

# The Size & Scale of Social Enterprises and their Contribution to the GDP of a Developing Country: *The Case of Jamaica*




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# Outline

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  2. Defining the Social Enterprise
  3. Data & Methodology
  4. Findings
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    - II. Economic Value Creation
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# Motivation and Aim

## Motivation

- ▶ Emerging from the first Social Enterprise Summit in January 2015 there was consensus on the role that social enterprises (SEs) can play in Jamaica's social, economic and environmental development.
- ▶ There was however the need for additional empirical information on:
- ▶ understanding of the **size** and the **scale** of social enterprises;
- ▶ their **contribution** to the **Gross Domestic Product (GDP)** of Jamaica and;
- ▶ the sector needed to arrive at an **agreed definition** of a social enterprise; one which will be generally accepted and become an engrained part of the economy.

## Aim

1. Develop a clear definition of a Social Enterprise.
2. Understand the composition of the Social Enterprise Sector.
3. Measure its economic contribution to GDP


# Defining the Social Enterprise

- ▶ *A social enterprise is any business created or configured to provide a social good or service.*


A more detailed definition would advance that:

- ▶ *‘A social enterprise is a venture created or configured to provide one or more social goods or services, applying high ethical standards and effective business practices, to seize opportunities and solve problems at the community and national level; generating both monetary and non-monetary value for its stakeholders in a sustainable way.’*

# Data & Methodology

- ▶ Mixed method approach
  - ▶ Surveyed 100 social enterprises
    - In operation for 2 or more years.
    - Response rate of 70%
  - ▶ Financials were obtained from only 38 enterprises.
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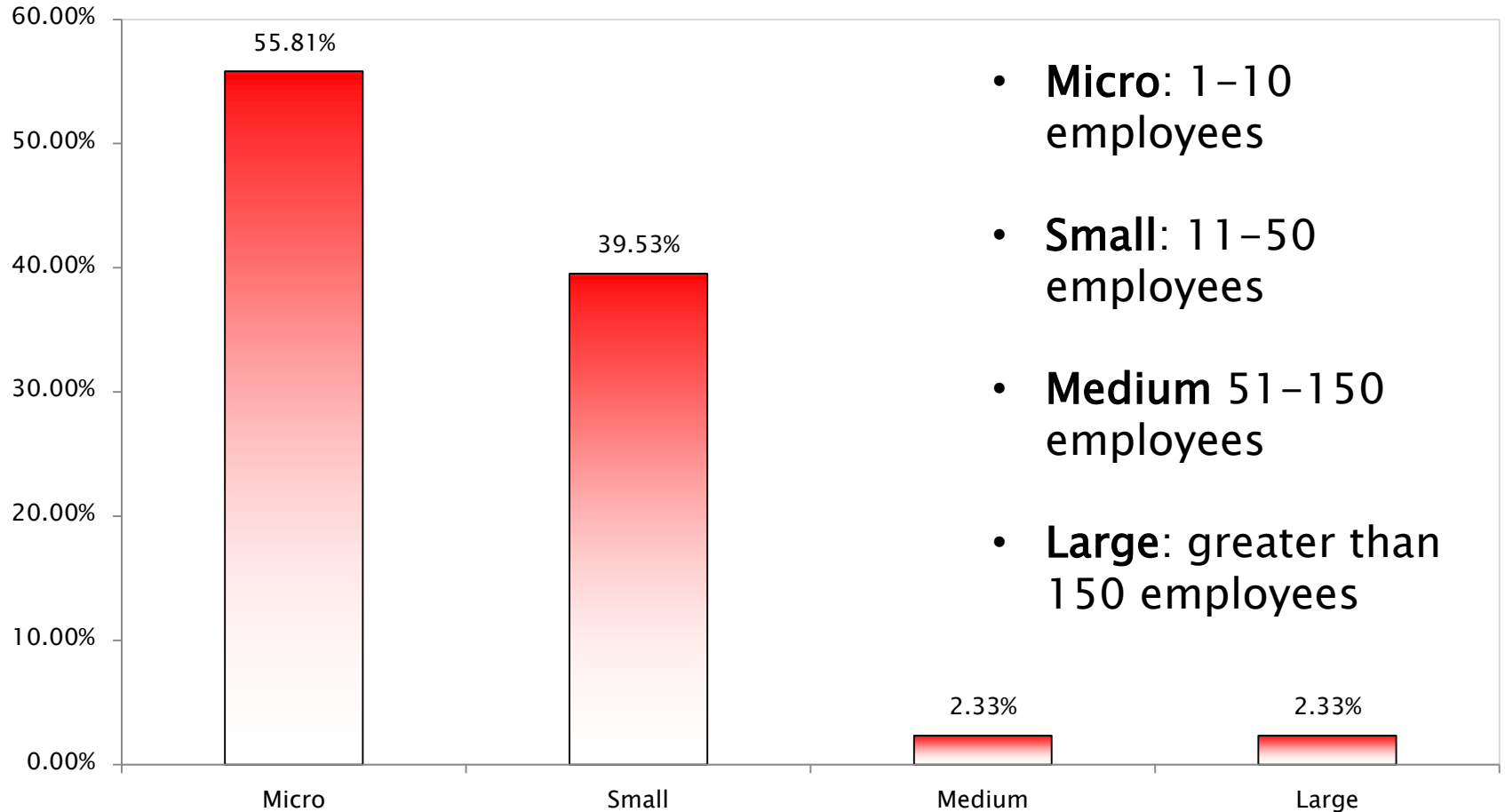
# Data & Methodology

