

ASENA

ALLIANCE OF SOCIAL ENTERPRISE
NETWORKS AUSTRALIA

SOCIAL ENTERPRISE AND THE FEDERAL INQUIRY INTO PROMOTING ECONOMIC DYNAMISM

ASENA submission to Federal Parliament – Standing Committee on Economics

2 April 2023



**Queensland Social
Enterprise Council**



WASEC
Western Australian Social Enterprise Council

SASEC
South Australian Social Enterprise Council



senTAS
SOCIAL ENTERPRISE NETWORK TASMANIA



EXECUTIVE SUMMARY

Social enterprise is a ready-made solution to create employment pathways and financial independence for Australia's most marginalised job seekers.

We are part of the social enterprise movement that includes 12,000 enterprises across Australia,¹ contributing \$21 billion per year to Australia's economy. In addition to employing more people than the mining industry, we are solving social and environmental issues without tailored government support or partnerships.

We call on the Australian Parliament to recognise social enterprise as a necessity in today's market and to follow Victoria's lead and partner with social enterprise for just, inclusive and sustainable outcomes.

RECOMMENDATIONS

1. Modernise out-dated distinctions and create enabling policies for social enterprise – organisations that deliver the benefits of business and charity but without the enablers of either.
2. Develop a social enterprise national strategy – a strategy co-designed and powered by a partnership between the sector and Government.
3. Invest in Social Traders certification to de-risk investment from government and expand the Victorian model for a thriving social enterprise ecosystem in each State and Territory: well-resourced practitioner-led networks together with Federal Government-backed social enterprise certification.
4. Create a uniform national approach to social enterprise certification that ensures public confidence and protects the integrity of the social enterprise sector.
5. Invest in Social Enterprise Australia (SEA) and ASENA to strengthen the grass-roots networks of social enterprise practitioners across Australia.
6. Partner with social enterprise networks to shape markets towards public value outcomes, harness our cooperative and creative spirit and embed diversity, equity and inclusion in economic reforms.
7. Establish a Federal Social Procurement Framework that follows the Victorian model and harnesses public sector buying-power nationwide. Use money you're spending today to deliver social and economic outcomes, and build resilience by prioritising local and social enterprise.
8. Measure and monitor success through data and research to ensure government funds are effective and success of investment is measured consistently and reported.
9. Create incentives for investment and improve access to capital for social enterprises that harness the underutilised capacity of marginalised workers, including paying social enterprises for outcomes.
10. Request the Australian Law Reform Commission advise Parliament on the progress of a stand-alone legal status for social enterprise, to reduce friction, waste and complexity and create a favourable regulatory environment for emerging social entrepreneurs.
11. Establish public sector innovation panels with social enterprise representation to enable knowledge exchange, identify business innovation and send signals to the market and across government.
12. Create resilient supply chains and harness local government innovation by expanding local social enterprise panels that take a precedent over mainstream market tenders.

ABOUT ASENA

¹ Gales, B., & Khalil, J. (2022). *Business for good: the size and economic contribution of social enterprise in Australia*. Social Enterprise Australia. Retrieved November 27, 2022, from <https://socialenterpriseaustralia.org.au/business-for-good/>

ASENA is the alliance of the seven social enterprise networks representing each state and territory of Australia. It includes:

- Social Enterprise Network Victoria (SENVIC)
- Social Enterprise Council of NSW and ACT (SECNA)
- Queensland Social Enterprise Council (QSEC)
- South Australian Social Enterprise Council (SASEC)
- Western Australia Social Enterprise Council (WASEC)
- Social Enterprise Network of Northern Territory (Impact North)
- Social Enterprise Network of Tasmania (SENTAS)

Established in early 2020, ASENA is the national body for Australia's State and Territory social enterprise networks with a vision for a just, inclusive and regenerative society that harnesses local strengths and collaborates to multiply our impact.

Jointly, we represent the interests of over 12,000 social enterprises across Australia. ASENA exists to strengthen the social enterprise ecosystem at the local level, by enhancing the national authorising environment for social enterprise working alongside Social Enterprise Australia (SEA), Social Traders and other national intermediaries to increase cooperation, collaboration and coordination.

These membership-based non-profit organisations create thriving social enterprise communities through sector leadership, advocacy, networking and learning and development opportunities.

In each jurisdiction, these are the key peak bodies for the social enterprise community and represent an important and effective pathway for government consultation and coordination with the sector.

How does this submission relate to the Terms of Reference?

