

Farming and Social Enterprise in Rural England

Stephen Parsons

“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest”

(Adam Smith, ‘The Wealth of Nations’, 1776)

Introduction

Adam Smith’s observation (quoted above), concerning the role of producers’ motivation in meeting the needs of consumers, has been widely used to emphasise and justify the pursuit of maximum profit as the primary objective of business. This oversimplification has survived the caveats of Alfred Marshall (1890) and a host of empirically-rooted management experts who have described a varied set of business objectives suitable for a theory of the firm (Blaug, 1978; Blaug, 1980). However, after Armen Alchian’s evolutionary reconstruction of microeconomic theory (Alchian, 1950), the characterisation of entrepreneurs and business executives as purposive profit-maximisers is not required in order that an explanatory account of a market economy as a successful mechanism for efficient resource allocation can be given (where efficiency is understood conventionally; i.e. in terms of consumers’ satisfaction) or that is consistent with profit-maximisation in practice as well as with Milton Friedman’s account of economic methodology (1966).

This paper describes how recognition that entrepreneurial behaviour is compatible with a variety of non-profit motivations has allowed a political consensus to emerge regarding the potential for Social Enterprise to remedy some deficiencies of monopoly provision inherent in the UK Welfare State, especially with respect to innovation in health and social care; it then explores the significance of Social Enterprise as a source of sustainability for farm businesses, emphasising the important role of farmers as entrepreneurs.

Evolutionary Understanding, Entrepreneurial Purpose and Profitability

Relocating the condition of profitability in an evolutionary context, as Alchian does, recognises it as the outcome of an eliminative process in the course of which loss-making or (too-)low-profit-making operations fail to survive. Only those arrangements of resources (i.e. firms or businesses or enterprises) that can continue to pay their way even when the vagaries of market circumstances temporarily turn against them (low output prices and/or high input prices) will achieve sustainability. These successful operations will inevitably be those which are making the most money, and hence, over time (the infamous ‘long run’ in which Keynes sardonically noted “we are all dead”) they are most likely to be those satisfying the conditions for profit maximisation. This says nothing about the intentionality involved in their inception or the motivation of their managers.

This observation is important as there is considerable resistance to the involvement of private enterprise in health and social care provision in the UK (i.e. social enterprise) because of the popular association of entrepreneurship with an exclusively pecuniary motivation (the pursuit of profit) deemed inappropriate for involvement in this sensitive area of public service.

Experience with the National Care Farming Initiative (NCFI, 2009) and with other rural social enterprises at Harper Adams University College (HAUC, 2009) suggests that financial

sustainability emerges as a concern relatively late in the development of such activities. Indeed start-up often precedes consideration of an operation becoming a business. As a not untypical example: family circumstances (disability, illness or dependency of some other description) will impel the inception of a caring strategy that goes on to be shared with others informally, then offered semi-formally to a wider community before becoming a commercial offering to the public at large. Often it is only at this final stage that business format or financial sustainability becomes an issue.

Social Purpose and Entrepreneurship: Social Enterprise

There is no contradiction in espousing an entrepreneurial approach to the achievement of social purposes (i.e. Social Enterprise) since the evolutionary understanding expressed above allows for economic gains, in terms of the efficient allocation of resources, to emerge independently of a private profit motivation. Likewise the entrepreneurs' "own interest" (as per Smith) can be social as readily as it can be private; and purposive "benevolence" will have regard to profit (in the guise of surpluses for reinvestment) if it is to be sustainable.

The true economic importance of entrepreneurial behaviour is identified as being the means by which alternative arrangements of resources are tried out or initiated. The significance of profitability is the indication it provides as to the sustainability of such arrangements as are tried out. Allowing the level of profit sufficient to encourage the entrepreneur to continue in business to be that which (following Marshall) is known as 'normal' profit, we may note that what is enough (or normal) for one may not be enough for another and this accounts for the variability in returns observed within the same line of business. These observations apply equally to operations with social goals and to those that have objectives set exclusively in terms of private financial gain.

The textbook theoretical account of capitalist market economies usually predicates a shareholder supremacy, based on relative capital scarcity. Social Enterprise is distinguished, in the British model at any rate, by the proscription of dividends; all profits or surpluses must be reinvested. This model does not however preclude explicit rents for premises provided; and permissible payment for managerial services allows reward for individuals' bespoke inputs (i.e. personal human capital). The crucial understanding is that rewards to **enterprise** are essential because the organising contribution of the entrepreneur is indispensable; whereas rewards to ownership of material resources *per se* can represent a distortion of social orientation and purpose. Although it may be debatable whether the designation of Social Enterprise amounts to anything more fundamental than cosmetic accountancy, such a debate is not relevant to what follows here.

