

Unlocking business for good



2023-24 Pre-budget submission

A better future through social enterprise

January 2023



Relied on by 500 certified social enterprises



Trusted by over 130 of Australia's largest businesses



Partner for multiple governments









Backed by Australia's leading philanthropists







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"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

"Government funding will ensure the long-term viability of Social Traders, and, by extension, support the development of the entire social enterprise sector, generating significant benefits for many vulnerable Australians and substantial cost savings for Australia."

Craig Connelly, CEO, Ian Potter Foundation



Executive Summary

Social enterprise procurement is a ready-made solution to enhance community wellbeing. It will deliver 44,000 jobs for Australia's most marginalised job seekers. It will create more opportunities for Australians and generate savings to society of over \$4.27 billion¹ by 2030.

Social enterprises are businesses that exist for good. They are an untapped resource for the Australian Government to drive wellbeing outcomes and generate savings to society.

Treasury is currently working on an Employment White Paper, looking for ways of "improving labour market outcomes for those who face challenges in employment"².

Department of Finance has started delivering on the Buy Australia Plan election commitment using government's "significant purchasing power" to "deliver economic, social and environmental benefits" for Australian communities.

Department of Premier and Cabinet have renewed calls on the Social Impact Investing Taskforce to make recommendations. Access to markets through social procurement will be considered alongside access to finance.

This budget request will directly contribute to these current and important policy initiatives, by unlocking the potential of social enterprise.

Certified social enterprises already support 12,000 marginalised workers. They are businesses designed specifically to support vulnerable Australians.

130 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% expect this to increase as more governments and customers catch on⁴.

Now is the time for the Australian Government to leverage the social and economic value of social enterprise.

Recommendations

- 1. **Certification:** invest in Social Traders certification to de-risk investment from government by ensuring support is allocated to genuine social enterprises.
- 2. **Social procurement:** develop a Commonwealth Social Procurement Framework, including explicit support for certified social enterprises, to use the money you're spending today to deliver social and economic outcomes.
- 3. **Data:** measure and monitor success through data and research to ensure government funds are effective and the success of government investment can be measured and reported.

Return on Investment

The government is operating in a tight fiscal market. Our modelling shows that with Australian Government support now (from FY24), social enterprise procurement would return significant outcomes by 2030:

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

Together we can build a better future, for all Australians.

⁴ 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



¹ 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

² Employment White Paper Terms of Reference, Treasury, Australian Government (2022). Available at: https://treasury.gov.au/review/employment-whitepaper/tor

³ Buy Australia Plan, Department of Finance, Australian Government (2023). Available at: https://www.finance.gov.au/business/buyaustralianplan

Who is Social Traders?

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

We are a DGR1 not-for-profit intermediary. We have supported the social enterprise sector since 2008 through capacity building, start-up support, advocacy, networking and finance. Today we work with almost 500 certified social enterprises.

We play three core roles nationally, based on over a decade of listening to social enterprise sector needs:

- **Certification**: we're Australia's only certifier of social enterprises.
- **Access to markets**: we lead Australia's social enterprise procurement marketplace. That includes capability building for social enterprises, advocacy and education for business, supporting government policy development and implementation, and connections between social enterprises and buyers.
- Data: we collect the deepest and richest data on the social enterprise sector and its impact.

We are endorsed by 130 corporate and government members⁵ including leading Australian businesses such as Coles, Westpac, Suncorp, Lendlease and Downer, as well as the governments of Victoria, New South Wales, Queensland and Australian Capital Territory.

We have the backing of some of Australia's leading philanthropists including Gandel Foundation, Ian Potter Foundation and Helen McPherson Smith Trust.

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 for marginalised Australians and deliver a range of other environmental, cultural and community benefits.

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. They support marginalised Australians into work and training, they improve our environment and improve community wellbeing.

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

There are 12,000 social enterprises across Australia. They contribute \$21.3 billion to the economy, and employ 206,000 people⁶.

Social enterprises invest 29% of their revenue into delivering impact⁷. They are larger on average than traditional businesses and charities⁸.

Social enterprise is a ready-made solution to support 44,000 jobs for Australia's most marginalised job seekers by 2030. Investing in social enterprise will create more opportunities for more Australians and generate savings to society of over \$4.27 billion⁹ by 2030.

