



Grow social innovation through social enterprise

Submission to the inquiry into promoting economic dynamism, competition and business formation

April 2023

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Executive summary

Economic dynamism, competition and business formation - even the economy itself - are not ends but means. They provide ways to fulfil purpose. This submission says that the main purpose of our economy should be social and environmental wellbeing.

Given this, it puts forward what's needed to grow social innovation through social enterprise, or business for good.

Australia faces social, environmental and economic challenges that demand new responses. The social enterprise sector can help.

Social enterprises innovate using a compass of public benefit. They create employment opportunities for people most shut out of work, provide care for people and the planet, deepen democracy and social connection, and address product or service gaps, particularly in disadvantaged communities and thin markets.

They do good and raise expectations in competitive markets that business should do more good and less harm.

However, the social enterprise sector is currently held back due to fragmentation, under-representation, and being underserved. As a result, it is not realising its latent potential.

Because social enterprise sits between traditional business and charity, many fall through the gaps in the support infrastructures that exist for the two sectors. It does the job of both without the enablers of either.

We seek a social enterprise national strategy to change this; one informed and powered by a partnership between the sector and Government.

We see this as being challenge-led, focusing on national priorities where social enterprise can make a significant contribution, in the areas of environmental care, people-centred services, access to decent work, and community-led innovation.

We see the strategy being underpinned by data and certification. Dependent on these things, we also see it incorporating social procurement, access to finance, outcome payments, and capability building.

About us

Social Enterprise Australia is the peak body for social enterprise in Australia. We connect the sector to plan, act, and learn together. We do this to have a shared national strategy and voice, and to develop new ways to build social and environmental wellbeing.

Our work is supported by the Griffith Centre for Systems Innovation. We are resourced by the English Family Foundation, the Snow Foundation, Lord Mayor's Charitable Foundation, Paul Ramsay Foundation, Westpac Foundation, MinterEllison, and Day Four Projects. We are governed by an independent board who have experience and credibility within and across the sector.

How does this submission relate to the Terms of Reference?

Economic dynamism, competition and business formation - even the economy itself - are not ends but means. They provide ways to fulfil purpose.

We welcome the Government's stated commitment to "improve the lives of all Australians"¹. Consistent with this, this submission says that the main purpose of our economy should be social and environmental wellbeing. It focuses on the following terms of reference:

| |
|-------------------------------------|
| f. Any other related matters |
|-------------------------------------|

Specifically, it outlines what's needed to grow social innovation through social enterprise, or business for good.

The submission also has implications for the following terms of reference:

- | |
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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> <p>e. Drawing on international examples, how Australia could lower economic barriers to competition and business formation, further limit anti-competitive behaviour, and better manage changes in industry structure that would entrench, increase or extend market power</p> |
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The opportunity

Australia faces big shared challenges that demand new responses. Recent years brought extreme weather events and the pandemic. These created shocks, drove an economic downturn and hit the most disadvantaged hardest.

¹ Australian Government. (2022, October 25). *Measuring what matters*. Treasury. Retrieved April 10, 2023, from <https://treasury.gov.au/consultation/measuring-what-matters-2022>

It will take social innovation and learning to step up to these challenges, and in a way that values all people and communities.

A social enterprise is a business, for good. They trade like any other business, but exist specifically to make the world a better place.

The social enterprise sector's vision is working together to ensure all people, places, and the planet thrive. Our mission is to foster a vibrant and connected Australian social enterprise sector that provides:

- Environmental care
- People-centred services
- Access to decent work
- Community-led innovation

These are the challenges - areas of public need and political imperative - that social enterprises are well suited to respond to.

There are over 12,000 social enterprises in Australia, that make a shared economic contribution of \$21.3 billion and account for \$1% of GDP². They employ about 206,000 people, or 1.6% of the workforce; that's about the same number of people as the Arts and Recreation Services or the Mining Industry³.



Social enterprises innovate using a compass of public benefit. They create employment opportunities for people most shut out of work, provide care for people and the planet, deepen democracy and social connection, and address product or service gaps, particularly in disadvantaged communities and thin markets.

