Exploring success for intermediate labour market social enterprises

A literature review

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Brotherhood of St Laurence
Working for an Australia free of poverty

Danielle Nockolds wrote this literature review while undertaking a sociology internship from the University of Melbourne at the Brotherhood of St Laurence in 2011.

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Contents

Summary

The purpose of this literature review is to identify and explore the key factors and challenges that influence the success of Intermediate Labour Market (ILM) social enterprises. The review supports the Brotherhood of St Laurence's Working Futures Initiative which is evaluating the financial sustainability, operating models and practices, and employment and training outcomes of four Australian ILM social enterprises. ILM social enterprises provide short-term employment and support to highly disadvantaged jobseekers, to create long-term improvements in the lives of these participants and provide community benefits. This paper finds that ILM social enterprises face a constant struggle to balance the operation of a sustainable business with providing a significant community benefit in the form of employment services for the most disadvantaged.

This report defines success for ILM social enterprises as multi-faceted and related not just to financial objectives and employment outcomes, but also to community benefits and employability outcomes. The literature indicates that ILM social enterprises are often successful at meeting these objectives. Factors that contribute to success include having a strong lead body and managing administrative requirements; enabling community engagement; and providing flexible training and personalised support. A key constraint to ILM social enterprises' success is the dominant view, reflected in policy and practice literature, that they should be financially sustainable without government funding. This expectation is unrealistic as these enterprises need funding to cover the productivity deficit implicit in assisting those highly disadvantaged jobseekers that the mainstream employment system has largely failed.

Many of the challenges for ILM social enterprises are related to not having enough time or money. If ILM social enterprises had stable funding to cover the productivity deficit, they would then have more resources available to operate and grow successful businesses that provide significant social benefits. Such funding would recognise that they are performing a public service in assisting those jobseekers failed by public policy. There has been recent focus by the Australian Government on social enterprises through the creation of the Innovation Fund (Barraket & Archer 2010) and the Social Enterprise Development Investment Fund (Department of Education, Employment and Workplace Relations (DEEWR) 2010b) and other budget measures concerned with the very long-term unemployed (DEEWR 2011). Increasing the tax-free threshold will also benefit low-income workers and help to make work pay. However further reforms are still required, including providing an integrated pathway into approved ILM social enterprises and a funding mechanism to match the productivity deficit.

Research into ILM social enterprises is still at an early stage; therefore a number of areas are highlighted for further exploration. These include mapping Australia's ILM social enterprises, measuring success and investigating failed ILM social enterprises. Although there is good evidence that ILM social enterprises are successful at achieving their immediate goals, there is limited research evaluating the long-term impacts on the participants and the community. Overall, a key focus of researchers, policy analysts and social enterprises management should be communication of the work performed by ILM social enterprises to enable learning between enterprises and garner support from communities and government.

1 Introduction

The Brotherhood of St Laurence (Brotherhood) and Mission Australia are collaborating on the Working Futures Initiative to evaluate four Intermediate Labour Market (ILM) social enterprises within Australia (Brotherhood of St Laurence 2011b). ILM social enterprises provide short-term employment and support to highly disadvantaged jobseekers, to create long-term improvements in the lives of these participants and provide community benefits. This paper is a literature review supporting the Working Futures Initiative by examining literature on ILM social enterprises and the key factors and tensions that influence whether an ILM social enterprise is successful. While there is a broader debate on the policy and market failures that have led to disadvantaged jobseekers being left behind by the system (see Cook et al. 2003), this review focuses on how ILM social enterprises work within the current political paradigm. The research question is therefore:

> What are the key success factors and tensions influencing an ILM social enterprise's ability to be sustainable, provide a good employment outcome for participants and deliver social benefits to the community?

This paper will firstly review the historical landscape of employment services and the rise of intermediate labour market programs. ILMs and social enterprises will be defined, and models of work integration programs will be discussed including ILM social enterprises. It will then define what success means for ILM social enterprises and how this is put into practice, with the success factors and tensions for ILM social enterprises identified and analysed. Finally, the report will highlight areas for further research and policy recommendations.

2 Unemployment and the rise of the intermediate labour market

In Australia, as in the rest of the western world, assisting the long-term unemployed to find work has been an ongoing policy challenge: 'Despite more than a decade of sustained economic growth and prosperity, a large number of Australians are stuck, long term, outside the workforce and excluded from the benefits and opportunities of employment' (Mission Australia 2008, p. 9). While there have been a number of reforms to the Australian employment services system over recent years, 'assistance to highly disadvantaged job seekers who are not 'job ready' and face multiple barriers to open employment remains poor' (BSL 2011a, p. 3). The Australian Government's *Labour market assistance outcomes* report shows that the most highly disadvantaged jobseekers in Australia have employment outcomes of only 22.8 per cent compared to the average for all jobseekers of 49.7 per cent (DEEWR 2010a, p. 3). This statistical evidence is also supported by research which suggests that large-scale, government employment programs are not adequately meeting the needs of the most disadvantaged jobseekers (Borland & Tseng 2004; DEEWR 2008; Finn & Simmonds 2003; Perkins 2007).