This submission primarily focuses on:

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| <p>a) The effect of a diverse and dynamic business environment on:</p> <ul style="list-style-type: none">• productivity, prices and better-paid jobs• our supply chain resilience to disruption. <p>c) The extent to which economic barriers—such as regulatory costs and barriers to finance, infrastructure, suppliers, customers and workers—contribute to rising market concentration and slowing business formation rates in Australia.</p> |
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IT'S TIME FOR AN IMPACT ECONOMY

Social enterprise is more than a tool for economic recovery and inclusive, regenerative development.

Social enterprise can drive public sector innovation, create unique social, place-based and community solutions to problems where governments and the market struggle.

The Committee's inquiry is an opportunity to harness the momentum behind social enterprise and place 'impact' thinking and social enterprise activity at the heart of the Federal Government's

response to the challenges ahead.

Globally, enabling governments are embracing 'impact' in the risk-return paradigm. This mindset is transforming the role of government and stewardship of the economy. Once impact is embedded as a partner in the risk-return calculation, it can drive the systemic creation of positive outcomes and create a more inclusive and ecologically sustainable society.

The Committee can bring impact into the centre of government decision making. The Committee can embed social impact in whole-of-government strategies for innovation and economic recovery, and focus social enterprise in decision-making. Social enterprise continues to be left out of employment strategies, place-based and social innovation. The creation of the Ministerial portfolio for Social Enterprise will ensure social enterprise is championed at this critical time.

AUSTRALIA NEEDS JOB FOCUSED SOCIAL ENTERPRISES

Social enterprises are businesses that exist primarily to fulfil a social or environmental purpose². For job-focused social enterprises this purpose is to provide employment, or pathways to employment³ for those most disadvantaged in the labour market. They often focus on systemic disadvantage, providing work and support to specific cohorts such as people with a disability, refugees and asylum seekers, First Nations and young people.

There are now almost 7,000 work integrated social enterprises (WISEs) in Australia.⁴ They work because they offer real-world work settings combined with development support.⁵

There are over 12,000 social enterprises in Australia, that make a shared economic contribution of \$21.3 billion and employ about 206,000 people.⁶ While national data is limited, over 30% of those employed by social enterprise in Victoria are from social groups that face challenges in gaining mainstream employment⁷ and 58.5% of certified social enterprises are employment focused.⁸

Indeed, social enterprises are jobs rich.

We produce around 9 jobs for every \$1 million in turnover.⁹ In comparison, the construction and mining industries each produce around 1 job for every \$1 million in turnover.¹⁰

Ready-made solutions

² Barraket, J., Mason, C. & Blain, B. (2016). *Finding Australia's social enterprise sector*. Social Traders and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

³ Barraket, J., Douglas, H., Eversole, R., Mason, C., McNeill, J., & Morgan, B. (2017). Classifying social enterprise models in Australia. *Social Enterprise Journal*, 13(4), 345–361.

⁴ Barraket, J., Mason, C. & Blain, B. (2016). *Finding Australia's social enterprise sector*. Social Traders and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

⁵ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

⁶ Gales, B., & Khalil, J. (2022). *Business for good: the size and economic contribution of social enterprise in Australia*. Social Enterprise Australia. Retrieved November 27, 2022, from <https://socialenterpriseaustralia.org.au/business-for-good/>

⁷ Castellás, E., Barraket, J., Hiruy, K., & Suchowerska, R. (2017). *Map for impact: the Victorian social enterprise mapping project*. Centre for Social Impact Swinburne.

⁸ Social Traders. (2022). Pace22: profile of Australia's certified social enterprises [Unpublished; provided by Social Traders]. Social Traders.

⁹ Gales, B., & Khalil, J. (2022). *Business for good: the size and economic contribution of social enterprise in Australia*. Social Enterprise Australia. Retrieved November 27, 2022, from <https://socialenterpriseaustralia.org.au/business-for-good/>

¹⁰ Gales, B., & Khalil, J. (2022). *Business for good: the size and economic contribution of social enterprise in Australia*. Social Enterprise Australia. Retrieved November 27, 2022, from <https://socialenterpriseaustralia.org.au/business-for-good/>

Social enterprises exist to solve wicked problems like intergenerational unemployment and economic marginalisation. WISEs exist to create employment opportunities for people shut out of the labour market.

Our use of business for that purpose means the proof is in our economic success.

Like most innovations, WISEs emerged to address a gap or failure in the market; a market failure that remains under the employment service model in its current form.

The current employment service model has limited impact on the most disadvantaged job seekers.¹¹ Employers seek the most skilled and experienced people, and employment service providers compete to place the most job-ready people in a job.¹² These conditions leave the most disadvantaged job seekers behind¹³ and entrench the inequalities and inequities of the status quo, at great cost to individuals, government and communities.