- ▶ Limitations
  - ▶ Non-existence of a single registry for social organisation/ social enterprises.
  - ▶ Lack of proper accounting and record keeping
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# Composition of the Social Enterprise Sector

Organisational structure	Emerging		Transitioning		Hybridisation	
	Ideation	Start-up	Not-for-profit	MSME	Private sector	Government
Groups	CBOs, Youth groups, Individuals.	CBOs, Youth groups, Advocacy groups.	NGOs, CBOs, FBOs, CSOs, Advocacy groups.	Cooperatives, microenterprises, Agriculture groups, Cottage industries.	Foundations, Charities, Service Clubs.	Agencies and Departments; Quasi-government agencies.

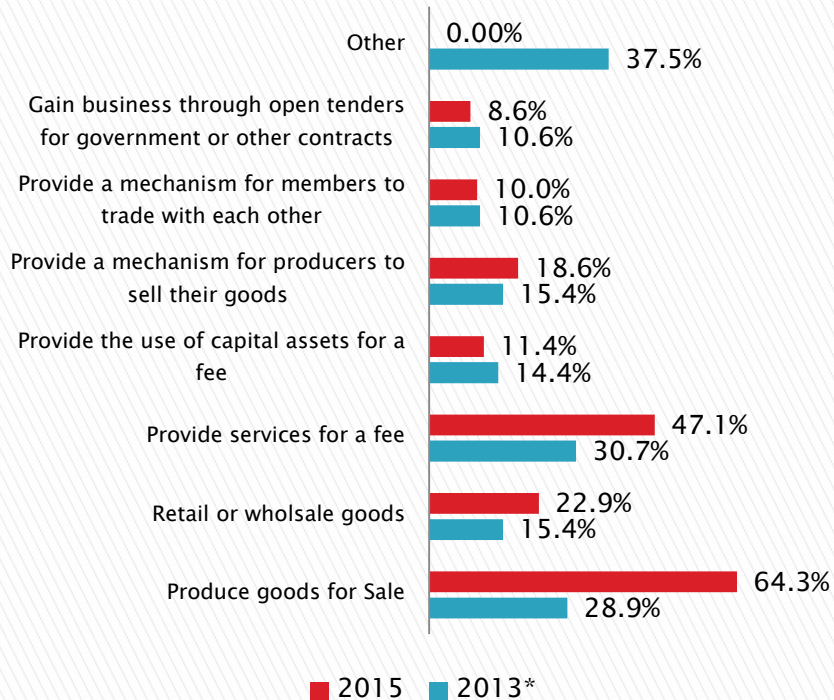
# Composition of the Social Enterprise Sector