These businesses for good have many faces – a café employing survivors of domestic violence, an Aboriginal led business working in bushfire mitigation, a community-owned wind farm, or a provider of quality affordable housing.

² 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/>

³ 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/>

They do good and raise expectations in competitive markets that business should do more good and less harm.

One example is the Yackandandah Community Development Company. It is a social enterprise focused on the rural town of Yackandandah in Victoria, population 2000⁴. It formed when the only local petrol station announced it would close⁵. To secure the supply of fuel in the town, a group of seven locals set up the enterprise⁶. It formed with a community ownership structure and set out to grow membership, undertake projects and initiatives to benefit the local community, and return half of any profits to community owners and half to community causes and projects⁷. Alongside the fuel station, it now supplies building, hardware, gardening and farming supplies, and runs a local newspaper⁸; needs the market otherwise failed to meet. It now has over 650 community shareholders⁹, deepening democracy. In the 2022 financial year it had revenue of \$5,815,729 and a pre-tax surplus of \$173,545¹⁰, driving local economic activity and benefits.

Another example is Goodstart. It is an early-learning social enterprise created by four leading Australian community sector organisations¹¹. It launched in 2010 to address a key driver of many social problems – poor early childhood experiences – with a vision “for all of Australia’s children to have the best possible start in life”¹². It was born when the largest single provider of child care in the Australian market collapsed¹³. A bank, the Federal Government, and social investors together provided capital to buy out 678 of the closing centres¹⁴. Fast forward to today, Goodstart is Australia’s largest non-government provider of early learning, kindergarten, and preschool programs. In the 2022 financial year, it worked with 63,600 children, 53,700 families, and employed 15,000 people¹⁵. A third of its centres are in rural and regional areas, a quarter are in low socio-economic areas, and over 1,000 children were supported to attend through its Early Learning Fund¹⁶. Research by Social Ventures Australia found a \$5.50 return

⁴ Australian Bureau of Statistics. (2022). 2021 Yackandandah, Census All persons QuickStats. Retrieved 01 26, 2023, from <https://abs.gov.au/census/find-census-data/quickstats/2021/SAL22889>

⁵ Yackandandah Community Development Company. (n.d.). Our History — YCDCo. Retrieved January 25, 2023, from <https://www.ycdco.com.au/our-history>

⁶ Yackandandah Community Development Company. (n.d.). Our History — YCDCo. Retrieved January 25, 2023, from <https://www.ycdco.com.au/our-history>

⁷ Yackandandah Community Development Company. (n.d.). Our History — YCDCo. Retrieved January 25, 2023, from <https://www.ycdco.com.au/our-history>

⁸ Yackandandah Community Development Company. (n.d.). About — YCDCo. Retrieved January 25, 2023, from <https://www.ycdco.com.au/about>

⁹ Yackandandah Community Development Company. (n.d.). About — YCDCo. Retrieved January 25, 2023, from <https://www.ycdco.com.au/about>

¹⁰ Yackandandah Community Development Company. (n.d.). Performance — YCDCo. Retrieved January 25, 2023, from <https://www.ycdco.com.au/performance>

¹¹ Goodstart. (n.d.). Our Vision | Goodstart. Goodstart Early Learning. Retrieved January 27, 2023, from <https://www.goodstart.org.au/about-us/our-vision>

¹² Goodstart. (n.d.). Our Vision | Goodstart. Goodstart Early Learning. Retrieved January 27, 2023, from <https://www.goodstart.org.au/about-us/our-vision>

¹³ Social Ventures Australia. (n.d.). Goodstart. Retrieved January 27, 2023, from <https://www.socialventures.com.au/work/goodstart/>

¹⁴ Social Ventures Australia. (2013). Goodstart: a story of impact investing. Retrieved January 25, 2023, from <https://www.socialventures.com.au/sva-quarterly/goodstart-a-story-of-impact-investing/>

¹⁵ Goodstart. (2022). Annual report 2022. Retrieved January 27, 2023, from <https://www.goodstart.org.au/getmedia/e32414d1-b4bd-4dd7-b073-26ff0ef7a627/220829-2022-Annual-Report-FINAL-Spreads.pdf>

¹⁶ Goodstart. (2022). Annual report 2022. Retrieved January 27, 2023, from <https://www.goodstart.org.au/getmedia/e32414d1-b4bd-4dd7-b073-26ff0ef7a627/220829-2022-Annual-Report-FINAL-Spreads.pdf>

for every \$1 spent on Goodstart's targeted social purpose investments; and that about \$337 million in value was delivered through Goodstart's investment into social impact programs in 2022¹⁷.