A thriving WISE sector will be an important market-based driver of a new economy that is more just and inclusive.

Return on investment

Modelling by Social Traders¹⁴ shows that with the Australian Government support now (from FY24), social enterprise procurement would return significant outcomes by 2030:

- \$4.27 billion savings to society
- 44,000 jobs for the most marginalised
- 6 million training hours
- \$128 million direct investment into community services and charity sector
- Matched funding from trade revenue and philanthropic sectors.

Impact and opportunity

WISEs “produce higher and better employment outcomes than mainstream employment services for people experiencing significant disadvantage”¹⁵, particularly long-term employment outcomes.¹⁶

We directly reduce government costs and increases tax revenue¹⁷ and improve people’s lives and livelihoods.¹⁸

¹¹ Thomas, M., & Vandenbroek, P. (2017). *Employment—Measuring and improving outcomes for young Australians*. Parliament of Australia. https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/EmploymentYoungAustralians

¹² Social Traders (2013). *Employment services beyond 2015: The role of social enterprise*. Retrieved June 29, 2021, from <https://10pso92wbkvk40rqcl1jc5p3-wpengine.netdna-ssl.com/wp-content/uploads/2016/05/Employment-Services-Beyond-2015-The-Role-of-Social-Enterprise-pdf>

¹³ Department of Jobs and Small Businesses (2018). *I want to work: Employment services 2020 report*. Retrieved June 29, 2021 from https://docs employment.gov.au/system/files/doc/other/final_-_i_want_to_work.pdf

¹⁴ Social Traders, *A better future through social enterprise – 2023-24 Pre-budget submission*, January 2023

¹⁵ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac_foundation/WestpacFoundation_CSI_report_Aug2019.pdf; Mission Australia (2008). Working for renewal: An evaluation of Mission Australia’s UREEP a social enterprise and transitional labour market program. Retrieved June 29, 2021, from <https://www.voced.edu.au/content/ngv%3A32716>

¹⁶ Mestan, K., Scutella, R., & Allen Consulting Group. (2007, September). *Investing in people: Intermediate Labour Markets as pathways to employment*. Brotherhood of St Laurence. Retrieved July 6, 2021, from http://library.bsl.org.au/ispui/bitstream/1/6208/1/investing_in_people_ILMs_print.pdf

¹⁷ Lamb, S., & Huo, S. (2017). *Counting the costs of lost opportunity in Australian education* (No. 02/2017). Mitchell Institute. <https://www.vu.edu.au/sites/default/files/counting-the-costs-of-lost-opportunity-in-Aus-education-mitchell-institute.pdf>

¹⁸ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac_foundation/WestpacFoundation_CSI_report_Aug2019.pdf

Effective WISE's achieve outcomes through the following features:

1. **Systems-thinking that combines work and support** – WISEs usually integrate real-world work settings combined with personalised development support, training or education, and access to external support services where required.¹⁹
2. **Human-centred design** – WISEs are typically closely engaged, aware of the structural barriers and life situations that make employment difficult for the people they support and flexible.²⁰ They understand the needs of the individual over time.²¹
3. **Meaningful work** - WISEs provide work that is not only doable but challenging, unlocking development, unlike many traditional sheltered workshops.²² WISEs labour productivity is the same or higher than that of small and medium businesses,²³ evidencing this.
4. **Collaborative** – WISEs typically develop strong community relationships that enable them to link their staff and trainees to different work, social, and personal development opportunities.²⁴
5. **Adaptive** - WISEs adapt with efficiency and speed to new opportunities and needs.²⁵

WISE case studies that show ongoing success, with robust impact measurement include:

STREAT

STREAT is a social enterprise in Melbourne that tackles youth disadvantage and homelessness by using its hospitality businesses to provide young people with a supported pathway to careers in the hospitality industry and independent living. They offer an intensive 6-month intervention that costs STREAT \$18,196 per young person.

This work saves the government an average of \$32,495 per participating young person.²⁶ Since its inception ten years ago, recent data shows STREAT has saved the Australian government about \$49 million.

VANGUARD LAUNDRY SERVICES

Vanguard Laundry Services is a social enterprise in Toowoomba that provides jobs and employment pathways for people with a lived experience of mental illness who have a history of unemployment. Their impact evaluation for the 2020 financial year, supported by the Centre for Social Impact Swinburne, found a 32.1% reduction in total gross Centrelink payments and an increase in median total income of \$638 per fortnight for participants' first year of employment with Vanguard. It also showed that, of evaluation participants who had left Vanguard as of 2020, 63.2% left with a job, 91.7% of these remained employed at last contact, 5.3% left to study, and 100% of these remained studying at last contact.

