

Not-for-profit enterprise & workforces with mental ill- health

An in-depth analysis of six
enterprises operated by
England-based charities /
social enterprises

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Association of Mental Health Providers are the national voice of mental health VCSEs providing services in England and Wales. Representing small, medium and large mental health organisations – from locally focused to regional and national organisations – our 300+ members provide services covering the full range of provision, across a variety of specialisms, and take a whole-life, whole-system approach.

Foreword

A continued priority for the Association's work is sustainability of VCSEs, ensuring the continuation and growth of the sector's crucial services. There are various factors which impact sustainability, but two key areas are (a) access to unrestricted funds and (b) levels of income diversity. Trading and enterprise income can be an important contributor to both of these.

For the past three years the Association has been a national partner to Enterprise Development Programme (EDP), funded by Access – the foundation for social investment. This program supports charities and social enterprises based in England looking to identify, test, implement or scale trading models to deliver their missions and help them become more sustainable.

As part of this programme of work, the Association is keen to further understand the potential of a specific subset of trading and enterprise; businesses being carried out by not-for-profits where the workforce is made up in whole or in part of people who are experiencing difficulties with their mental health.

It is well documented that access to meaningful work and employment can be an important contributor to mental health and wellbeing for many. We wanted to explore this relationship further particularly when such opportunities are hosted in organisations where providing support for people with mental ill-health is part of their mission.

This research has further affirmed how participating in meaningful work can improve people's mental health, but in parallel it has highlighted there is no 'one size fits all' in terms of an approach to involving those with mental ill-health in non-profit business. And this is

encouragingly recognised by Providers involved in this research and is present in their varied methods of supporting people, whereby they all take account of both support needs but also strengths or assets they can bring to the enterprise.

The research also brings to the table some important initial findings around strategy and operations for such businesses, particularly in terms of funding models and the common requirement for grant subsidy. And related to this, there is important insight into decision making on impact measurement, pay and the benefits system.

The Association appointed the [Centre for Charity Effectiveness \(CCE\)](#), part of [Bayes Business School \(formerly Cass\)](#) to undertake this research. We would like to thank Steph Harland and Steve Billot for all their hard work bringing this research together, giving us greater insight to impact of such initiatives and also practicalities of making them a success.

Centre for Charity Effectiveness (CCE)

Centre for Charity Effectiveness (CCE) is a leading non-profit and philanthropy centre in the UK, part of Bayes Business School (formerly Cass). They offer a unique blend of multidisciplinary and cross-sectoral expertise that delivers real value for our UK and international clients, delegates and students across the areas of:

- Education
- Professional development
- Consulting
- Research and knowledge sharing.

The Centre was founded on the belief that the voluntary and community sector should enjoy the benefits of leadership and professional development experienced in the private sector.

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Overview

The first phase of the research reviewed published information to look at what is going on in the sector in terms of trading businesses that offer employment to people with mental health issues. This phase was to understand the characteristics of such businesses and the external context in which they are operating. In this first phase we learned that the kind of work we were interested in was less common than might be assumed. We identified some important factors in the external environment which influence whether organisations get involved in offering employment via a trading business.

During the first phase, we approached a small number of organisations to participate in the second phase which involved in-depth interviews primarily with staff involved. Through our interviews, we found that without exception our interviewees were very confident about what the workers in their businesses could deliver for customers and all of them considered part of the value of their work was to demonstrate in a practical way how to support a workforce in which many people are experiencing significant difficulties. Participants in our study believe that the approaches they are using can and should be mainstreamed into good practice for the whole workforce by all employers. The report contains some great practical advice from our participants.

In our study we found that participating organisations were delivering a range of benefits to their workers. A clear point of difference was that in some organisations there was a primary commitment to providing paid work in each case with access to individual support, while in others participation on an unpaid basis in work activities is one element in a wider programme of support. The research also looked at the trading activities as businesses, at how organisations had got their businesses off the ground and how they are faring. In this part of the research, we looked at the skills, knowledge and capabilities that

organisations need to operate a trading business successfully.

The report concludes with our reflections on what we learned from doing the research, some good advice from our participants for others who are considering starting a trading business (or what to do with an inherited business), and a suggested list of questions for organisations to think through when considering starting a trading business.

Purpose of the Research

This research considers how not-for-profit organisations working in the mental health sector are helping to provide employment for people with mental health issues within their social enterprise activities i.e., trading activities that are generating income by selling products or services to paying customers.

This research looks at how organisations built up their trading activities, the financial, commercial and operational challenges they have they have faced, what they have learned about employing people with mental health problems, what benefits they believe that people with mental health problems derive from the work they do, and the lessons organisations can offer others from their experiences.

The research is intended in part to help others who are considering setting up their own social enterprises. It is also intended to stimulate debate about some of the key themes and issues that were identified.

Methodology

An initial wide-ranging desktop review of over 200 organisations looked at their published information (website, Companies House and Charity Commission reports). This was used to create an analytical framework for understanding the many different types of activity being undertaken in the sector and to establish the criteria for organisations to include in the study.

Of all the organisations considered, 37 were thought to meet the criteria and from that group 21 were identified as strong contenders and eventually a group of 8 were targeted for participation. Six eventually made themselves available to be interviewed and each of these were interviewed with 20 participants talking to the CCE team for over the course of 23 interviews and conversations taking more than 30 hours. See Appendix 1 – list of interviews.

At interview, participants were asked a range of questions to understand the purpose and history of the organisation, the nature of the services being delivered, how impact was measured, the employment methods adopted, commercial models applied, any systems they used and finally any lessons for others they would want to share.

The interviews were inevitably at a relatively high level and did not look at the individual organisation's management accounts or social impact data. The interviews were wide-ranging and highly informative and CCE thanks all of the participants for their time and openness in the process.

It was agreed at the outset that all participants would be registered charities or organisations with an asset lock to ensure that these were genuinely not-for-profit organisations.

An important criterion was that organisations had to be operating some form of commercial business (in other words, they needed to be selling a product or service to a commercial customer). Another aim set at the outset was to identify a range of organisations varying in size, geography, and type of business activity.

It was not a requirement that a business had to be in profit.

Findings from Phase 1 (review of published information)

The initial research highlighted that some business activities were in profit, some were known to be supplemented by other income sources, while for others the position was not clear from the organisation's accounts and reports. While some organisations relied entirely on income generated from the business activities, it was recognised that some organisations would also be funded from statutory or philanthropic sources.

This generated questions for us about whether organisations had clear objectives for the business activity and whether they had an accurate understanding of all of the income and costs related to the business and (where applicable) how the business impacted on the organisation as a whole. If organisations had a plan to subsidise or invest for a period of time before a business activity was expected to stand on its own two feet, were organisations successfully monitoring and carrying out the plan? If the mixed model of funding was intentional, what were the aims of carrying out the business activities and were they being achieved?