A further example is Soft Landing. It is a national social enterprise and mattress recycler that works "to keep waste out of landfill and create jobs for people experiencing barriers to work"¹⁸. It creates both environmental benefits and is a job focussed social enterprise, which "provide employment, or pathways to employment, for people who are highly disadvantaged in the labour market"¹⁹. Last financial year, Soft Landing recycled 507,000 mattresses, including 6,900 tonnes of steel, 1,159 tonnes of foam, and 747 tonnes of timber²⁰. It also employed 289 people, 76% of them experiencing barriers to employment²¹. Soft Landing describes its workforce as "intelligent, hardworking, authentic and includes Aboriginal people, refugees and asylum seekers and long-term unemployed."²².

Current barriers

In 2021, research undertaken by the Griffith Centre for Systems Innovation (formerly The Yunus Centre) found Australia's social enterprise sector to be fragmented, under-represented, and underserved, and not realising its latent potential to generate public value and social impact²³. In 2022, Social Enterprise Australia was established to address this.

Because social enterprise sits between traditional business and charity, many fall through the gaps in the support infrastructures that exist for the two sectors. It does the job of both without the enablers of either.

This is particularly the case for access to appropriate finance, being valued in the market and for the outcomes they deliver, the development of specialised capabilities and business models, and other supporting factors such as data, certification and coordinating infrastructure.

These factors impact social enterprise formation and development.

¹⁷ Goodstart. (2022). Annual report 2022. Retrieved January 27, 2023, from

<https://www.goodstart.org.au/getmedia/e32414d1-b4bd-4dd7-b073-26ff0ef7a627/220829-2022-Annual-Report-FINAL-Spreads.pdf>

¹⁸ Community Resources Limited. (n.d.). Soft Landing Mattress Recycling: Home. Retrieved January 26, 2023, from

<https://softlanding.com.au>

¹⁹ 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.

²⁰ Community Resources Limited. (n.d.). Soft Landing Mattress Recycling: About us. Retrieved January 26, 2023, from

<https://softlanding.com.au/about/>

²¹ Community Resources Limited. (n.d.). Soft Landing Mattress Recycling: About us. Retrieved January 26, 2023, from

<https://softlanding.com.au/about/>

²² Community Resources Limited. (n.d.). Soft Landing Mattress Recycling: About us. Retrieved January 26, 2023, from

<https://softlanding.com.au/about/>

²³ Hannant, A., McNeill, J., Burkett, I., & Price, A. (2021). Directions part 1: perspectives, provocations and sense-making for strategy. Social Enterprise National Strategy (SENS) Project. The Yunus Centre, Griffith University. Retrieved January 25, 2023, from https://www.griffith.edu.au/_data/assets/pdf_file/0031/1360399/SENS-Directions-Report_Part-One.pdf

Proposed solution

Federal partnership can change this. It can help build an enabling environment for the sector and spawn social innovation and sizeable and sustainable public value.

It can:

- enable more people to start social enterprises;
- ensure social enterprises have the resources, knowledge and networks they need to achieve their potential; and
- enable more consumers, public authorities and businesses to understand and buy from social enterprises.

We see this being outcomes-focused and challenge-led. Challenge-led innovation provides a framework for directing innovation and responding to challenges that no single entity or group can address on their own²⁴. Popularised in recent years by UK economist Mariana Mazzucato, these approaches are being used around the world to guide low-carbon transitions, city transformation plans, and the design of new institutions focused on driving wellbeing economies.