A brief history of intermediate labour markets and social enterprises

With increasing evidence that public policy and large-scale, standardised programs fail the most disadvantaged jobseekers, there has been growing focus on labour market programs designed to assist these people. Two key forms of these programs are intermediate labour market programs and social enterprises.

Intermediate labour market programs

Intermediate labour market programs (ILMs) were developed to assist the disadvantaged job seeker into the mainstream workplace through short-term waged work with a personalised support process. Marshall and Macfarlane (2000) specify the key characteristics of an ILM program as:

- participants who are the furthest from the labour market
- paid 'real' work on a short-term contract together with training and personal support
- work often with a community benefit
- reliance on a variety of funding sources.

Within the UK, intermediate labour market programs grew significantly in the 1990s and early 2000s supported by funding provided by the Blair Government's New Deal programs and the European Union (Finn & Simmonds 2003). In the rest of Europe, due to the various legislative frameworks, diverse forms of active labour market programs have been implemented (Spear & Bidet 2005). In the US, transitional employment programs (TEPs), which often target a particular group such as ex-prisoners or disadvantaged youth, emerged from subsidised work programs and other government programs (Bloom 2010). In Australia, there has been less government support for alternative labour market programs and limited research into ILM programs except by third sector organisations running the programs (Mestan & Scutella 2007; Mission Australia 2008; AMES Research and Policy Division 2009).

Social enterprises

ILM programs can be take place in diverse workplaces, including private firms, government and not for profits. The focus of this paper is on ILMs which are also social enterprises. Barraket et al. (2010, p.16) define social enterprises as organisations that:

- are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit
- trade to fulfil their mission
- derive a substantial portion of their income from trade
- reinvest the majority of their profit/surplus in the fulfilment of their mission.

Social enterprises therefore range from commercial enterprises such as a fair trade cafe or a business concentrating on environmental innovations to ILM social enterprises providing short-term employment and training for disadvantaged jobseekers. A recent survey found up to 20,000 social enterprises in Australia with approximately 20 per cent having a goal of creating meaningful employment (Barraket et al. 2010, pp.4, 23). Since the survey did not ascertain whether they were operating as ILMs, the number of ILM social enterprises in Australia is unknown.

Different models of enterprises with an employment integration goal

There are several models of organisations which are focused on an employment integration goal. These are often differentiated by their organisational form and the participants' characteristics. From a review of the literature, these models appear to fall into four categories: community businesses, placement organisations, in-house placement programs and ILM social enterprises. Examples of these programs can be found in the Appendix, which lists the evaluation reports reviewed.

Community businesses are organisations with an expectation of achieving full financial sustainability through trading, while employing a proportion of disadvantaged workers in permanent employment to achieve their social goals (Aiken 2007; Burkett 2010). They are therefore generally not ILMs although they are social enterprises with a work integration goal. **Placement organisations** are large organisations which manage short-term placements for disadvantaged jobseekers into other organisations, while retaining the responsibility for training and support. Such programs are relatively common in the United States and often do not have a local focus. These programs have more characteristics of an ILM and fewer characteristics of a social enterprise. Other organisations set up an **in-house placement program** where disadvantaged jobseekers are employed on a short-term basis within their own organisation. This is common within third sector organisations and local government. These programs are not social enterprises, but they are ILM programs.

ILM social enterprises—which are the primary focus of this paper— provide short-term employment and support for disadvantaged jobseekers by trading or performing a service within the local community and at the same time providing social benefits to that community. These are social enterprises operating in a commercial environment and are also ILMs. A key difference between ILM social enterprises on the one hand and placement organisations or community businesses on the other is that ILM social enterprises focus on the most disadvantaged jobseekers, whereas the other programs will generally employ those who are closer to the labour market and more work-ready. Therefore ILM social enterprises are likely to assist those jobseekers who are most excluded and have largely been failed by the mainstream employment system.

3 What is success for ILM social enterprises?

How is success defined?

To understand what factors influence the success of an ILM social enterprise, it is necessary to define 'success'. Success for social enterprises is often described in terms of the triple bottom line of social, financial and environmental sustainability (Aiken 2007; Wallace 2005). Social sustainability is creating pathways for sustainable employment and adding value to the local communities; and environmental sustainability means improving the quality of local environments where possible, and not negatively impacting on that environment (Wallace 2005). Financial sustainability is generally understood as being independent of funding, irrespective of the enterprise's goals and the social value it provides to the community (Aiken 2007). However, ILM social enterprises usually require funding to offset the 'productivity deficit'—that is, the additional costs incurred when employing the highly disadvantaged (Aiken 2007; BSL 2011b; Wallace 2005). The unrealistic expectation of full financial sustainability is an ongoing threat to ILM social enterprises' viability as it results in limited and uncertain funding.

Success for ILM social enterprises is therefore multi-faceted and includes meeting the following objectives:

- providing social benefits to the community, such as improved housing and green space environments, decreased crime rates or an increased sense of community.
- providing employment outcomes by transferring a percentage of participants into normal paid work.

- providing a benefit to the individual participant through employability outcomes such as increased self-confidence and work skills.
- achieving financially sustainability, which includes gaining the funding required to meet the additional cost of the productivity deficit.

How is success measured?