Initial research showed the history of how the business activities had developed was very varied. A few appeared to be established organisations that then added a social enterprise whilst others had this from the outset. A substantial number of organisations had been created as successors to discontinued "industrial therapy" services as part of a movement away from industrial therapy (discussed further below). Others appeared to have started as a social enterprise and subsequently looked to employ people with mental health issue within their workforce.

This generated questions about whether there is any correlation between how the business activities started and their later success. It also led to questions to understand how important the business activities were to the organisation, and whether the success of the business activities were linked to how central they were to the organisation's strategy and priorities as well as to its finances.

The criteria set allowed for considerable variation in the form of employment offered. Some used volunteers whilst others paid staff and again the initial research identified a wide variety of differing models for this. Some businesses offered time-limited involvement or placements, and some were open-ended. Some were presented as training opportunities.

This generated many questions for us about what factors had determined the choice of form of employment, what the possible benefits or disadvantages of different models were, and what justifications organisations might see for employing volunteers to work in a business with a commercial revenue stream.

The initial research showed us that all organisations were making claims about the positive social impact of participation for people in their workforce. This generated questions about what organisations consider to be the benefits of participation and what they base their views on.

One surprising finding was the number of organisations in the sector that were not providing any form of employment for people with mental health issues. Many had a widespread involvement in delivering services related to "employability" and in the provision of "meaningful activities." Other organisations engaging in a range of activities to generate supplementary income (for example letting out space for meetings and events) which didn't appear to engage people with mental health issues to any significant degree. Far fewer organisations engaged in a business activity which provides some form of paid employment.

This generated questions about why this kind of work is not attracting more organisations within the sector. Is it simply not on the radar, is it seen to be difficult or risky, does it have a bad reputation, or are there just too many other things on the agenda?

The External Context

The first stage of research for this project looked at a wide range of charities and other not-for-profit organisations working with people with mental health problems. This looked at how they were thinking and what they were doing about employment, as well as looking specifically for organisations that were employing people with mental health problems as workers, volunteers,

programme participants or trainees in trading activities.

What this found is that the kind of activity/programme was not common or extensive, and that some of the organisations that had previously been well-known for employing people with mental health problems had moved away from this kind of work.

Organisations do not choose what to do in a vacuum, they work in an external context which shapes their choices and determines their options. The first stage of work concluded that there are a number of external factors which are specific to the mental health sector that affect how many organisations are doing this kind of work, what they do and how they do it. These factors also affect whether other organisations in the sector would consider or aspire to this kind of work.

All of these factors were observable in the case studies and developed during the subsequent interviews.

Values, principles and best practice in work with and for people with mental health issues

The work that the voluntary sector aspires to do with and for people with mental health issues is shaped by the current values, principles and understanding of best practice.

Currently, despite the constraints resulting from government policy and public expenditure, the sector is more hopeful and ambitious about what can be done to support the well-being of people who experience difficulties with their mental health than in the past. The sector understands better how to support people in their recovery and has a better understanding of the forms of treatment, care and activity that will help people to be as happy and healthy as they can be at the

moment and that need to be available to help people if they become unwell or start to struggle. Greater ambition for what can be achieved goes hand in hand with a greater degree of respect for individuals' lived experience and the skills and knowledge that they have. There is a greater respect for individuals' rights, needs and capacity for agency and control in their own lives. There is also a better understanding of how social, economic and cultural factors across the life-course influence mental health.

In relation to employment, there is a growing recognition that having a job and going to work in "mainstream employment" can be a crucial contributor to well-being.

A wider recognition of how many people can be affected at some point in their lives by difficulties with their mental health has created a wide-ranging movement to promote better support for workers with a new or an existing mental health problem in the workplace¹.

Legacy of past schemes to provide work – industrial therapy

In the UK as well as other countries the once dominant "industrial therapy" movement has fallen out of favour, although its legacy is still influential today, including in the not-for-profit sector².

Many of the segregated industrial activities that were created, often located within long-stay hospitals, have been closed down, although in many places the buildings or activities were spun off into newly created charities or social enterprises which provided the origin of many of the organisations in the sector today.

Many of the ideas that drove the industrial therapy movement have now been rejected – for example the idea that large numbers of people with mental health issues and/or Learning

¹ Building a VCSE Consensus on Health and Work - Association of Mental Health Providers (amhp.org.uk)

² Rethinking Post-war Mental Health Care: Industrial Therapy and the Chronic Mental Patient in Britain | Social History of Medicine | Oxford Academic (oup.com)

Disabilities should be segregated from the rest of the population for long periods of time, or that this large and diverse group of people are especially well-suited to monotonous and undemanding tasks.

As a result, many of the charities that were born out of the closure of the industrial therapy provision associated with long-stay hospitals, have worked hard to move their work away from its origins and to reshape it in a way that reflects today's views of best practice.

On a more practical level, the commercial logic of the former industrial therapy workshops has been eroded by new technology and new domestic and global competitors. Typical work included packing, assembling, stuffing envelopes, making signs and labels, and machine sewing – the alternatives now available mean that the commercial opportunities have been reduced.

The statutory agencies' policy agenda

There has been a positive move towards supporting people who are out of the workplace to find jobs with mainstream employers, and a growing body of research has shown that getting a job can help many people get better (whereas in the past it was assumed that people needed to get better before they could get a job).

Statutory agencies, who are experiencing ever-increasing financial constraints, are also motivated by the pressures on their budgets to work harder to ensure that they support recovery to enable them to focus their resources on those who currently cannot manage without their support.

This has meant that the dominant policy focus in relation to employment for people with mental health problems is currently on helping people to

gain or retain employment in the mainstream job market.

To support the drive to assist people to get into or return to the mainstream job market, the NHS has committed to the philosophy and practice of Individual Placement and Support (IPS) – a model from the USA which comes with a body of evidence to support its effectiveness and a specific, detailed methodology designed to drive replication. This is not just seen as something that can benefit people with less complex mental health issues – the NHS has committed to significant increase in the provision of IPS services to people with "severe mental illness"³

Funding and funders

Voluntary sector organisations and charities in the mental health sector look to a mix of statutory and voluntary sources for their income, with some organisations looking to supplement their income from non-primary purpose trading activities but rarely primarily or exclusively looking to income from trading activities as the means to support the organisation's social impact.