Pace 22: the profile of Australia's certified social enterprises, Social Traders (2022). Available at: https://www.socialtraders.com.au/news/pace2022
Using Deloitte Access Economics proxy of annual costs to society from 1 year of annual unemployment against our modelled FTE annualised years of work to 2030. Available at: https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-benefits-improving-social-inclusion-270819.pdf



p34

⁵ Social Traders business and government members, Social Traders (2023). Available at: https://www.socialtraders.com.au/business-and-government-members

⁶ 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/

⁷ Pace22: the profile of Australia's certified social enterprises, Social Traders (2022). Available at: https://www.socialtraders.com.au/news/pace2022
⁸ 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.

Examples of social enterprises and their impact

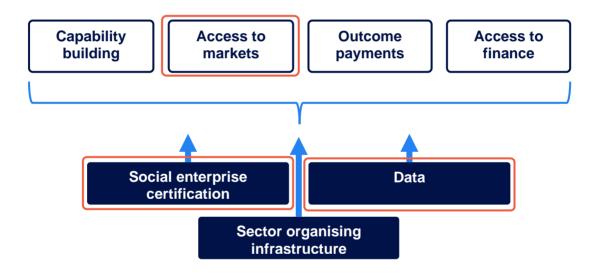
Social enterprises can be found across the country in all industries, creating impact for some of the most vulnerable people in our communities:

- **Australian Spatial Analytics:** employ around 80 neuro-diverse employees and deliver projects for NBN Co via their client Ventia¹⁰ as well as clients like DFAT from offices in Brisbane, Cairns and Melbourne.
- **Blend Creative:** provides work opportunities for designers with disabilities through their graphic design studio in Adelaide SA.
- **GAME Traffic & Contracting:** provides employment and training for marginalised youth through their traffic management business in regional Victoria.
- **Hotel Etico:** provides paid on-the-job training, pathways to employment and potential for independent living for people with disabilities through their hotel and conference centre in the Blue Mountains, NSW.
- WV Technologies "was the first company in Australia to obtain NAID AAA certification, the highest security clearance for all data destruction and sanitisation services"¹¹. While also being Supply Nation and Social Traders certified social enterprise employing Indigenous young people.

Social enterprise sector investment needs

Social Traders participated in co-designing the Social Enterprise Australia pre-budget submission, capturing the seven investment needs of the social enterprise sector as a whole. Social Traders role in the sector covers three areas: social enterprise certification, social enterprise procurement and deep data on the social enterprise sector.

Social enterprise sector investment needs, and the three areas where Social Traders can contribute



This submission outlines the three areas where Social Traders can unlock the potential of social enterprise to drive social and economic policy outcomes:

- **Certification:** invest in Social Traders certification to de-risk investment from government by ensuring support is allocated to genuine social enterprises.
- **Social procurement:** develop a Commonwealth Social Procurement Framework, including explicit support for certified social enterprises, to use the money you're spending today to deliver social and economic outcomes.
- **Data:** measure and monitor success through data and research to ensure government funds are effective and the success of government investment can be measured and reported.

of-fame

11 The Importance of Data Security (2021). Available at: https://wvtech.com.au/



¹⁰ Social procurement game changer - NT/QLD region, Social Traders (2022), Available at: https://www.socialtraders.com.au/news/social-traders-hall-of-fame

Certification to de-risk government investment

We recommend that the Australian Government invest in certification so that it can be used to verify social enterprises and de-risk government investment.

"Certification is critical. It is really important to make it as streamlined and easy as possible for everyone in the supply chain to not only be able to find social enterprises, but know that they are dealing with legitimate social enterprises that are delivering real impact"

- Amber O Connell, A/D Social and Economic Inclusion, Victorian Department of Jobs, Precincts and Regions

Social enterprises are diverse and take different legal forms. Social washing is becoming an increasing concern. Certification de-risks government investment in social enterprise by ensuring social enterprises are genuine.

Social Traders certification¹² is world-leading. It has been developed and adapted over five years. It is:

- ✓ Backed by international research.
- ✓ Co-designed with Minter Ellison and EY.
- ✓ Overseen by an independent expert advisory group.
- ✓ Endorsed by the social enterprise sector, and adapted ongoing based on sector needs.
- ✓ Inclusive of all social enterprises models, legal structures and stages of development.