¹⁹ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpacfoundation/WestpacFoundation_CSI_report_Aug2019.pdf

²⁰ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpacfoundation/WestpacFoundation_CSI_report_Aug2019.pdf

²¹ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpacfoundation/WestpacFoundation_CSI_report_Aug2019.pdf

²² Chui, C. H. K., Shum, M. H. Y., & Lum, T. Y. S. (2018). Work integration social enterprises as vessels of empowerment? Perspectives from employees. *Asia Pacific Journal of Social Work and Development*, 29(2), 133–148.

²³ Abbott, M., Barraket, J., Castellanos, E. I. P., Hiruy, K., Suchowerska, R., & Ward-Christie, L. (2019). Evaluating the labour productivity of social enterprises in comparison to SMEs in Australia. *Social Enterprise Journal*, 15(2), 179–194.

²⁴ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpacfoundation/WestpacFoundation_CSI_report_Aug2019.pdf

²⁵ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpacfoundation/WestpacFoundation_CSI_report_Aug2019.pdf

²⁶ Scott, R., Edelmaier, G. & Barrelle, K. (2019). *Social Enterprise: A Case Study for Government*. STREAT. Retrieved June 30, 2021, from https://www.streat.com.au/sites/default/files/streat_a_case_study_in_creating_value_for_government_a3_3.pdf

GREEN CONNECT

Green Connect is a social enterprise in Wollongong providing jobs and employment pathways for young people and former refugees. They were engaged by the NSW Government under a payment by outcome (PBO) contract to support employment outcomes for the most disengaged and disadvantaged young people in the Illawarra.²⁷ Under the program, less than two years since it started, 105 young people had engaged in work experience and of those, 63 commenced paid work, 40 transitioned to long-term employment, and 28 completed six months in employment. About the program, Wollongong Lord Mayor Gordon Bradbery said: "The Green Connect program is different to other employment programs in that it directly employs people and wraps support around them... it's critical that the Government continue to support this program and others like it [to] create opportunity for those who need it most to break the cycle of welfare dependency".²⁸

THE BREAD & BUTTER PROJECT

The Bread & Butter Project is an artisan bakery and social enterprise in Sydney that provides training and employment pathways for refugees who aspire to become bakers (a job category with chronic labour shortages across Australia). The Bread & Butter Project offers a 6-8 month full time paid baker training program that includes completion of a TAFE qualification, hands-on baking training, ESL tutoring, paid work placements and employment after graduation at either The Bread & Butter Project or partner employers. Independent research conducted by the Social Impact Hub in 2018 found that, since launch in 2013, 100% of baker graduates had secured sustainable employment and were no longer accessing the Newstart allowance. The cost to The Bread & Butter Project of supporting humanitarian migrants into sustainable employment as professional bakers is estimated at \$21,000 per participant.

Scaling impact through partnerships

The Government can foster the above features of social enterprise and leverage the \$500m annual contribution that social enterprises invest in impact costs.²⁹ This can be done in a genuine partnership between Government and WISEs, based on shared investment in employment outcomes, to help the most disadvantaged job seekers gain sustainable employment. Given most income from WISEs comes from their trading revenue, and they invest in their social purpose³⁰ WISEs bring resources over and above government funding to tackle entrenched unemployment. This investment by WISEs grows as WISEs grow.

JOB FOCUSED SOCIAL ENTERPRISES NEED A RELIABLE WAY TO FUND THE SUPPORT THEY PROVIDE

WISEs have support costs not borne by other businesses, as they provide development support to job seekers who experience complex barriers to employment. As WISEs grow, so too does the absolute value of dollars required for these costs.

The current absence of a reliable large-scale mechanism to fund these costs is problematic. Government programs have not been well suited to WISEs' critical design features, and as a result WISEs are typically too small to apply for meaningful government funding and also do not earn the commercial returns to attract debt funding or private investment. As a result, despite

²⁷ Moore, J. & Flament, K. (2020). *Funding employment support for those who need it most*. Community Resources. Retrieved June 30, 2021, from https://treasury.gov.au/sites/default/files/2020-09/115786_COMMUNITY_RESOURCES_-_SUPPORTING_DOCUMENTS_2.pdf

²⁸ Moore, J. & Flament, K. (2020). *Funding employment support for those who need it most*. Community Resources. Retrieved June 30, 2021, from [https://treasury.gov.au/sites/default/files/2020-](https://treasury.gov.au/sites/default/files/2020-09/115786_COMMUNITY_RESOURCES_-_SUPPORTING_DOCUMENTS_2.pdf)