At the moment, funding for organisations to run activities which provide employment for people with mental health problems is much less common than funding for work intended to improve employability – and funding for activities to improve employability is dominated by policy-makers' interest in supporting people into mainstream employment. This is likely to be due to the factors discussed above – the turn away from long-term institutional care and industrial therapy, and the turn towards employability being promoted by statutory agencies. It is arguable that there is an opportunity here for new research and a more nuanced understanding of the outcomes of both programmes to promote employability and programmes that provide some form of employment. There is also scope

³ NHS Mental health Implementation Plan 2019/20 – 2023/24 (longtermplan.nhs.uk) p25, NHS England » Individual Placement and Support (IPS) for people with severe mental illness

for a better understanding of what in reality is the interaction between programmes which appear to fall under one umbrella or the other.

In recent years, the European Social Fund, which is concerned with employability and employment has been an important source of support for organisations engaged in this kind of work. The ESF's match funding requirement has also kept other funders engaged. The ending of the ESF and the lack of certainty about the "people and skills" element of its successor, the UK Shared Prosperity Fund is looming over programmes across the UK. There is a significant uncertainty due to the delay until financial year 2024/2025 of the start of the "people and skills" funding element of UKSPF despite the possibility of support for the VCSE where programmes would otherwise disappear⁴. A last-minute U-turn by government just ahead of April 2023 in belated recognition has been criticised by commissioners and providers across the country as coming too late to divert funding from commitments already made and to save projects which had already been dismantled.

Keeping abreast of and managing their statutory and voluntary funding opportunities creates a significant call on the time, skills, focus and attention of organisations. This means that many organisations are highly specialised in winning and retaining statutory and voluntary funding, and have developed the skills needed for dealing with block contracts, working in partnerships as a lead or a sub-contractor, obtaining funding via spot purchase, individual budgets or even self-funders, and winning funding from grants and trusts that have processes and priorities that are similar to those of statutory funders. The skills and capabilities required include being able to target programmes at particular groups of people to reflect funder priorities, providing impact and other reporting data in the form required, and building relationships with the right people in the appropriate way.

⁴ [Interventions list for England - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

The skills, capabilities and actions needed to succeed with sources of statutory and voluntary funding are fundamentally different from the skills and capabilities needed to win business from commercial customers.

Benefits system

The Benefits system has become ever more complex in recent years as successive Governments have tried to reduce expenditure and incentivise people to work, and the level of re-investigation and intervention for people on benefits has increased greatly.

There are currently many different benefits each with their associated rules for people who have experience of mental health issues. The rules for different benefits determine not only who is eligible for what, but what assessment is required, how much money people will get, what they have to do and who they have to engage with while in receipt of the money, whether they can be sanctioned if they fail to comply with specific requirements, and how long it will be before they have to be reassessed⁵.

The system is considered to present many challenges for those who are experiencing difficulty with working due to mental health challenges, especially where someone is uncertain about what they can do now or what they may be able to do in the future. There are some benefits available for people who are considered to have a sufficient and stable disability that limits what employment they can do, which permit a limited amount of paid work. For people whose situation is less likely to be stable, there are immensely complicated rules about what work and "work-related activity" people are allowed to - or in some cases must - do - if they are currently unwell.

Mental health sector organisations understand the level of stress that the system causes, and the rational aversion that many people have to doing

⁵ [Welfare benefit advice : Mental health & Money Advice \(mentalhealthandmoneyadvice.org\)](https://mentalhealthandmoneyadvice.org/)

anything that puts their income at risk or puts them into a situation where they are subject to a higher level of scrutiny.

Even more importantly, the work or “work-related activities” that organisations offer to people with mental health issues need to be designed with a really good understanding of the benefits system, and of the paths that individuals are on within the system. For some, it will be helpful to do a limited amount of paid work on an on-going basis. For some, participating in activities that are not work but would qualify as “work-related activities” to help prepare for future employment may be helpful. For some, there is a genuine opportunity to be better off if they do some paid work while still claiming some benefits and some people are in a position where they may be able to earn enough to be better off without benefits.

This situation significantly complicates the question of pay and hours to be offered by organisations in this sector – and needs to be considered in discussions of what is fair and right. Accurately understanding the impact on different people of offering work or work-related activities is essential. Issues to be considered include which group(s) of people organisations are aiming to support. Delivering services which may enable someone to fulfil a compulsory requirement where there is a risk of loss of income if they fail to comply, presents some tricky ethical questions.

Employing people with mental health issues

This project looked at businesses being run by social sector organisations where people with mental health issues are engaged in doing the work to produce products and services that are sold to customers. This part of the report looks at what was learned from interviews with participants about how employing this varied

group of people works both from the point of view of running a business and how this works for the people who do the work. Both of these are important: to be successful, social sector organisations need both a viable, healthy business and to provide a positive experience which delivers tangible benefits to the workers. The businesses we looked at have customers who have hard and fast expectations of what will be delivered and when in return for their money. The experience of participants in our case study is that their customers are not buying as a means of donation, and are not primarily motivated to buy by sympathy for the cause although they may see this as an additional attraction of buying from our case studies. From the perspective of the business therefore, it is essential, as in any other business, to assure the quality and timeliness of what is delivered – or risk losing the income either now or in the future if the customer decides to withdraw their business.

Participants in our case studies were united in the view that it is possible for businesses to offer a rewarding experience to the people who do the work (whether paid or unpaid) and meet customer expectations in a way that enables the business to secure and potentially grow the income. The participants wanted to counter some persistent myths about how difficult or expensive it is to deliver to customers by employing people with mental health issues. The participants in our case studies were all convinced that the experience they were offering was rewarding, and most of them could provide good quality evidence to demonstrate what benefits participants derive from being involved. However, in our study some had committed to paying their workers, and others had opted to use volunteers. In both cases, the organisations could offer a justification for their approach – this report explores what these justifications are and the implications of different choices.

Practical advice from participants for employing people with mental health issues

Various people wanted to stress that they felt that the challenges of employing people with mental health issues can be overstated. They were keen to avoid stereotyping or stigmatising the people who work in their business, and warned against over-interpreting every difficulty with performance, attendance, communication or inter-personal relationships as the product of an individual's mental health problem.

There was a striking degree of commonality in the approach, priorities and processes used by our case studies to ensure success for the person and for the organisation. In this section we have drawn together some of the good advice offered by participants in the study.

