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Social Enterprises in the National Health Service in England:

**The role of social enterprise providers and their likely impact on
quality and innovation**

by

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ABSTRACT

Following a period of re-centralisation, the quasi-market health care reform programme of the National Health Service (NHS) has recently been re-launched by the Labour government in the UK, creating a space for the emergence of new fields of activity for cooperatives and social enterprises. The aims of the reforms, following the 'NHS Plan' of 2000, are to encourage the entry of a diversity of new health service providers, with the aim to promote innovation and improve health service quality. The NHS is increasingly buying-in health services from the social economy sector, including physician cooperatives, social enterprises, community interest companies, voluntary organisations, and registered charities. In addition, incumbent public sector hospitals are being transformed into a new type of social enterprise known as 'Foundation Trusts' with increased freedoms to retain surpluses and raise capital for investment, with greater involvement of employees and consumers (patients) in decision-making. Other parts of the NHS are being transformed, through spin-off, into social enterprises of various types.

Based on a research project currently being carried out by the authors, the paper examines the likely impact of social enterprises on the quality of care and innovation in the NHS. Social enterprises have been defined as social economy enterprises (i.e., nonprofit organisations, mutuals and cooperatives) or, more broadly, enterprises that reinvest at some or all of their profit into activities promoting the public interest. This larger definition includes certain state-owned but autonomously run nonprofit enterprises as well as for-profit enterprises owned by nonprofit organisations to raise funds and private enterprises that invest their profits in public interest activities. Nonprofit organisations may have less incentive to seek commercial gain from quality reduction than private companies. Client-led nonprofit enterprises may be better placed to respond to client needs and be more innovative than either state-owned or private firms. Both nonprofit and cooperative enterprises may rely on intrinsic motivation and value quality, for example if they are led by health professionals. However, if commissioning (purchasing) systems are too complex or too highly regulated, all types of social enterprises may become dependent on public funds and lose their flexibility and responsiveness, while intrinsic motivations may be undermined by extrinsic rewards.

The paper first reviews the literature on the performance of different types of social enterprise providers in the delivery of health service, in comparison with state and for-profit firms. Based on the early findings of the research project, the second part of the

paper identifies the changing pattern of provision, and sets out what is currently known about the governance, barriers to entry and performance of different types of social enterprises in the delivery of health care services in the NHS. The third section examines in more detail what a social enterprise is and the likely impact of social enterprises involving different types of stakeholders, ownership and governance systems on quality and innovation in the NHS.

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