Measuring success is critical for ILM social enterprises to ensure the program is working and assisting their participants and the community. It is also necessary to measure outcomes to justify the funding received. However, unlike commercial businesses where the basic measurement of success is profitability, measuring success in ILM social enterprises is much more complex. At present, employment outcomes are the most common measure of success for ILM social enterprises. However, as outlined above, good employment outcomes should not be the only focus, as this may result in enterprises neglecting the most disadvantaged individuals to secure better outcomes (Meadows 2008).

Most evaluative research performed on ILM social enterprises considers employment outcomes via quantitative data and uses longitudinal interviews and surveys to determine improvements in participants' employability and community benefits. The differing definitions of success and narrative style of qualitative evaluations makes it difficult to aggregate findings and compare programs. As a result there has been discussion about improving and standardising measurement techniques for social enterprises (Nicholls 2007; Ruebottom 2011; Zappalà & Lyons 2009). Through these discussions a number of measurement methods have been identified including Social Return on Investment (SROI) (nef 2008), Social Accounting (Gibbon & Affleck 2008) and Balanced Scorecard (Bull 2007; Somers 2005). These methods allow the evaluation of multiple outcomes including indirect employment outcomes and community benefits. Further research and discussion is required to define a consistent method of measuring success so that ILM social enterprises have more clarity about their performance and improve their ability to communicate successful outcomes.

Are ILM social enterprises successful?

In constructing a research question regarding success factors for ILM social enterprises, there is an implicit assumption that they are successful; however is there evidence to support this? There has been limited large-scale analysis of whether ILMs or work integration social enterprises are successful since the survey research of Finn and Simmonds in 2003 with 73 enterprises in the United Kingdom (2003). This research found that good job outcomes were achieved, although the authors concluded that comparisons to other labour market programs were difficult (Finn & Simmonds 2003). From their study which considered 65 ILM operations in England, Scotland and Wales, Marshall and Macfarlane determined that 'a typical ILM project will achieve at least 50 per cent higher job outcomes for the long-term unemployed than other programmes' (Marshall & Macfarlane 2000, p. 42). With the proliferation of ILMs and social enterprises in the last decade, the primary focus of research has been on mapping and defining social enterprises rather than evaluating success or failure (Barraket et al. 2010; Dart, Clow & Armstrong 2010; Spear & Bidet 2005). There have, however, been a number of evaluations of individual programs which concluded that programs can be successful at:

- improving employability outcomes for participants (Bickerstaffe & Devins 2004; Mestan & Scutella 2007)

- improving participants' confidence and social skills (Durie 2007; Mestan & Scutella 2007)
- reducing recidivist rates of ex-prisoners (Bloom 2010; Cohen & Piquero 2008)
- improving community wellbeing and environment (CREEDA Projects Pty Ltd 2005; Haugh 2006).

This evidence consistently shows that ILM social enterprises can achieve their stated goals; however, more evaluation research is required, particularly large-scale comparative analysis.

4 The literature

This report is an integrative literature review. Its purpose is to summarise and evaluate past research into ILM social enterprises and the factors and tensions that influence their success, and highlight areas that the research to date has left unresolved. Electronic searches of academic databases and online sources were performed to find both academic literature and grey literature. The search terms included intermediate labour market (ILM), social enterprises, work integration social enterprises (WISEs) and the words success or failure. The geographical focus was Australia, the United Kingdom and the United States as it was determined that these countries had the most comparable ILM social enterprises and similar policy approaches to welfare and employment services. The search was limited to literature published between 2000 and 2011: the work of Marshall and Macfarlane (2000) in the United Kingdom is a natural starting point, as it was the first national survey to quantify the scale and discuss the activities of ILMs (Finn & Simmonds 2003). Only publicly available data has been reviewed and as a result there is a publication bias, as failed enterprises rarely publish reports. This highlights an area for future study.

Some 143 papers were reviewed; of these, 15 specifically focused on ILM social enterprises; 88 discussed social enterprises or social entrepreneurship but were not explicitly related to a work integration goal; and 40 discussed intermediate labour market programs but were not limited to social enterprises. Twenty-six of the papers were evaluations of work integration programs. These evaluation reports were analysed (see the Appendix). The other papers were generally government policy related reports or other research into worklessness. The lack of literature specifically on ILM social enterprises resulted in including literature discussing ILMs generally and social enterprises which were not necessarily involved in work integration activities. There was therefore not an ideal 'fit' between the conceptualisation of an ILM social enterprise and the literature reviewed. Success factors and challenges have therefore been identified and synthesised into several categories. This was a subjective determination as a more comprehensive meta-analysis was not possible due to the qualitative and narrative nature of much of the literature, and the time constraints of this research project. It is therefore not claimed that this is a representative sample of success factors for ILM social enterprises from which generalisations can be made about all such enterprises. However as this research is exploring an evolving area, it is believed that it adds value to the overall body of work into ILM social enterprises.

5 Success factors and challenges

This section specifies the key success factors and challenges identified from the reviewed literature. Although there are overlaps, the success factors are primarily related to achieving the different objectives of improving employment outcomes, delivering community benefits and influencing financial sustainability.