- Before you start: some kinds of business will be easier to run than others. You need to think about workforce issues as part of selecting the business that you want to develop.
- Your operations will need to continue in the event of short or long-term absence (including absence at no notice).
- It will be best if other team members can step in as needed to any of the roles needed to avoid over-dependence on specific individuals. This applies to supervisory and management roles too.
- Where possible, the working day should be adapted to the needs/situation of the workers – it may be useful to start a bit later, and to introduce as much flexibility into hours as is compatible with doing the business. (Several people suggested that mornings can be more difficult as a result of sleep problems and medication).
- Consider the environment that people are in when they are doing the work and what you might need to do to offer a break from it or whether/how you can adapt to people who might find it stressful to be in. Consider how you can offer some space(s) where people can rest and relax, be on their own or with others, and speak privately to someone.
- Devise a well-tailored recruitment and induction process, and consider who you are going to recruit and how you are going to find each other (including whether you are going to take referrals or not, who from, and how to make that process a success).
- Make sure the recruitment process is supportive but realistic in setting expectations. Make sure that any hard and fast commitments you are going to want people to make are discussed right from the outset and make sure you explain what commitments you will make.
- During recruitment, understand what individual needs people have and discuss how you can adapt.
- If you find someone who can't make the commitments the business needs, then consider what you can offer/suggest. This could include leaving the door open for the future.
- Consider introducing a Wellness Action Plan for everyone who works for you in whatever role and have clear rules for when and how it will be used.
- Be clear what you can't be flexible about – and be able to explain why.
- If people can't manage the role now, explain what you can offer in future and what would need to be in place, if they start and are not able to continue at the moment, if possible don't off-roll them and have a keeping in touch and return to work process.
- Give a high priority to clear, transparent and engaging communications with teams about how the business is faring, what successes you have had, what happens to the income from the business, and what the customers are saying, any changes you are planning.
- Make mental health a responsibility of all team members, not just those with a clinical specialist background. Consider introducing the mental health First Aid training.
- Consider how you are going to support people to access specialist support if they need it and learn how to navigate/access the wider local system that can help or impact your workforce: GPs, mental health services, Social Service, Housing providers and Housing benefit, Job Centre Plus, money advice.

- Ensure there is a system to check in with everyone individually and do it in a way that is relevant to their own reasons for being there and to the success of the business.
- If you expect people to be with you for a time-limited period, start planning their successful exit from the beginning.
- Be open to recruiting people who start on the “shop floor” of the business into management positions or other positions in your organisation, making sure the process is transparent and equitable.
- Make sure the way the business operates is compatible with the reward that people are expecting for participating.

People emphasised that that many of the approaches they are using can and should be mainstreamed in any organisation to support the mental health of the whole workforce.

One of the ways in which our case study organisations are therefore countering, rather than buying into, the segregated approach of the past, is that they are suggesting that the steps they are taking to create a positive working environment that benefits their workers (and creates the conditions for the business to succeed), should not be seen as special techniques that are needed because the workforce is different from the general population, but are good practice that can be usefully applied across the whole population.

What are the benefits to people of participating?

The case study organisations were asked about what they considered to be the benefits to participants in their business activities, based on their personal experience and observation as well as on any evidence of impact that they were able to collect systematically. There was a great degree of consistency as well as confidence in the responses.

Within myself

- Improved mental and physical health and well-being
- Reduction in harmful habits/behaviours
- Enhanced social skills and self-confidence
- Improved mental and physical resilience/stamina
- Positive feedback/improved relationships with the people in my life
- Satisfaction from developing new skills/applying my skills constructively
- Greater optimism about what I can achieve in the future
- Satisfaction from positive feedback from customers, colleagues and supervisors
- Where relevant: satisfaction from making a meaningful and valued contribution to a bigger cause

My employability

- Better able to obtain a job in the mainstream marketplace – evidence of skills and/or experience and something concrete to go on a CV
- Undertaking specific learning/training
- Experience of work – attendance, delivery, ability to follow instructions or comply with processes, ability to work with others: managers, peers, customers, sometimes: experience of management or supervisory roles
- References
- Practical help with getting a job

Pay

- Enhancing my income by earning up to the permitted limits for someone on the long-term disability/sickness benefits that I'm on
- Earning income that sits alongside my UC or other benefits
- Earning enough not to require benefits
- Satisfaction and self-confidence derived from earning – I feel proud of myself
- Self-belief – I can earn

- Enhanced self-esteem and self-confidence from being treated equally with others – I'm not a second-class member of the workforce

How do organisations evidence these benefits?

Organisations in our study, with one exception, were confident in their approach to evidencing the impact of their programmes for participants and could justify that confidence. The only exception to this was National Community Wood Recycling, which notably was the only organisation in our study not to have its origins in the mental health sector (and which had interesting and relevant things to say about why it hasn't been able to develop more evidence of impact up to now).

With that exception, the organisations were all able to draw on sector-specific knowledge and professional and organisational experience. It was interesting to note the continuing influence of the "Recovery Star" which was originally commissioned by the Association to support its members. All those with a system were either still using Recovery Star, had previously used it or had learned from it when developing their current approach.

For some organisations, Recovery Star was felt to be onerous both because of the call on staff and participant time that it creates and because participants may not feel that it is really relevant and valuable to them in the specific context of participating in this particular business / programme. Some of our participants had moved away from Recovery Star and had devised simpler and streamlined processes or had designed something that was more suited to their organisation and programme participants.

It's worth noting that participants are often engaged elsewhere by other agencies in processes to track their health and well-being and plan for their future. They may experience these processes as helpful or as oppressive, but it is highly likely that they have experienced a lot

of scrutiny and assessment in the past and they may or may not find it helpful to be asked to participate in yet more similar processes as part of their work in the business.

With regard to the time taken up by processes that help measure impact, this is necessarily time away from the work of the business to produce products or services. Unsurprisingly therefore, for those businesses where the income supporting the business is derived mainly from sales, there is pressure not to spend too much time on other activities. Conversely, where the business is sufficiently well-funded by funders who require evidence of impact, then it makes financial sense to spend time on it.

Organisations were clear that their commercial customers are attracted by the idea that businesses are creating a positive impact for the workforce, but they do not require hard and fast evidence of impact that may be required by statutory and voluntary funders and they are not prepared to pay for it. It was also observed by our participants that their customers often prefer person-centred stories to statistics. The process and even the skills required to collect such stories is often different to the process being used to capture evidence of social impact.

For some of our organisations, delivering positive change in people's lives is seen as either the main purpose of carrying on the business activity or of equal significance to the other social or commercial aims of the business. For others, where delivering positive change for individuals is not one of the most important aims of the activity, they are still interested in the wellbeing of the workers in the business because they see that as part of being an ethical organisation which aim to treat all its people well. They will also want to keep an eye on their workers as part of prudent management where there are hard and fast commitments to deliver to customers.

For those businesses where delivering positive change is of primary importance, they are offering structured 121 support which uses

specific frameworks (including but not limited to Recovery Star) which fulfil the dual purpose of providing a guided intervention and tracking the impact of participation in the programme over time. Evidence of impact here is essentially a useful by-product of the system for providing 121 support. Such systems do more than measure whether people are benefiting from participating, they allow space for reflection on which areas of someone's life are creating difficulties (or not) for them, and for proactively planning for how to create improvements. One of the workers in one of the projects told us that for him, he has learned something by reviewing his self-scoring over time, which was that even at his worst times there is usually something positive in at least one area of his life, and also that the worst times come and go, leaving him more confident and less despairing when he is having a particularly difficult time.

