the representation of ethnic minorities, women and particular age groups match the local economy. By comparing the data from the survey with the demographic details of each case study set out in the annex, some limited conclusions were drawn although the small sample size means these should be treated with caution. In Luton the firms employed an average of 30% from ethnic minorities although in the general population they number 47%. It is most interesting to note that the median figure is 6.5% ethnic minorities suggesting that there are a few firms (particularly in manufacturing) that employ a large proportion of people from ethnic minorities while the majority of interviewees employ a very small percentage. There also appears to be a greater proportion of ethnic minority staff in social enterprises. Social enterprises also appear to employ a larger percentage of women and young people.

Enterprises that require a large number of less skilled people may benefit those from socially excluded groups who may have fewer qualifications and skills. This has implications for public policy programmes attempting to reduce social exclusion through attracting enterprise to a disadvantaged area.

Each enterprise has a mixture of higher and lower skilled people. While other surveys have divided the types of occupations based on the Standard Occupational Classification, this pilot survey found that the large number of categories was inappropriate and hard for respondents to understand. This pilot survey asked employers how they would describe the different categories of employees and the analysis was used to explore how the enterprise owner/managers perceived

the differences among their own workforce. Building on this, the analysis has attempted to build up a simplified categorisation based on this grounded data. Interviewees classified the types of employees mainly by the skills and responsibilities they had. Four main categories can be identified:

| | |
|----------------------------|---|
| Manual/ administration | This refers to tasks that can be learnt relatively quickly and examples from the survey include grading of vegetables, secretarial staff, sales support staff and warehouse operatives. |
| Specialist skills or craft | Staff in these categories have specialist skills built up over many years. Examples include farm workers with mechanical skills, drivers, sales staff, and machinists. |
| Professional skilled staff | Staff with skills built up through graduate level and post graduate level qualifications such as engineers, post harvest technologists, accountancy. |
| Managers | This refers to those staff who play a role in managing others and managing the business. |

This is a crude classification that does not adequately recognise the importance of the multiple roles individuals play particularly in small businesses.

“We’re basically multifaceted. I mean, there isn’t anything I don’t do. On Friday I was helping to load a lorry, today I’m doing some artwork, then I’m the software man, the computer guy, you know, on and on and on.... ...What is skill? I mean, life teaches you skill, doesn’t it? So what are you defining, I mean if you’re saying have anything of us got an MA in Business Studies, no we haven’t. Are any of us lawyers... you know- in terms of the American way of defining. None of us are. We’ve all come up through life’s long struggle, ok. We have a good deal of experience, we know how to twist somebody’s tail if we need to, to negotiate the price, to get payment out of them, whatever. So we all learn the different ways. We don’t resort... rarely do we resort to any official means to do things like that.”

Many of the interviewees commented on the different patterns between managers and the less skilled staff. One firm had moved location recently with managers willing to commute but almost all of the less skilled staff deciding to find new jobs near their homes. The difference between managers and other staff is also dependent on the recruitment pattern, with managerial position advertised nationally and others only advertised locally. This can lead to a difference in the proportion of ethnic minorities in managerial positions as explained by one larger firm:

“I will point out something that I am a little uncomfortable with, in that if you look at the shop floor, it’s probably about forty percent (ethnic minority), if you then move into the offices it’s probably about five or ten percent, ok? Ok, so there is an issue there. most of people in the offices have developed through the company, and maybe come from some of the external parts of the business- and they’re recruited for across the whole country. Locally we recruit for people who we require lower skills, managerially-wise we recruit people who we require higher skill levels- so we need to recruit across the whole country.”

An indicator of the attempts of the firm to recruit locally can be seen from the different ways of recruiting for different types of jobs. The interviews identified the following categories, with most firms using more than one way of recruiting:

- Adverts locally
- Adverts nationally
- Website adverts

- Recruitment agency
- Word of mouth
- Job Centre

Many small firms rely on word of mouth for recruiting which can reduce their costs, but can exclude some parts of the community that are not in the existing networks. Many firms were relying on having temporary agency staff and if they were working well, offering them more permanent employment.

3.2 Quality of jobs

The quality of the job depends on the salary and other benefits derived by staff. The survey found that salaries in rural areas were approximately 10% lower and were lower in social enterprises, in part because of the greater extent of part time work. Perks such as company cars, houses and bonuses are hard to quantify.