Business for good

Certification has been used to de-risk social enterprise grants and support by the Australian Government, Victorian Government and Queensland Government.

Social procurement to create jobs for the most marginalised

We recommend that the Australian Government invest in a social procurement policy that includes social enterprise and support for social procurement activity



"Enabling access to public and private markets" will "provide the conditions for the social economy to thrive."

OECD Recommendation on the Social and Solidarity Economy and Social Innovation (2022)

Social procurement is one of government's biggest levers to create social and environmental impact.

By harnessing money that is already being spent, both by government and business, social procurement provides a lever to address some of Australia's critical economic challenges without adding to the Government's budgetary pressures.

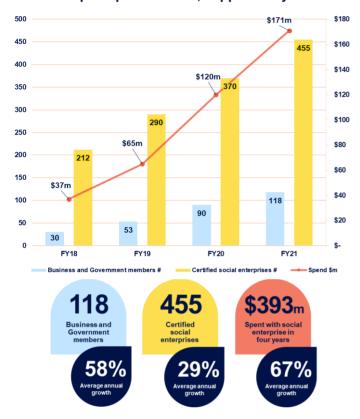
¹² Social Enterprise Certification Guidance Notes and Standards, Social Traders (2022). Available at: https://assets.socialtraders.com.au/downloads/FINAL-full-guidance-notes-16May22 2022-05-26-004207.pdf



In 2016, 75% of social enterprises said that their biggest need was new access to markets and buyers¹³. The Australian Government has the opportunity to buy from social enterprises and create policy that encourages industry to do the same. This will drive growth, generate social value beyond the value of the products being procured.

Social Traders is Australia's leader in social enterprise procurement, with a robust proof of concept showing its viability and effectiveness.

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





2,773 full-time equivalent jobs supported through social procurement over four years. Opportunity to grow to 44,000 with Australian Government support.

Australian Government proof of concept - Indigenous Procurement Policy

The Commonwealth Indigenous Procurement Policy (IPP) shows how social procurement can be done at Federal level. It includes:

- Annual targets for the number and value of contracts for Indigenous businesses from the Government.
- For contracts of a certain value, 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 IPP has generated over \$5.3 billion in contracting opportunities for Indigenous businesses since 2015. And it has led state government and corporate adoption of Indigenous procurement policies and practices.

There is significant opportunity to go further and drive even greater value from the Government's annual \$70 billion goods, services and construction expenditure. The Australian Government has yet to embrace the wider opportunity of social enterprise procurement.

¹³ 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



Victorian Government proof of concept – Social Procurement Framework

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 suppliers. It also set a 3% social procurement spend target on the \$30 billion Big Build pipeline. Victoria is the most mature social enterprise procurement market in Australia, accounting for 54% of all social enterprise procurement activity.

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.

Over four years \$156 million was spent with social enterprises. That created \$87 million in savings to society through:

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

Growth trajectory with Australian Government investment

With Australian Government investment and social procurement policy we can grow spend with certified social enterprises to a cumulative \$5.5b nationally.



Every million dollars spent through social enterprise procurement returns:

- 7.6 jobs for the most marginalised
- 4,060 hours of training
- \$28,000 investment into community services
- \$4,000 donated to charity
- 155 tonnes of waste diverted from landfill

Every dollar invested in Social Traders as an intermediary returns:

- >200% output of services to the social enterprise sector thanks to leveraging philanthropy and trade revenue



Alignment to current Australian Government initiatives

Treasury is currently working on an Employment White Paper, looking for ways of "improving labour market outcomes for those who face challenges in employment"14.

Department of Finance have started delivering on the Buy Australia Plan election commitment through the Future Made in Australia Office. This office aims to use Government's "significant purchasing power" as an "economic lever" and "deliver economic, social and environmental benefits" 15 for Australian communities.

Social enterprise procurement uses the money being spent anyway through procurement to generate improved labour market outcomes for those who face challenges.

Data for accurate reporting & innovation

We recommend that the Australian Government invest in data sharing and infrastructure.

"Social Traders 'Pace' provides rich data on certified social enterprises, to provide a clearer picture of social enterprise in Australia."

Jess Moore, CEO, Social Enterprise Australia

There are significant gaps in data about the sector and the sector lacks access to data that already exists that can inform innovation. Data is essential to understand the impact social enterprise can create and enable learning and innovation.

