

Social

Traders

Unlocking business for good



**Federal Government pre-budget
submission 2024**

Backing social enterprise



Relied on by over 560
certified social enterprises

Trusted by over 160 of
Australia's largest businesses

Partner for multiple
governments

Backed by Australia's
leading philanthropists



Business for good

Member **2024**
Social Traders
BUYER FOR GOOD



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“The Government is backing social enterprises to further help people facing labour market disadvantage. Social enterprises are critical to improving employment outcomes for marginalised cohorts in local communities across Australia ... The Government’s reform direction is to draw on the expertise of the social enterprise sector and build capacity to improve the labour market outcomes of people who experience entrenched disadvantage.”¹

Australian Government White Paper on Jobs and Opportunities

“The sector has achieved a great amount over recent decades, but there is potential to do so much more with the right regulatory settings and the right partnerships with governments ... Now is the time to leverage for more... Social procurement is so important, and certification will be one of the first steps.”²

Dr Daniel Mulino MP, Member for Fraser and Chair of the Standing Committee on Economics

“If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use. We urge the Federal Government to engage in a meaningful and direct way with Social Traders, who will provide credible information, a sustainable business model and robust economic justification.”

Vedran Drakulic, CEO, Gandel Foundation

“What you do has support from across the parliament. For those on the business side, you’re celebrating businesses. And for those who go into politics to help the most disadvantaged, you’re doing just that. The work of social enterprise spans the economy.”³

Dr Andrew Leigh MP, Assistant Minister for Competition, Charities and Treasury

¹ *Working Future: The Australian Government’s White Paper on Jobs and Opportunities*, Australian Government (2023), p234. Available at <https://treasury.gov.au/sites/default/files/2023-10/p2023-447996-working-future.pdf>

² Social Traders Business for Good Summit Keynote: *The Opportunity of Social Enterprise and Social Procurement within our Economy*, Dr Daniel Mulino MP (2023). Available at: <https://www.youtube.com/watch?v=8Hw5qGN5XKE>

³ *Social Enterprise Round Table – Speech*, Dr Andrew Leigh (2023). Available at: https://www.andrewleigh.com/social_enterprise_round_table

Executive summary

The Federal Government has committed to “backing social enterprise”⁴. That requires investment in the infrastructure to build the capacity of the sector, including certification, data, and social procurement policy. These investments will enable the government to use social enterprise to deliver multiple policy agendas from employment to the environment.

Social Traders backs the social enterprise sector’s call for a National Social Enterprise Strategy, including three recommendations to be delivered by Social Traders:

1. Endorse and fund Social Traders social enterprise certification.
2. Track social enterprise growth and outcomes using the Social Traders measurement system and deepest social enterprise dataset in Australia.
3. Implement Social Enterprise Procurement Policy.

Social enterprise is a key tool to tackle entrenched disadvantage

Social enterprises are businesses that deliver public benefit over private gain. Backing social enterprise guarantees that public funds are being used for public benefit.

There are 12,000 social enterprises in Australia that contribute \$21.3 billion to the economy and employ 206,000 people⁵. They invest 29% of their revenue into delivering social or environmental outcomes, and 45% of the people they employ would otherwise be shut out of work⁶. They are larger on average than traditional businesses and charities⁷.

Now is the time for the Australian Government to leverage the social, environmental and economic value of social enterprise to support multiple government policy agendas.

Government commitments to social enterprise won’t be realised without investment in sector infrastructure

Social Traders has been a leading national social enterprise intermediary and market builder since 2008. Social Traders runs Australia’s social enterprise certification, holds Australia’s deepest social enterprise dataset, has a system to measure outcomes consistently across the whole social enterprise sector, and has built a six year proof of concept for social procurement. Social Traders has deep knowledge of over 560 certified social enterprises.

The sector infrastructure delivered by Social Traders aligns directly to the social enterprise national strategy recommendations from Social Enterprise Australia and key government initiatives including the Social Enterprise Development Initiative, Outcomes Fund, Future Made in Australia Office and the Workforce Australia review.

Social Traders has built these foundations over 15 years and is ready to partner with the Federal Government, as it has done with four other governments, over 160 of Australia’s largest businesses, and leading philanthropists.

Return on investment

Investment in Social Traders and social procurement returns significant outcomes:

- \$4.27 billion in government savings via 44,000 jobs created through social procurement by 2030
- 6 million training hours for disadvantaged job seekers through social procurement by 2030
- \$128m investment into community services and the charity sector through social procurement by 2030
- Between \$8.4 to \$9 social return on investment for every \$1 invested in Social Traders
- Over 200% leverage on government investment via matched philanthropic and trade revenue

⁴ *Working Future: The Australian Government’s White Paper on Jobs and Opportunities*, Australian Government (2023). Available at <https://treasury.gov.au/sites/default/files/2023-10/p2023-447996-working-future.pdf>

⁵ *Business for good: the size and economic contribution of social enterprise in Australia*, Social Enterprise Australia (2022). Available at: <https://socialenterpriseaustralia.org.au/business-for-good/>

⁶ *Pace 23: Profile of Australia’s Certified Social Enterprises*, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/Pace2023_SocialTraders.pdf

⁷ By employee headcount, 6% of ABS businesses are medium or large, 25% of ACNC charities are medium or large, compared to 42% of certified social enterprises being medium or large. *Pace 23: Profile of Australia’s Certified Social Enterprises*, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/Pace2023_SocialTraders.pdf

About Social Traders

Social Traders has been a leading social enterprise intermediary since 2008 and is the certifier of social enterprises in Australia. We are a DGR1 not-for-profit dedicated to building a thriving social enterprise sector.

Social Traders has worked directly with over 800 social enterprises across social procurement, social investment, start-up accelerators, certification and a wide range of capability building programs. Over 15 years Social Traders has built deep knowledge of social enterprise sector needs, and strong understanding of how to build the market and bridge the supply and demand gap between social enterprises and businesses through its specialist social procurement expertise.

Social Traders provides social procurement services to over 160 of Australia's largest ASX companies including Westpac, IFM Investors, Commonwealth Bank, Mirvac, John Holland and four state governments. Social Traders is backed by Australia's leading philanthropists including Paul Ramsay Foundation, Gandel Foundation and Ian Potter Foundation.

Social Traders has built sector infrastructure that supports grants, investment and procurement with social enterprises.