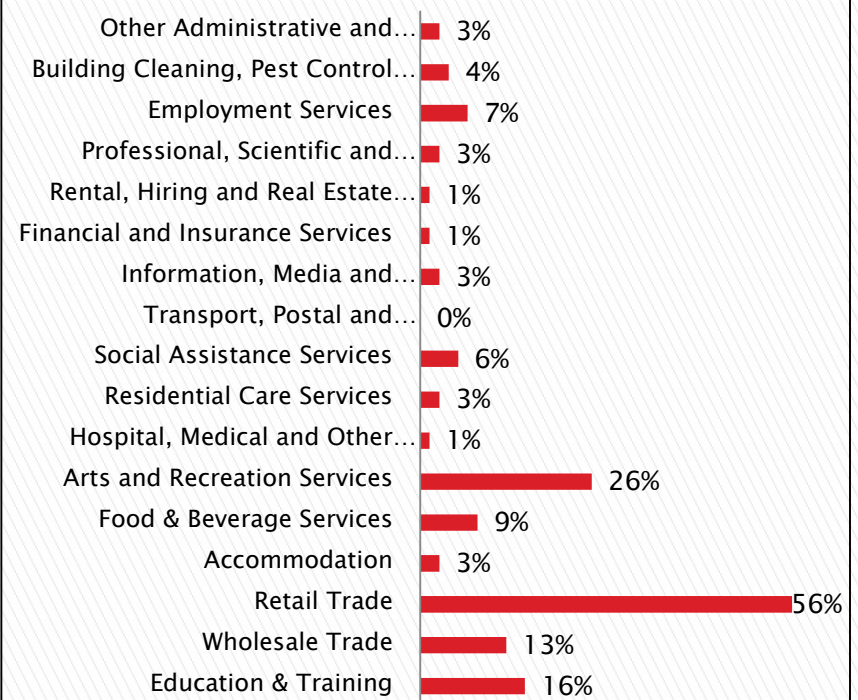


# Composition of the Social Enterprise Sector

## Economic or Trade Activities

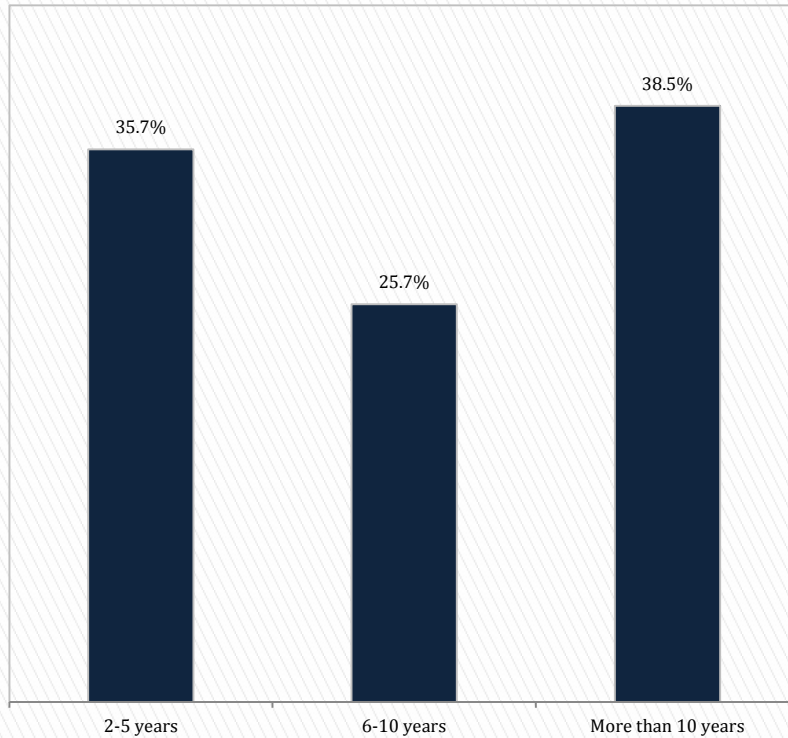


## Industries

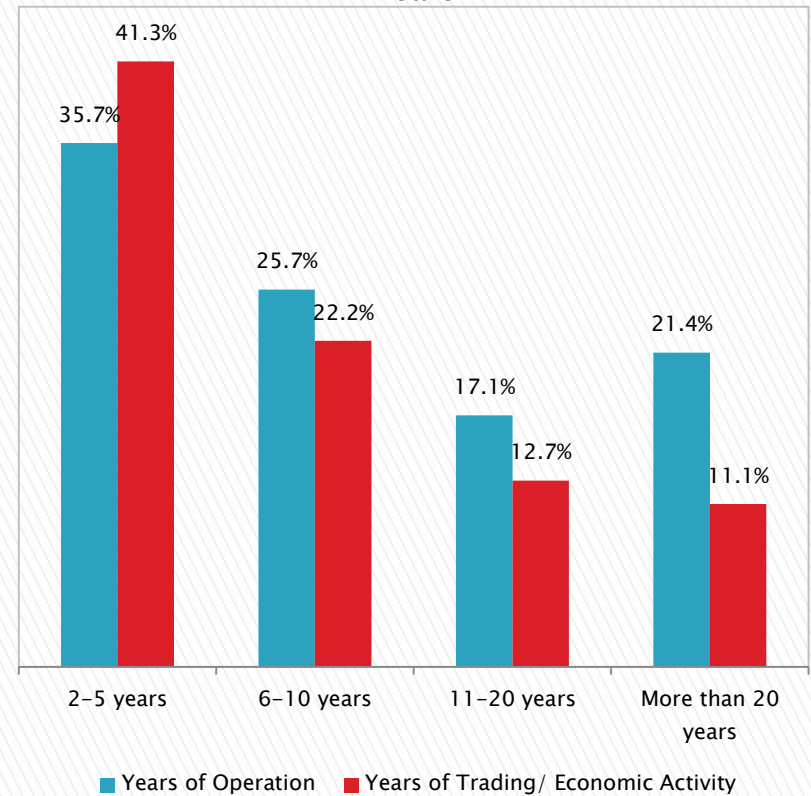


# Year of Operation

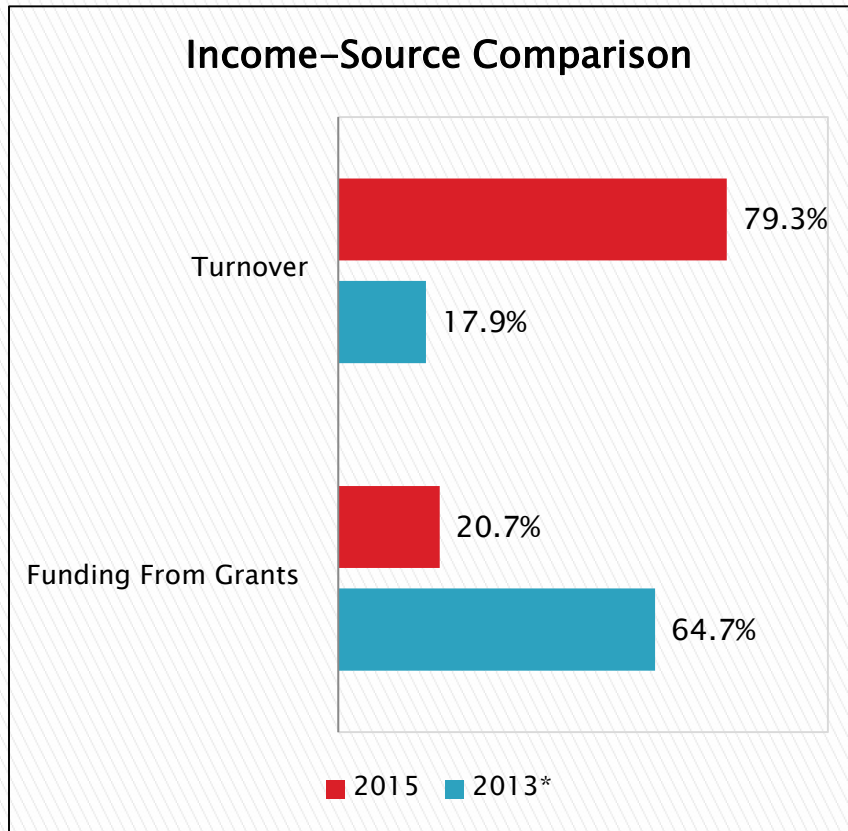
**Year of Operation**



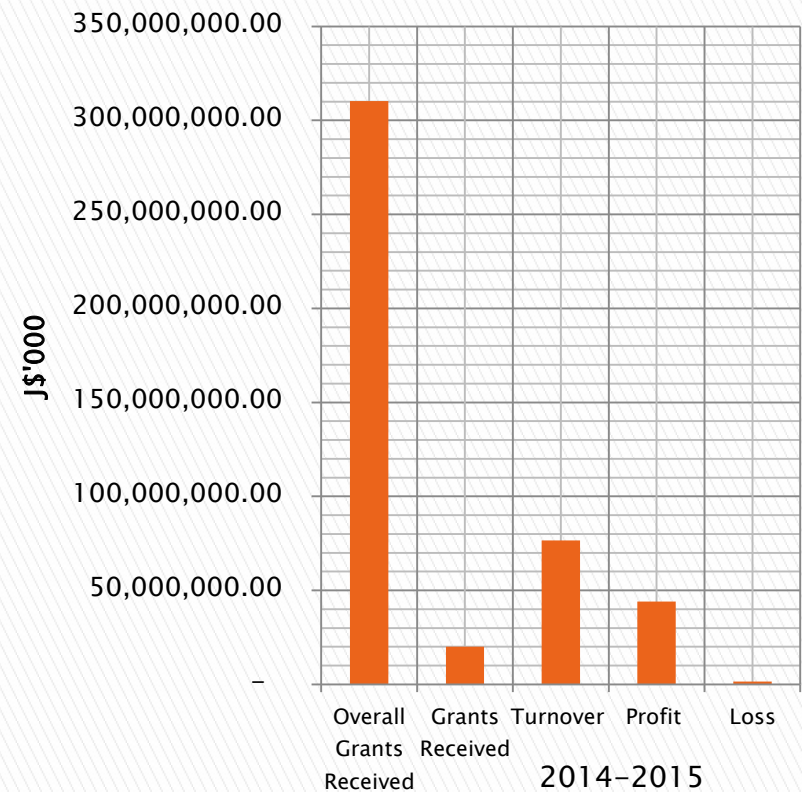
**Operation Years VS Economic Trading Years**



# Funding Sources



## Grant VS Turnover & Trading



# Contribution to Employment

	Male				Female				Total
	29 & younger	30–59	60 & Older	Total	29 & younger	30–59	60 & Older	Total	
Full Time	76	59	19	154	100	143	18	261	415
%	49.4	38.3	12.3	28.5	24.1	34.5	4.3	37.7	33.7
Part Time	55	84	8	147	47	53	105	205	352
%	37.4	57.1	5.4	27.2	22.9	25.9	51.2	29.6	28.5
Volunteer	141	92	7	240	132	91	3	226	466
%	58.8	38.3	2.9	44.4	58.4	40.3	1.3	32.7	37.8
Total	272	235	34	541	279	287	126	692	1233
%	50.3	43.4	6.3	43.9	40.3	41.5	18.2	56.1	

- Sector remains heavy dependent on volunteerism (37.8%).
- Contributed 767 jobs that paid a salary
  - 415 full-time posts.
- Sector employed 278 youth (between the ages of 14 and 29).
- Sector employed 692 females
  - 261 full-time
  - 205 part-time