For some of the businesses there are other social impact aims which they may need to evidence and which may even take priority over evidencing positive change for people with mental health problems. The outstanding example of this is Community Wood Recycling, which is clear that its main aim is environmental. Some of the businesses undertaken by Choice provide further examples of wider social impact aims: Experts by Experience aims to improve the quality of OFSTED inspections, and the "Tuck in a Truck" business has a public education aim in addition to being of value to its workforce.

In summary:

- We found that organisations are not finding it hard for any other than purely practical and financial reasons to find ways to measure social impact for their workforce and that they were knowledgeable and confident using a variety of well-attested methods.
- We found that there is a clear strategic and commercial logic to how much priority organisations place on being able to measure their impact for their workforce. A commercial mindset also leads organisations to take care

about how they use their time when collecting information and to ask questions about efficiency and effectiveness.

- There is also a clear link between the social impact aims of the business and the amount and type of impact measurement it does. Is the impact for the workforce a primary aim for the business, an aim of equal importance to other aims, a secondary aim nor not an aim at all but simply part of being a good employer?
- The pressures and burden on workers/programme participants of evidencing impact need to be taken into account.
- Organisations know that commercial customers value a different kind of information from the information that is wanted by commissioners, statutory partners and the more technically-minded voluntary grant givers. They are keen to develop that information but sometimes lack the capacity and possibly the skills.

How do organisations think about pay and reward and what are the issues at stake?

All of the organisations in our study employed people with experience of mental health issues to produce products and services for sale to commercial customers. Some of businesses concerned paid all staff for all the work they do, and some didn't pay at all with the workforce being largely made up of volunteers. There was at least one business which part-pays people, i.e. pays people for some of their work, and in some cases the organisations were being paid by third party payers to provide an unpaid opportunity to participate.

What is the reason for this divergence and what can we say about it? Firstly, the decision whether to pay or not pay is more complex than might appear and rarely depends straightforwardly on either social or commercial reasoning. Secondly, as discussed above, the interplay between the

benefits system and the opportunity to pay is complex and decisions here need to be taken with adequate understanding of the system and with an explicit consideration of the ethical questions at stake for non-statutory organisations.

The organisations in our study had reached different decisions about what to do, and among them there were good examples of clear thinking underpinning various different positions. In other words, the differences between organisations is not just down to a difference in the quality of their thinking and decision-making. Below, we outline some of the approaches to pay that we found, the reasons that organisations gave for their approach and what they considered were the rewards on offer for their workforce.

- The businesses that started with the founding principle that they would pay people in full for all of the work they do, were passionate in the view that it is possible to identify opportunities to carry out viable non-subsidised and socially worthwhile businesses while paying people a going rate for that business. It may be noteworthy that currently these businesses are not necessarily providing full-time employment. While wages are not high, these businesses had successfully held out for paying more than customers might have expected and more than commercial competitors were willing to offer. They were passionate about the benefits to people of being paid, even where people who are claiming welfare benefits are not actually better off as a result of working. They pointed to the pride, self-esteem, confidence and greater optimism that people derive from being paid to work. They could also point to examples of people going on to find paid work elsewhere.
- The business that part-pays people takes a clever approach, which it has carefully ensured operates in a legitimate way. People work for pay such that they remain within the permitted amount for people on long-term

disability benefits. People are financially better off as a result, with the additional money making an important difference to their position. Some people who work in the business also do some further hours on a voluntary basis and the organisation has carefully ensured that this is within the rules for social security benefits. The value that the organisation sees in doing it this way (rather than paying people a lower rate or not paying them at all) is partly about the parity of esteem with other colleagues – which has led to some debate which the organisation sees as healthy. People who work in this business have to go out to deliver to the paying customers, and it is a matter of pride and satisfaction both to the workforce and the employer that the customers understand that the workers they meet are being paid.

- Some of the businesses that do not pay have committed both to the workers and to funders, to deliver positive change in the lives of participants, which the organisations do not only through offering participation in the work activities but by delivering tailored 121 support and by offering other opportunities for example free food, and social/team activities. One of these businesses which has thought very carefully about its offer, argues that taking part in a commercial business to produce products which customers pay for, and which has contractual commitments which must be met, is potentially more beneficial than engaging in less focussed activities with no commercial element. This business makes a point of reporting transparently to the workforce about the economics and performance of the business and how the income from the business contributes to the larger total cost of running the programme.
- One business is in business to achieve a particular aim which is not about improving mental health. From the outset, this business has used volunteers and has consistently appealed for volunteers to support the cause

(not offering volunteering primarily as a way of supporting the volunteer). It found that the voluntary work it was offering particularly appealed to volunteers with experience of mental health issues (and the opportunity seems to be one that referring agencies see as beneficial to people with mental health issues.). This organisation collects statistics that suggest that there is a high prevalence of previous or current experience of difficulties with mental health among its volunteers. It argues that in some ways part of the value of the experience the business offers is that people who may not always feel valued for their contribution and may feel frequently that they are always defined by others in terms of their mental health status, have the opportunity to be valuable members of a community that is not focussed on their mental health and doesn't pigeon-hole them in those terms. The organisation offers a number of routes to employment.

- One business has a long-standing commercial contract and uses a team of volunteers to fulfil the contract many of whom have been participating for a long time. The volunteers tend to be people who are on long-term benefits, and are thought to be wary of doing anything that could affect their status and lead them into a potentially difficult situation where new demands are made of them. The organisation is thinking about whether it should be more ambitious about what it delivers to people, including whether it should offer formal training and time-limited placements, but it can see the value that participation offers to current volunteers. The organisation could not afford to offer this group of volunteers a 5-days a week programme of gardening/outdoor activity without the income from the contract.

Starting, growing and running a social enterprise business

In this section of the report, we look at how the organisations in the study developed and managed their trading activities as businesses. We look at the finances of trading activities, starting with how organisations plan that their activities should be funded and how they fund getting them off the ground in the first place.

Funding Models

It was clear from our interviews that there was no one funding model that applied. In fact, no two organisations adopted the same model. In other words, the organisations had different plans for how trading activity would be funded, and in particular whether the trading activity would be expected to fund itself by generating enough income to cover its own costs or whether supplementing trading income from other sources was an intentional element of the plan. We identified three types of model, which we have called "fully commercial", "hybrid" and "funded." These are described below.

"Fully commercial" models

A "fully commercial model" means a business activity that is funded wholly by the commercial income generated from the sale of goods and services. In this model, there may be investment, sometimes from philanthropic sources or even from the owning organisation, but the business covers its own costs or makes a surplus.

One organisation had established a clear business niche and was able to develop this. They identified a core activity and using initial development funding from a philanthropic source built a model which they have been able to franchise to others. They have been able to build up a central service support structure and have continued to expand from that base.