Identifying and de-risking social enterprise

- National certification standard that identifies genuine social enterprises & mitigates social washing
- Quality assured through an audit and risk framework created by EY and an independent advisory group
- Continuously evolving to meet future needs based on social enterprise feedback and international best practice
- Inclusive of all social enterprise legal structures, stages of development and impact models
- One-to-one support for every applicant through the certification process
- Deep knowledge of over 560 certified social enterprises, including investment and procurement readiness
- Social Enterprise Finder – the digital platform to find certified social enterprises nationally

Impact measurement using Australia's deepest social enterprise dataset

- Australia's deepest social enterprise dataset: 200+ verified data points on over 560 social enterprises
- Translates investment in social enterprise into comparable impact outcomes
- Tracks 'cohort' outcomes i.e. specific beneficiary groups, time periods, regions etc
- Outcomes data capture fit-for-purpose for all social enterprises to supply comparable data points
- Identifies social enterprises ready for social investment or procurement
- Robust data infrastructure and security

Connecting business/government with relevant social enterprises

- Australia's leader in social enterprise procurement – delivering 55% year on year growth
- Matching and connecting relevant social enterprises with business and government
- Solving for the supply/demand gap in social procurement, and identifying procurement-ready social enterprises
- Advisory & training services for business and government to embed social procurement
- Social procurement policy and strategy

Capability building for social enterprise procurement readiness

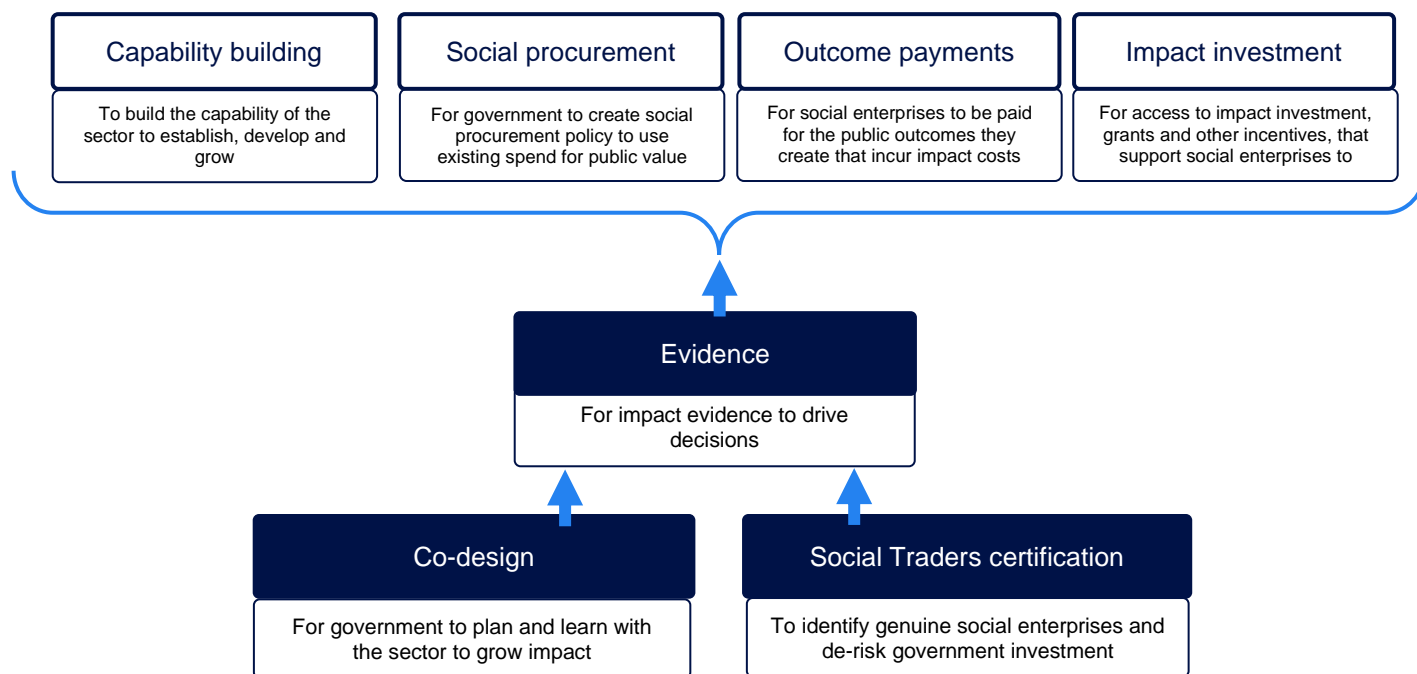
- Capability building for procurement and investment readiness
- Bespoke 12 month 'Grow' program for social enterprises ready to scale and take on contracts
- Previous provider of social finance and support to social enterprises through a social investment portfolio
- Certification readiness and support

What does it look like to ‘back social enterprise’?

A range of things are needed for the social enterprise sector to be an effective partner for government. Social Traders and Social Enterprise Australia are calling for a national social enterprise strategy with seven components.

Components of a National Social Enterprise Strategy

We recommend the government create a national strategy. It should be codesigned with the sector, underpinned by certification and data, and include capability building, social procurement, outcome payments and impact investment.



Next steps and priorities

Essential infrastructure

The first priority is building on the foundations of a national social enterprise strategy:

- Endorse and fund scaling of Social Traders certification
- Fund the peak body to co-design and work in genuine partnership with the sector

Components of a national social enterprise strategy

- **Social procurement:** update Commonwealth Procurement Rules to include Social Procurement Policy that names certified social enterprise & includes targets
- **Evidence:** use and build on the data & impact measurement available via Social Traders certification & peak
- **Outcome payments:** to trial new ways to include social enterprise in the employment system
- **Impact investing:** implement recommendations from the Social Impact Investing Taskforce Report
- **Capability building:** invest in capability building for the social enterprise sector and government to leverage the untapped potential of social enterprise

We also recommend the government continue to learn from and build on the current initiatives such as Outcomes Fund, Social Enterprise Development Initiative, Employment Pathways for Refugee Integration and Payment By Outcomes Trials.

Recommendation #1: use certification to de-risk government investment & ensure public funds are used for public benefit

We recommend the Commonwealth enact recommendation 50 in the Workforce Australia Inquiry Report to “endorse the certification framework administered by Social Traders, including additional financial support to enable national scaling”⁸

“Social Traders’ certification process is evidence based, transparent and mature and there is no need to reinvent the wheel. It is already being used by the Victorian, New South Wales and Queensland Governments and is under consideration elsewhere and should be endorsed by the Commonwealth Government. This may require modest financial assistance on a temporary basis to ensure that Social Traders has the capacity to certify a larger number of enterprises and bring them into the system.”

- *Rebuilding Employment Services Final report on Workforce Australia Employment Services*

“In the White Paper on Employment the government has highlighted its interest in partnering with social enterprise. I believe certification will need to be one of the first steps ... Certification was so important in Victoria – it underpins so much. It’s very difficult for government to engage with the sector unless it knows quite precisely the contours of the sector and who is in it. Certification creates a verification of which organisations are genuinely social enterprises, but also at a very practical level it creates a rolodex so that organisations that want to partner with the sector have a list.

- *Dr Daniel Mulino MP, Member for Fraser, Chair of Standing Committee on Economics November 2023*

Certification is the precursor to government investment, support and procurement with social enterprise

Social enterprises are diverse and take different legal forms. Social washing is becoming an increasing concern. There is a growing need to be able to identify, define and elevate *genuine* social enterprises.

Certification is what guarantees value for money in government support for social enterprise - by ensuring that public funds are being used for public benefit.

Social Traders developed certification in 2017 to de-risk social enterprise procurement. Since then, it has expanded to protect and define the whole social enterprise sector. Social Traders is the only certifier of social enterprise in Australia with over 560 certified social enterprises nation-wide.

Social Traders certification verifies that a social enterprise meets the agreed definition of social enterprise in Australia:

1. Has a defined primary social, cultural or environmental purpose consistent with a public or community benefit.
2. Derives a substantial portion of their income from trade.
3. Invests efforts and resources into their purpose such that public/community benefit outweighs private benefit.