Quality of employment also depends on the levels of stress, working conditions, health and safety risks and the satisfaction a person gets from the job. For example agricultural employees may have low salaries and the highest risks of work based accidents but take much satisfaction from their work.

An indicator of staff satisfaction is the number of staff who have left in the past year (staff turnover). The survey found that that the staff turnover rates were higher in the more menial, less skilled types of work such as manual factory work, restaurant work, and shop assistants.

Building skills is also a benefit commonly reported by employees with the types of training reported fitting into the following categories :

- In house mentoring and apprenticeships
- Internal training courses
- external short training programmes,
- external long term education e.g day release building up to a qualification

Social enterprises can have the objective of building up the skills and confidence of their staff. For example one manager who works part time as a volunteer when not caring for her father-in-law gave her story:

“Twenty-six years ago I stopped work. But over the last ten years my sister kept saying... that I should try and go back to work. I kept saying how, when, where? Although I’ve never done a computer course, I’ve gone on to the computer, and I’m self taught, and it’s given me great.... it’s built up... as soon as my father-in-law dies xxx [this social enterprise] will be at a loss, because I will be going for a job. Which I know I will get... I’m confident enough to know.”

3.3 Impact on owner/managers

This study aimed to look at the impact of owning (or managing) an enterprise in terms of avoiding unemployment and low wages, change in income, change in quality of life, skill development and learning and personal development.

Being an owner or manager of an enterprise can result in a higher income than being an employee although it was found to be difficult to collect information on this. While most said that their income had increased compared to before they started, some reported a lowering of income as they were coming from redundancy or people who had decided to move jobs for lifestyle reasons.

Increases in income are to be expected if they are becoming self employed after being unemployed, economically inactive (studying, housewife etc) or employed part time elsewhere. This survey found that only 3 of the 30 interviewed were coming from unemployment or economic inactivity. Respondents were also found to have come from previous employment where they had been made redundant, so although they never became unemployed they may have if they had not started the business.

“I was a housewife bringing up the children and my husband was working at as a mechanic, they went through a rocky patch, So when he was made redundant he decided to set up repairing sewing machines and he was doing that for the domestic market at first and then we found that there was a need for people to do agricultural sewing machines that sew up potato bags. And so that was what got us into the industrial market and on onwards into the rest of the packaging line.”

The above quote also demonstrates the importance of looking at the impact of enterprise on household incomes rather than individuals. This is particularly important when household labour is involved in the enterprise.

In addition to changing incomes, self employment has both positive and negative effects on people’s quality of life. The survey asked an open question and a large proportion of the respondents referred to the greater satisfaction but the pressure on non-work parts of their lives. As one manager of a credit union put it *“I’ve no life left, no life ...with the credit union and all the other things I have to do...but I get great satisfaction”*. Another reported that stress had reduced compared to his previous work in a large firm with politics and rivalries.

An owner of a growing business stated:

“I think working for yourself is either brilliant or terrible, it’s very rarely anything in between. It’s either going really well, or it’s about to fall off a cliff. It’s never average, never ok. Overall, we’ve had a good life. I think our lifestyle’s been fine, we have had some very lean years in that, and we’ve had some very good, years. We’re still here!”

There are particular pressures on women who have other responsibilities: *“I think being a mum and a wife, it does mount up at the end of the day. It is very hard to manage running a business...running the home, running the children, and everything.”*

For those businesses facing difficulties the costs of self employment can be high. One farmer reported:

“I don’t mind working for myself at all. The problem is that we’re getting less and less free time. The kids are getting grown up, and I’ve hardly seen them grow up, and it’s, er, you get, as you get older you begin to see what you’ve missed in trying to grow and... or build up a larger business all the time. This weekend was the first weekend I’ve been away in July since 1976., when you see your profit diminishing, or even going the other way to a negative, you wonder why on earth you’re putting these sorts of hours in, to be honest. It is getting to that stage, where you wonder why you continue to carry on doing it, really”

Negative effects on owner managers are more likely to be reported by those who have not continued the business, either through forced closure or deciding to work for others. One owner

related the story of a competitor who had eventually committed suicide due to financial and personal difficulties.