Influencing all objectives

Clear objectives

Most literature reviewed found that having clearly defined objectives is critical to success for enterprises focused on employing those furthest from the labour market (Finn & Simmonds 2003; Marshall & Macfarlane 2000). Clear objectives assist shared understanding among different stakeholders and build trust (Mestan & Scutella 2007; Seanor & Meaton 2008). They also make it easier to arrive at decisions in times of difficulty (Seanor & Meaton 2008) and are essential for measuring performance and making decisions based on that performance. The importance of ILM social enterprises having clearly stated objectives cannot be overestimated.

Influencing employment outcomes

Targeting the most disadvantaged

The most successful ILMs carefully target the most disadvantaged jobseekers, therefore reducing the likelihood the program is helping someone who could have helped themselves (Finn & Simmonds 2003; Meadows 2008). This is because the high cost of ILM programs is warranted only when assisting someone who is unlikely to gain employment through normal channels. This strategy, however, leads to tensions because the more disadvantaged the participants, the higher the operating costs and the lower the likelihood of good employment outcomes, at least in the short term. This conflict is a key reason for success to be understood as related not just to financial and direct employment outcomes but also to wider community benefits and employability outcomes.

Relevant, 'real' work activity

Determining the most appropriate work activity for participants and the community is a core component of building a successful enterprise. Four considerations appear to be important:

- The work provides a 'valued local service' (Marshall & Macfarlane 2000, p. 25) which enables community engagement and enhances the viability of the business.
- The work activity is attractive to the target participants, to support recruitment and reduce drop-out rates. This can mean matching the activity to a particular cohort, such as single mothers or young men (Marshall & Macfarlane 2000).
- The type of work and work disciplines should be similar to the regular labour market to aid better employment outcomes (Finn & Simmonds 2003).
- The work activity and training provides skills which are in demand by local employers to increase successful employment outcomes (Bickerstaffe & Devins 2004).

As outlined in the Appendix, the types of work activities which have been successful include child car, construction and landscaping work, and service-oriented activities such as concierge services

or cleaning and maintenance. It is important that the work activity is relatively low-skilled but offers scope for development and matches high labour market demand.

Payment of a wage

Several researchers have concluded that providing a wage is a critical component of a successful program (Barraket & Archer 2010; Finn & Simmonds 2003; Marshall & Macfarlane 2000). A wage prepares the participant for a real job while avoiding 'the stigma that has been attached to "schemes" by many of the long-term unemployed and by employers' (Finn & Simmonds 2003, p. 67). The payment of a wage is an important difference between ILM social enterprise programs and the less successful large-scale government 'work for the dole' type programs. Participants gain a sense of achievement and pride in performing a real job and getting paid for it, which directly contributes to their confidence and ultimately makes them more employable.

Program length

A correlation has been found between the length of the program and the job outcomes, with improved performance from longer programs (Finn & Simmonds 2003; Marshall & Macfarlane 2000). In general it is recommended that, for people with significant barriers to work, nine to twelve months are needed to develop the work and social skills required for future employment (AMES Research and Policy Division 2009; Mestan & Scutella 2007). Longer programs also allow the supervisors and case workers to build trusting relationships with the participants, significantly improving the participants' interest in learning and engagement with the world of work.

A flexible training component

A key characteristic of an ILM enterprise is that it provides a training component. This is a critical contributor to success when working with highly disadvantaged people (Bloom 2010; Green & Hasluck 2009). The best outcomes are achieved by ensuring training is flexible, takes into account the barriers the participants may be facing and develops transferrable skills (Abrazaldo et al. 2009; Marshall & Macfarlane 2000). Including a flexible and useful training component provides participants with the support and skills needed to gain future employment and also long-term employability benefits such as increased self-confidence.

Personalised support

In addition to support through training, programs for the highly disadvantaged require a level of personal support which extends well beyond mainstream work-related counselling. The provision of a case worker or personal advisor who undertakes regular reviews with participants is a feature of most successful ILM enterprises (Abrazaldo et al. 2009; Bickerstaffe & Devins 2004; Finn & Simmonds 2003; Green & Hasluck 2009; Meadows 2008). This level of support improves the participants' wellbeing, self-confidence and social skills, which may be more important than vocational skills when looking for a job. The additional cost of this level of support is a key component of the productivity deficit involved for ILM social enterprises in assisting highly disadvantaged jobseekers.

Job search assistance and post-placement support

One of the primary areas of difference between programs is their approach to job search assistance. Some programs have recruitment staff dedicated to finding a job for the participant, other programs provide counselling and training to assist the participant in finding their own permanent job (Bloom 2010; Mission Australia 2008). There appears to be little research comparing these two methods;

however it is widely agreed that providing job search assistance is a critical component of ILM programs (Finn & Simmonds 2003; Marshall & Macfarlane 2000). Post-placement support has also been identified as a key success factor for long-term employment outcomes, as disadvantaged individuals have less resilience and capacity to cope when things go wrong (Green & Hasluck 2009). In a number of program evaluations there have been specific findings that improving job search and post-placement support would improve outcomes (Bivand et al. 2006; Bloom 2010). The process of post-placement support also maintains an association with participants, which is crucial for determining longitudinal benefits for participants. Job search and post-placement support are often not the focus of enterprise managers as they are busy managing the day-to-day operations; however they are key factors in achieving good employment outcome for participants.