[09/115786_COMMUNITY_RESOURCES_-_SUPPORTING_DOCUMENTS_2.pdf](#)

²⁹ Social Traders. (2022). *Pace22: profile of Australia's certified social enterprises* [Unpublished; provided by Social Traders]. Social Traders

³⁰ Social Traders. (n.d.). *What is a social enterprise? Social enterprise definition*. Retrieved June 27, 2021, from <https://www.socialtraders.com.au/about-social-enterprise/what-is-a-social-enterprise/social-enterprise-definition/>

their superior employment outcomes for disadvantaged job seekers, this has hampered their ability to sustain, scale and to maximise the role they play.

The sector is excited by the PBO pilot proposed by White Box Enterprises that is currently in development with DSS and DESE. It is a key opportunity to test a model built specifically to fit effective WISEs and to maximise and demonstrate the value WISEs can provide with the right funding mechanism. The sector eagerly anticipates this pilot, the scaling of it, and the lessons from it that can inform the future iterations of employment services in Australia.

The need for a WISE-supportive employment model can and should also be addressed by the NESM right now. WISEs should be able to access the NESM funds if and when they deliver the employment outcomes sought by the NESM. This will enable them to sustain, grow and maximise their impact. It is a game changing opportunity to get this right for the benefit of disadvantaged job seekers, government and communities now and in the future.

RECOMMENDATIONS

We call on Parliament to take action:

Recommendations:

- **Modernise out-dated distinctions and create enabling policies for social enterprise – organisations that deliver the benefits of business and charity but without the enablers of either.**
- **Develop a social enterprise national strategy – a strategy co-designed and powered by a partnership between the sector and Government.**
- **Request the Australian Law Reform Commission advise Parliament on the progress of a stand-alone legal status for social enterprise, to reduce friction, waste and complexity and create a favourable regulatory environment for emerging social entrepreneurs.**

The Australian Government should commit to pursuing **federal policy reform** to create a regulatory environment designed for social enterprise, not just accommodating it.

We join with Social Enterprise Australia to call on the development of a National Social Enterprise Strategy to be co-designed with the sector.

For example, there is an opportunity to **incentivise** capital, finance and superannuation funds to support social enterprise, for employees to want to work for social enterprise and for businesses to convert to social enterprise.

The **Australian Law Reform Commission** has included social enterprise in its forward plan. A unique legal entity can provide clarity and support the next generation of social enterprise. It will also facilitate a design-led approach to creating a favourable regulatory environment for social enterprise to thrive.

For example, a uniform test or certification for social enterprise would enable the **creation of a national fund** to grow social innovation and encourage systems change. A cooperative National Impact Fund will address the current limited scope of existing funding pools and unlock impact-led initiatives to counteract the social and economic disruption caused by COVID 19.

Social enterprise invests \$500m annually in impact costs.³¹ The lack of strategy and alignment in impact evaluation is an unsustainable burden carried by individual social enterprises that comply with multiple and varied **impact measurement frameworks**.

ASENA recommends an effective and coordinated framework for approaching outcomes/impact measurement nationally.



We recommend the Federal Government follow and support the expansion of the Victorian Government's cross-sector partnership led by Melbourne University and Swinburne University to create a uniform dataset to measure and evaluate the impact of social enterprise. SENVIC is a key partner in this project, enabling engagement with a spectrum of social enterprises that reflect the diversity and disparate communities outside the reach of government and mainstream channels.

This project will deliver a nationally **consistent social impact measurement framework**. A national impact measurement framework should be anchored in the United Nations 17 Sustainable Development Goals.

Recommendations:

- **Invest in Social Traders certification to de-risk investment from government and expand the Victorian model for a thriving social enterprise ecosystem in each State and Territory: well-resourced practitioner-led networks together with Federal Government-backed social enterprise certification.**
- **Create a uniform national approach to social enterprise certification that ensures public confidence and protects the integrity of the social enterprise sector.**

A uniform national approach to social enterprise certification ensures public confidence and protects the integrity of the social enterprise sector.

Social Traders offers social enterprise certification in Australia based on a rigorous and independent assessment". Certification demonstrates that a social enterprise exists to create

³¹ Social Traders. (2022). Pace22: profile of Australia's certified social enterprises [Unpublished; provided by Social Traders]. Social Traders

impact through trade by doing three things:

- Having a defined primary social, cultural or environmental purpose consistent with a public or community benefit.
- Deriving a substantial portion of their income from trade.
- Investing efforts and resources into their purpose such that public/community benefit outweighs private benefit".³²

Using certification can give the Government confidence that efforts to work with social enterprises can be realised. Victorian social enterprises make up 57% of the certified social enterprises nationally.³³ This demonstrates the value of certification in jurisdictions where Social Procurement Framework is in place.