The survey also explored how running an enterprise had affected people 'personally' resulting in changes in skills, confidence, participation in community activities and aspirations. People referred to a range of skills they had developed, using terms such as communication, research, negotiating, organisational skills. Others referred to "knowing how to deal with a situation", "being able to bang heads together", "it teaches you an awful lot about people", "I'm confident about meeting new people and professionals", and "it teaches you to be diplomatic with people"

A common response among respondents was the feeling that self employment had given them the freedom but now they could never work for anyone else ever again. *"I think I am probably unemployable now, too set in my own ways [laughs], ... it is very tempting, but I am not sure my skills would be transferable, I might be too bossy."*

The extent to which these benefits have an impact on deprived areas is minimal if the owner/managers do not live locally. The survey found that 16 of the 30 owner/managers interviewed lived in the same wards as their business, although there was a higher proportion of rural owner/managers. It is interesting to note that less than half of the businesses in the Luton sample had owner managers living in Dallow ward. There is also a much higher proportion of smaller firms (five or less employees) with owner managers living in the ward.

3.4 Local spending by employers and employees

Spending patterns of self employed and owner/managers in their local area also shape the impacts and can be used to calculate the multiplier effect of having a local business. On average, respondents estimated that two thirds of their expenditure was locally and in their ward of residence with residents in urban areas buying a greater proportion locally. The amount spent in a ward itself depends on the retail outlets available. The extent to which local spending is recirculated within the local economy could not be measured in this survey.

3.5 Provision of products and services

Enterprises in disadvantaged areas play a key role in providing services to local people. The impact on customers who are the final consumers (rather than businesses) is greater in the retail sector and amongst social enterprises. Indeed, many social enterprises have as their primary goal the provision of social and economic benefits to a defined particular locality. In many deprived areas, retail outlets have closed, a problem that is particularly acute in rural areas. In one of the wards in Boston there were no retail outlets at all.

The extent of the benefit depends on the objectives of the enterprise and the small sample for this survey does not allow an analysis of the impact. The survey does show that a third of sales are in the wards with differences according to sectors and type of enterprise. A very small proportion of sales of the manufacturing is to the local economy while a majority of social enterprise customers and are in the same ward.

3.6 Supply chains and subcontractors

Interviewees were asked about the contribution of an enterprise in terms of its local supply chain. Although the sample is small it demonstrates that seven social enterprises sourced almost three quarters of their supplies in the ward or locally compared to an average of less than half for all thirty enterprises interviewed.

The main categories of types of supplies and sub contracting provision reported by the survey included:

- Materials
- Rent
- Office supplies
- Services (training, accountancy etc)
- Consultancy
- Contract labour
- Food, drink and entertainment

In the sample of rural firms a third of the interviewees reported that they have a policy of buying locally where possible in order to support local firms as well as to have the service they require.

“Well, we are a big advocator of trying to support local businesses, because obviously it’s in our interest to have service close to hand- so we don’t have a loss of too long a down time, then obviously we get a quicker turn around of any problems that we should have.”

An important part of expenditure on supplies can be in the form of casual labour. Employment agency labour was found to be particularly important in the horticultural sector of the Boston area. The ‘gang masters’ as they are referred to locally may be local businesses themselves but draw on labour from neighbouring counties (particular those urban areas with concentrations of deprivation, or from eastern European countries. The working conditions and benefits to those working for these agencies varies although respondents felt that recent stringent checks on their operations has reduced the risk of them exploiting their workers. The impact of this system is felt in the urban areas from which this labour is recruited.

“The agencies can bring them from anywhere- from Birmingham, from Rotherham, from Mansfield... Well there’s an awful lot of eastern Europeans now residing in Boston,... knowing there’s plenty of seasonal work available. . Bulgarians and Poles and Russians... and then there’s a lot of EEC members in Boston as well they get work in pack houses... there’s a lot of processing lines in the Boston area, whether it’s for packing fruit or pre-packing vegetables, or processing industries...”

3.7 Competitors

The impact of enterprises on a deprived area can be negated if they crowd out other enterprises that are already involved in this activity (i.e. displacement). To measure this it is therefore necessary to measure the extent of geographic markets, the levels of competition, and the uniqueness of the product or service (Cowling, n.d.). The first of these factors is measured in the previous section, and the second and third factors can be measured by collecting data on the number of competitors and the percentage of competitors in the ward or local area.

Competitors will not only attempt to take some of the market from other enterprises but may attempt to poach staff. One social enterprise was particularly concerned when a similar organisation was established in the same rural area:

“we did consider our position [location] when xxx were formed, because it’s a small town and a small pool of... we were concerned about whether it was big enough for both of us in the sense of being able to draw upon a limited employment pool”.