Influencing community benefits

Importance of place and community engagement

There has been increasing policy focus in recent years on the importance of place in reducing worklessness, recognising that particular locations can have a disproportionate number of disadvantaged and workless people and that locations can therefore act to reinforce exclusion (Bruttel 2005; Green et al. 2010; Green & Hasluck 2009; Meadows 2008; Syrett 2008). ILM social enterprises can reduce place-based disadvantage by working within these communities. ILM social enterprises also need to understand the local community and recognise that what works in one area may not work in another due to different types of residents with different barriers to work (Green & Hasluck 2009; Meadows 2008; Syrett 2008). The success of an ILM social enterprise in providing community benefits is therefore linked to their engagement with the local community to find out what that community needs and what drives local disadvantage. Community engagement also provides participant benefits through shaping appropriate recruiting mechanisms and determining the training and support that will be required for those participants.

Influencing financial sustainability

A strong lead body

ILM social enterprises are more likely to be successful if they have a strong lead organisation which can provide funding to manage cash-flow issues (Burkett 2010; Marshall & Macfarlane 2000). In the limited literature on failed social enterprises it is apparent that those without a strong lead body to manage short-term cash-flow issues are at a high risk of failure (Recycle-IT 2006; McGrath 2004). This links directly to the financial vulnerability of ILM social enterprises as they incur high costs to provide benefits to disadvantaged jobseekers.

Commitment to partnerships and networking

In conjunction with a strong lead body, partnerships and networking are also critical for ILM social enterprises because such enterprises are vulnerable to funding and government policy changes and reliant on community approval. In addition, networks can provide business opportunities through contracts and social procurement arrangements. Marshall and Macfarlane found that most successful ILM programs had strong partnerships with local authorities and the voluntary sector, which assisted them in securing funding and obtain service contracts for work (2000). Partnerships are also important to support participants with multiple barriers including drug and alcohol addictions or lack of child care (Meadows 2008) and to build networks with local employers to improve employment outcomes (Green & Hasluck 2009). Their importance is illustrated by

Recycle IT, a UK social enterprise whose staff noted in a survey that they found networking time-consuming and expensive (Aiken & Spear 2005). By the end of that year Recycle IT (Luton) closed for a number of reasons including loss of warehouse facilities, a bad customer debt and investor difficulties (Recycle-IT 2006), all of these issues related to partnerships and networking.

Good staff and dedicated management

Good staff and management are also critical to the success of ILM social enterprises. These enterprises are small trading businesses, employing people who require intensive support, and dealing with more than 100 per cent turnover of their disadvantaged employees. This means that management and ongoing staff must have a very high level of experience, skills and dedication (Finn & Simmonds 2003; Marshall & Macfarlane 2000). The quality and dedication of the staff and supervisors also influences the program experience of the participants (Abrazaldo 2009; AMES Research and Policy Division 2008) which impacts participant outcomes. Employing and retaining experienced and dedicated staff and management is critical to the success of ILM social enterprises due to the complexity of managing highly disadvantaged participants while operating a small business with a limited budget.

Managing administrative requirements

An issue identified by most evaluations was managing the administrative requirements of the funding regimes and the accounting requirements of the business (Bickerstaffe & Devins 2004; Cambridge Policy Consultants 2007; Marshall & Macfarlane 2000; Recycle-IT 2006). Administrative activities are often seen as secondary by enterprise managers, particularly when they are under pressure with time and money; however good procedures are critical to obtaining grant or customer income and measuring and communicating performance.

Program size

There are consistent findings that large-scale programs have less success in providing employment outcomes and social benefits than smaller programs (Bivand et al. 2006; Bloom 2010). The larger the program the more likely it will include people who did not need that level of assistance and thus displace other jobseekers; there may also be increased bureaucracy and standardisation of services, leading to less individualised support (Finn & Simmonds 2003). Conversely, there is evidence to suggest that social enterprises that are too small are not sustainable over the long term (Hines 2005). There is therefore pressure for ILM social enterprises to be the right size to achieve their social goals while also being large enough for long-term sustainability.

Key challenges for ILM social enterprises

Reliance on a single contract

Enterprise income is important to ensure participants are working in a ‘real job’ and provide some independence from grant funding. However ILM social enterprises often have a single customer which may restrict their ability to be innovative and expose them to greater financial risk as they cannot afford that relationship to fail (Barraket & Weismann 2009; Marshall & Macfarlane 2000; Mission Australia 2008). Enterprise managers are often aware of the necessity to diversify their income, but have limited time to spend on business development and limited money to spend on new equipment to serve additional customers. These conflicting tensions are part of the complexity of ILM social enterprises: they need to act like small businesses to survive, while being constrained by the financial reality that providing a community service involves a high cost.

Commercial objectives competing with social objectives

This tension for ILM social enterprises between the commercial requirements of being viable businesses and the need to meet their social objectives is ongoing (Spear & Bidet 2009; Bloom 2010). The pressure to get additional contracts and compete in the marketplace can impel an enterprise to employ more highly skilled employees, reducing the proportion of ILM participants and the resulting social benefits (Cambridge Policy Consultants 2007; Marshall & Macfarlane 2000). Conversely too great an emphasis on social goals may mean commercial considerations are neglected, threatening the enterprise's survival (Spear & Bidet 2009). An ILM social enterprise therefore performs a continuous balancing act and having clear objectives, stable funding and a good business model and plan are critical to manage this.

