



WA State Pre-budget Submission

A strategy to supercharge social enterprise in Western Australia

October 2023

Unlocking business, for good

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There are an estimated 12,000 social enterprises trading across Australia, contributing \$21.3 billion to the economy and generating 206,000 jobs¹.

The social enterprise sector is ready to work with the WA Government to tackle Western Australia's most pressing and enduring problems, including high inequality, entrenched disadvantage, and systemic workforce exclusion.

These challenges are not unique to Western Australia and they are rarely solved by Government alone. That's why the Victorian, Queensland and New South Wales Governments are forging a way forward with social enterprises.

After all, the sector has been cutting through wicked problems for years. It has a strong history of augmenting public service delivery and providing innovative, cost-effective solutions to the major issues impacting our society and ecosystem.

As Governments seek new ways to promote community wellbeing, social enterprises are rapidly becoming a key implementation partner for economic policies that achieve sustainable development and inclusive growth imperatives.

However, that capability remains bottled up in Western Australia. The sector is fragmented and underserved, capping the growth, sustainability and success of social enterprises as a whole.

As social enterprise sits between a traditional business and charity, many fall through the gaps in the support infrastructures which exist for the two sectors. They do the job of both, without the enablers of either.

We seek a social enterprise strategy to change that; underpinned by a strong partnership between sector and Government, and a shared commitment to deliver social, economic and environmental impact where it's needed most.

The strategy sets the foundation for a flourishing social enterprise sector, comprising proven mechanisms and tactical investments that enable market maturity and growth. It would help build an enabling environment and direct social innovation towards enhancing economic participation, community health and wellbeing, education, equality and sustainability.

The goal would be a strong and viable sector – not a subsidised one.

Together, we can build inclusive, regenerative and local economies that benefit all Western Australians, today and in the decades to come.



Ross Wortham

CEO, WA Social Enterprise Council



The WASEC Board



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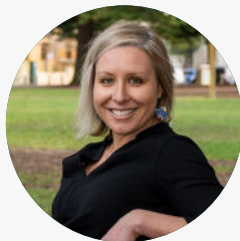
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About the WA Social Enterprise Council (WASEC)

WASEC is the peak body for social enterprise in Western Australia. Our mission is to build a thriving social enterprise sector in Western Australia; towards a just, inclusive, and sustainable society, where all businesses have a positive social, cultural, or environmental impact.

WASEC was formed by leaders in Western Australia's social enterprise sector to build a new economy that places community, employee and environmental impact outcomes on an equal footing with sustainable financial returns.

WASEC leads an independent, practitioner-led network that is representative of and responsive to the WA social enterprise sector. Through activities such as the 2023 Social Enterprise Mapping Survey, WASEC hopes to amplify the needs, benefits, and opportunities of social enterprises in WA and advocate for members' needs in national and state policy.

WASEC is a proud member of the Alliance of Social Enterprise Networks Australia (ASENA) comprising all 7 State and Territory social enterprise councils. We actively contribute to national advocacy through our national Peak Social Enterprise Australia.

Why partner with 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.

While traditional businesses focus on financial gains and non-profits on community impact, social enterprises merge these objectives. They operate with a core mission to create positive change while generating revenue to sustain their operations.

The WA Government is committed to achieving – and continuously improving – Environmental, Social, Cultural and Economic outcomes for Western Australians, as well as supporting Australia’s contribution to the United Nations Sustainable Development Goals, and the outcomes defined through ‘Measuring What Matters’ - Australia’s first national wellbeing framework. Social enterprises can be a valuable actor in these ambitions by promoting decent work and inclusive economic growth, as well as growing resilient regional economies, ethical supply chains, and high-quality human services.

A social enterprise prioritises profit at the same level as its purpose to positively impact social and environmental outcomes. It must do 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.



Perth City Farm

part 1

Partnering with social enterprise

Partnering for impact-driven economic diversification

Through the provision of local, high-quality goods and services, Western Australia’s social enterprise sector is estimated to employ 17,000 people and contribute almost \$2 billion to the economy².