To this end, we seek a national strategy to unlock the potential of social enterprise and map on to the sector's own emerging strategy.

We see the national strategy being:

1. Co-designed and powered by a partnership between the sector and Government.

Genuine partnership and co-design are critical to success. A social enterprise national strategy - its design, implementation, governance, and evolution - requires the knowledge, skills, and perspectives of both Government and the sector to work.

This approach has been modelled in other countries. In Scotland, the Government "worked with the sector to develop and agree"²⁵ its Social Enterprise Strategy 2016-2026. Further, the first guiding principle of its social enterprise action plan 2021-2024 is that it "foster close co-operation with the social enterprise community, and recognises the need to co-produce and co-deliver solutions"²⁶. In Aotearoa New Zealand, over 2018-2021 the

²⁴ Mazzucato, M. (2018, October 12). Mission-oriented innovation policies: challenges and opportunities. *Industrial and Corporate Change*, 27(5), 803-815. <https://academic.oup.com/icc/article/27/5/803/5127692>

²⁵ Scottish Government. (2017, May 10). *Scotland's Social Enterprise Strategy 2016-2026*. Retrieved April 10, 2023, from <https://www.gov.scot/publications/scotlands-social-enterprise-strategy-2016-2026/pages/2/>

²⁶ Scottish Government. (2021, March 24). *Key Actions from Across the Action Plan - Social enterprise: action plan - gov.scot*. Retrieved April 10, 2023, from <https://www.gov.scot/publications/social-enterprise-action-plan/pages/7/>

Government and sector partnered on The Impact Initiative to identify “how a flourishing social enterprise sector can be supported”²⁷.

2. We see the national strategy being underpinned by data and certification.
3. Finally, and dependent on these things, we see it incorporating social procurement, access to finance, outcome payments, and capability building.



There now exists a willingness and readiness in the sector to work together towards shared goals, and from philanthropy to co-invest in a long-term and strategic approach to growing social enterprise and its impact in Australia. Engagement from the Federal Government will catalyse an increased commitment from these sectors and result in a significant multiplier on investment.

Recommendations

Sector organising infrastructure

We recommend that the Federal Government invest in organising infrastructure that enables the sector to a) have a shared voice and work in partnership with Government; and b) coordinate, innovate and improve its performance.

²⁷ Ākina Foundation. (2021, April). A roadmap for impact [The Impact Initiative recommendations summary report]. Retrieved January 18, 2023, from https://static1.squarespace.com/static/5b02f1bd85ede13734718842/t/608f12a63e6e2f0a54f280e0/1619989184054/A_Roadmap_for_Impact_280421.pdf

Such infrastructure has been recognised as fundamental by the Victorian Government. Its Victorian Social Enterprise Strategy 2021-2025 prioritises and invests in “fostering a connected and innovative social enterprise ecosystem across Victoria”²⁸.

It has been recognised as fundamental by the Scottish Government. Under its social enterprise action plan 2021-2024 it funds “an enhanced single intermediary body with responsibility for representing the social enterprise sector across Scotland”²⁹.

In July last year, people across the sector mapped what is needed from infrastructure that can do this Australia-wide. This co-design informed and directed Social Enterprise Australia to build momentum and infrastructure for:

1. Engagement and connection

It will provide pathways for people to engage and co-create around place, mission, and sector development. It will connect existing collaborations and activities and facilitate new ones that the sector sees as critical, including cross-sector and global initiatives. These will inform shared direction and action.

2. Knowledge and learning

It will provide ways to share and learn about social enterprise and evolve to meet the interests and needs of the sector. This will include capturing data and knowledge from the sector and shared evaluation. It will be done to enable real-time understanding of practice and impact and to support decision-making.

3. Shared direction and action

It will lead a national strategy and work with others to build public will, advance policy, grow markets, and mobilise resources. These functions will be co-owned and shaped by all who support the vision, mission, values, and principles of the sector.

These interdependent things will enable the sector to collaborate and cohere, so that it can work effectively in partnership with the Government. It will also enable it to act, plan and learn together, so that it can innovate and improve overall performance.