The definition has been designed to be broad and inclusive of all social enterprise types.

Through the certification process, over 200 data points are verified on each social enterprise to validate that the enterprise meets all components of this definition. Data captured includes governing legal documents, financial data, impact data and social costs.

⁸ *Rebuilding Employment Services: Final report on Workforce Australia Employment Services*, House of Representatives Select Committee on Workforce Australia Employment Services (2023). Available at: https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000017/toc_pdf/RebuildingEmploymentServices.pdf

World-leading certification framework and processes

✓ Backed by international and local research

Certification uses the definition of social enterprise in the 2010 and 2016 'Finding Australia's Social Enterprise Sector'⁹ research. It was developed based on international social enterprise certification frameworks, and tailored to the specifics of the social enterprise sector in Australia.

✓ Co-designed with Minter Ellison and EY

Minter Ellison and EY support the development and evolution of the framework. This includes recommending improvements to the process and criteria, developing the example legal terms for for-profit social enterprises, and creating the risk and audit framework.

✓ Overseen by an independent expert advisory group

The Certification Advisory Group provides advice and external technical guidance on complex cases. The group also provides insights into international developments in the social enterprise sector, expertise and guidance on the evolution of the certification framework including increasing accessibility for certification and reflecting sector innovation.

✓ Inclusive of all diverse models, legal structure and development stages

The framework is inclusive of all legal models, all stages of development and all impact types, and is constantly evolving based on ongoing feedback from social enterprises and the wider sector.

✓ One-to-one support for every applicant

Certification is developmental and supportive. We have a team that works with social enterprises through the application process, to help them articulate their social impact model, and the activities and costs associated with delivering their mission. We provide guidance and referrals for early stage and transitioning businesses and charities that want to become a social enterprise to develop their business to a stage where they can be certified.

Certification is already in use by government, business and philanthropy

Certification is already being used by Australian Government programs - the DSS Payment by Outcomes Trial, DSS Strong & Resilient Communities Grants¹⁰, and the Economic Pathways to Refugee Integration \$21.3 million¹¹ grants.

Certification has also been used as a qualifier for State Government, local council and business grants including:

- Victorian Department of Jobs, Precincts and Regions
- Sustainability Victoria
- South Australian Government Department of Human Services
- QLD Department of Employment, Small Business and Training
- ACT Government Social Enterprise grant program
- Local councils including: City of Melbourne, Yarra Valley and Darebin City
- CBA Next Chapter Innovation and Country Road (Climate Fund)

Certification is ready to scale

With additional investment Social Traders could:

- Grow certified social enterprise numbers from 560 to 2,000 by FY30
- Provide free certification services to social enterprises to remove the barrier of price and increase utility of certification across procurement, grants and impact investment.
- Develop further audit and risk mitigation processes to evolve protections against social washing.
- Increase the impact indicators and data points collected in line with national government priorities.
- Maintain and enhance the national Social Enterprise Finder as a public resource.
- Improve the certification experience, publish enhanced guidance material and develop process improvements to reduce the administrative burden for social enterprises.
- Work with state governments to integrate certified social enterprises into state government projects.
- Increase the speed of adoption in segments of social enterprises less interested in social procurement

⁹ *Finding Australia's Social Enterprise Sector*, commissioned by Social Traders and CSI Swinburne, authored by Jo Barraket, Chris Mason and Blake Blain (2016). Available at: <https://www.socialtraders.com.au/news/finding-australias-social-enterprise-sector-fases>

¹⁰ *Strong and Resilient Communities (SARC) Activity – Inclusive Communities Grants - Round 3*, Australian Government Department of Social Services (2024). Available at: <https://www.grants.gov.au/Go/Show?GoUuid=1676cc5a-a579-424b-905c-98c01b61b0cd>

¹¹ *Employment Pathways for Refugees*, Australian Government Department of Home Affairs (2023). Available at: <https://immi.homeaffairs.gov.au/settling-in-australia/coordinator-general-for-migrant-services/employment-pathways-for-refugees>

Recommendation #2: use existing data, evidence and outcomes tracking for reporting and innovation

We recommend that the Australian Government use Social Traders established dataset and outcomes measurement framework to track the growth and impact of investment into the social enterprise sector.

“Data underpins everything ... to overcome the challenges in collecting data [Social Traders] is starting with a series of measures that are simple, easily measurable and that you can compare across many organisations. What the sector is doing in relation to data is really important and really powerful.”

- Dr Daniel Mulino MP, keynote at Social Traders Business for Good Summit

“Utilising Social Traders impact data has helped us to articulate the impact of our social enterprise procurement spend in the communities in which we operate. The ongoing partnership and engagement with Social Traders and the data-based evidence of our impact has positioned John Holland as an industry leader in social procurement.”

- Stevie Cole, John Holland Group, Social Traders buyer member

“Social Traders' data and measurement system stands out for its comprehensive scope and insightful analytics, making it an invaluable tool for better understanding the social enterprise sector in Australia.”

- Ben Gales, Chief Delivery Officer, Paul Ramsay Foundation

Utilise Australia's deepest social enterprise dataset

Through certification, Social Traders holds the largest and richest dataset on social enterprise in Australia, collected over six years and growing daily. Social Traders captures and verifies over 200 datapoints on each social enterprise including demographic, impact costs, impact outcomes, and financial information.

Tracking trends over time

Social Traders has been collecting social enterprise data since 2017. The dataset is continually growing as new social enterprises are certified. When certified social enterprises re-certify (every 1-3 years) the data is updated in a consistent way, which means trends can be tracked over time, across the sector in aggregate and for individual social enterprises.

Insights & analysis

Social Traders can identify insights within subsections of the certified social enterprise cohort. For example, social enterprises supporting people with disabilities in New South Wales, or social enterprises diverting waste from landfill in Melbourne, gaining localised and specific insights relevant to particular programs or investments.

Social Traders annually publishes the Pace (Profile of Australia's Certified Social Enterprises) report, that includes 37 of the key metrics on the certified social enterprise cohort, for public use and knowledge.

Translating investment into impact

Social Traders has built an outcomes measurement system that uses certification data to track social enterprise outcomes. At the moment it is used by Social Traders 160+ business and government members to track, report and publish the impact of social procurement spend. It's also used by philanthropy to understand outcomes and composition of cohorts of social enterprise grantees, as well as identify social enterprises ready to scale.

The impact data collected through certification captures the impact of social enterprises and is aggregated into six common and comparable impact areas:

- **Jobs** for people otherwise shut out of work
- Employment-focused **training** for marginalised people
- Employment (and study) **pathway outcomes** for marginalised people
- **Waste diverted** from landfill
- Value of **products and services meeting a community need**
- Value of **donations** and partnerships with charity/impact partners

The standardised six outcomes areas that are captured for all certified social enterprises means outcomes can be reported and compared for the sector as a whole – for example showing the total impact of all social impact investment or social procurement over a period of time. Additional metrics to be added as the framework expands for different uses.