The pilot survey found that service firms have more customers in local markets and may therefore be displacing other local firms serving the local market. However, there is a need to break down the category of services to assess the uniqueness of the service, and the extent to

which there is a local gap in the service delivery in the locality. Cowling and Hayward (2000) found that business services can have the lowest level of displacement while household trades and retail can have a high displacement.

3.8 Social capital and inter-business links

Enterprises build relationships with suppliers, customers and other businesses as part of their day to day activities. These networks are an important part of a community's social capital and can be an important resource in terms of encouraging new enterprises to start and allowing others to grow. Through participation in some of these networks, socially excluded groups can have better access to resources. The types of relationships can be bi-lateral (i.e. one to one) or multilateral (i.e. a group of enterprises in an association). Relationships can also be formalised or informal.

The types of collaboration mentioned by the 30 interviewed can be classified into the following categories:

- Sharing equipment, space, staff –(e.g. farmers borrow equipment and exchange fields for a year, lend out forklift trucks and trailers)
- Sharing ideas knowledge and information – (e.g. talking to other enterprises involved in marketing at social events in the village, farmers discuss which crops to use or the quality of different consultants).
- Referrals – (e.g. “we put work their way”, get new markets through referrals from others).
- Joint projects/alliances – (e.g. a garage works with a car dealership to do their MOTs, a flooring company gives preferential deal to an estate agent and pub who can demonstrate their product, a group of farmers who share equipment).
- Reducing poaching of staff – (not reported in this survey)

Behind all the relationships is an element of trust that is built up over time, through reciprocal dealings or through relying on a third party trusted by both parts of the relationship. In most cases there is no contract and people rely on “word of mouth” and “a gentleman's agreement”. The reasons for the relationships are not always in terms of immediate benefit. Some relationships are built up so that they can be used in the future for unexpected reasons. In such cases social capital is linked to serendipitous outcomes and is considered as a ‘bank of goodwill’ that can be drawn on later. In many cases, the relationships are seen as friendships rather than a calculated investment of time and resources with a clear expectation of a return.

“It's as much about making friends than anything else. You tend to do business with people you like, I mean if you don't like them, then you, for the best reasons in the world, tend to end up not dealing with them, so yeah I think it is about making friendships and relationships, really.”

“No, we don't help others although it does happen in an informal way. Just by talking to people you build up relationships with people so it does happen but in an informal way....I suppose it is everyone we deal with regularly. If you are talking to people regularly you build up a relationship and exchange ideas.”

The extent to which these relationships are beneficial is debatable in some circumstances. Cartels are made of strong relationships and can have negative consequences for the wider public. One enterprise was quite frank about this:

“we are trying to collaborate with our competitors in Leicester to rig the price, to stay away from his customers, to do this, to do that... it is a straightforward dog-eat-dog.how you want to interpret that, of course, is entirely up to you.”

The impact of these relationships depends on the importance of the networks to the performance of the enterprise or the amount that is put at stake and at risk.

Business networks or clubs were defined as a networks or formal associations involving more than 5 other enterprises. Examples of networks include sector specific bodies, local regeneration committees and the Chamber of Commerce. The latter is the most commonly reported group although most of those reporting it felt that they were a net giver rather than a net receiver of support. However, it was seen as being important for sourcing local services.

3.9 Community involvement by businesses and employees

Businesses contribute in many other ways in addition to employing people, sourcing locally and providing services or products. This survey asked respondents for the types of community involvement that they consider important. Some businesses referred back to comments they had made earlier about their contribution through buying locally and employing locally as well as a number of types of sponsorship and support to individuals or community groups.

The survey found a wide range of types of sponsorship and support provided. While many firms had a fund for sponsorship and charitable activities, others decided to donate money for particular causes. Many enterprises gave their products free of charge such as a game of golf or a crate of bananas. The selection of recipients is made by owner/managers of small firms or the public relations managers of larger firms. Some sponsorship is considered as a form of advertising or public image management, while other types are more philanthropic.

Allowing the use of company resources or property was frequently reported with examples such as allowing a charity to have offices in their buildings, allowing a play group to use buildings when not in use, and hosting a ploughing match. Contributions to local churches were mentioned by 5 of the interviewees, although there was no mention of any donations to Mosques or Hindu temples in Luton.

Apprenticeships were found in only one enterprise, a horse stud business where there were people with an interest in horses willing to learn to be a stable manager. Almost half the interviewees were involved in short term placements for school children. This was done as a purely philanthropic act:

“Really they are here to look at all aspects of what we do and just give them some understanding. I think really it’s to give them some work ethos.”

