

# Employment White Paper Submission

**Social**

**Traders**

Unlocking business for good

**Social Enterprise as the tool to support jobs for the most marginalised**

**November 2022**



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Social Traders acknowledge the Traditional Custodians of Country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past, present and emerging. We extend that respect to all Aboriginal and Torres Strait Islander peoples.

## Executive Summary

Social enterprise is a ready-made solution to support 44,000 jobs for Australia's most marginalised job seekers in the next eight years. Creating more opportunities for more Australians and generating savings to society of over \$4.27Billion<sup>1</sup> by 2030.

Social enterprises are business like any other, but they exist to make the world a better place and employ disadvantaged Australians. Buying from social enterprise through social procurement is the best way to unlock the opportunity to create jobs for the most marginalised.

By adopting a more purposeful approach to procurement, business and government have the power to create real change including jobs for the most marginalised, accessible community services and supporting the environment.

This can be done in three key ways related to the Employment White Paper Terms of Reference:

- Building resilient supply chains, making buying from social enterprise the norm
- Supporting social enterprise, an innovative breed of business, to continue improving labour market outcomes for those who face challenges in employment
- Collaborative partnerships across government, industry, unions, civil society groups and communities

Social Enterprise Australia estimates there are 12,000 social enterprises in Australia, contributing \$21.3billion to the economy, 1% of GDP. Also 206,000 people are employed in Australian social enterprises. That's 1 in 60 jobs or 1.6% of the workforce. It's also about the same number of jobs as arts and recreation services or the mining industry.

Social Traders provides Australia's social enterprise certification (See Appendix 1). The 460 certified social enterprises deliver the following investment through their own trading and innovation:

- \$500million annual contribution to positive social & environmental impacts, including;
  - \$105m annually for wrap around supports for marginalised jobseekers
  - \$96million spent annually to support people living with a disability with
    - \$30m spent on wages & \$60m on additional support
- 10 million hours of paid employment to beneficiary employees
- 35% of certified social enterprises employ 20-199 people compared to nationally 6% of mainstream businesses employ 20-199 people

This is significant because 71% of total revenue of certified social enterprises (\$1.7b) is from trade (\$1.2b). And 37% of social enterprises generate 100% of their revenue from trade, meaning the impact they create is fully self-funded. Where investment in grants is made, the trading revenue provides a multiplier effect.

Working together, business, government and social enterprise will create a more inclusive and equitable Australia. For all of us.

## Recommendations

Now is the time for the Commonwealth to capitalise on the opportunity of social enterprise procurement. We see three initial opportunities for the Commonwealth Government to support employment outcomes:

1. Explicitly include Australian certified social enterprises within a Commonwealth Social Procurement Framework
2. Create the Supply Nation for social enterprise - endorse Social Traders certification as the national standard
3. Engage with the social enterprise sector to develop a strategy to further leverage social enterprise – Social Traders Vision 2030 would save society \$4.27billion through 44,000 jobs

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<sup>1</sup> "cost to society" proxy (page 34) in Deloitte Access Economics "The economic benefits of improving social inclusion" 2019 <https://www2.deloitte.com/au/en/pages/economics/articles/economic-benefits-improving-social-inclusion.html>

## Who is Social Traders?

Social Traders is the trailblazer of social enterprise procurement in Australia. Social Traders connects certified social enterprises with business and government members.

We believe that buying from social enterprises represents one of the greatest untapped opportunities for generating positive, sustainable social impact in Australia.

Our vision is to create a thriving social enterprise sector that significantly contributes to a more inclusive and equitable Australia.

To realise this vision, we have a 10-year plan to unlock over \$5.5b in demand for social enterprises by 2030.