The system is ready to be scaled and expanded. The methodology can be adjusted and applied to measure outcomes from any investment into the sector such as social investment or grants. Impact outcomes can be reported to individual businesses or governments for their specific investment, or in aggregate form.

Opportunity with additional investment

Investment from government would enable Social Traders to significantly grow the dataset and add additional outcome indicators. The database could become a public good that is available on a live digital platform. This would enable innovation, improve practice, support policy development and grow awareness of social enterprise.

Partnership with government would activate the dataset to inform policy approaches to “backing social enterprise”. One example would be understanding the social cost structures of Work Integrated Social Enterprises. This was utilized in making recommendations to the Inquiry into Workforce Australia and in partnership with government further utility would be uncovered. Investment would allow for this partnership to occur as well as enhancements that allowed for further alignment with government policy and research objectives. Increasing the depth, security and detail to further build on the strong foundation already in place.

The outcomes measurement framework can be easily modified for use by the government to track common outcome areas across cohorts of social enterprises. It's deliberately inclusive – so every social enterprise in Australia will align to at least one of the outcome indicators. This makes the outcomes comparable across all certified social enterprises, allowing for evaluation of different types of social enterprise support (e.g. different PBOs, grants or impact investments), or analysis of the impact of different social enterprise models/locations/beneficiaries etc.

Recommendation #3: activate the cost-neutral policy lever of social procurement

We recommend that the Australian Government respond to the multiple and increasing calls to create Commonwealth Social Procurement Policy

“Social procurement probably offers more in terms of opportunities than direct job creation in government agencies given the extent of outsourcing in Australia... if government is serious about making inroads to entrenched disadvantage, social procurement can and should play a part.”

- *Rebuilding Employment Services: Final report on Workforce Australia Employment Services*

“Social enterprise procurement has been one of the most successful areas of the social enterprise ecosystem ... if the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism.”

- *Vedran Drakulic, CEO Gandel Foundation*

The Australian Government faces continued pressure to address significant social and environmental issues, with limited public resources.

Social procurement is one of government’s biggest levers to tackle entrenched disadvantage, without additional cost.

The Federal Government has an *essential* role in catalysing the social procurement market. The Victorian Social Procurement Framework (SPF) shows the power of government policy to direct the market to provide resources to social enterprises through procurement.

Social Traders modelling shows that Commonwealth social procurement policy could deliver 44,000 jobs for Australia’s most marginalised job seekers and generate savings to society of over \$4.27 billion¹² by 2030.

Social Traders is Australia’s leader in social enterprise procurement, with a robust six year proof of concept showing its effectiveness and impact, in partnership with the Victorian Government. Over 160 businesses and governments have already committed to social enterprise procurement, including three states (VIC, NSW, QLD) and one territory (ACT) government. Research shows that 86% of businesses expect social procurement to grow¹³.

Multiple calls for Commonwealth Social Procurement Policy

There are increasing calls for a social procurement policy across multiple government departments, businesses, philanthropy and the social enterprise sector itself.

Workforce Australia - to generate outcomes for long term unemployed:

- The Workforce Australia Employment Services Final Report recommended “that the Australian Government develop and implement a Commonwealth Social Procurement Framework to leverage Commonwealth spending on major projects and large service contracts ... The Framework should ... be developed with input from key sector enablers such as Social Traders ...¹⁴

Department of Finance Future Made in Australia Office and MPs - to deliver community benefit:

- The Future Made in Australia Office is aiming to use Government’s “significant purchasing power” as an “economic lever” and “deliver economic, social and environmental benefits”¹⁵ for Australian communities.

¹² *The economic benefits of improving social inclusion*, Deloitte Access Economics (2019). Available at:

<https://www2.deloitte.com/au/en/pages/economics/articles/economic-benefits-improving-social-inclusion.html>

¹³ *The State of Social Procurement in Australia and New Zealand*, CSI Swinburne, in partnership with Akina, Chartered Institute of Procurement and Supply, IPA & Social Traders (2021). Available at: https://www.ipa.com.au/docs/default-source/default-document-library/ipa_social_procurement_report_nobleeds.pdf?sfvrsn=c6ef4a92_2

¹⁴ *Rebuilding Employment Services: Final report on Workforce Australia Employment Services*, House of Representatives Select Committee on Workforce Australia Employment Services (2023). Available at:

https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000017/toc_pdf/RebuildingEmploymentServices.pdf

¹⁵ *Buy Australia Plan*, Australian Government Department of Finance (2023). Available at: <https://www.finance.gov.au/business/buyaustralianplan>

- Dr Daniel Mulino MP, Chair of the Inquiry into Economic Dynamism, Competition and Business Formation: “social procurement is so important ... the government is already aware of the need to think about this in the context of SME procurement, and that’s a starting point... and there are so many examples we’ve already seen in Victoria and Queensland.”¹⁶

Social impacting investing stakeholders - to leverage investment into national priority areas:

- The Social Impact Investing Taskforce recommended that the government “maximise social impact generated through existing government spending by adopting a social procurement policy” as a “budget neutral” initiative¹⁷.
- The evaluation report on the DSS social impact investment programs recommended “establishing a social procurement policy with a mission to scale impact opportunities”¹⁸.

DSS and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability - to support people with a disability:

- Department of Social Services Future of Supported Employment Discussion Paper consulted on a Disability Business Procurement Initiative¹⁹ including options for a disability procurement policy.
- The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability Final Report recommended to “leverage the procurement power of governments to encourage inclusive employment practices in the private sector, supporting greater social procurement”²⁰.

Australian Skills Guarantee - to develop skills and training opportunities:

- The Australian Skills Guarantee – Procurement Connected Policy Draft for consultation seeks to “leverage the Australian Government’s significant purchasing power to drive the demand for apprentices and trainees”²¹.

Department of Climate Change, Energy, Environment & Water (DCCEEW), to support environmental outcomes:

- Commonwealth Sustainable Procurement Advocacy and Resource Centre consulted on “strengthening the environmental sustainability provisions in the Commonwealth Procurement Rules to drive demand for recycled content”, noting that “the Australian Government can use its purchasing power to influence the shift to reduced resource consumption.”²²

Leading businesses – to increase social value in supply chains:

- John Holland joined Social Traders because of the Victorian SPF. “Our social procurement approach has matured from a compliance approach to a broader appetite for social value creation and because purchasing with social enterprises makes good business sense. Our journey demonstrates the potential that a Commonwealth Social Procurement Framework could unlock.”²³

Leading philanthropists – to grow the impact of the social enterprise sector:

- “If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use. We urge the Federal Government to engage in a meaningful and direct way with Social Traders.”²⁴

The social enterprise sector itself – to make social enterprises more sustainable:

- 75% of social enterprises identified social procurement as the best way to enable their sustainable growth²⁵.