Very few of the enterprises interviewed could think of examples mentoring other businesses and encouraging people to start up, despite the fact that mentoring and advice from other businesses is frequently mentioned as an important encouraging factor by people who have started up a business. This type of impact may come about without the owner/manager realising, as part of everyday life, rather than a conscious action. After some thought one owner said:

“Er yes I think there is a bit of a networking thing happens. People come to you and think you have all the answers. You have made it look so easy so they can do it.... Yes but informally.

..... mostly from people in the village cos we live here, people we have contact with. But wherever you go people think you are a font of information.”

One business was encouraging a young employee to set up a business by ‘guiding him through certain things’, while another had other people asking for advice:

“if there’s anyone who’s interested in setting up a playgroup, we’re more than willing to help. You know, like what to purchase, what not to. Things which are more useful....things I might never use.”

One business reported that a community group frequently ‘picked his brain’ , another had encouraged friends to start a community magazine and the horse stud owner gave advice to those who were interested in horses as a hobby. One enterprise gave advice and mentoring to others under a formal mentoring scheme (‘Partners in leadership’ that links teachers to other businesses), and a manager of a social enterprise was involved in a community business development programme.

Owner/managers can contribute to a local community by participating in and taking a managing role in activities. A third of firms had owner/managers on community related committees. All social enterprise owner/managers were also on other committees compared to only 29% of service firms and 44% of manufacturing firms.

The types of community involvement can be classified into the following categories:

- Charitable – Trustee of various charities, on board of directors of charity or other social enterprise
- Church/religious group – on Parochial Church Council for the parish church
- School – School governor, PTA,
- Civic e.g. local council, parish council, local regeneration board, community playing fields committee
- Specialist interest group – sports club, horse show jumping society, ploughing competition.

Examples of involvement in activities for improving the reputation of an area included restoration of buildings by a housing association, building offices that would attract other businesses, and building an art gallery to attract people to come to the community. A firm that had recently moved felt that their decision was a good statement:

“Well, we’re here- I think that’s raising the reputation of the area, We could’ve chosen the whole country but we picked this one.”

Only one business reported any actions to encourage others to move. They were trying to encourage a sister company that manufactures the products they sell.

3.10 Conclusion

This annex has explored the types of impact that enterprises can have on disadvantaged areas. It also provides details of the range of impacts and demonstrates how some aspects can be collected using quantitative measures while other aspects are best collected using qualitative data. These results are indicative as they are based on a small sample, although they give an indication of the types of data that can be collected. Further studies with a larger sample will be able to identify differences between types of enterprise and draw conclusions on what type of enterprises have the greatest impact on deprived areas.

A4. Key informant interviews

Luton

| | |
|---------------|--|
| Mike Anstey | Luton and Dunstable Innovation Centre |
| Wendy Tremble | Luton Borough Council |
| Betty Courty | Development Manager, LBC |
| Sowab Ali | Youth and community Development Worker, Dallow Ward |
| Mary Palmer | Luton Lives/BITC Business Action Group |
| Keith Padbury | Business Link |
| Steve Pryor | Business Link and Chamber of Commerce |

Boston

| | |
|-----------------------------------|---|
| Peter Alder | Boston Borough Council |
| Sally Hewitt | Rural Action Zone/ Lincolnshire Development |
| John Boyer | Lincolnshire Fenland Action Group (Leader+) |
| Shona Welberry | Business in the Community |
| Dexter Durrant | Business Link Lincolnshire and Rutland |
| Bill Tickel | Business Link, Boston area |
| Jim Hopkins and David Cubberly | Boston Chamber |

A5 .The amended survey instrument

| |
|--|
| <i>Name of the business:</i> |
| Name and position of the interviewee: |
| Type of business (e.g. large, micro, soc ent, growth): |
| Location (inc. address): |
| |
| <i>Date:</i> |
| Interviewer: |

1. Background information

- Description of the business

- Type of business (e.g. sole trader, partnership, Ltd. PLC, cooperative, franchise, other)
- Is this the only site, head office with branches, branch?
- When was the business established?

- Who are owners/partners

- Where do you / they live

- Do you have a second job or earn other money?
How many hours, how frequently? (if self employed then ask questions for business owners.

2.2 Impact by staff

- Number of paid workers in your enterprise
 - F/T
 - P/T.....