Funding the productivity deficit

Marshall and Macfarlane (2000) have noted that 'All ILM programmes are *fragile* because of the instability of the funding jigsaw' (p.37). As has been shown throughout this review, ILM social enterprises have high costs, unreliable income and limited time for business development; therefore they are reliant on government funding to contribute to the productivity deficit (Aiken 2007; BSL 2011b; Burkett 2010). Such enterprises require extra resources to provide their valuable service and operate with confidence over the long term. At present there is no consistent funding for ILM social enterprises in Australia. Such funding could be provided through the employment services system in recognition that ILM social enterprises appear to provide better assistance for particular groups of jobseekers who are not well served by mainstream employment services.

Funding for growth

While it is often important for social enterprises to grow in order to be sustainable, this is difficult as they have low or negligible surplus funds and limited access to external capital for investment in plant, equipment or premises (Burkett 2010; Cambridge Policy Consultants 2007; Hines 2005). In Australia, these issues are beginning to be addressed by the Social Enterprise Development and Investment Fund initiative (DEEWR 2010b); however there is still a long way to go for the financial sector and also for ILM social enterprise management to consider debt or equity funding as viable options (Burkett 2010).

Measuring outcomes

Another key challenge reported from a number of ILM programs was effectively tracking and measuring employment and other outcomes of the programs (Barraket & Anderson 2010; Bickerstaffe & Devins 2004; Cohen & Piquero 2009; Marshall & Macfarlane 2000). ILM program managers need to measure outcomes to ensure the program is providing lasting benefits to participants and the community and to communicate their achievements to stakeholders. In addition, funding is often directly related to outcomes. Due to the complexity of measuring success, ILM social enterprises require processes from the outset to measure outcomes over the course of the program and beyond, including longer-term outcomes for participants and other stakeholders.

Government policy framework

ILM social enterprises are often highly dependent on particular government policies including funding policies, tax regimes, childcare policies and social procurement policies. This makes ILM social enterprises susceptible to policy changes which increase the cost or uncertainty of running the business (Aiken 2007; Finn & Simmonds 2003). On the other hand, governments can provide an environment which is favourable to social enterprises by guaranteeing a medium to long-term

funding arrangement and including social procurement clauses in their purchasing guidelines (Mestan & Scutella 2007; Bond 2008).

Industry-specific challenges

As social enterprises are working within commercial industries they face some challenges which are specific to those industries. For example, programs which focus on child care are generally reliant on government childcare policies and the tax system to manage their funding and demand (Cambridge Policy Consultants 2007). Finding cheap and appropriate premises is relevant for those social enterprises such as childcare centres and computer repair businesses which require large spaces (Hines 2005; Recycle-IT 2006). Within the construction and landscaping industry, finding the right supervisors with good 'soft skills' for mentoring as well as construction skills is critical (Abrazaldo et al. 2009). Each ILM social enterprise is also subject to the normal market pressures and challenges of sustaining and growing a small business in their industry. These industry-specific challenges need to be understood by the management of each enterprise so that they can successfully address them.

6 Conclusion

This paper has evaluated literature on ILM social enterprises and the factors that influence their success or failure. The primary theme is the constant struggle between operating a viable business and providing the community benefit of employment services for the highly disadvantaged jobseeker. A key factor in ILM social enterprises' fragility is the battle to secure ongoing public funding to offset the productivity deficit of working with people whose needs are not met by current government employment services. If ILM social enterprises had stable funding to cover the productivity deficit they would have the resources to grow a sustainable and viable business while meeting participants' needs and providing community benefits.

This analysis highlights a number of areas for policy reform. Importantly, governments should recognise that ILM social enterprises are a valid means to assist the most disadvantaged jobseekers and generally require funding to offset the additional costs incurred when employing the highly disadvantaged. The recent Australian Government policies to provide wage subsidies for the very long-term unemployed and fund demonstration projects through Job Services Australia to improve Stream 4 employment service delivery (DEEWR 2011) are examples of this type of reform, although not specifically aimed at ILM social enterprises. Further, social procurement policies and initiatives, such as the Victorian Government's guide for social procurement for local governments (Department of Planning and Community Development 2010) should be extended. In addition, mechanisms to enable ILM social enterprises to access capital funding should also be examined.

Increased funding is also required for research into ILM social enterprises and for support and networking opportunities for ILM social enterprises. This review has highlighted areas for further research including mapping the number of ILM social enterprises in Australia and examining how they operate, to enable further analysis of 'what works' and provide networking opportunities. Further research and discussion on measuring success is required to provide ILM social enterprises with consistent approaches to measure their performance and communicate outcomes. At the same time, there should be increased focus on investigating failed social enterprises, as this would provide valuable information for others. And finally, there is always a need for continuing evaluation to enhance understanding of ILM social enterprises and the factors that influence success.

