

Social

Traders

Unlocking business for good



To Standing Committee on Economics

Submission to inquiry on economic dynamism, competition and business formation

March 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



Business for good

Member **2023**
Social Traders
BUYER FOR GOOD



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“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.”

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

“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

This submission specifically relates to Terms of Reference¹ section:

a. *The effect of a diverse and dynamic business environment on:*

- *productivity, prices and better-paid jobs*
- *our supply chain resilience to disruption*

Social enterprise procurement is a ready-made solution to create resilient supply chains and competition based on community benefit.

It will deliver 44,000 jobs for Australia's most marginalised job seekers by 2030. It will create more opportunities for more Australians and generate savings to society of over \$4.27 billion² by 2030.

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

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. Certified social enterprises already support 12,000 marginalised workers. They are businesses designed specifically to support vulnerable Australians, fill market gaps and drive innovation for public good.

Because social enterprise sits between traditional business and charity, many fall through the gaps in the support infrastructures that exist.

We seek a social enterprise national strategy to change this that is:

- Powered by genuine partnership between the sector and Government.
- Challenge-led, focusing on national priorities where social enterprise can make a significant contribution.
- Underpinned by data and certification.
- Incorporates social procurement, access to finance, outcome payments, and capability building.

When business and government shift a portion of their spend to social enterprises, they value social outcomes in the market. They direct the market to compete on best value for the Australian community.

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 on³.

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

Recommendations Social Traders can support and evidence

1. **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.
2. **Certification:** endorse Social Traders certification to de-risk investment from government and promote businesses that preference public benefit
3. **Data:** measure and monitor economic and social return through data and research to ensure government funds are effective and the success of government investment can be tracked and reported.

¹ Terms of Reference, House of Representatives Standing Committee on Economics, found at

https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/Economicdynamism/Terms_of_Reference

² *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>

³ *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

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:

- **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.
- **Certification:** we're Australia's only certifier of social enterprises.
- **Data:** we collect the deepest and richest data on the social enterprise sector, including social and economic impact

We are endorsed by 130 corporate and government members⁴ 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 and compete 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 people⁵.

Social enterprises invest 29% of their revenue into delivering impact⁶. They are larger on average than traditional businesses and charities⁷.

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 billion⁸ by 2030.

⁴ *Social Traders business and government members*, Social Traders (2023). Available at: <https://www.socialtraders.com.au/business-and-government-members>

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

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.

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

⁸ 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>

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 and your electorates. Some examples of certified social enterprises include:

- **Green Collect** (Yarraville & Braybrook VIC) offer environmental solutions for surplus office items to divert waste from landfill while also offering opportunities to long term unemployed as well as new migrants
- **Vanguard Laundry** (Toowoomba, QLD) a world-class social enterprise commercial laundry, purpose built to provide jobs and career opportunities for people with an experience of mental illness who struggle to secure work.
- **Clean Force** (Clyde NSW, Heidelberg West VIC & Ulverstone TAS) deliver commercial cleaning and grounds maintenance and had great success working with Social Traders Member CPB Contractors on Parramatta Light Rail. [Video case study](#) can be found ([click here](#)) on our website⁹.
- **Renew Property Maintenance** (West Perth WA) is a social enterprise with a mission to connect at-risk young people with entry-level paid employment opportunities.
- **Kick Start Cafe** (Prestons & Macquarie Park NSW) an initiative of PAYCE Foundation operates a fleet of food trailers on construction sites to provide employment and training to young people from social housing and facing barriers to employment.
- **WV Technologies** (Canberra, ACT, Welshpool WA and 4 other locations) “was the first company in Australia to obtain NAID AAA certification, the highest security clearance for all data destruction and sanitisation services”¹⁰. WV Tech are a Supply Nation and Social Traders certified social enterprise employing Indigenous young people.
- **Mambourin Business Solutions** (Melton & Bacchus Marsh VIC) provide opportunities for people living with a disability to develop new skills and to form professional as well as social networks
- **Collective Leisure** (Centennial Park NSW) is Australia’s first social enterprise leisure management company offering facilities management, physical activity & wellbeing programs and training & employment services, within the leisure industry.
- **Mylestones Solutions Garden Crew** (Beenleigh, QLD) employs people with disabilities in small commercial garden and maintenance crews across Queensland
- **Now and Not Yet Inc** (Warrandyte, VIC) serving the community through a cafe, catering, and events. The business has expanded to multiple sites, coffee roasting and sales and events by Tamil Feast. All profits are put back into supporting the Warrandyte community with a particular focus on marginalized, disadvantaged and at-risk people.