What percentage are seasonal or casual staff?

Number of unpaid workers

Family members

Volunteers

- How would you describe the different categories of employees?
(Probe: by task, level of responsibility/management, etc)
- What are the required skills for each category
- How are skills built up for each category
- How did your existing staff get to know about the job here?
- Background information on staff (Note: this explores the extent to which the workforce profile matches the profile of the local area)
 - What percentage that were unemployed before starting at the firm.?
 - What percentage without skills
 - What percentage from ethnic minorities
 - What percentage of men and women
 - Percentage of 16-35, 36-50, 50+
- What is your total annual wage bill?
- Where do your staff live?
What percentage of each category of the workforce here live
 - within settlement / ward
 - Locally (within 10 miles)
 - Regionally (within 50 mile radius)
 - Nationally (within the UK)?
- How many staff have left in the last three years (Note: indicator of staff satisfaction)
Why did they leave?

2.3 Impact on suppliers and sub contractors

- What is the main expenditure of your business

Prompt: Ask about materials AND services/rent;

Try to distinguish between goods that have had value added locally and other goods

- Who are the main suppliers for your businesses
- What is the value of your supplies and sub contracting
- What proportion of your expenditure, supplies and subcontracting (by value, not quantity) is from
 - Within settlement / ward
 - Locally (within 10 miles)
 - Elsewhere

2.4 Benefit to customers

- Do you have any customers in the local area?
- What kinds of services/goods do you provide for them?
- Are you selling to consumers or direct to businesses?
- What percentage of your sales is to customers:
 Within settlement / ward
Locally (within 10 miles)
Elsewhere
- Are your local customers increasing or decreasing in number, and in value of sales (Note: this is to examine the extent of customer satisfaction and retention)

2.5 Competition (Note: this question examines displacement)

- Can you tell me about the market you trade in?
- Number of direct competitors in the market
 None
 One or more
 1-5
 6-10
 11-50
 More than 50
- Where are your competitors based (Probe)
 Within settlement / ward
Locally (within 10 miles)
 Regionally (within 50 mile radius)
 Nationally (within the UK)
 Internationally
- What types of businesses are the local competitors?
(Prompt: size, other activities, branch or locally owned)

3 Community indicators

- What do you do for your community?
- Do you sponsor other organisations? Give details.
 - Where are these organisations located
 - Within settlement / ward
 - Locally (within 10 miles)
 - Elsewhere
 - How much given locally?
 - What use of company resources for local groups?
(work/office space, equipment, vehicles, staff time etc)
- Do you advise or act as a mentor for others?
- Who? Prompt: young people, those thinking of starting up or already running a business
 - Do you provide any kind of support or encouragement to those starting up
(In role as owner/manager and as member of community)?
Have any member of staff left to set up their own business?
- Do you have student placements/apprenticeships? Give details
 - What proportion were unemployed?
 - What support do these individuals receive?
- What non-work groups, clubs or community activities are you involved in?
Why and what type of involvement?
- Are you member of any committees or boards (charitable, school, civic)?
What sort of contribution do you make?
- What have you learnt from running your business that is useful for helping these groups?

4 Reputation of the area

- Are you doing anything with other business to raise the reputation of the local area?
(involvement with local development agencies, promoting the area to outside, improving the built environment)
- Has your business encouraged other businesses to move to the local area? Explain how and what sort of firms were attracted
- Would you ever consider relocation?
Why, under what circumstances,
Why do you prefer to stay
Where would you move to?
What impact would this have on your workforce?

5 Relationships and social networks

Opening question: Apart from buying and selling activities, how do you and your local customers and suppliers help each other?
(Probe for formal and informal means)

Sharing equipment, space, staff
Sharing ideas
Referrals

How many local customers and suppliers did you collaborate with in the past year?

What is the nature of this collaboration?

How important is this collaboration to the performance of your company (1 is unimportant and 10 is important)

- How do you and other local firms help each other?

(Probe for formal and informal means)

Sharing equipment, space, staff

Reducing poaching

Sharing knowledge and information

Referrals

Joint projects/alliances

How many cases of helping other firms can you think of in the past year?

How important is this help to the performance of your company (1 is unimportant and 10 is important)

- Which business networks or clubs do you participate in?
What input do you provide

How important is this collaboration to the performance of your company (1 is unimportant and 10 is important)

- How has the amount and type of networking changed since you started your business?