Another business is paid through a contract with a public sector body to provide a specific service. The organisation has successfully managed, over successive contracts, to ensure that the business meets the financial goals set for it. This business is tasked with achieving Full Cost Recovery as a business unit within a wider organisation which

has the skills and resources in the finance team to budget and track accurately. The business has proved itself able to negotiate successfully when under pressure during contract renewal negotiations to reduce costs and has also managed to control cost.

A common feature of successful commercial models was that the income sources were not overly fragmented and were anchored by a smaller number of large contracts.

"Hybrid" commercial and funded models

We found quite a few examples of a hybrid model. The organisations expected that the income that they could generate from their trading activities would not cover all the costs and/or enable them to meet all of their objectives for carrying out the business activity. Therefore, alongside the trading activities, they had secured funding other statutory and/or voluntary funders in order to generate the funds to support the operations.

One participant had calculated a target for the balance between commercial income and other sources of funding. They considered that the most the trading activity could generate would be sufficient to cover 25% of their operating costs. Therefore, their business model currently requires them to obtain the balance from charitable grants and donations. They believe that the primary objective for their activity is to deliver change for individuals, and therefore, in the longer-term, they are working on a plan to be commissioned by statutory agencies. Having clarity about the contribution that they believe the commercial income can make, has improved their ability to plan for expansion.

"Funded" models

A number of businesses in this study currently generate a very low level of commercial revenue from the business activities (these were often "legacy activities" established many years ago). They rely on external funds to support the continuation of the business sometimes supported from the organisation's own resources

to subsidise the activity. We have referred to this here as the "funded" model but where it differs from the other two models described above is that generally speaking this was not a model which organisations had intentionally adopted but was the result of circumstances.

We came across a number of organisations who are trying to sustain or redevelop an existing business by trying to move away from the reliance on funding towards a hybrid, or even fully commercial model. There was evidence in the study of organisations trying valiantly to preserve long-standing activities at the cost of considerable time and money, but also of organisations making decisions to close long-standing activities or curtail innovations or pilots which hadn't worked out.

None of the participants considered that a "funded" model that featured non-remunerative trading activities was desirable and everyone who had such an activity could see the high risk associated with any loss of current funding.

Where the activity has associated plant, equipment or premises, there are some interesting challenges including whether the Board and senior staff are inclined to understand these as assets or liabilities, and in some cases whether there are historic agreements or commitments that limit the scope of the organisation to make changes.

What is clear from looking at the different models in place is that any trading activity which has commercial income that is so low as to mean that it is a "funded" activity, is likely to be unsustainable. However, it is also clear that there is scope for "hybrid" models which are most likely to be sustainable where they can bring in regular ongoing funding from statutory sources because the organisation is providing a service that meets the funder's requirements or policy goals.

Initial investment and subsequent working capital requirements

Setting up any new enterprise requires an initial investment – it is inevitable that costs are

incurred before any income is received. As the activity develops, the lag between incurring costs and receiving income is likely to continue and size of the gap may well increase. Organisations will need access to cash to pay bills that fall due before the income that is ultimately going to fund the payment arrives. An organisation's requirement for cash is understood through looking at its forecast "cash-flows". The funds that underwrite payments made in advance of income being received, are called "working capital."

Upfront costs can include any infrastructure that is required (premises, vehicles, equipment), securing customers through marketing and sales activity, recruiting and training people and designing and implementing the back office functions to ensure it works. It was clear in our discussions that looking back, participants had often underestimated how long this would take, how much it would cost, and whether the organisation had the skills and knowledge to do all the tasks required.

A few of the organisations had some legacy premises and or equipment that they could use but most were not that lucky. Behind quite a few of the successful ventures was a philanthropic start. Someone with a desire to help had advanced a sum of money that had enabled the project to start and then to grow over time. In some cases, funding had been received from charitable grant-makers. In one case a crowd funding initiative had provided an injection of funds, whilst in another a large organisation had seen the benefit of committing some of its own funds to get the programme started.

However, as the work develops there will be an ongoing need to finance the working capital required. As a business grows there is likely to be an increased need for stock or to build up work-in-progress (i.e. work that creates costs that must be met before payment is received). Some creditors can wait, but there are other costs for example staff wages and associated expenses that need to be paid every month. All of this requires the availability of cash. A limited amount

of working capital will, in turn, slow down the capacity of the business to grow.

For charities with high levels of reserves, the cash-flow question may not be so challenging – if the trading activity performs pretty much according to the budget for the year, it may not matter so much if the income is generally received later than the costs are incurred. For charities that are much more used to other forms of income (e.g. large contracts, grants or a stable pipeline of income from donations), cash-flow challenges can come as a shock.

It was notable that many of the successful businesses in this research had at their core one or more large contracts which provided not only a significant percentage of the income but an element of certainty (about how much the organisation would earn) and predictability (about when the money would appear in the bank account). We didn't find anyone who was successfully relying entirely on sales to individual members of the public.

The relationship between funding models and the collection of social impact data.

Where an organisation has a "fully commercial model" it will need to focus on the commercial income for its goods or services and the priority will be to deliver price and quality for the customers. This may lead to a strong business culture and a focus on growth and/or generating a surplus for the organisation.

In the hybrid model, the funders are paying towards the delivery of a service and the value that the funder is interested in is the outcomes that the organisation delivers for individuals. The customer takes delivery of the goods or services produced, while the funder requires evidence to demonstrate that the expected benefits are being delivered. This requires regular collection and collation of data which is time-consuming, however this will be costed into the funding agreement and, at least on paper, the funder will consider themselves to have paid a price that

takes account of the requirement to collect and report on social impact data. In this scenario, typically there are financial penalties (e.g., withholding payment), including ultimately the possibility of the loss of the contract, if social impact data is not provided as required.

This leads to a position where the collection of social impact data is determined at least in part by the specific requirements and willingness to pay of the payer (customers or funders). What we found is that the extent and complexity of the collection of social impact data was closely related to the funding model. All organisations were equally interested for their own reasons in understanding the impact on their workforce of participating in the trading activity, but the resource that could go into the collection of social impact data was largely determined by the interests of the payers.

For those selling directly to customers if the costs of collecting and collating the impact data is too high, the customer will not want to cover that cost. This drives the commercially focussed organisations away from the burden and cost of data collection.

This creates a possible dilemma for the hybrid model. The funders require good data yet the customers want a low cost. Below, we show a visual representation of the factors at work.

There are a number of practical consequences for organisations. Firstly, the funding model chosen will have implications for what will be needed in terms of measuring impact, and any change of plan needs to factor in a change of approach to the collection of evidence of social impact. The question of the cost of social impact measurement will always be important for any organisations that have choose the "hybrid" model.