Social Traders holds Australia's largest dataset of verified social enterprises, growing at an average of 29% year on vear. It's the only dataset in Australia that:

- Includes economic and impact data, across 35 data points.
- Includes five years of data (and is growing continuously).
- Includes individual data on verified social enterprises.
- Is inclusive of all social enterprise models, stages and legal structures.
- Is a live dataset that is continually updated (weekly).

Investment from government would enable this data to become a public good, available on a live digital platform to enable innovation, improve practice, support policy development and grow awareness of social enterprise.

Through the Australian Government endorsing and supporting Social Traders certification and our data collection processes, we can further grow and measure the important employment and other outcomes of social enterprise sector.



¹⁴ Employment White Paper Terms of Reference, Treasury, Australian Government (2022). Available at: https://treasury.gov.au/review/employmentwhitepaper/tor

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

Investment required: \$22.5m over four years

Over four years from FY24-28, Social Traders request budget allocation of \$22.5m to deliver:

- Certification for social enterprises to de-risk investment from government
- Social procurement policy support and implementation activities
- Data collection on the size and impact of the social enterprise sector to track progress

Activity	Outcomes & deliverables	Costs (4yrs) FY24-FY27
1. Certification: invest in Social Traders certification to de-risk investment from government		
Maintain and grow our world leading social enterprise certification framework for social enterprises Provide certification as a service to the social enterprise sector at no cost to the enterprise (copayment is currently required)	De-risk investment from Government for social enterprise support initiatives (grants, procurement, data, research) Benchmark against international frameworks and represent Australia's social enterprise certification at Social Enterprise World Forums Quality assurance review and improvements in processes to continually safeguard stakeholder reliance on certification Engage more social enterprise businesses, increasing certified social enterprises from 460 (FY22) to 3,000 (FY27) including 960 (FY27) B2B social enterprise suppliers with 75% marketplace participation rate Pre-certification support for businesses wanting to operate under a social enterprise model Support industry to identify genuine social enterprise suppliers to deliver more social value to Australian economy (and savings to government) through supply chains	\$11.8m
2. Social Procurement: develop a Commonwealth Social Procurement Framework, including explicit support for certified social enterprises		
Engage government & industry Develop social	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 Capacity building to increase supplier readiness and impact, and increase	\$5.4m
enterprise suppliers Make connections	capability across categories and geographies Connect social enterprises with buyers and procurement opportunities. Tracking connections made and resultant spend relationships (via current spend analysis and impact reporting framework)	
3. Data: measure and monitor success through data and research		
Maintain database of certified social enterprises including an online public live dataset resource Impact measurement and reporting	Data and insights on the size, scale, social and economic contribution of the sector 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 Promotional campaign of events, roundtables, forums and media Independent audit of modelling to support 44,000 jobs for marginalised Australians by 2030 plus additional impacts, associated economic benefits and savings to society Marketplace activity reporting including: - market growth in volume and value - beneficiary headcount, work & training hours (by beneficiary group) - community and charitable investments - waste diverted from landfill	\$5.3m



Multiple Australian Government initiatives support this request

Our asks link to and support the work already underway in five Australian Government departments. There are also two additional agencies with relevant precedents for promoting additional social value or accountability in procurement.

1. Employment White Paper - Treasury

Following the Jobs and Skills Summit in 2022, the Employment Taskforce within Treasury is developing an Employment White Paper 17. Social Traders 18 recommended using social enterprise procurement and certification to:

- Build resilient supply chains, making buying from social enterprise the norm
- Support social enterprise to improve labour market outcomes for those who face challenges in employment
- Create collaborative partnerships across government, industry, unions, civil society groups and communities

2. Future Made in Australia Office - Department of Finance

Department of Finance have started delivering on the Buy Australia Plan election commitment through the Future Made in Australia Office. This office aims to use Government's "significant purchasing power" as an "economic lever" and "deliver economic, social and environmental benefits" 19 for Australian communities.

3. Social Impact Investing Taskforce - Department of Prime Minister and Cabinet

The Social Impact Investing (SII) Taskforce was established to develop a strategy for a Commonwealth role in the SII market²⁰. Department of Premier and Cabinet have renewed calls on the Social Impact Investing Taskforce to make recommendations. This will explore access to market alongside access to finance.