Health and Social Care in England

Whilst the creation of a 'Welfare State' in the UK is conventionally ascribed to the post-war Labour government (1945-51), there are lengthy antecedents (Timmins, 1995; Bartholomew, 2004). Nevertheless a socially inclusive (universal) system of delivery for health and social care (which can include justice and rehabilitation) augments state educational services to which all citizens are entitled, (whilst being permitted to purchase supplementary or alternative provision e.g. private schooling), and this approach (in which HM Government assumes responsibility for financing universal provision via taxation and/or a 'national insurance' scheme) defines the understanding of the term Welfare State in the UK. Whilst this does not constitute a totally pure monopoly of supply by the state (due to the absence of compulsion that allows, for example, non-state or 'public' schools to remain in business) it does mean that, quite naturally, some of the disadvantages of monopoly provision are quite apparent in the operation of the Welfare State (especially, it may be observed, in the field of health-care).

This is of particular concern in areas of engagement where rising national income and standards of living should be reflected by increasing variety and choice in relation to care services, and

where the conflation of universal delivery with uniform standards or practices results in the stifling of innovation. The experimental or evolutionary understanding of economic progress requires that the process of 'trial and error' inevitably includes error! Fear of legal liability for failure may inhibit innovation in health and welfare services under conditions of state monopoly or near-monopoly supply. This having been said, the understandable sensitivity of the state to citizens' concerns regarding standards of human welfare services, and consequent requirements for regulation in this regard, might be just as likely to inhibit innovation in this sector of economic endeavour even were the state not to be involved in direct delivery.

Despite the strong theoretical grounds for expecting that a competitive price-based system is an optimum discovery-mechanism for revealing best-practice in resource-allocation generally (Hayek, 1945) there has been considerable opposition to the successive attempts at introduction of such approaches to health and social care services in the UK; for example 'competitive tendering' within the National Health Service (Timmins, 1995). However, as the theoretical benefits have been increasingly supplemented by political resistance to the fiscal consequences of continued state delivery (especially given demographic trends such as extended life-spans, with their attendant implications for health-related expenditure), with the presumptive impossibility of gaining electoral endorsement for increases in taxation, government policy has become codified into encouragement for social enterprise and all the main political parties' programmes have coalesced to take account of this. The hopeful expectation is that the explicit presentation of social enterprise as a "not-for-profit" form of organization will overcome resistance based on the equation of competitive provision with private profit and social exclusion.

Based on this understanding, the Government is seen to be exercising the collective public purchasing power of the community in health and social care, paying for delivery of services by a mixture of state and private (social enterprise) providers. In this model, the social enterprise sector acts to modify the rigidity implicit in (state) monopoly provision and enhances innovation in public services (Leadbeater, 2007; Westall, 2007).

Social Enterprise and Farming in England

In the UK context therefore, for the reasons outlined above, Social Enterprise is characterised less according to the sort of socially-relevant purpose being pursued than as a form of business organisation in which there are no profits returned as dividends to shareholders or to owners. It captures the benefits of an enterprising approach to socially-orientated activities and allows the entrepreneurial function to be rewarded for its managerial labours (paying wages and salaries) whilst requiring that profits or surpluses are retained for reinvestment in the operation's business-like engagement with social concerns.

Again in the UK context, care-farming (as evidenced by participation in the National Care Farming Initiative) fits well with the definition of 'social farming' activities as: "those farming practices aimed at promoting disadvantaged people's rehabilitation and care, and/or towards the integration of people with 'low contractual capacity'; i.e. psychophysical disabilities, convicts, drug addicts, minors, emigrants" (di Iacovo & O'Connor, 2009); and it can thus be described as social enterprise based on farms. In fact an even more general description of care-farming, encompassing any social enterprise that captures value-added generated from the therapeutic qualities of the countryside that are produced as a by-products or co-products of farming (i.e. capturing positive externalities of agricultural production), can be justified.

Farmers and Entrepreneurship

"Due to their role in fostering employment opportunities and growth, entrepreneurs are viewed as essential to long-run economic performance" (Hvide, 2009). This being the case, it would be a profound mistake to characterise the contribution of farmers to the economy as being confined to

food production. Only one half of farm businesses in Britain are exclusively engaged in primary food production and such production contributes much less than half the taxable income of farms overall (DEFRA, 2008).