The Victorian social enterprise ecosystem is the strongest nationally, characterised by ambitious government policy, government-backed certification and a well-resourced practitioner-led network to create a wide funnel and pipeline into certification.

In the past five years, the independent network has grown from 9 pioneers to over 900 members.

Social Traders estimates that \$156 million was spent with certified social enterprise in Victoria over four years.³⁴ That created \$87 million in savings to society through:

- 901 jobs for the most marginalised
- \$6.3 million invested in community services
- 207,000 hours of training for the most marginalised
- \$1.6 million in charitable donations.

By following the Victorian model, the Australian Government can grow the spend with certified social enterprise to a cumulative \$5.5 billion nationally.³⁵

- \$1.61 billion savings to society
- \$14.6 million community services and donations
- 1.8 million training hours
- 16,600 jobs.

Well-resourced, grass-roots networks of social enterprise practitioners strengthens the expertise and professionalism of the sector, accelerating engagement with social procurement polices and creating a strong pipeline to certification.

Recommendations:

- **Invest in Social Enterprise Australia (SEA) and ASENA to strengthen the grass-roots networks of social enterprise practitioners across Australia.**
- **Partner with social enterprise networks to shape markets towards public value outcomes, harness our cooperative and creative spirit and embed diversity, equity and inclusion in economic reforms.**

Grass-roots social enterprise networks provide a unique opportunity to combine the business

³² Barraket, J., Mason, C., & Blain, B. (2016). Finding Australia's social enterprise sector 2016: final report. Centre for Social Impact Swinburne and Social Traders.

³³ Social Traders. (2022). Pace22: profile of Australia's certified social enterprises [Unpublished; provided by Social Traders]. Social Traders

³⁴ Social Traders (2023), note 14 above.

³⁵ Ibid.

innovation of work-integrated social enterprises with systems-shifting place-based collaborations.

Victoria has a thriving social enterprise ecosystem and stands apart from other jurisdictions with its government-backed, independent, inclusive and accessible social enterprise network - Social Enterprise Network Victoria (SENVIC).

SENVIC is demonstrating the unique role that a purpose-driven, independent and business-led network can bring to develop collaborative cross-sector partnerships for place-based initiatives.

A key focus in SENVIC's Strategic Plan 2021-25 is the establishment of hubs, precincts and demonstration projects to shift the dial toward an inclusive, regenerative and strength-based economy. The Victorian Government recently announced a \$4m investment in the establishment of a Social Enterprise Precinct at Queen Victoria Market. The project will not only rejuvenate the Markets, it will create numerous jobs.

Another example of place-based social innovation, the Frankston Social Enterprise Hub is a cross-sector partnership auspiced by Peninsula Health and located adjacent to Frankston Station at Chisholm Institute TAFE. Frankston Social Enterprise Hub is an Australian-first, knowledge and network hub for social enterprise and SENVIC's Local Lead for the South Metropolitan Region. The Hub creates a physical space for meeting and collaboration, co-working, events and training. SENVIC has held regular events to build bridges with local government and allied businesses in area. In 2023, the Hub will connect with the global movement as Melbourne's only Community Hub for the Social Enterprise World Forum 2023.

Recommendation: Establish a Federal Social Procurement Framework that follows the Victorian model and harnesses public sector buying-power nationwide. Use money you're spending today to deliver social and economic outcomes, and build resilience by prioritising local and social enterprise.

Buyers are essential to the health and growth of social enterprise. Indeed, in 2016, 75% of social enterprises said that their biggest need was new buyers.³⁶ The Federal Government is a large buyer and has the opportunity to buy from social enterprise. This will drive growth, generate social value beyond the value of the products being procured and signal to others to do the same.

The work of the Victorian State Government can be learned from and built upon. It has adopted a Social Procurement Framework that supports buying from social enterprise.

While it is a globally celebrated feature of Victoria's social enterprise strategy,³⁷ the Social Procurement Framework can be improved and reform design is underway.

SENVIC is in discussions with sector intermediaries including Social Traders and the Victorian Government to share reform proposals and case studies to strengthen the Framework and maximise the potential for the Commonwealth Games to accelerate transformation.

Recommendation: Create incentives for investment and improve access to capital for social enterprise, including paying for outcomes.