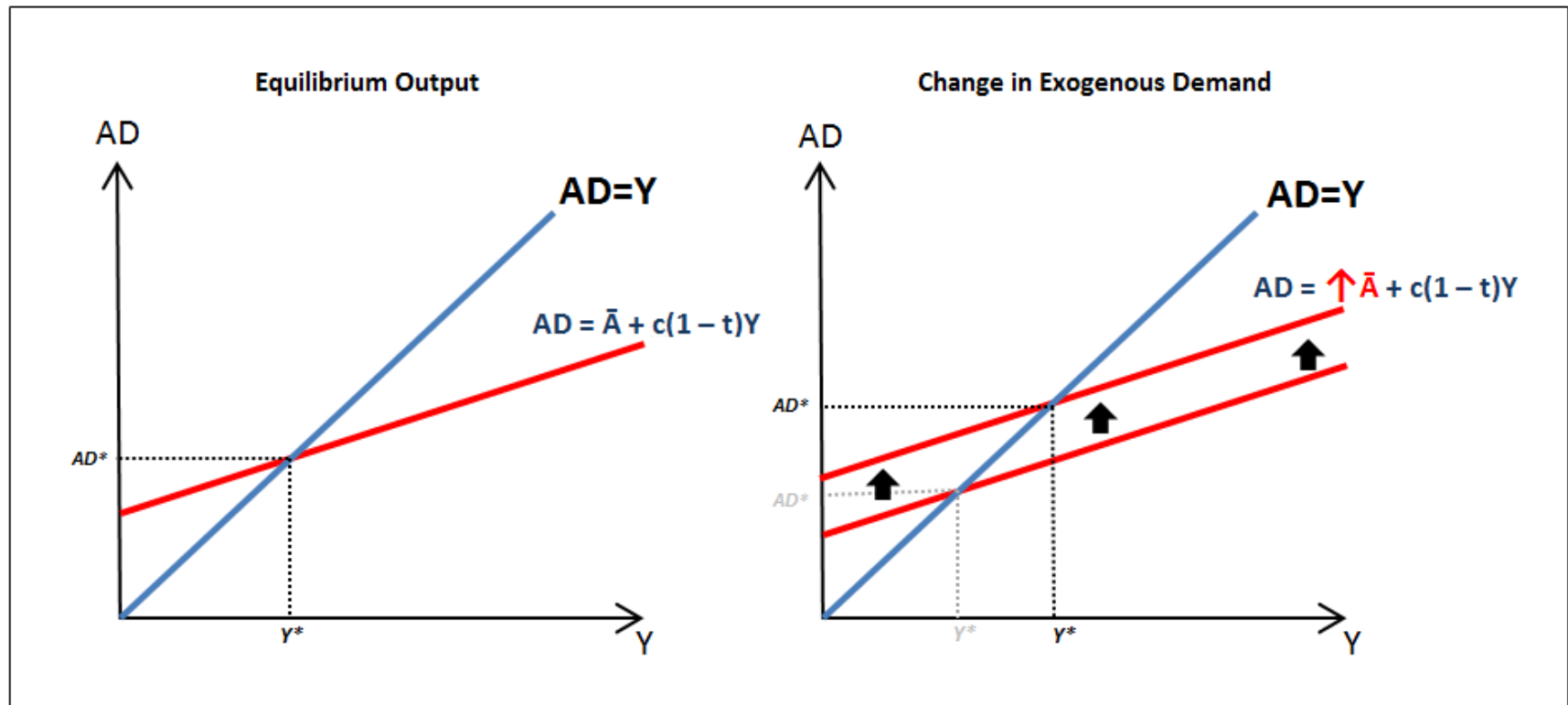
# Theory of Aggregate Demand

- ▶  $AD = C + I + G + (X - M)$
- ▶  $AD = C_{trad} + C_{se} + I_{trad} + I_{se} + G + (X_{trad} + X_{se} - (M_{trad} + M_{se}))$
- ▶  $C = C^* + cY^d$
- ▶  $Y^d = Y + \overline{TR} - \overline{TA}$

# Theory of Aggregate Demand

- ▶ Let  $C = C^* + c\overline{TR} + c(1 - t)Y$
- ▶ Then,
- ▶  $AD = C^* + c\overline{TR} + c(1 - t)Y + I + G + (X - M)$
- ▶ All variable in red are exogenously determined as they are not determined by income. If we subsume all exogenous contributions into one component ( $\bar{A}$ ) then:
- ▶  $AD = \bar{A} + c(1 - t)Y$