4. Payment by Outcomes Trial - Department of Social Services

Department of Social Services are trialling a funding model with White Box Enterprises to finance the impact costs of supporting jobseekers with a disability through Work Integrated Social Enterprises²¹.

5. Economic Pathways to Refugee Integration – Department of Home Affairs

Department of Home Affairs Economic Pathways to Refugee Integration (EPRI) used certification as a pre-qualifier for grants for social enterprises to create employment for refugees. The program invested \$21.3million²² over three years. If certification was endorsed by the Australian Government, we would have a larger number of certified social enterprises delivering impact and this initiative could be replicated across a whole array of social issues.

Previous Australian Government Policy that supports using procurement for additional social benefit:

Indigenous Procurement Policy (2015) - National Indigenous Australians Agency

The Australian Government Indigenous Procurement Policy has stimulated over \$5.3bn²³ of expenditure by private and government sectors into Indigenous businesses since 2015 to build job outcomes and participation for Indigenous people. This is nationally the best example of using procurement for broader social objectives.

Modern Slavery Act (2018) - Australian Border Force

The Modern Slavery Act makes large organisations responsible over who and where they purchase goods. It is no longer acceptable to say "we didn't know". As they review supply chains for potential risks, they are also seeing the opportunity to go beyond a "do no harm" approach and create community benefits through their supply chain.

https://immi.homeaffairs.gov.au/settling-in-australia/coordinator-general-for-migrant-services/employment-pathways-for-refugees ²³ Indigenous Procurement Policy, National Indigenous Australians Agency, Australian Government (2023). Available at: https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp



¹⁶ Jobs and Skills Summit, Treasury, Australian Government (2022). Available at: https://treasury.gov.au/employment-whitepaper/jobs-summit

¹⁷ Employment White Paper Consultation, Treasury, Australian Government (2022). Available at: https://treasury.gov.au/consultation/c2022-322158

¹⁸ Employment White Paper Submission, Social Traders (2022). Available at: https://www.socialtraders.com.au/news/social-traders-employment-whitepaper-submission

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

²⁰ Social Impact Investing Taskforce, Department of Prime Minister and Cabinet, Australian Government (2023). Available at: https://www.pmc.gov.au/domestic-policy/social-impact-investing-taskforce

Payment by Outcomes Trials, Department of Social Services, Australian Government (2023). Available at: https://www.dss.gov.au/payment-by-

outcomes-trials
22 Employment Pathways for Refugees, Department of Home Affairs, Australian Government (2023). Available at:

Why now?

Now is the time for the Australian Government to leverage the social and economic value of the social enterprise sector.

A combination of factors make this a sensible investment for government, including:

- ✓ Alignment to current policy initiatives, Employment Taskforce and Buy Australia Plan
- ✓ Precedent from previous policy initiatives, Indigenous Procurement Policy & Modern Slavery Act
- ✓ **Certification is already being used** by Australian Government programs, Payment by Outcomes Trial and Economic Pathways to Refugee Integration grants
- ✓ Proof of concept completed including costs and measurable impacts, with State Government references
- ✓ **Economic justification** in light of a tight fiscal environment, co-funded by industry and philanthropy
- ✓ Using money already being spent through procurement to deliver significant additional social value

Why Social Traders?

Reference from The Ian Potter Foundation

Craig Connelly, Chief Executive Officer

The Ian Potter Foundation has been a supporter of Social Traders for the past 10 years.

Social Traders are a trailblazer of Australia's social enterprise sector, having established themselves as a key facilitator of social procurement between enterprises providing employment pathways for vulnerable individuals, and state governments, local governments and some of Australia's largest companies.

Social procurement is an ideal mechanism to achieve social and economic policy objectives that encourage a just and sustainable redistribution of resources and community wellbeing.

Government funding will ensure the long-term viability of Social Traders, and, by extension, support the development of the entire social enterprise sector, generating significant benefits for many vulnerable Australians and substantial cost savings for Australia.

Reference from Gandel Foundation

Vedran Drakulic, Chief Executive Officer

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.

If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use.

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. Gandel Foundation – along with a number of leading Australian philanthropists - is already partnering with Social Traders because of the social and economic outcomes generated by social procurement.

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.



Contact

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Unlocking business for good