Appendix: Program evaluations

Program name(s)	Country	Year	Type of program	Type of participant	Number of participants in program/study	Work activity	Evaluation reference	Evaluation type
Multiple programs	UK	2000	Multiple ILM programs	Multiple	65 programs evaluated with approx. 5500 ILM employees	Various	Marshall, R & Macfarlane, R 2000, *The Intermediate Labour Market: a tool for tackling long-term unemployment*, York Publishing Services for the Joseph Rowntree Foundation, York.	Quantitative: outcomes
Glasgow Works	UK	2002	ILM – generally placement	Disadvantaged people in their local area	unstated	Principally childcare	Cambridge Policy Consultants 2007, Glasgow Works Strategic Review: final report, Cambridge Policy Consultants, Cambridge.	Qualitative: interviews
Community Jobs	USA	2002	ILM placement	Hard to employ welfare recipients	Participants in study: 125 Supervisors in study: 136 Placement organisations: 13	Multiple	Case, A, Burchfield, E & Sommers, P 2002, *Community Jobs outcomes assessment and program evaluation*, Economic Opportunity Institute and the Northwest Policy Center, [Seattle, Washington]	Quantitative: survey Qualitative: focus groups
Multiple programs	UK	2003	ILM programs	Multiple	65 programs responded with approx. 7000 employees	Various	Finn, D & Simmonds, D 2003, *Intermediate labour markets in Britain and an international review of transitional employment programs*, Department for Work and Pensions, London	Quantitative: outcomes
1) Preston Roadworks! Hull 2) Heywood ILM Project Phases 1 & 2 (Groundwork) 3) Achieving Diversity in the Workplace (Sunderland)	UK	2004	ILM placement and ILM social enterprises	Disadvantaged people in their local area	Participants in programs: Preston Roadworks – approx 400 Groundwork – approx 20 Achieving Diversity – 20	Construction and Landscaping and Administration	Bickerstaffe, T & Devins, D 2004, *New Deal for Communities: The National Evaluation Research Report 63*, *Intermediate Labour Markets: Final Report*, Policy Research Institute Leeds Metropolitan University, Leeds.	Quantitative: employment and training outcomes Qualitative: interviews
Multiple programs	UK	2005	Multiple Work Integration programs	Multiple	n/a	Multiple	Bruttel, O 2005, Are employment zones successful? evidence from the first four years, Local Economy, vol. 20, no. 4, 389–403.	Quantitative: statistics

Program name(s)	Country	Year	Type of program	Type of participant	Number of participants in program/study	Work activity	Evaluation reference	Evaluation type
REDF (formerly The Roberts Enterprise Development Fund)	UK	2005	ILM social enterprises	Disadvantaged people	Various	Various	BTW Consultants, *Social Impact Report 2005: What a difference a job makes: the long-term impact of enterprise employment*, viewed 9 August 2011, <http://www.community-wealth.org/_pdfs/articles-publications/social/report-btw.pdf>.	Social Impact Report
Breakthrough Youth Employment Program: Speak Out	Australia	2005	ILM social enterprises	Young disadvantaged unemployed persons	Participants in program: 1st placement – 10 2nd placement – 20	Graphic design work	CREEDA Projects Pty Ltd 2005, *Breakthrough Youth Employment Program: program evaluation*, CREEDA Projects Pty Ltd, Dickson, ACT.	Quantitative: outcomes Qualitative: discussions longitudinal over 3 years
Pack-IT	UK	2005	Community business	People with disabilities	Participants in program: 8	Mailing, storage and distribution	Mackenzie, S 2005, *Case study: Pack-IT—an analysis of its social return on investment* (SROI), nef, n.p.	SROI
STEPUp Pilot	UK	2006	ILM placement	Disadvantaged people in their local area	Participants in study: 1833 initially interviewed, 75 telephone interviews	Various	Bivand, P, Brooke, B, Jenkins, S & Simmonds, D 2006, *Evaluation of StepUP Pilot: final report*, Research Report no. 337, Corporate Document Services, Leeds.	Qualitative: Phone and face to face interviews, focus groups
MillRace IT	UK	2006	ILM social enterprise/ community business	People with mental health issues	Participants in program: 32	Computer recycling	Somers, AB 2006, *MillRace IT: a social return on investment analysis: 2005–2006*, nef, n.p.	SROI
New Jobs for Glasgow 2	UK	2007	ILM – generally placement	Not stated	Participants in programs: 210	Principally child care	Cambridge Policy Consultants 2007, *Evaluation of New Jobs for Glasgow 2: final report*, Cambridge Policy Consultants, Cambridge.	Mixed method including interviews
Wise Cadder Project	UK	2007	ILM social enterprise	Disadvantaged people in their local area	Participants in program: 27	Landscaping, maintenance and cleaning	Durie, S 2007, *The Wise Group Cadder Environmental Improvement Project*, Social Return on Investment Report no. 5, commissioned by the Social Economy Scotland Development Partnership (Equal Round 2).	SROI
Six Marys Place	UK	2007	ILM social enterprise	People with mental health issues	Participants in program: 20	Hotel services	Durie, S & Wilson, L 2007, *Six Marys Place*, [Edinburgh], Social Return on Investment Report no. 1, commissioned by Social Economy Scotland – the Equal Development Partnership	SROI