One example of an existing social enterprise network - that this infrastructure can support, connect and be informed by - is Moving Feast. When the pandemic hit, it formed, bringing together social enterprises to provide food relief to tens of thousands of vulnerable people³⁰. It is now exploring how it might develop to tackle larger challenges and work towards “a connected, fair and regenerative food system for

²⁸ Victorian Government. (2021, October). Victorian Social Enterprise Strategy 2021-2025. Department of Jobs, Precincts and Regions. Retrieved January 24, 2023, from

https://djpr.vic.gov.au/_data/assets/pdf_file/0018/2036205/DJPR-Victorian-Social-Enterprise-Strategy.pdf

²⁹ Scottish Government. (2021, March 24). *Key Actions from Across the Action Plan - Social enterprise: action plan - gov.scot*. Retrieved April 10, 2023, from <https://www.gov.scot/publications/social-enterprise-action-plan/pages/7/>

³⁰ Moving Feast. (n.d.). About — Moving Feast. Retrieved January 25, 2023, from <https://movingfeast.net/about-us>

Victoria”³¹. To this end, it produced a discussion paper that concludes this means finding ways to nurture what already exists and to pursue “funding and governance models to make its challenge-led approach feasible, viable and sustainable”³². It says this calls for investment from the Government to benefit all networks like Moving Feast; not Moving Feast specifically.

Data

We recommend that the Federal Government invest in data sharing and social enterprise data initiatives and infrastructure so that evidence drives decisions.

There are significant gaps in overall data about the sector. There is limited standardisation in what is collected and the way that it is held, and measuring wellbeing and impact costs are complex.

Investment in data initiatives can help solve this. These need to surface data and to support social enterprises to collect, share, and analyse data. Impact data points could speak to the Federal Government’s measuring what matters initiative - which has the potential to build Government capability to measure and grow positive impact.

This would generate valuable insights and information that could contribute to the work of the Government, as well as the sector itself and other actors.

In Scotland - as part of a decade-long commitment by the national government to track the development of the sector - there is a sector census. It is conducted every two years on the “scale, reach and contribution of social enterprise activity across the country as well as the characteristics, prospects and needs of the organisations behind it”³³. It draws on survey evidence from the sector and information from the main regulators; and helps shape policy, funding and support from the Scottish Government³⁴.

In addition, the Australian sector lacks access to existing data held by Government agencies on problems in need of a solution, and about the costs and impacts of existing interventions. Changing this can inform innovation.

Finally, investment in building data infrastructure to hold these things is needed. This would draw on and combine both Government and sector data.

Social enterprise certification

We recommend that the Federal Government invest in and use certification to verify social enterprises.

³¹ Goodwin, K., & Scott, R. (2023). Moving Forward: Structuring innovation for the next phase of Moving Feast's food system work.

³² Goodwin, K., & Scott, R. (2023). Moving Forward: Structuring innovation for the next phase of Moving Feast's food system work.

³³ CEIS. (n.d.). Social Enterprise in Scotland – Census 2021. Retrieved January 24, 2023, from <https://socialenterprisecensus.org.uk>

³⁴ OSCR. (2021, December 9). Social Enterprise in Scotland Census 2021. Retrieved January 23, 2023, from <https://www.oscr.org.uk/news/social-enterprise-in-scotland-census-2021/>

Social enterprises are diverse and take different legal forms.

Certification can give the Government confidence that efforts to work with social enterprises can be genuinely realised.

Social Traders offers social enterprise certification in Australia to identify them. It is based on a rigorous and independent assessment.

“Certification demonstrates that a social enterprise exists to create 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”³⁵.

Its criteria applied and evolved the definition in the first Finding Australia’s Social Enterprise Sector report; built in collaboration with social enterprises, the community sector, government and intermediary organisations³⁶.

It should be invested in and used by the Government.

Social procurement

We recommend that the Federal Government invest in the establishment of a social procurement framework that names and puts targets to buying from social enterprises.

Customers or buyers are essential to the health and growth of social enterprises. Indeed, in 2016, 75% of social enterprises said that their biggest need was new buyers³⁷.