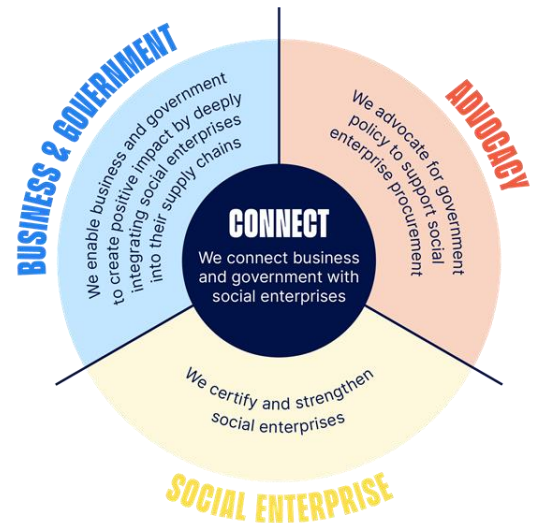
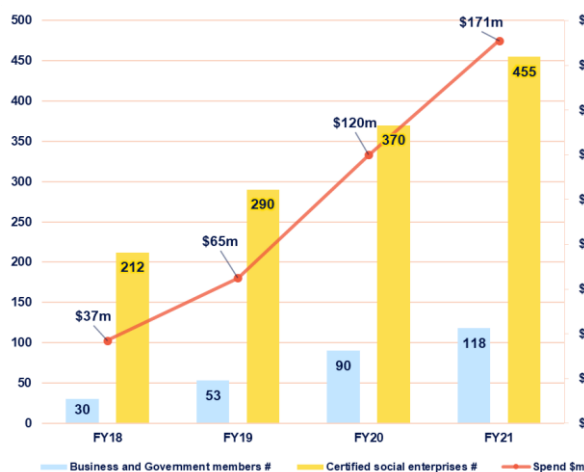
**This will enable social enterprises to create over 44,000 jobs, deliver 6 million training hours, and a range of other environmental, cultural and community benefit.**

Established in 2008, Social Traders has been a pioneer in the growth of social enterprise across the country. Through programs and advocacy, Social Traders has equipped hundreds of enterprises with the know-how, networks and investment to start and grow.

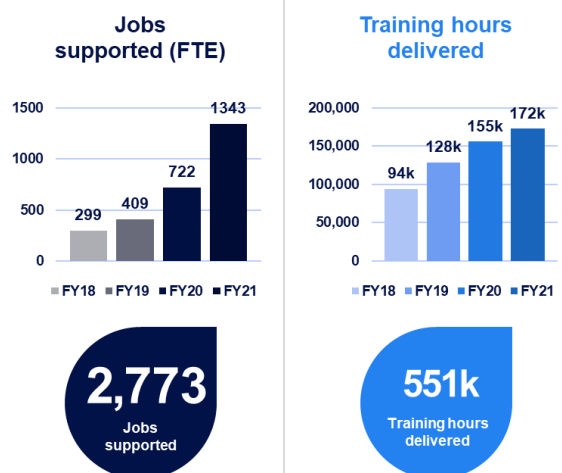
Social Traders has always adapted to meet the needs of the social enterprise sector. In 2016, 75% of social enterprises said that their biggest need was new customers<sup>2</sup> and that Australia's \$600 billion procurement market offered a significant opportunity for growth. In response, Social Traders shifted its strategy to unlock the buying power of government and businesses to include social enterprise.

Today Social Traders is Australia's leader in social enterprise procurement – building the sustainability of social enterprises by engaging business and government to buy their products and services.

Graph 1: Social enterprise procurement, supported by Social Traders, is growing nationally every year



Graph 2: Jobs are full-time equivalent (FTE) annualised cumulative hours worked & Training hours delivered by certified social enterprises financial years 18-21



<sup>2</sup> Barraket, J. (2016) Finding Australia's Social Enterprise Sector 2016. Centre for Social Impact Swinburne & Social Traders. Melbourne, Australia



## Why Social Enterprise?

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

Social enterprises do three things:

- Have a social, cultural or environmental purpose
- Generate a substantial portion of their income from trade
- Invest profit and resources into their purpose so that public/community benefit outweighs private benefit



Source: Business for Good, Social Enterprise Australia 2022

Social Traders *Pace22 Report* is a rich dataset on 460 social enterprises built from 1300+ certification assessments between 2018-2022. It includes demographics, economic contribution, and impact data across 35 different data points. It complements the report from Social Enterprise Australia that estimates the size and economic contribution of the whole social enterprise sector across Australia. Highlights from *Pace22 Report* include:



**460** certified  
social enterprises  
included in the Pace dataset

Data gathered from

**1300+**

Certifications over five years of collection  
(2018-2022)



**26K**

People hired by certified social enterprises including **12K** beneficiary employees.



**\$1.8B**

combined annual revenue of certified social enterprises



**\$500M**

invested directly into creating impact. **29%** of total revenue is re-invested into creating impact



**37%** of certified social enterprises generate

**100%** of their revenue from trade.

>this means the impact they generate is entirely self-funded

## Opportunities to consider

Social enterprises deliver a wide variety of social, cultural, environmental and economic returns for Australia. This submission focuses specifically within the terms of reference, scope and themes for the Employment White Paper – Consultation 2022.