¹⁶ Social Traders Business for Good Summit Keynote: *The Opportunity of Social Enterprise and Social Procurement within our Economy*, Dr Daniel Mulino MP (2023). Available at: <https://www.youtube.com/watch?v=8Hw5gGN5XKE>

¹⁷ *Australian Social Impact Investing Taskforce – final report*, Australian Government Department of Prime Minister and Cabinet Social Impact Investing Taskforce (2023). Available at: [https://treasury.gov.au/publication/p2023-391009#:~:text=The%20Social%20Impact%20Investing%20\(SII,the%20Social%20Impact%20Investing%20market](https://treasury.gov.au/publication/p2023-391009#:~:text=The%20Social%20Impact%20Investing%20(SII,the%20Social%20Impact%20Investing%20market)

¹⁸ *Social Impact Investing (SII) Program First Phase Evaluation Report*, Urbis and Bridges Australia (2023). Available at: <https://www.dss.gov.au/communities-and-vulnerable-people-programs-services-social-impact-investing/social-impact-investing-sii-program-first-phase-evaluation-report>

¹⁹ *The Future of Supported Employment Discussion Paper*, Australian Government Department of Social Services (2023). Available at <https://engage.dss.gov.au/wp-content/uploads/2023/08/future-supported-employment-discussion-paper-2023.pdf>

²⁰ *Our vision for an inclusive Australia and Recommendations*, Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability (2023). Available at <https://disability.royalcommission.gov.au/publications>

²¹ *Australian Skills Guarantee Procurement Connected Policy – Consultation working draft*, Australian Government Department of Employment and Workplace Relations (2023). Available at: <https://www.dewr.gov.au/australian-skills-guarantee/resources/australian-skills-guarantee-procurement-connected-policy-consultation-working-draft>

²² *Australian Government Environmentally Sustainable Procurement Policy consultation paper*, Australian Government Department of Climate Change, Energy, the Environment and Water (2023). Available at <https://consult.dcceew.gov.au/environmentally-sustainable-procurement-policy>

²³ Stevie Cole, Group Manager Social Impact, John Holland Group (Social Traders buyer member)

²⁴ Vedran Drakulic, CEO, Gandel Foundation

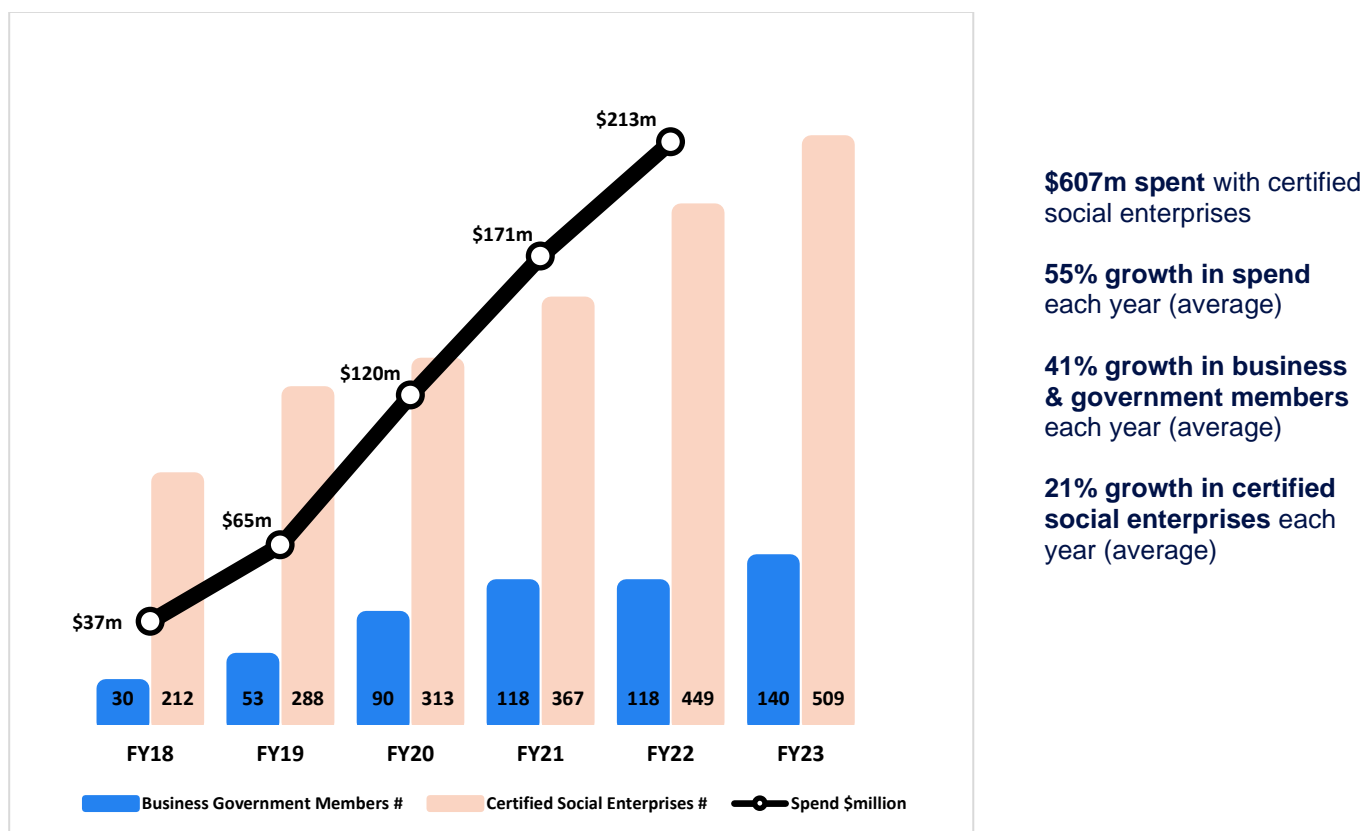
²⁵ *Finding Australia’s Social Enterprise Sector 2016: Final Report*, Centre for Social Impact Swinburne & Social Traders (2016). Available at: <https://www.socialtraders.com.au/news/finding-australias-social-enterprise-sector-fases>

Social procurement is a tested tool for public value creation

Social procurement policy is a budget-neutral mechanism to unlock value across multiple Australian Government priority areas from employment, to disability, to skills, to the environment.

Social Traders has a six year proof of concept of the power of social procurement as a growth lever for social enterprise and driver of jobs and wider public value. This has been driven in partnership with the Victorian State Government through the Victorian Social Procurement Framework (SPF).

Growth in social enterprise procurement, driven by the Victorian SPF



Over five years \$607m has been spent with certified social enterprises by Social Traders members. Spend is increasing by 55% every year, which is enabling:

78% of certified social enterprises to increase their spend on impact²⁶
(increasing the costs associated with delivering their social or environmental purpose)

85% of social enterprises to increase their revenue²⁷
(becoming more sustainable businesses that self-fund the creation of public value)

As a result of this growth, over five years social enterprises delivered²⁸:

- 4,902 jobs for the hardest to place into work
- 689k hours of training for disadvantaged job seekers
- \$43.5 million in community goods and services
- \$8.4 million donated to charity
- 16,000 tonnes of waste diverted from landfill

²⁶ Impact Report FY22, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/ST-FY22_Impact-Report-FINAL.pdf

²⁷ Impact Report FY22, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/ST-FY22_Impact-Report-FINAL.pdf

²⁸ Impact Report FY22, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/ST-FY22_Impact-Report-FINAL.pdf

Increase in public value creation through social procurement, driven by the Victorian SPF

Through social procurement, businesses and governments have enabled significant increases in social and environmental outcomes without any additional investment.