It is also misleading to consider aggregate agricultural employment as an indicator of farming's economic significance. Although there is undeniable scope for entrepreneurial behaviour within large organisations (not only commercial but also public service organisations), which has been recognised and given the designation 'intrapreneurship', it is self-employment (and the SME sector in general) that most clearly represents entrepreneurship and is thus fundamental to the development of economic activity. In this context the role and significance of farming in the UK is often underestimated. The data tabulated below are used to indicate that farmers constitute a notable fraction of the self-employed; and with numbers nearly equivalent to those engaged in the production industries. Bearing in mind that farmers are, in addition, overwhelmingly responsible for the key factor of production that is land, there is an argument for regarding their economic significance as greater still. The importance of the agricultural sector is masked by the very low proportion of employed labour that it accounts for.

Table: Employment by Economic Sector in the UK 2007

	Self-Employed	Employed	Total Employment
	Thousands (% in parentheses)		
Agriculture & Fishing	204 (4.9)	240 (0.9)	444 (1.4)
Production Industries	278 (6.6)	3092 (11.3)	3371 (10.7)
Construction	930 (22.1)	1296 (4.8)	2227 (7.1)
Distribution & Provisioning	879 (20.9)	7997 (29.3)	8876 (28.2)
Financial Services	850 (20.2)	5725 (21.0)	6575 (20.9)
Public, Community & Personal Services	1057 (25.1)	8927 (32.7)	9984 (31.7)
All Sectors	4204 (100)	27278 (100)	31482 (100)

Source: ONS, 2008

Given the strong association between self-employment and entrepreneurship, especially where small-scale operational innovation is concerned (Parker, 2004), the significance of the farming community as a source of principals for social enterprise, especially of course in rural areas, is emphatic. Allied to the therapeutic qualities of the rural environment (predominantly agricultural landscape) and the potential of farming activities as occupational therapy (e.g. involvement with animals, horticultural tasks and a commercial context) the assumption of a leading role for farmers in the rural social economy should come as no surprise.

Economic Growth, Agriculture and Health

Economic growth is the result of resources being reallocated and/or being used in improved technological conditions to enhance standards of living and quality of life for the population as a whole. Among the manifestations of this process are reduced levels of peri-natal mortality and generally increased longevity. Economic growth may also be associated with greater stress experienced in the workplace because of the adjustments to working practices that can be required as part of the process. Greater longevity and workplace stress can both cause increased demand for care services.

Another consequence of economic growth, a counterpart of the wider range of goods and services being consumed, is the relative decline in expenditure devoted to food (especially primary agricultural commodities) and thus the requirement for labour to move out of farming so that incomes in that sector can keep pace with those in the rest of the economy (Parsons & Warren-Smith, 2001). Since farming is necessarily confined to the countryside, rural depopulation might be expected to result from this.

The development of social enterprises by farmers, or by members of farming families, can simultaneously take advantage of the increased demand for care services and provide new employment opportunities to absorb labour no longer sustained by agriculture.

The Competitive Advantage of the Countryside

There may be good reasons to suppose that the rural environment confers a therapeutic advantage to health-related rehabilitative treatments, perhaps especially in relation to mental health (Hine et al, 2008). This effect is often ascribed to the natural landscape (as opposed to the built environment which dominates urban areas). There is some evidence that where individuals are given control of state funds used for their care this results in clients preferentially choosing to take advantage of services offered in a farming or rural context; e.g. the Netherlands (Hassink et al, 2007). From the point of view of governments, it may be sensible particularly to encourage social enterprises in the countryside (perhaps especially on farms) since they may be predisposed to provide successful examples of the social enterprise approach owing to the therapeutic advantage conferred by the rural environment. However, in this connection, it should be noted that there may be therapeutic advantages due to rurality that are only rather indirectly due to farming (e.g. seclusion).

Conclusions

The demand for provision of health and social care services continues to expand as longevity increases along with standards of living and expectations regarding the quality of life. Alternatives to state monopoly delivery of such services are required in order to foster innovation and to encourage economic efficiency: hence UK government policy is committed to extending the application of social enterprise.

Care Farming (social enterprise hosted by a farm business) reconciles two dilemmas presenting themselves as consequences of economic growth. The first dilemma presents itself because labour is required to move out of primary food-producing agriculture in order that incomes per head in that sector can rise; even though this might result in undesirable levels of rural depopulation or urban congestion. The second dilemma presents itself because greater longevity results in increased age-related demands on health and social care services; in addition to which the stress associated with the pace of economic adjustment itself creates demands on those services.

Commercial exploitation of the therapeutic potential arising from farming practices (as occupational therapy) or from the environmental quality of the agricultural landscape can reconcile these two dilemmas without recourse to additional demands on the public purse, by harnessing positive rural externalities to offset some of the negative social externalities associated with economic growth.

Care Farming also provides opportunities for farmers to demonstrate the value of entrepreneurship as a key social resource and to highlight the significance of their own economic contribution as entrepreneurs beyond primary food production.

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