The three key areas social enterprises should be factored in to result in better employment outcomes in Australia include:

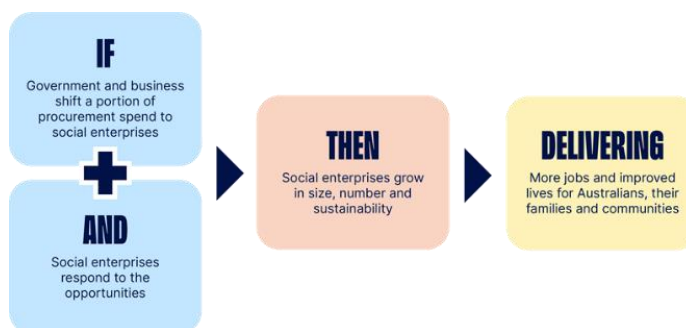
- **Building resilient supply chains** (2.4 within 2.0 The future of work and labour market implications of structural change)
- **Improving labour market outcomes for those who face challenges in employment** (5.2 within 5.0 Labour force participation, labour supply and improving employment outcomes)
- **The role of collaborative partnerships** between governments, industry, unions, civil society groups and communities, including place-based approaches. (6.0)

### Building resilient supply chains with social enterprise

Using procurement to further social and economic policy objectives is not new. The Indigenous Procurement Policy (2015) is one great example. The current agenda and “Buy Australian Plan”<sup>3</sup> is another effort to further government’s broader objectives via procurement. The OECD (2022) recommends that “enabling access to public and private market” will “provide the conditions for the social economy to thrive”<sup>4</sup>. All nine OECD recommendations would support the social enterprise sector to grow and create more jobs. We have robust data and evidence to point to the efficacy of social procurement in the Australian context and therefore suggest that these adjustments be made without delay.

***Social procurement is when buyers use their purchasing power to intentionally generate positive social impact beyond the goods and services they require.***

By allocating a small portion of procurement spend to social enterprises, business and government have changed the lives of some of the most vulnerable people in the country.



Community-focused supply chains are more robust, and create local jobs for Australians. Many businesses (and government) have found themselves vulnerable when offshore supply chains collapsed. The Covid crisis underlined the limitations and fragility of global supply chains, and the need to build resilient supply chains within our borders.

For example, certified social enterprise Australian Spatial Analytics (ASA) and business member Ventia formed a remarkable social procurement partnership in 2021. The collaboration resulted in employment of 10 valuable neurodiverse ASA spatial analysts through their telecommunications business in Queensland. Beyond amplifying the Australian economy and diversifying our employment, ASA's young, neurodiverse employees possess exceptional abilities and work alongside Ventia designers and engineers on critical projects to rapidly and accurately turn big data into valuable, actionable insights.

Incorporating social enterprises into existing supply chains is a very real and immediate means of delivering employment outcomes as well as broader economic and social policy objectives.

Let's make sure that the money we spend today is helping to build a stronger, more resilient Australian economy for the decades to come.

**Recommendation 1: Develop a Commonwealth Social Procurement Framework, including explicit support for certified social enterprises**

<sup>3</sup> <https://www.finance.gov.au/business/buyaustralianplan>

<sup>4</sup> <https://www.oecd.org/cfe/leed/social-economy/social-economy-recommendation/>

## Improving labour market outcomes for those who face challenges

Social enterprises are an innovative type of business that use business as a force for good. They use trading activity to provide specialist support for Australia's most disadvantaged and vulnerable communities. In times of crisis, such as our current labour shortage and employment crisis, we need innovation. Social innovation, using business and impact models differently needs to be encouraged. Social enterprises directly improve labour market outcomes for those who face challenges in employment. Social enterprises beneficiaries are many and varied. Their contribution significant. They improve labour market outcomes for those who face challenges in employment.