The Federal Government is a large buyer and has the opportunity to buy from social enterprises. The establishment of a social procurement framework that names and puts targets to buying from social enterprise will drive sector growth, generate social value beyond the value of the products being procured, and signal to others to do the same.

The Federal Indigenous Procurement Policy shows how this can be done. It includes³⁸:

³⁵ Social Traders. (n.d.). Certification. In Our criteria. Retrieved November 30, 2022, from <https://www.socialtraders.com.au/for-social-enterprise/certification>

³⁶ Barraket, J., Collyer, N., O’Connor, M., & Anderson, H. (2010). Finding Australia’s social enterprise sector. Australian Centre for Philanthropy and Nonprofit Studies and Social Traders.

³⁷ Barraket, J., Mason, C., & Blain, B. (2016). Finding Australia’s social enterprise sector 2016: final report. Centre for Social Impact Swinburne and Social Traders.

³⁸ National Indigenous Australians Agency. (n.d.). *Indigenous Procurement Policy* / *National Indigenous Australians Agency*. National Indigenous Australians Agency. Retrieved November 30, 2022, from <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>

- Annual targets for the number and value of contracts to go to Indigenous enterprises, from the Government and from each Portfolio.
- For contracts of a certain value delivered wholly in Australia, and for all contracts delivered in remote Australia, Indigenous businesses have the opportunity to demonstrate value for money before a general approach to market.
- Indigenous employment and business participation targets for contracts wholly delivered in Australia for contracts over a certain value in specific industries.

The Indigenous Procurement Policy has generated over \$5.3 billion in contracting opportunities for Indigenous businesses since 2015³⁹.

The work of the Victorian State Government also sets an example. It has adopted a Social Procurement Framework that supports buying from Victorian social enterprises, Aboriginal businesses and other social benefit suppliers⁴⁰.

Access to finance

We recommend that the Federal Government enhance access to a capital mix that can support social enterprises to launch, develop, and grow.

Like any business, social enterprises need capital. 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, tax treatments, and other regulatory levers are needed.

Grants must form part of the mix. In Australia, 37% of certified social enterprises generate all of their revenue from trade and 63% do not⁴¹. This is a result of needing to offset the costs of working in areas of market failure and covering impact costs that cannot be recouped through trade.

³⁹ National Indigenous Australians Agency. (n.d.). *Indigenous Procurement Policy* / National Indigenous Australians Agency. National Indigenous Australians Agency. Retrieved November 30, 2022, from <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>

⁴⁰ Victorian Government. (2021, July 2). *Social Procurement Framework*. Buying for Victoria. Retrieved November 30, 2022, from <https://www.buyingfor.vic.gov.au/social-procurement-victorian-government-approach>

⁴¹ Social Traders. (2022). Pace22: profile of Australia's certified social enterprises [Unpublished; provided by Social Traders]. Social Traders.



Sections of the social enterprise sector also need 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, commits them to "work with like-minded grant-makers and investors to bring new capital and resources to the social enterprise sector", and to "investigate new democratic forms of local capital"⁴².

In the UK, the Government worked with philanthropy and the social sector to create a foundation that allocates grants with impact investment⁴³. Under this co-investment model, over £100 million has flowed into charities and social enterprises⁴⁴.

We are encouraged that the Social Impact Investing Taskforce was set up to develop a strategy for the Commonwealth's role in the social impact investing market. We met with the Taskforce during its current review, and understand that the strategy is pending. Social enterprises must be represented in governance as this develops to

⁴² 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>

⁴³ 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/>

⁴⁴ 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/>

ensure that the design of new mechanisms and facilities match the demand side reality of the market.

Outcome payments

We recommend that the Federal Government value and pay social enterprises for the role they play in creating public or community outcomes.

Public funds are used to tackle social and environmental problems. However, while social enterprises tackle problems and have impact costs that other businesses do not, they are largely unable to access public funds.

This has hampered their ability to sustain, scale, and maximise the role they play.

This is despite the fact that their work directly reduces government costs, increases tax revenue⁴⁵, and improves people's lives and livelihoods⁴⁶.