³⁶ Social Traders. (n.d.). Certification. In Our criteria. Retrieved November 30, 2022, from <https://www.socialtraders.com.au/for-social-enterprise/certification>

³⁷ See Danielle Kitchel, "Victorian social strategy wins global award", *Probono News*, <https://probonoaustralia.com.au/news/2022/06/victorian-social-strategy-wins-global-award/>

Like any business, social enterprises need capital to build capability and capacity. However, social enterprises often struggle to access the capital they need in the form that they need it. This has to be solved for social enterprises to collectively grow their impact.

By definition, social enterprises have a “primary social, cultural or environmental purpose consistent with a public or community benefit”. Unlike other businesses, profit cannot be their primary purpose and many are not-for-profit. Given this, non-traditional forms of capital are needed.

Grants must form part of the mix to grow the impact of Work Integrated Social Enterprises (WISEs). In Australia, 37% of certified social enterprises generate all of their revenue from trade and 63% do not.³⁸

The social enterprise sector also needs small, low-cost, unsecured loans. This is a mismatch for investors that seek large investments with high returns.

In Scotland, the Government’s current Social Enterprise Action Plan includes the provision of grants and loans by Government and commits them to “work with like-minded grant-makers and investors to bring new capital and resources to the social enterprise sector” and “investigate new democratic forms of local capital.”³⁹

In the UK, Government worked with philanthropy and the social sector to create a foundation that allocates grants with impact investment.⁴⁰ Under this model, over a hundred million pounds has flowed into charities and social enterprises.⁴¹

We note that the **Social Impact Investing Taskforce** was set up in the Department of the Prime Minister and Cabinet to develop a strategy for the Commonwealth’s role in the social impact investing market, and that this strategy is currently pending.

Pay for outcomes: include social enterprises impact in your reporting

Public funds are used to tackle unemployment. However, while the government pays employment service providers and employers for their role in this, as it involves costs, this funding has largely not been available to WISEs. This has hampered their ability to sustain, scale and to maximise the role they play.

This is despite the fact that their work directly reduces government costs and increases tax revenue⁴² and improves people’s lives and livelihoods.⁴³

³⁸ Social Traders. (2022). Pace22: profile of Australia’s certified social enterprises [Unpublished; provided by Social Traders]. Social Traders.

³⁹ Scottish Government. (n.d.). *Inclusive growth through social enterprise* [Scotland’s social enterprise action plan / 2021-2024]. Retrieved November 30, 2022, from <http://www.ceis.org.uk/wp-content/uploads/2021/04/Scotlands-social-enterprise-action-plan-2021-2024.pdf>

⁴⁰ Access. (n.d.). *The Story so Far - ACCESS*. Access - The Foundation for Social Investment. Retrieved November 30, 2022, from <https://access-socialinvestment.org.uk/us/the-story-so-far/>

⁴¹ Access. (2022). *Quarterly dashboard - ACCESS*. Access - The Foundation for Social Investment. Retrieved November 30, 2022, from <https://access-socialinvestment.org.uk/learning/quarterly-dashboard/>

⁴² Lamb, S., & Huo, S. (2017). *Counting the costs of lost opportunity in Australian education* (No. 02/2017). Mitchell Institute. <https://www.vu.edu.au/sites/default/files/counting-the-costs-of-lost-opportunity-in-Aus-education-mitchell-institute.pdf>

⁴³ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: a people-centred approach to employment services* [Report for Westpac Foundation]. Westpac Foundation and the Centre for Social Impact Swinburne. Retrieved November 27, 2022, from https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

There are new Federal Government initiatives that run counter to this, that could be learned from, further developed or scaled-up.

The first is the Department of Home Affairs' **Economic Pathways to Refugee Integration** program. It includes grants of up to \$1,000,000 per year over three years, and a total funding pool of \$15 million, for social enterprises which demonstrate "the ability to achieve economic participation outcomes for refugees and humanitarian entrants".⁴⁴

The second is the Department of Social Services **Transition Funding for Successful Try, Test and Learn Projects**. It includes the following projects led by social enterprises:

- Community Corporate will deliver **Employer-led Refugee Employment Project**. It "aims to improve employment outcomes for migrants and refugees aged between 18 and 60 years and disadvantaged youth aged between 17 and 24 years through targeted training and mentored work experience. The project will assist an estimated 150 participants residing in Western Australia, Victoria, Queensland, South Australia, Australian Capital Territory and New South Wales. Total funding amount is up to \$1,032,000".⁴⁵
- Two Good will deliver **The Work Project**. It "develops employment pathways via training and experience in the hospitality industry for disadvantaged women who have experienced significant traumas such as domestic violence, homeless or risk of homelessness, or who have experienced a long period of unemployment. The project will assist an estimated 38 women across Sydney. Total funding amount is up to \$1,332,000".⁴⁶