### Employment generating certified social enterprises<sup>4</sup>

**58.4%** (n=269/460) of certified social enterprises primarily exist to support employment of marginalised Australians

**12,175** beneficiary employees are supported in these social enterprises

**\$205million** is spent annually on direct employment in wages and support costs (n=217)

**\$96m** is spent on the largest beneficiary cohort, people with a disability. This includes \$30m in wages and \$60m in additional (wrap-around) support costs

**10m hours** of paid employment to beneficiary employees experiencing barriers to work

**1.2m hours** of employability skills training provided annually

### Number of certified social enterprises supporting each beneficiary cohort

Primary beneficiary	Impact Model
	Employment/ training
People with disabilities	119
New Migrants & Refugee Communities	37
Marginalised Youth	26
Aboriginal and Torres Strait Islanders	17
Long Term Unemployed People	17
Prisoners and ex-offenders	8
Marginalised Women	7
Other disadvantaged people	7
People experiencing & at risk of homelessness	7
A charitable or not for profit organisation	6
People with mental illness	5
Environmental Sustainability	4
Other	3
Families, children or students	2
People in a particular vocation or profession	2
A particular industry	1
Older people	1
<b>Total</b>	<b>269</b>

For example, certified social enterprise VIVID, and government members Major Road Projects Victoria and McConnell Dowell have joined forces in business for good to deliver lifechanging employment and training opportunities for people with disabilities. Their Echuca-Moama Bridge project alone supported 20 individuals into employment, developing their confidence and professional skills within a vibrant work environment. Together, they continue to empower this capable group with opportunities to participate and thrive in the workforce.

The social enterprise sector has endorsed and support Social Traders certification. It is world leading robust methodology that also remains flexible and inclusive of the diversity of social enterprises. Through the Commonwealth Government endorsing and supporting Social Traders Certification, we can further grow and measure the important employment outcomes of social enterprise sector.

**Recommendation 2:** Create the Supply Nation equivalent for social enterprise - endorse Social Traders certification as the national standard

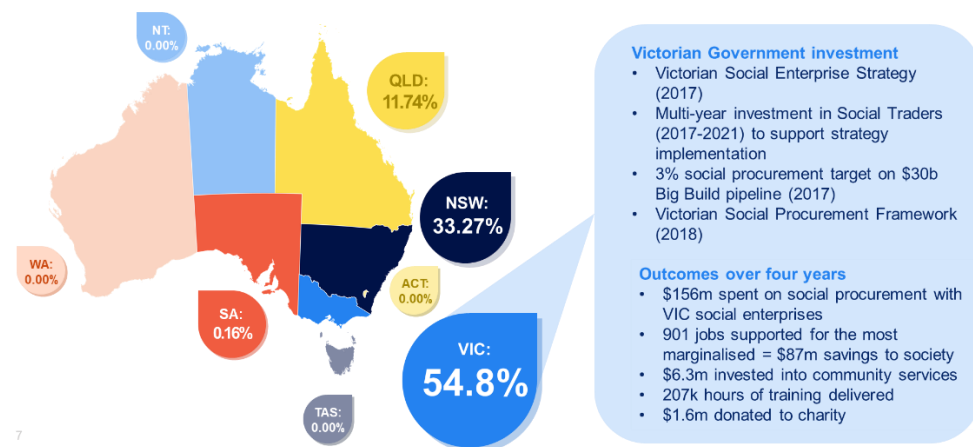
<sup>5</sup> Social Traders. 2022. Pace22: Profile of Australia's Certified Social Enterprises

## The role of collaborative partnerships

Government can incentivise the private sector to partner with them in delivering positive employment outcomes through policy frameworks. For example, the Australian Government Indigenous Procurement Policy has stimulated over \$5.3bn<sup>6</sup> of expenditure by private and government sectors into Indigenous businesses since 2015 to build job outcomes and participation for Indigenous people. Delivering social impact is becoming an increasingly important factor in winning contracts with state and local government. It is time for Commonwealth Government to show leadership in this space.

Social enterprise procurement is catching on across Australia. Social Traders corporate and government members include leading Australian businesses such as Coles, Westpac, Suncorp, Lendlease and Downer. One member, Mirvac have made a public commitment to spend \$100 Million with social enterprises by 2030. Thanks to endorsements like this and support from leading philanthropic trusts, Social Traders is driving some of the fastest growth in social enterprise procurement anywhere in the world.

Over the last four years we have seen \$393m of spend occur between Social Traders business and government members and certified social enterprises



Encouraging social enterprise and social innovation and collaboration can result in more partnerships like that between certified social enterprise Two Good Co and Charter Hall. They came together in 2021 to drive positive environmental and social outcomes, whilst providing an essential product for Charter Hall's large office portfolio. To date, the social procurement partnership has delivered 5,000 'touch-free' soap dispensers to remove 2.5 tonnes of plastic from our oceans and generate over \$220,000 of annual revenue to employ and empower women who have survived homelessness, domestic violence, and complex trauma.