What is the commercial purpose of your business?

All of the businesses we looked at considered that their social purpose was paramount. Where

they differed was that the organisations that took what we have termed the "employment first" approach adopted a "fully commercial" funding model, whereas those who adopted a "hybrid" model were committed to producing proven positive outcomes for individuals with participation in the trading business as one element of the programme on offer.

In either case, when considering starting a trading activity it is helpful to ask the question "What is the commercial aim of this activity? What does success look like for us in commercial terms?"

Organisations can aim to generate a surplus, break even or even operate at a deficit if that is sustainable from reserves or other income sources. This is a fundamental question that everyone should ask before starting out.

For some they will plan to start at a loss while their income grows and over time they can move to a break even and then surplus. A number of the interviewees admitted that they had some services that they knew were loss-making but were maintaining for their impact. It was not clear to us whether this was truly a sustainable position and whether the organisation had an accurate understanding of how long they could afford to let this situation continue.

A number of others had started and then stopped services when they realised that they were not viable. There is no single answer but organisations should constantly review the performance of services and actively decide if they can continue.

Understanding the investment and access to working capital required should be part of planning a business in the first place and performance against plans should be regularly reviewed.

For those who plan to have a "hybrid" model supplementing trading income with funding, it is equally important to plan for what income is to be achieved and when, and to distinguish between

what the organisation plans to contribute from its own resources (if anything) and what it intends to secure from other sources.

The relationship funding models and different forms of employment

As part of our work, we looked at whether there is a straightforward relationship between the funding model adopted by a business and the form of employment offered.

The forms of employment on offer ranged from paid employment at the going rate for the job through to unpaid volunteering. We came across a variety of rates of pay, including examples of pay matched to other employees within the wider organisation and pay above the national minimum wage – at the true Living Wage or above. The issue of the interplay with social security benefits for employees is discussed elsewhere in this report and as we state this is a complex area that needs careful consideration before an approach is chosen.

Shown below is a diagram to illustrate how funding models related to the form of employment offered. This shows that there was not a straightforward relationship between the funding model and how the workforce is employed.

Many of the trading activities relied on people with mental health issues to volunteer. Within the operations who had adopted the “fully commercial” funding model there was a variety of approaches with some using volunteers whilst others paid their employees at or above the living wage. We saw one innovative example where the employees were part-paid, with pay at a commercial rate for the hours allowed to preserve their other benefits and the rest of their time they are deemed to work as a volunteer. This could be seen as a blended rate of pay which would vary depending on how many hours they actually worked.

Financial success

Most of the participants have not yet been able to achieve a surplus from the services developed although two of the organisations within the study are successfully operating and continuing to develop with no regular source of income beyond the income generating by trading. Within this study, of the three businesses that were solely reliant on commercial income and were demonstrably fulfilling the commercial aims set for the business (two to achieve profit, one to achieve break-even/full cost recovery for the organisation), one relies on volunteers, one pays the true Living Wage to its part-time workers, and one pays at a rate higher than the Living Wage to a workforce on zero hours contracts.

One of the non-commercial aims shared by the two businesses that are employing staff is to prove that it is possible both to pay staff and achieve the commercial targets of the business without making a loss or needing to be subsidised.

Thinking about “leverage”

A “staff leverage model” is a common term used in business to help think about the value of employing managers who manage a number of colleagues who carry out the work. The manager may also, in some cases, have the time to do some of the work as well as manage. The ratio of staff to managers will vary depending on how routine and easy to replicate the task is. If it is complex and requires close supervision then there may only be a limited ability to apply leverage.

All the organisations in this study had paid employees whose role it was to supervise and support the workforce delivering the services or making the products. These people quite often did not have current mental health issues (although many had that lived experience and some organisations had a positive policy of recruiting people with such experience). They are skilled managers aware of the challenges their staff have to face. Some have a background in mental health, but many have a professional

background/training relating to the business activity.

They lead small teams doing the work and in all cases there is an element of providing personal support as well as a management role and service delivery function. Clearly, the time taken to provide support to people whether as part of a structured programme or ad hoc, reduces the time that such staff members can spend on driving production/the commercial performance of the business. In some organisations there are also other staff who are focussed on providing support.

For the "fully commercial" businesses which are funded by sales to customers, the support element of the role tends to take less time. By contrast, in those businesses that were at least part-funded by external funders, the funders want to see their funds used to deliver positive changes for the individuals who are employed (in health, well-being and employability). Funding agreements may well specify the support interventions to be carried out in addition to the reporting that will be required. In this case the support role may take up more supervisor time.

Where the workforce is made up of volunteers, the staff (whether supervisors or support workers) will need to give more time to providing all volunteers with a rewarding and positive experience. Further, where there are volunteers there are usually a greater number of individuals needed to deliver the work, and the management capacity, skills and approaches needed to manage attendance and absence will be very different.

One of the participants gave an example of how they have analysed this issue from a commercial perspective. Their model allows them to have up to seven programme participants working for every full-time employee. They recognise that participants, recognised as volunteers, have limited time (they start at 10 and leave at 4), and that further they are entitled to time for 121 support, lunch and social/team time. Therefore,

this ratio gives the business as much output in one day from 7 volunteers as they would get from 1 full time equivalent in a commercial setting. In some of the manufacturing operations the permissible ratio of volunteers to supervisors was lower for health and safety reasons.

There is no one model that appears to apply. However, organisations considering setting up a social enterprise need to understand how this model will work before starting. The cost implications can be substantial as the overall commercial output of the workforce may well be lower than in a purely commercial business, both for those who are managing and for those doing the work. This effect is particularly important to consider if the workforce is to be unpaid. We note that there is a risk that lower levels of productivity compared to a purely commercial business are assumed by observers or stakeholders to be due wholly or mainly to the mental health status of the workforce rather than being the result of the workforce being unpaid

Being clear about long-term ambitions

Those who do establish a successful model may look to develop this further by opening further operations or, if the idea merits, seeking to allow others to replicate the model under a franchise arrangement. This can have the benefit of increasing overall profile and adding further income from the franchisee.

A number of participants did not want to adopt this route and only wanted to grow slowly and purposefully in their own area.

An important message to those setting up a new venture would be to set out at an early stage their long-term aspirations. Having a modest but successful local venture can be rewarding as building a national brand and presence. However, they require very different models and skills. Knowing the plans, appetite and capacity of the business to grow at the start is key.

Reflections on what we found

This project found a number of very different but worthwhile ways in which organisations are developing successful social enterprise businesses with a workforce made up of people who are experiencing difficulties with their mental health.