Social procurement to build resilient supply chains

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



⁹ Social Traders Hall of Fame, 2020 Winners, Social Procurement Business/Government Agency of the Year CPB Contractors at <https://www.socialtraders.com.au/news/social-traders-hall-of-fame>. Video at https://www.youtube.com/watch?v=6cwtuEJ-PHw&list=PL-9cMCeB4pErZrG1L1ktHKBweXq4u10i&index=10&ab_channel=SocialTraders

¹⁰ *The Importance of Data Security (2021)*. Available at: <https://wvtech.com.au/>

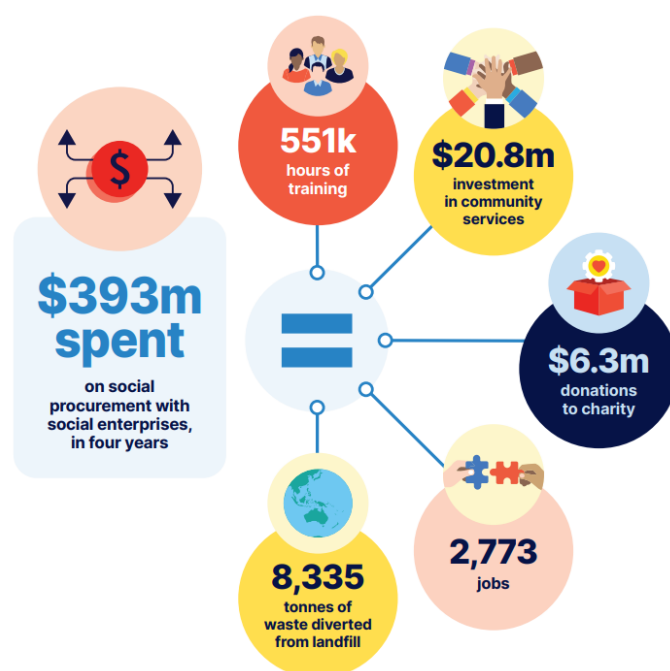
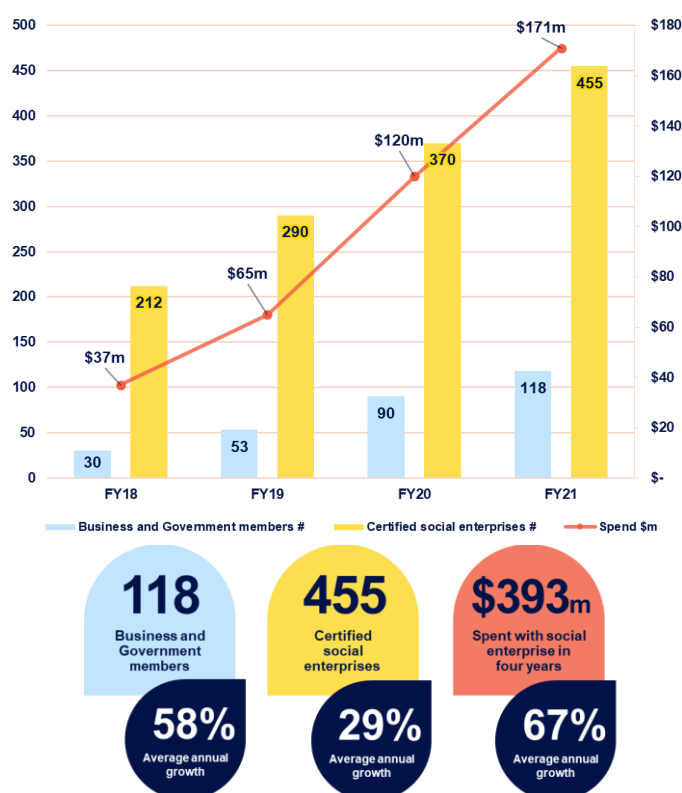
Social procurement is one of government's biggest levers to create social and environmental impact, local and resilient supply chains and more opportunities for more Australians.

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.

In 2016, 75% of social enterprises said that their biggest need was new access to markets and buyers¹¹. 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.

¹¹ *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>

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.

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.