Social procurement will also increase the success of other government social enterprise programs. For example, creating investment ready social enterprises to capitalise on the Outcomes Fund and social impact investment²⁹, and creating more sustainable social enterprises to deliver the recommendations in the Workforce Australia report.

Examples to build on

Commonwealth Indigenous Procurement Policy (IPP)

The IPP also shows that that social procurement (in this case Indigenous business procurement) can generate public value. The IPP has generated over \$6.9 billion in spend with Indigenous businesses since 2015 and has led state government and corporate adoption of Indigenous procurement policies³⁰. The IPP is both a proof point that social procurement works, and an example that can be replicated.

Commonwealth Sustainable Procurement Policy

The Commonwealth Procurement Rules already state that “price is not the sole factor when assessing value for money” and that “when conducting a procurement, an official must consider the relevant financial and non-financial costs and benefits of each submission”³¹. This is “including, but not limited to the ... environmental sustainability of the proposed goods and services (such as energy efficiency, environmental and climate change impact and the use of recycled products)”.

²⁹ Australian Social Impact Investing Taskforce – final report, Social Impact Investing Taskforce Australian Government Department of Prime Minister and Cabinet (2023). Available at: [https://treasury.gov.au/publication/p2023-391009#:~:text=The%20Social%20Impact%20Investing%20\(SII,the%20Social%20Impact%20Investing%20market.](https://treasury.gov.au/publication/p2023-391009#:~:text=The%20Social%20Impact%20Investing%20(SII,the%20Social%20Impact%20Investing%20market.)

³⁰ Indigenous Procurement Policy, Australian Government National Indigenous Australians Agency (2024). Available at: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp#:~:text=The%20primary%20purpose%20of%20the,to%20participate%20in%20the%20economy>

³¹ Commonwealth Procurement Rules: Value for Money, Australian Government Department of Finance (2024). Available at: <https://www.finance.gov.au/government/procurement/commonwealth-procurement-rules/value-money>

To this end, the Procurement Rules include a requirement to “consider the Australian Government’s Sustainable Procurement Guide where there is opportunity for sustainability or use of recycled content”³². This commitment can be expanded to include social enterprise and the associated outcomes for key Commonwealth policy objectives across multiple portfolios such as employment, home affairs and skills.

Victorian Government Social Procurement Framework (SPF)

The Victorian Government identified social procurement as an “innovative and powerful policy lever to harness government spending” to “drive social, environmental and economic outcomes”³³. The Victorian SPF has been a catalyst for social procurement across Victoria driving demand from businesses and creating sustainable growth for social enterprises.

Social Traders partnered with the Victorian Government to build and implement the SPF on both the demand and supply sides of the market. As a result:

- 53% of Social Traders business members joined and started engaging in social procurement because of the Victorian SPF³⁴.
- 55% of all social enterprise procurement is happening in Victoria³⁵.
- The Victorian Government spent \$31.8 million on 213 purchase agreements with certified Victorian social enterprises through to June 2021³⁶.
- 71% of Social Traders business members are increasing social procurement spend over time³⁷.

UK Social Value Act

The UK introduced social procurement legislation in 2013 via the Social Value Act, to increase value for money through wider social, economic and environmental benefits. The Act requires commissioners to “consider” whether the procurement could generate wider benefit. In 2018 the UK Government took a step further and created policy that requires procurers to “explicitly evaluate” social value for major contracts with a minimum 10% weighting, and report on social impact delivered³⁸. To support implementation, the government introduced a Social Value Model with guidance³⁹.

The changes over time to the UK’s social procurement requirements point to the importance of clear and direct policy language and minimum weighting mandates, to drive social procurement uptake.

Canadian Social Procurement Policy

The Canadian Government has a Social Procurement Policy with a focus on “best value” in procurement rather than lowest cost. ‘Best value’ applies to all government procurement, and “ensures procurement decisions achieve an optimal balance between resource expenditures and the realisation of outcomes ... [and] ensures addressing socio-economic objectives and contributing to the advancement of the Government of Canada’s policy goals.”⁴⁰

³² Commonwealth Procurement Rules: Value for Money, Australian Government Department of Finance (2024). Available at: <https://www.finance.gov.au/government/procurement/commonwealth-procurement-rules/value-money>

³³ Inquiry into Workforce Australia Employment Services – Victorian Government Submission, Victorian Government (2023). Available at: <https://app.converlens.com/treasury/employment-white-paper/public-submissions/view/418>

³⁴ Prime motivations for joining Social Traders are collected and recorded by the Social Traders team when first meeting with prospective members.

³⁵ Impact Report FY21, Social Traders (2022). Available at: <https://assets.socialtraders.com.au/downloads/Social-Impact-Report-Infographic-FY21.pdf>

³⁶ Inquiry into Workforce Australia Employment Services – Victorian Government Submission, Victorian Government (2023). Available at: <https://app.converlens.com/treasury/employment-white-paper/public-submissions/view/418>

³⁷ Impact Report FY22, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/ST-FY22_Impact-Report-FINAL.pdf

³⁸ Social Value Act: information and resources, UK Government (2024). Available at: [https://www.gov.uk/government/publications/social-value-act-information-and-resources#:~:text=The%20Public%20Services%20\(Social%20Value,social%2C%20economic%20and%20environmental%20benefits](https://www.gov.uk/government/publications/social-value-act-information-and-resources#:~:text=The%20Public%20Services%20(Social%20Value,social%2C%20economic%20and%20environmental%20benefits)

³⁹ Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts, UK Government (2020). Available at: <https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>

⁴⁰ Policy on Social Procurement, Public Services and Procurement Canada (2021). Available at: <https://www.tpsgc-pwgsc.gc.ca/app-acq/pas-posp-eng.html>

Experience from other jurisdictions and within the Commonwealth itself can inform updates to the Commonwealth Procurement Rules

The Commonwealth already has policy for sustainable procurement and indigenous procurement. Social Traders and the Victorian Government have implemented the pilot SPF in Victoria, which remains the best in class globally. The Indigenous Procurement Policy sets a Commonwealth precedent and policy settings to replicate. Social Traders has partnered with the governments of Queensland, NSW and ACT to increase social procurement. Social Traders collaborates with our sister organisations around the world to share knowledge and best practice. The Indigenous Procurement Policy sets a Commonwealth precedent and policy settings to replicate.

Drawing on global best practice and six years of implementing the SPF across the supply and demand sides of the market, we have learnt what works and where there are pain points that need tweaking. The Federal Government has the opportunity to use this experience to implement effective and successful social procurement policy at Commonwealth level.

We recommend an update to the Commonwealth Procurement Rules to include certified social enterprise

Social Traders has developed detailed recommendations on social procurement policy, drawing on international and national best practice and lessons learned. We recommend an update to the Commonwealth Procurement Rules to include certified social enterprises with mandates to drive market uptake.