Firstly, there were a number of examples of “employment first” models, which have at their heart a commitment to providing paid employment, and which combined rigorous commercial management with an unswerving dedication to paid employment as a principle and a conviction that employing people is a way to break down barriers and dispel myths that can lead to a change in attitudes on the part of other employers. For these projects, having a “fully commercial model” is not just a means to an end, i.e. a way of funding something, it is integral to what they are trying to prove. These projects have at their heart a conviction, which they can support with the evidence they collect of their impact, that having paid work is in and of itself beneficial to people. They also understand that the immediate benefits to people of doing paid work may not be financial. While these projects had a tight handle on costs, they all offered well-designed individual support to their workers and had the capacity to help workers access external support as needed.

Secondly, there were examples of intentional “hybrid commercial and funded models” where the overarching aim is to deliver benefits to the participants, and where the projects concerned can demonstrate the benefits. A common feature of these intentional hybrid models, is that projects are increasingly interested in “progression” and are designing an experience that supports participants to identify and realise personal goals usually relating to health, well-being and the likelihood of being able to move into mainstream employment. There is evidence of organisations challenging themselves to increase and evidence their impact on employability and securing employment. Among these projects, there are strong

defenders of the value that having a real commercial business as an element of the programme can provide over and above the income that it delivers to support the delivery of the programme.

Thirdly, there were successful models that provide regular paid part-time employment to people on long-term sickness and disability benefits, that leave them financially better off by providing an opportunity to earn up to the permitted amount, and that provide a range of social, emotional and health benefits. This model is the closest to providing a modern and inspiring update of the industrial therapy provision of the past.

Fourthly, another model was offered by an organisation that is focussed on the environment and which relies on the labour of volunteers to carry out a business which has an environmental purpose (to reuse and recycle wood) . This business has been notably successful in attracting and retaining a volunteer workforce which includes substantial numbers of people with experience of mental health issues. This organisation is not focussed on mental health, but has a positive and inclusive attitude, and has learned along the way how to create an opportunity that its volunteers value and derive benefit from. What are the actions that the mental health sector can take to encourage, inspire and assist organisations across the social sector to open up paid and unpaid opportunities for people who are experiencing mental health issues but who could benefit now from those opportunities?

A number of the organisations were engaged in a challenging effort to find the right way forward for various businesses that had grown up over time and which are now quite unproductive in terms of either their social impact or the revenue generated. This study cannot tell us whether the organisations concerned are going to succeed or not. But there are potentially some valuable lessons for how organisations can think about whether to try to save a business, how much time

and money they are prepared to spend, how they determine what the skills and resources are that will be needed, and what their criteria for success are.

There were no examples of organisations that were engaging in a social enterprise business employing people with mental health issues purely as a way of raising additional income to contribute to the organisation's general funds. Further, it appeared that these activities did not have the potential to generate a significant surplus over and above what is needed to cover their own costs in full and, if possible, to generate income that could be ploughed back into business development. To refer back to the ideas behind the Enterprise Development Programme, the activities we looked at contribute to the social impact of the organisations concerned by the direct impact that they have on the workforce, not as a form of income generation to support other programmes that the organisation might want to carry out.

All the participants in this study were confident that they deliver benefits to the workforce in their businesses. Nearly all of our participants can back their views with well-developed evidence. They were also united in their confidence in the abilities and talents of their workforce, and in their rejection of negative views about what people with experience of mental health issues can achieve, including those people who are less likely to be seen as being ready and able to work. They have all developed highly practical and cost-effective solutions to meeting the needs of their workforce while making sure they deliver to customers.

Several organisations in this study consciously sought not to over-engineer the support on offer to their workers, and adopted the approach that supporting good mental health is the responsibility of all managers and staff. Several mentioned that they had introduced MHFA or similar training for staff who are not trained mental health professionals and several mentioned that they look beyond existing specialist mental health skills when they recruit.

More than one interviewee expressed scepticism about whether a background in mental health services is the best preparation for the kind of work they were doing.

Some of the organisations in this study have been able to attract philanthropic "investment" in the form of grants which have funded the launch, development and expansion of the trading business. They hadn't found it easy to identify sources of the type of funding sometimes referred to as "social finance" (for example funding that involves payment by results or loan finance), even though they may be investment-ready in terms of having business plans and supporting evidence of the kind that would be required by funders that have a social finance mindset.

Along the way, some interviewees expressed scepticism about the level of success being claimed for various statutory and voluntary programmes and services focussed on employability and getting people into mainstream employment. The questions raised were about how services deal with people who are not ready to benefit from them, and also about the incentives and disincentives for agencies in the wider system. This may suggest it's helpful to raise the profile of projects that directly create paid employment or projects that provide people with a range of support and experiences that include participating in a real trading activity on an unpaid basis. Both types of project are helping prepare people to move into mainstream employment either directly or via a service geared to help people access a mainstream job opportunity.

Glossary

Business

An activity that forms a distinct operational and financial unit, sometimes used to refer to an organisation as a whole. In a charity context, "business" often refers to an operational unit that produces goods or services for sale to customers, generating income that funds the operation in whole or in part.

Customer

The purchaser and usually the end user of goods or services produced for sale by a business.. Customers could be members of the public, companies or public bodies. They will recognise the value of the goods and services and pay for them.

Employability

This term is usually used in the context of services that are designed to make it possible for participants to gain paid employment. This may include training and education, work experience and a range of interventions designed to improve life skills and social skills.

Funders

Organisations who provide funding to charities to support their work. Funder organisations include different parts of government and public bodies (such as NHS bodies) – these are referred to as “statutory” funders. Other organisations that provide funding include philanthropic organisations such as grant-making trusts or a parent charity. These funders are referred to as “philanthropic” or “charitable” funders. Funders are typically not the end users of the goods and services that they pay for..

Legacy activities

Activities that have been carried on by a charity for a long time, frequently established before the current Board and management team came into post.

Payer

The ultimate party paying for goods or services. In the context of this report, this will apply particularly in the case where a statutory body is making specific payments to an organisation to provide services to a group of people or to specific individuals. This phrase is used to make clear that sometimes the payer or purchaser is not the end user of the goods and services.

Productivity

How much someone can produce during a set period of time in which they are working to produce goods or services.

Reward

The benefits, which may include pay, that workers receive in return for their time and effort.

Social Enterprise

An organisation or part of an organisation which is established to operate as an income generating business and which also has some form of social purpose. The organisation may be a registered charity, some other legal form of not-for-profit organisation, or a company which can in some way demonstrate a social mission.

Trading activities

Activities that a charity is undertaking in order to generate earned income. Trading activities differ from fundraising, which is the term for activities undertaken in order to secure donated income. Trading activities will involve being paid for producing/delivering goods or services.

Volunteers

People who do unpaid work for a charity.

Workforce

All of those who work for an organisation or for a business within an organisation, including both paid staff and volunteers.

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Steve Billot
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