There are recent Federal Government initiatives that start to address this, that could be learned from, further developed or scaled-up.

The first is the Payment by Outcomes Trials. It includes a three-year trial co-designed by the Department of Social Services and White Box Enterprises. Since its launch last year, White Box Enterprises has engaged 15 social enterprises⁴⁷ to assist people with a disability, receiving income support and experiencing unemployment. The total funding amount is up to \$3.8 million⁴⁸. The trial commenced in July 2022 and in February 2023 White Box Enterprises reported that:

- 70 people, who had previously been out of work for at least nine months during the past year, have been employed.
- \$767.14 is the average fortnightly income, with all participants paid award wages.
- 93% of all enrolled participants remain employed. This compares with less than 20% for the same cohort in Disability Employment Services⁴⁹.

The second 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 to social enterprises which demonstrate "the ability to achieve economic participation

⁴⁵ 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>

⁴⁶ 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

⁴⁷ White Box Enterprises. (2023, February 14). *Social enterprises start strong in PBO Trial*. Retrieved April 10, 2023, from <https://whiteboxenterprises.com.au/social-enterprises-start-strong-in-pbo-trial/>

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>

⁴⁹ White Box Enterprises. (2023, February 14). *Social enterprises start strong in PBO Trial*. Retrieved April 10, 2023, from <https://whiteboxenterprises.com.au/social-enterprises-start-strong-in-pbo-trial/>

outcomes for refugees and humanitarian entrants”⁵⁰. A total of \$17.7 million has been allocated between the 20 social enterprises selected in the first round of the program⁵¹.

The third 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 a project that “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”⁵². The total funding amount is up to \$1.03 million⁵³.
- Two Good Co will deliver a project that “develops employment pathways via training and experience in the hospitality industry for disadvantaged women who have experienced significant traumas such as domestic violence, [homelessness] or risk of homelessness, or who have experienced a long period of unemployment”⁵⁴. The total funding amount is up to \$1.33 million⁵⁵.

Capability building

We recommend that the Federal Government invest in capability building in the sector and in Government itself.

Social enterprise requires both broad and specialised skill sets, blending specific areas of social impact and general commercial know-how. For the sector to grow, there needs to be an expansion of capability development across existing and new organisations and a deepening of expertise in key areas such as impact measurement and investment readiness.

Further, not only do we need investments in data, certification, access to finance, social procurement, and outcome payments, capability and capacity in the sector and in Government need to be resourced to work on the co-production of strategy and policy and to drive effective implementation of these things.

⁵⁰ 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>

⁵¹ Department of Home Affairs. (2022, December 1). *Employment pathways for refugees*. Immigration and citizenship. Retrieved April 10, 2023, from

<https://immi.homeaffairs.gov.au/settling-in-australia/coordinator-general-for-migrant-services/employment-pathways-for-refugees>

⁵² 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>

⁵³ 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>

⁵⁴ 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>

⁵⁵ 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>

The work of the Queensland and Victorian Governments set examples. Both the Queensland Social Enterprise Strategy⁵⁶ and the Victorian Social Enterprise Strategy⁵⁷ include investments in capability building in both the sector and Government.

How were these recommendations developed?

Last year, a sector co-design identified the areas of public impact the social enterprise sector seeks and is well suited to make. Another mapped the infrastructure needed to work in partnership with the Federal Government; and to coordinate, innovate, and improve its performance.

In January this year, Social Enterprise Australia brought people across the sector together again; this time, to name what's needed from the Federal Government to help unlock the impact of social enterprise.

The recommendations in this submission are based on these co-designs.

⁵⁶ Department of Employment, Small Business and Training. (2022, October 17). Queensland Social Enterprise Strategy. Retrieved January 21, 2023, from <https://desbt.qld.gov.au/small-business/strategic-documents/social-enterprise-strategy>

⁵⁷ Victorian Government. (2021, July 2). *Social Procurement Framework*. Buying for Victoria. Retrieved November 30, 2022, from <https://www.buyingfor.vic.gov.au/social-procurement-victorian-government-approach>