Social Traders works collaboratively to deeply embed social enterprise into business and government supply chains. We work with sector partners such as the national peak body, Social Enterprise Australia as well as the state networks (state peak bodies). We encourage and support the Payment by Outcomes Trial currently happening within Department of Social Services, coordinated by Whitebox Enterprises<sup>7</sup>. We now need the Commonwealth Government to support a national framework to further leverage these positive activities.

**Recommendation 3:** Engage with the social enterprise sector to develop a strategy to further leverage social enterprise – Social Traders Vision 2030 would save society \$4.27billion through 44,000 jobs



State of Social  
Procurement survey 2021

**86% agreed**

that social procurement will  
grow because

**governments  
and customers will  
expect it**



**What's possible?**

The biggest spender,  
John Holland, invested

**\$12.2 million**

**with 57 certified social  
enterprise partners  
In FY21**



**10-year vision**

to unlock

**\$5.5 billion**

in demand for social  
enterprises

**by 2030 nationally**

<sup>6</sup> <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>

<sup>7</sup> <https://www.dss.gov.au/payment-by-outcomes-trials>



## Recommendations

Social enterprise is a ready-made solution to support 44,000 jobs for Australia's most marginalised job seekers in the next eight years. Creating more opportunities for more Australians and generating savings to society of over \$4.27Billion<sup>8</sup> by 2030.

The Employment White Paper needs to consider:

### **Recommendation 1: Develop a Commonwealth Social Procurement Framework, including explicit support for certified social enterprises**

Social enterprise can support building resilient supply chains that also deliver on broader social and economic policy objectives. Precedent exists from the Indigenous Procurement Policy and Social Procurement Framework and outcomes from Victoria.

### **Recommendation 2: Create the Supply Nation equivalent for social enterprise - endorse Social Traders certification as the national standard**

Social Traders provide the only social enterprise certification in Australia. This is a world-leading and robust framework developed with expert and international partners. Certification provides credibility and evidence of a growing and impactful social enterprise sector.

### **Recommendation 3: Engage with the social enterprise sector to develop a strategy to further leverage social enterprise – Social Traders Vision 2030 would save society \$4.27billion through 44,000 jobs**

The social enterprise sector is already collaborating to deliver significant employment support and outcomes in Australia. With industry, state and local government catching on, now is the time for Commonwealth Government to make buying from social enterprise the norm. This would deliver thousands of supported jobs and billions in savings to society.

## Contact

Contact [info@socialtraders.com.au](mailto:info@socialtraders.com.au) for further information, data and insights on the employment benefits of a thriving social enterprise procurement market.

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<sup>8</sup> Deloitte Access Economics "The economic benefits of improving social inclusion" 2019 <https://www2.deloitte.com/au/benefits-improving-social-inclusion.com.au>

## Appendix: Social Traders Certification

Social Traders provides the only social enterprise certification in Australia. The certification framework is world-leading in its depth and adaptability.

Originally co-designed with Minter Ellison and EY in 2018, the certification framework has been evolved over time to cater for new models of social enterprise that have emerged. The Social Traders certification advisory group<sup>1</sup> has guided the evolution of the framework and provides an independent third-party perspective on complex applications and emerging social enterprise models. The certification framework was strengthened through a review conducted with EY in 2021.

Certification is what gives business and government members the confidence that a social enterprise has been independently verified, so more of them feel confident in directing their procurement spend to social enterprises!



**Business for good**

What makes social enterprises unique is that they exist to create impact through trade. Purpose is at the heart of why a social enterprise operates, but it can be hard to quantify or explain and social enterprises use many different legal structures.

That's why we set up certification - to make sure everyone can have confidence that the social enterprise model really is all about creating social or environmental impact through trade.

Our certification process is inclusive and supportive, offering social enterprises the flexibility they need. It caters for all legal types, impact models and all stages of social enterprise development including start-ups. It's constantly evolving to cater for the diverse range of social enterprise models.

We have a team that supports social enterprises through the application process. We work with social enterprises to articulate their social impact model, and the activities and costs associated with delivering their mission.

Ultimately what we want to do is put a spotlight on social enterprise and ensure that everyone trusts its extraordinary impact.

Certification is about demonstrating that a social enterprise exists to create impact through trade by doing three things:

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