6. Impact on owner manager

- What were you doing immediately before you started the business?

What is the percentage change in income since before you started?

(offer interviewees bands if necessary)

- How has your overall quality of life changed?

Prompt: What increase or decrease in stress, leisure time, family time, material goods, other

How satisfied are you with your work

If you could be employed by others for the same annual income would you change?

- How has it affected you personally?

Prompt: communication skills, team working, computer/numeracy/language skills, confidence, participation in community activities, aspirations.

Are there things you would do now that you would not have done before? Why?

Questions on expenditure (note: we ask for percentages only to protect privacy)

- What percentage of your shopping (food, household and transport) is done
 - within settlement / ward
 - Locally (within 10 miles)

- What percentage of your spending on leisure/eating out etc is done
 - within settlement / ward
 - Locally (within 10 miles)
- What percentage of your spending on clothes and consumer goods etc is done
 - within settlement / ward
 - Locally (within 10 miles)

- Do you rent or own your house?

If you rent: What percentage of your income is paid in rent?

Where does the landlord live?

- In total, what percentage of your total income do you spend:
 - In this settlement / ward
 - Locally (within 10 miles)
 - Regionally (within 50 mile radius)
 - Nationally (within the UK)
 - Internationally

3 Business performance;

How do you assess the performance of your business?

Did the firm make a profit/loss or breakeven in the last financial year?

What was the turnover in the last financial year?

- Less than £20K
- 20K-50K
- 51K-100K
- 101K-250K
- 251K-500K
- 500K-£1million
- £1m plus

How did the value of total sales in the last financial year compare with the previous year?

Higher, about the same, lower

8. General questions:

Qualifications:

- None
- Up to 5 O level/GCSEs – NVQ1
- 5 o levels to 1 A level – NVQ2
- more than 1 A Level – NVQ3 (BTEC)
- Degree – NVQ4 (higher BTEC, HND, HNC)
- Post Graduate – NVQ5
- Other (specify)

- Age (Under 30, 30-45, over 45)
- Ethnicity
- Gender (Male, Female)

Questions for employees

Impact of enterprise in disadvantaged areas

| |
|--|
| <i>Name of the business:</i> |
| Name and position of the interviewee: |
| Type of business (e.g. large, micro, soc ent, growth): |
| Location (inc. address): |
| |
| <i>Date:</i> |
| Interviewer: |

- What is your position within the firm (i.e. tasks/responsibilities)?
- Length of time working at this firm
- What are your average working hours per week?
- How would you rate your working conditions (1 is bad and 10 is good)
- Which of the other benefits does the firm provide for you?
(car, health insurance, pension plan, paid over time, time off for courses, flexitime/job-sharing, sabbaticals, child care etc.)
- If you were not working here, what would you do?
- Where do you live?
 - In this settlement / ward
 - Locally (within 10 miles)
 - Regionally (within 50 mile radius)?

Questions on expenditure (note: we ask for percentages only to protect privacy)

- What percentage of your shopping (food, household and transport) is done
 - within settlement / ward
 - Locally (within 10 miles)
- What percentage of your spending on leisure/eating out etc is done
 - within settlement / ward
 - Locally (within 10 miles)
- What percentage of your spending on clothes and consumer goods etc is done
 - within settlement / ward
- Locally (within 10 miles)
 - Do you rent or own your house?

If you rent: What percentage of your income is paid in rent?

Where does the landlord live?

- What percentage of your total salary do you spend:
 - In this settlement / ward
 - Locally (within 10 miles)
 - Regionally (within 50 mile radius)
 - Nationally (within the UK)
 - Internationally

- Were you employed or unemployed immediately before starting here? (If unemp. Skip next one)
- Where were you working immediately before starting here?
What skills did you have to start with
What skills have you developed while working there
- What changes in responsibility have you had over the past 5 years
- Are you a member of a union?

What non-work groups, clubs or community activities are you involved in? Why?

What have you learnt from working in this firm that is useful for helping these groups?

- How has your overall quality of life changed since you started this job?
Prompt: What increase or decrease in stress, leisure time, family time, material goods, other

How satisfied are you with your work

If you could be employed by others for the same annual income would you change?

- How has it affected you personally?
Prompt: communication skills, team working, computer/numeracy/language skills, confidence, participation in community activities, aspirations.

Are there things you would do now that you would not have done before? Why?

- Age
Under 30
30-45
over 45

- Ethnicity
- Gender
Male

Female