# Theory of Aggregate Demand



# Contribution to GDP

	<i>Goods</i>	<i>Services</i>	<i>Combined*</i>	<b>TOTAL</b>	<b>Country (2014) J\$ Millions</b>
<b>Final Consumption</b>	\$17,883,500.00	\$18,541,200.00	\$23,076,500.00	\$59,501,200.00	\$1,541,305.00
<i>Private</i>	\$16,863,500.00	\$8,641,200.00	\$22,956,500.00	\$48,461,200.00	\$1,312,997.00
<i>Government</i>	\$1,020,000.00	\$9,900,000.00	\$120,000.00	\$11,040,000.00	\$228,307.00
<b>Gross Capital Formation</b>	\$6,777,159.00	\$9,810,960.00	\$8,177,000.00	\$24,765,119.00	\$346,484.00
Gross Fixed Capital Formation	\$6,777,159.00	\$9,810,960.00	\$8,177,000.00	\$24,765,119.00	\$339,502.00
Change in Inventories	-	-	-	-	\$6,982.00
<b>Export of Goods &amp; Services</b>	\$2,650,000.00	-	\$50,000,000.00	\$52,650,000.00	\$481,916.00
<b>Less Imports of Goods &amp; Services</b>	(\$200,000.00)	-	-	(\$200,000.00)	(\$824,708.00)
<b>GROSS DOMESTIC PRODUCT AT MARKET PRICES</b>	<b>\$27,110,659.00</b>	<b>\$28,352,160.00</b>	<b>\$81,253,500.00</b>	<b>\$136,716,319.00</b>	<b>\$1,544,997.00</b>

\* Enterprise Operates in both Goods and Services Sector  
 Data on Country Nominal GDP (2014) Sources from STATIN Jamaica



# Growth Prospects

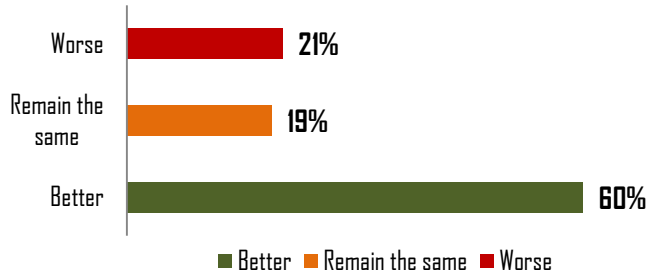
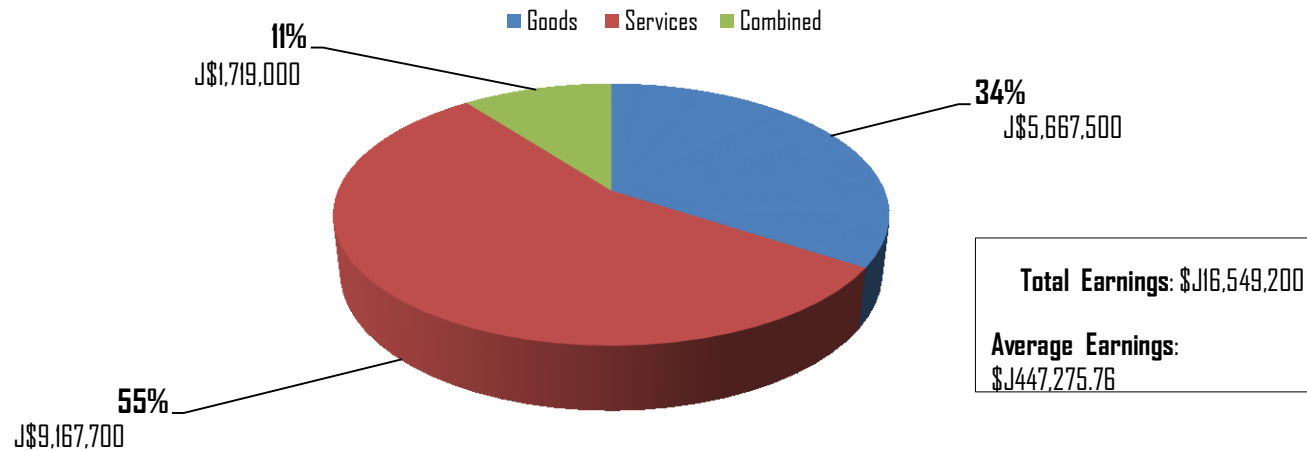