The third is the Department of Social Services **Payment by Outcomes Trials**. It includes a trial led by White Box Enterprises to engage a number of WISEs to be paid to deliver employment outcomes. It "aims to deliver long-term employment outcomes for jobseekers with a disability through Work Integrated Social Enterprises (WISEs)... The program will help participants maintain stable employment, with the aim to transition to the open job market".⁴⁷ The trial will assist an estimated 170 people with a disability, receiving income support and experiencing unemployment. Total funding amount is up to \$3.8 million.⁴⁸

Recommendations:

- **Establish public sector innovation panels with social enterprise representation to enable knowledge exchange, identify business innovation and send signals to the market and across government.**
- **Follow local government innovation and establish a social enterprise supply panel, before going to the mainstream market.**

⁴⁴ Department of Home Affairs. (2022, May 5). *Employment pathways for refugees*. Immigration and citizenship. Retrieved November 28, 2022, from <https://immi.homeaffairs.gov.au/settling-in-australia/coordinator-general-for-migrant-services/employment-pathways-for-refugees>

⁴⁵ Department of Social Services. (2022, May 17). *Transition Funding for Successful Try, Test and Learn Projects* | Department of Social Services, Australian Government. Australian Government Department of Social Services. Retrieved November 28, 2022, from <https://www.dss.gov.au/review-of-australias-welfare-system-australian-priority-investment-approach-to-welfare-ttl-fund-tranche-two/transition-funding-for-successful-try-test-and-learn-projects>

⁴⁶ Department of Social Services. (2022, May 17). *Transition Funding for Successful Try, Test and Learn Projects* | Department of Social Services, Australian Government. Australian Government Department of Social Services. Retrieved November 28, 2022, from <https://www.dss.gov.au/review-of-australias-welfare-system-australian-priority-investment-approach-to-welfare-ttl-fund-tranche-two/transition-funding-for-successful-try-test-and-learn-projects>

⁴⁷ Department of Social Services. (2022, November 21). *Payment by Outcomes Trials* | Department of Social Services, Australian Government. Australian Government Department of Social Services. Retrieved November 28, 2022, from <https://www.dss.gov.au/payment-by-outcomes-trials>

⁴⁸ Department of Social Services. (2022, November 21). *Payment by Outcomes Trials* | Department of Social Services, Australian Government. Australian Government Department of Social Services. Retrieved November 28, 2022, from <https://www.dss.gov.au/payment-by-outcomes-trials>

In Victoria's mature social enterprise ecosystem, the benefits of social procurement and strategic partnership is driving local innovation and cross-sector partnerships.

Local governments in Metropolitan Melbourne have partnered with social enterprise to build a community of practice and knowledge exchange to drive inclusive business innovation.

City of Bayside in Melbourne Inner South East Metropolitan Area, has established a social enterprise panel in partnership with cities outside it's Suburban Development Region (for example, Glen Eira, Stonnington and Cardinia).

Traditional tendering can result in Tier 1 firms selected who benefits from the Social Procurement Framework, dampening competition and reducing opportunities for equity and inclusion outcomes.

The Social Enterprise Panels provide an opportunity for social enterprise to collaborate and achieve scale through partnership and market shaping through arms-length intermediaries.

Social Enterprise Network Victoria (SENVIC) has established a decentralised network of Local Leads statewide, in all 11 Suburban Development and Regional Development, to provide an interface with government and enable information, innovation and knowledge exchange on an ongoing basis.⁴⁹ SENVIC's Local Leads meet virtually each month and are scheduling quarterly briefings with Suburban/Regional Development to provide strategic knowledge exchange.

Working together, social enterprise networks can facilitate improved employment outcomes through cross-sector relationships, sharing knowledge and stewarding market opportunities.

NEXT STEPS

We recommend the Committee meets with the State-based networks and Social Enterprise Australia to develop the above recommendations.

As a sector we are excited about the scope and ambition of the Federal Government's economic reform agenda.

Social enterprise is more than a tool for economic recovery and development.

Social enterprise is a drive for public sector innovation, creating unique social, place-based and community solutions to problems where governments and the market struggle.

The Committee Inquiry is an opportunity to harness the momentum behind social enterprise and place 'impact' thinking and social enterprise activity at the heart of the Federal Government's response to the challenges ahead.

⁴⁹ Social Enterprise Network Victoria (2022, September) 'Find your network' Retrieved November 27, 2022 from <https://senvic.org.au/connect-events-opportunities/opportunities/local-leads/> .