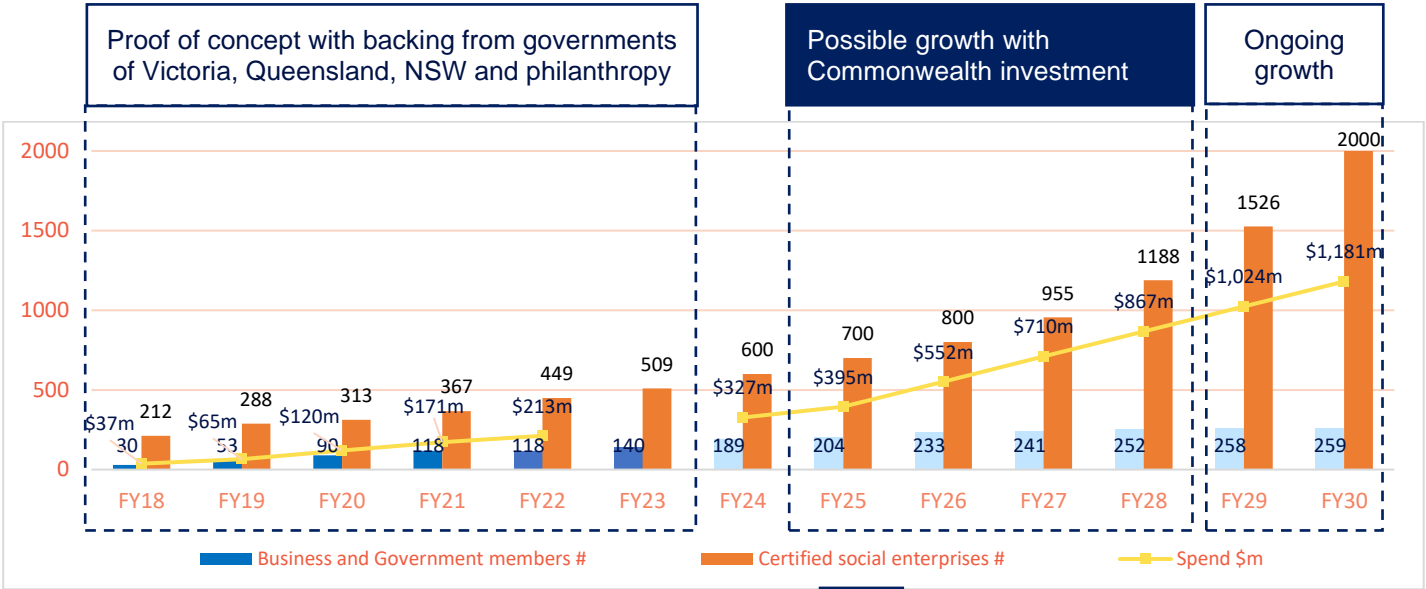
Suggestions of how the Commonwealth Procurement Rules could be amended:

1. Create an explicit commitment to social enterprise, and replace references to “social enterprise” with “certified social enterprise” to ensure public resources are flowing to suppliers that are *genuinely* delivering public benefit.
2. Add weightings and targets for certified social enterprise as part of tender evaluation criteria. For example:
 - Victorian Government 3% social procurement target on the \$30 billion Big Build pipeline.
 - Victorian Government weighted evaluation criteria (usually 10%) for procurements over \$20 million⁴¹.
 - IPP annual targets for the volume and value of contracts to be awarded to Indigenous businesses.Targets should be aligned to social enterprise capacity, and go beyond construction and infrastructure.
3. Create mandatory set asides where certified social enterprises are given the opportunity to demonstrate value for money before a general approach to market on smaller contracts. For example:
 - The IPP has set asides for Indigenous businesses for procurements in remote Australia and Australia wide for procurements between \$80,000 and \$200,000.
4. Use unambiguous and direct language to drive behavior. For example:
 - The Commonwealth Procurement Rules specify that when assessing value-for-money, an official “*must consider*” the environmental sustainability of the proposed goods and services.
 - The UK procurement policy requires procurers to “*explicitly evaluate*” social value.
5. Develop a Social Enterprise Procurement Guide. For example:
 - The Commonwealth Sustainable Procurement Guide and Social Value Model Guide in the UK.

⁴¹ *Inquiry into Workforce Australia Employment Services – Victorian Government Submission*, Victorian Government (2023). Available at: <https://app.converlens.com/treasury/employment-white-paper/public-submissions/view/418>

The potential outcomes and growth trajectory

Social enterprise procurement is growing at 55% every year. With Australian Government investment and social procurement policy we are on track to deliver \$5.5 billion in spend with social enterprises by 2030.



FY25-28 outcomes that would be delivered with Commonwealth social procurement policy

\$157.6 million community services & donations

2.9 million training hours

14,600 jobs

\$1.57 billion savings to society

Now is the time

The Commonwealth Government has an available window until June 2024 to make important and impactful changes to the Commonwealth Procurement Rules that support social enterprise sector and community outcomes. Supporting this industry sector directly aligns to the election commitment in the Buy Australia Plan with further policy developments and improvements made over time. This policy lever would result in significant demand for social enterprise services and return significant community benefits and government savings.

Investment required: \$22.5m over four years

Social Traders requests budget allocation of \$22.5m from FY25-28 to deliver crucial sector infrastructure:

- National scaling of certification for social enterprises to de-risk investment from government
- National scaling of the Social Traders dataset and outcomes measurement system to track impact
- Social procurement policy development and implementation

Activity	Outcomes & deliverables	Costs (4yrs) FY25-FY28
Certification: national scaling of certification for social enterprises to de-risk investment from government		
Deliver certification as a service to the social enterprise sector at no cost to social enterprises	Processing of up to certification assessments – verifying over 200 data points for each social enterprise Remove price barrier to certification to make it free for all social enterprises (and therefore easier to use as a grant/investment criteria) Pre-certification support for businesses and referrals for those wanting to transition to a social enterprise model	\$11.8m
Governance to maintain and grow our world leading social enterprise certification framework	Quality assurance review and improve the audit and risk process to strengthen protection against social washing Stakeholder engagement to ensure government and sector needs are met through the framework in an evolving market Benchmark against international frameworks and represent Australia's social enterprise certification at Social Enterprise World Forums	
Scale social enterprise numbers through targeted campaigns	Scale certification and increase certified social enterprises from 560 to 2,000 (FY30), and a pipeline database of 8,000 (FY28) Improve the certification experience through digital enhancements, simplified guidance notes and process innovations Marketing and recruitment campaigns to reach a wider audience of social enterprises including through strategic partnerships and place-based solutions	
Maintain national database of social enterprises	Enhance the national Social Enterprise Finder as the public 'rolodex' for business and government to find genuine social enterprises Maintain a database of 8000 social enterprises to provide broader sector insights and a pathway to certification	
Data: national scaling of the Social Traders dataset and development of Social Traders outcomes measurement system to track the growth and impact of investment into the social enterprise sector		
Maintain live online public data resource for public benefit	Data and insights from Australia's deepest social enterprise database on the size, scale, social and economic contribution of the sector Increase the impact indicators and data points collected in line with national government priorities and social enterprise sector needs Online platform of real time sector insights to inform research, funding and measurement of the health of the sector Annual published report on the size, sustainability and impact of the certified social enterprise sector	\$5.3m
Impact measurement and reporting	Enhance the outcomes measurement tool to be transferrable for measuring outcomes of social investment and government grants such as the Social Enterprise Development Initiative and Outcomes Fund Social procurement reporting including: <ul style="list-style-type: none">- market growth in volume and value- beneficiary headcount, jobs & training hours (by beneficiary group)- community and charitable investments- environmental outcomes	
Social procurement: implement Commonwealth Social Procurement Policy, including explicit support for certified social enterprises		
Engage government & industry	Social procurement policy development and advice to Department of Finance, Procurement and Future Made in Australia Office Awareness and education for business and government buyers to support smooth policy implementation	\$5.4m
Develop social enterprise suppliers	Capacity building to increase supplier readiness and impact, and increase capability across categories and geographies to grow the social enterprises individual scale through social procurement	
Make connections	Connect social enterprises with buyers and procurement opportunities in an online portal platform. Tracking connections made and resultant spend relationships (utilizing spend analysis and impact reporting methodology already in place)	

Return on investment

PwC calculated SROI at \$8.4 to \$9 for every \$1 invested in Social Traders

A social return on investment (SROI) conducted by PwC demonstrates that there is between \$8.4 to \$9 to be realised for every dollar invested in Social Traders⁴².