Figure 14: Business Confidence

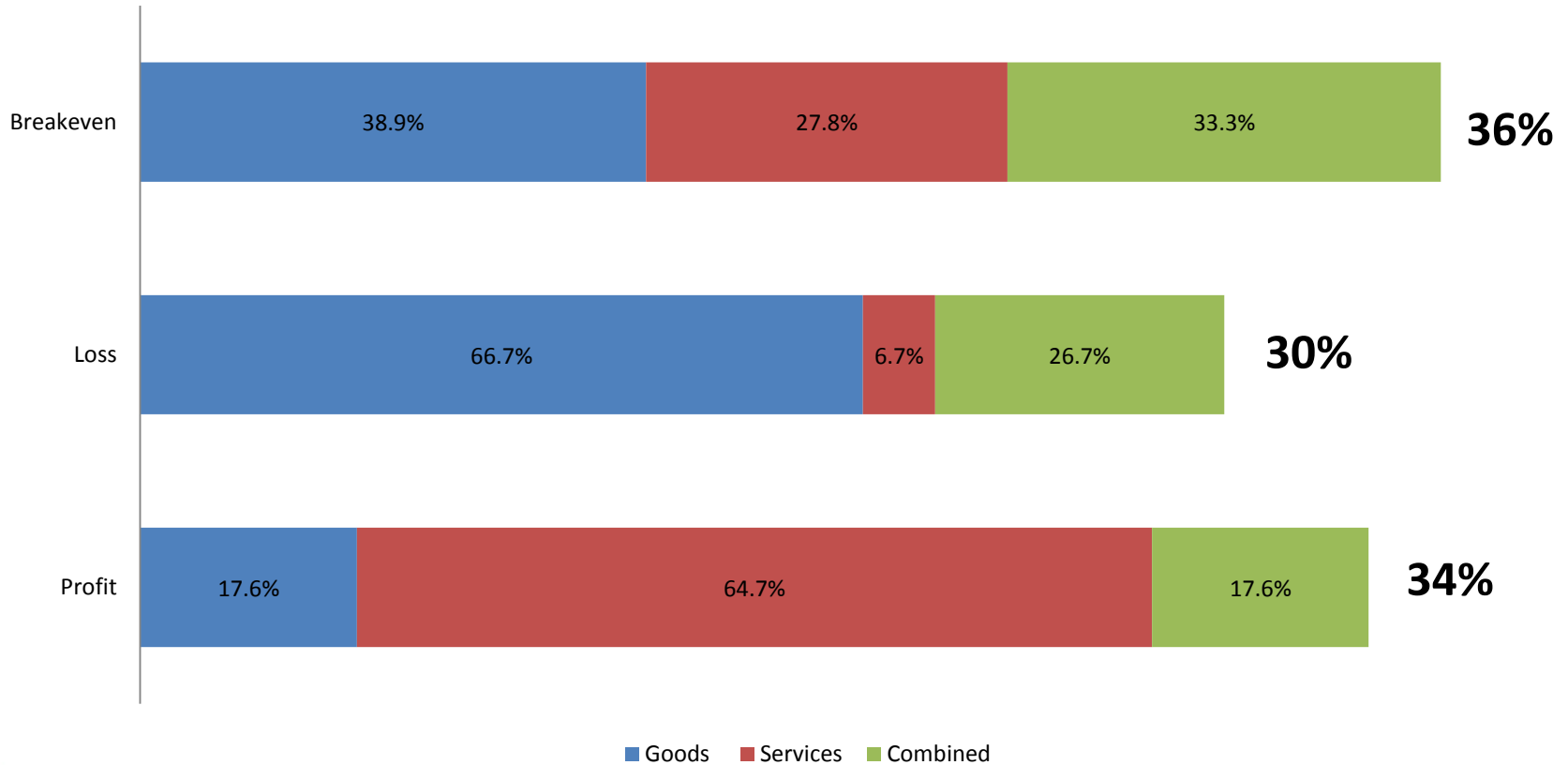


Social Enterprise Turnover  
By Sector



# Growth Prospects

## Social Enterprise Profitability



# Concluding Remarks

- ▶ The paper thus offers further insight into the discourse on the effectiveness of social enterprises.
- ▶ Provided a definition of Social enterprise which corroborates what entails in other jurisdictions including developed countries.
  - ▶ adopted to guide the MIICAF's discussions MSME and Entrepreneurship Policy
- ▶ Presented empirical evidence which indicates how Social enterprises impact GDP thus further substantiating this argument of other researchers as well.

# Recommendations

- ▶ Develop legislative support for the sector
  - ▶ Strengthen institutional support for MSMEs and the Third Sector in order to maximise the value of the sector and increase the returns on investment.
  - ▶ Develop an effective incentive and taxation arrangements commensurate with the value that is created by the sector.
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