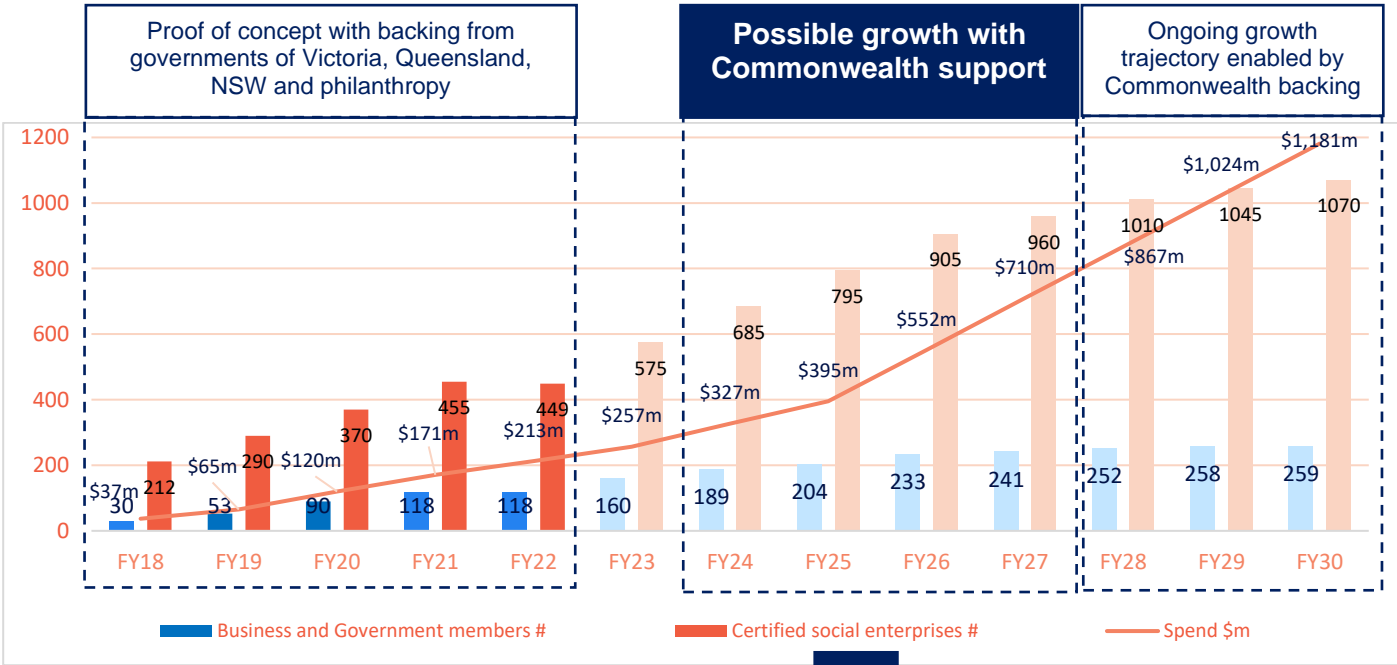
The Victorian Government funded Social Traders over four years. We leveraged the investment to deliver 223% in the value of services to the Victorian social enterprise sector through matched funding from philanthropy and trade.

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 endorsement

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



FY24-27 outcomes enabled by Australian Government investment in social procurement

\$14.6 million community services & donations

1.8 million training hours

16,600 jobs

\$1.61 billion savings to society

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

Certification to de-risk government investment

We recommend that the Australian Government endorses Social Traders 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. Certification also leads the market to strive for innovation that puts the public benefit ahead of private benefit and promotes dynamism in our economy.

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.



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

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 year. 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).

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

Multiple Australian Government initiatives complement these recommendations

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 Summit¹³ in 2022, the Employment Taskforce within Treasury is developing an Employment White Paper¹⁴. Social Traders¹⁵ 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"¹⁶ 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 market¹⁷. 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 Enterprises¹⁸.

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 \$21.3million¹⁹ 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 \$5.3bn²⁰ 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.

¹³ *Jobs and Skills Summit*, Treasury, Australian Government (2022). Available at: <https://treasury.gov.au/employment-whitepaper/jobs-summit>

¹⁴ *Employment White Paper Consultation*, Treasury, Australian Government (2022). Available at: <https://treasury.gov.au/consultation/c2022-322158>

¹⁵ *Employment White Paper Submission*, Social Traders (2022). Available at: <https://www.socialtraders.com.au/news/social-traders-employment-white-paper-submission>

¹⁶ *Buy Australia Plan*, Department of Finance, Australian Government (2023). Available at <https://www.finance.gov.au/business/buyaustrianplan>

¹⁷ *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>

¹⁸ *Payment by Outcomes Trials*, Department of Social Services, Australian Government (2023). Available at: <https://www.dss.gov.au/payment-by-outcomes-trials>

¹⁹ *Employment Pathways for Refugees*, Department of Home Affairs, Australian Government (2023). Available at: <https://immi.homeaffairs.gov.au/settling-in-australia/coordinator-general-for-migrant-services/employment-pathways-for-refugees>

²⁰ *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>

Why now?

A combination of factors make now the right time to leverage the social and economic value of the social enterprise sector, 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

Contact

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Unlocking business for good

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.