The SROI analysis considered the avoided cost to society due to employment of those individuals experiencing disadvantage and people with disabilities. The SROI analysed those lifted out of disadvantage, meaning it is conservative and does not capture the impacts generated from job outcomes as well as the many other benefits social enterprise delivers.

Deloitte Access Economics shows possible \$4.2 billion in savings to society by FY30

Deloitte Access Economics estimate costs to society of one year of unemployment to be \$97,126⁴³.

Social Traders growth trajectory predicts a total of 44,000 jobs created for the hardest to place into work between FY20-FY30. That would generate \$4.2 billion in savings to government over the decade.

Every \$1 million of social procurement returns multiple forms of public value

Every million dollars spent through social enterprise procurement returns a combined total of:

- 5.6 jobs for the most marginalised
- 1,137 hours of training
- \$72k investment into community services
- \$14k donated to charity
- 26 tonnes of waste diverted from landfill

This represents a saving to government of \$738,157 for every \$1 million spent, just in the job outcomes alone.

All investment in Social Traders is leveraged to deliver over 200% in value

Every dollar invested in Social Traders as an intermediary returns over 200% in output of services to the social enterprise sector.

The Victorian Government funded Social Traders over four years. We leveraged the investment to deliver 223% in the value of services to the Victorian social enterprise sector through matched funding from philanthropy and trade.

⁴² *Principled profits: Helping business helping others*, PwC (2019).

⁴³ *The economic benefits of improving social inclusion*, Deloitte Access Economics (2019). Available at: <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-benefits-improving-social-inclusion-270819.pdf>

Appendix 1: Endorsement of Social Traders

Stevie Cole, Group Manager Social Impact, John Holland Group

“John Holland joined Social Traders in 2018 with the introduction of the Victorian Government’s Social Procurement Framework. We engaged with Social Traders to help our people and projects to understand and work with certified social enterprises and educate the business more broadly about the power of social enterprise procurement. Utilising Social Traders impact data has helped us to articulate the impact of our social enterprise procurement spend in the communities in which we operate across metropolitan and regional Australia. The ongoing partnership and engagement with Social Traders and the data-based evidence of our impact has positioned John Holland as an industry leader in social procurement. We continue to work with Social Traders to keep growing the awareness and engagement with social enterprises with our procurement teams across the whole of our business, including areas where there are no mandated social procurement requirements. And we do this because our social procurement approach has matured from a compliance approach to a broader interest and appetite for social value creation and legacy and because purchasing with social enterprises makes good business sense. Our journey demonstrates the potential that a Commonwealth Social Procurement Framework could unlock. And we support Social Trader’s advocacy for a national framework that encourages Australia’s business community to work with certified social enterprises as we believe this could accelerate positive social outcomes in Australian communities.”

Vedran Drakulic OAM, CEO, Gandel Foundation

“Social enterprise businesses provide economic and social benefit to Australia. Social enterprise procurement has been one of the most successful areas of the social enterprise eco-system, set to generate up to 44,000 jobs by 2030 for marginalised and hard-to-reach communities. Social Traders are one of the principal trailblazers of social enterprise procurement, with an established proof of concept and working relationships with state and local government, as well as some of Australia’s largest companies. If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use. We urge the Federal Government to engage in a meaningful and direct way with Social Traders, who will provide credible information, a sustainable business model and robust economic justification. We see partnership with Social Traders as having a multiplier effect ... to enable Social Traders to strengthen the social enterprise sector as a whole.”

Paul Conroy, CEO, The Ian Potter Foundation

“The Ian Potter Foundation has supported the social enterprise sector for more than a decade, funding dozens of social enterprises. This sector focuses on providing the career start that the most vulnerable in our community need. The work of Social Traders, which supports the growth of social procurement – incentivising corporates and government departments to buy services and goods from social enterprises – will ultimately strengthen the whole sector and the wider community.”

Nora Fraser, certified social enterprise Multicultural Professional Network

“In addition to the tangible benefits, the sense of belonging to a community of purpose-driven individuals has been incredibly motivating. Sharing experiences and insights with fellow social entrepreneurs has not only enriched our understanding but has also ignited fresh ideas and innovative approaches to addressing societal challenges.”

Kat Dekker, certified social enterprise Give Industries

“Give Industries’ experience with the Social Traders Grow Program was enriching and motivating. The one-on-one expert advice we received helped us refine our marketing documents, making them more targeted and coherent. The team supported us to identify potential clients and facilitated some incredibly valuable introductions. Having a dedicated consultant to bounce ideas off and support us over the course of the year offered a level of reassurance in our decision-making processes. We’d definitely recommend the Grow Program for social enterprises looking to improve their strategies and widen their professional network.”

Appendix 2: Social Traders Federal Government submissions and related publications

Federal Government submissions

Social Traders Employment White Paper Submission

https://assets.socialtraders.com.au/downloads/Employment-White-Paper-Social-Traders-Submission_Nov-2022.pdf

Social Traders submission to the Inquiry into Economic Dynamism, Competition and Business Formation

<https://assets.socialtraders.com.au/downloads/Submission-to-Standing-Committee-on-Economics-Social-Traders-March-2023.pdf>

Social Traders submission to the Workforce Australia Inquiry

<https://assets.socialtraders.com.au/downloads/Submission-to-Workforce-Australia-Committee-Social-Traders-July-2023.pdf>

Social Traders Measuring What Matters Consultation Submission

<https://assets.socialtraders.com.au/downloads/Social-Traders-Measuring-What-Matters-Submission.pdf>

Social Traders key publications

Social Traders FY22 impact report

https://assets.socialtraders.com.au/downloads/ST-FY22_Impact-Report-FINAL.pdf

Social Traders Pace23 report: the Profile of Australia's Certified Social Enterprises

https://assets.socialtraders.com.au/downloads/Pace2023_SocialTraders.pdf

Backing Social Enterprise: a Look at Social Enterprise Strategies Around the World

<https://www.socialtraders.com.au/news/backing-social-enterprise-a-look-at-social-enterprise-strategies>

Finding Australia's Social Enterprise Sector (FASES)

<https://www.socialtraders.com.au/news/finding-australias-social-enterprise-sector-fases>

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