Program name(s)	Country	Year	Type of program	Type of participant	Number of participants in program/study	Work activity	Evaluation reference	Evaluation type
Kibble Works	UK	2007	ILM social enterprises	Young disadvantaged unemployed persons	Participants in program: 6	Catering, landscaping, maintenance and repairs, picture framing, graphic design	Leathem, K 2007, *Kibble Works: Social Return on Investment Analysis: Series Report no. 6*, Lodestar, n.p.	SROI
Brotherhood of St Laurence ILM programs	Australia	2007	ILM social enterprises and in house placement	Disadvantaged people in their local area	Participants in program: 35 Participants in study: 16	Cleaning, concierge services and personal care workers	Mestan, K,& Scutella, R 2007, *Investing in people: Intermediate Labour Markets as pathways to employment*, Brotherhood of St Laurence, prepared with the assistance of the Allen Consulting Group, Fitzroy, Vic.	Quantitative: questionnaires Qualitative: semi-structured interviews
Community Enterprise Development Initiative	Australia	2008	ILM social enterprises	Community cafes, gardens, recycling	Mixed	Various	Bond, S 2008, *Growing community enterprise: an evaluation of the Community Enterprise Development Initiative*, Brotherhood of St Laurence, Fitzroy.	Quantitative: surveys Qualitative: interviews
YouthBuild USA Offender Project	USA	2008	ILM social enterprise	Young offenders	Participants in study: 388	Construction	Cohen, M & Piquero, A 2008, *Costs and benefits of a targeted intervention program for Youthful Offenders: The YouthBuild USA Offender Project*, viewed 6 September 2011, <http://www.youthbuild.org/atf/cf/%7B22B5F680-2AF9-4ED2-B948-40C4B32E6198%7D/CohenYouthbuild%20Final%20Report.pdf>.	Quantitative: outcomes Qualitative: interviews
YouthBuild USA Offender Project	USA	2009	ILM social enterprise	Young offenders	Participants in study: 180	Construction	Abrazaldo, W, Adefuin, J, Henderson-Frakes, J, Lea, C, Leufgen, J, Lewis-Charp, H, Soukamneuth, S & Wiegand, A 2009, *Evaluation of the YouthBuild Youth Offender Grants: final report*, Social Policy Research Associates, Oakland, California.	Qualitative: interviews
Urban Renewal Employment Enterprise Program (UREEP)	Australia	2008	ILM social enterprise	Disadvantaged people in their local area	Participants in program: 1st placement – 21 2nd placement – 12	Construction and landscaping	Mission Australia 2008, *working for renewal: an evaluation of Mission Australia's UREEP a social enterprise and transitional labour market program*, Mission Australia, Melbourne.	Quantitative: employment and training outcomes Qualitative: interviews

Program name(s)	Country	Year	Type of program	Type of participant	Number of participants in program/study	Work activity	Evaluation reference	Evaluation type
Transitional Work Corporation (TWC)	USA	2009	ILM placement	Long-term and potential long-term welfare (TANF) recipients	Participants in study: 2000	Various	Bloom, D, Rich, S, Redcross, C, Jacobs, E, Yahner, J, &Pindus, N 2009, *Alternative welfare-to-work strategies for the hard-to-employ: testing transitional jobs and pre-employment services in Philadelphia*, MDRC, New York.	Quantitative: outcomes Detailed evaluation with large sample and control group
AMES Intermediate Labour Market Program	Australia	2009	ILM in-house placement	Newly arrived migrants and refugees	Participants in program: 81 (2008)	Generally office work	AMES Research and Policy Division 2009, *Heading in the right direction: migrants and refugees in the AMES Intermediate Labour Market Program*, AMES, Melbourne.	Principally qualitative
Multiple programs	Australia	2010	Social enterprises	Multiple	11 community enterprises	Various	Barraket, J & Archer, V 2010, 'Social inclusion through community enterprise? Examining the available evidence', *Third Sector Review*, vol. 16, no. 1, pp. 13–28.	Qualitative: interviews
1) Center for Employment Opportunities (CEO) 2) Transitional Work Corporation (TWC) 3) Community Jobs Program 4) Reentry Works	USA	2010	ILM placement	1) CEO – ex-prisoners 2) TWC – hard to employ 3) CJ Program – welfare recipients 4) Reentry Works – ex-prisoners	CEO – 1000 participants in study TWC – 2000 participants in study	Various	Bloom, D 2010, *Transitional jobs: background, program models, and evaluation evidence*, MDRC, New York.	Multiple evaluations, quantitative and qualitative
Fair Repairs	Australia	2010	Community business	Disadvantaged people in their local area	Unstated	Repairs and maintenance	Fair Repairs n.d., *Social return on investment: fair repairs*, viewed 27 September 2011, <http://fairbusiness.org.au/uploads/Fair%20Repairs%20SROI_two%20page%20FINAL_v2.pdf>.	SROI
FRC	UK	2010	Community business	Disadvantaged people	Participants in program: 54	Furniture removals, recycling	FRC 2010, *Leading with impact: FRCs social impact report: 2009/2010*, viewed 2 September 2011, <http://www.frcgroup.co.uk/proving_it.php>.	Social Impact Report

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