Australia’s social enterprises operate across every industry within our economy, predominantly trading within local and regional markets³. Importantly, WASEC’s sector mapping shows pronounced activity within key growth areas for Western Australia, including arts and culture; festivals; tourism and events; agriculture; manufacturing; and the circular economy.

The blended business and purpose model makes social enterprise an ideal partner for developing these industries – by their very nature, they are driving social, environmental, and cultural outcomes expected by both the Government and members of the community.

According to WASEC’s 2023 sector mapping, over a third of Western Australia’s social enterprises trade to create positive environmental impact, reflecting the overlap between social entrepreneurs and sustainable business practice.

Research has also shown social enterprises are far more diverse and inclusive than traditional businesses. A high proportion enable leadership opportunities for women (up to 50% in Victoria⁴), and employ far greater numbers of people from a culturally diverse background or disadvantaged social group, such as the long-term unemployed or those with disability⁵.



Reboot Australia



Wide Open Agriculture

Wide Open Agriculture (WOA) is a social enterprise in Western Australia, trading to combat climate change in the food and agriculture sector – which accounts for nearly a third of carbon emissions and 80% of biodiversity loss.

Helping to move Western Australia's primary industries towards an environmentally sustainable future, WOA has launched Australia's first regenerative grown, carbon-neutral oat milk, and developed a plant-based protein called Buntine Protein, made from lupin seeds.

WOA benefits from a culturally diverse workforce – over 40% of its employees were born outside of Australia and 18 languages are spoken by the team⁶.

Loop Upcycling

Loop Upcycling is a pioneering corporate upcycling social enterprise based in Western Australia, dedicated to addressing the pressing issue of corporate textile waste. In Australia, approximately 800,000 tonnes of textiles find their way into landfills annually, contributing to environmental challenges. Loop has responded to that by diverting redundant uniforms and textiles from landfill, by upcycling them into valuable, purposeful products for these organisations.

Furthermore, Loop Upcycling plays a pivotal role in boosting Western Australia's local textile manufacturing sector. Beyond this economic contribution, they are deeply committed to creating a positive social impact. In 2022 alone, they provided training and employment opportunities for more than 80 individuals, with a particular focus on those facing disadvantages or barriers to traditional employment.



Partnering for inclusive economic growth

Social enterprise can work with the WA Government to ensure the benefits of our state's economic development and growth are shared equally.

A resilient and diversifying economy is supercharging our state's job market: a record number of Western Australians are in work and economic participation is soaring. However, minority and marginalised groups have not been given a stake in that prosperity, with their unemployment rates remaining disproportionately high.

That disparity is not unique to Western Australia. A national analysis of the job market shows that the number of Australians who have barriers to gaining work and remain unemployed has barely moved in five years³⁶.

The Commonwealth Government is prioritising the expansion of employment opportunities for disadvantaged Australians through the Employment White Paper. In fact, Treasury's future policy directions include backing social enterprise and growing the sector so it can "get people into jobs and create pathways."

Meanwhile, the Victorian, Queensland and New South Wales governments have taken steps to address the problem by investing in and developing the social enterprise sector, recognising the tremendous number of job and training opportunities which would be created for the most disadvantaged job seekers. In doing so, these states have addressed the pressing moral and equity case for inclusive growth, while generating significant economic gains and government savings.

Social enterprise can drive the same outcomes in Western Australia. The most common impact model reported by WASEC members is the Work Integrated Social Enterprise (**WISE**), which trade to provide employment, or pathways to employment, for people who are highly disadvantaged in the labour market.

Jobs-focussed social enterprise

Like many social enterprises, WISE emerged in response to a gap or failure in Government services to meet community need. They exist because mainstream employment services are not delivering long-term or sustainable jobs for Australians facing the greatest barriers to work^{37 38}.

That gap prevails in Western Australia – last year, the employment services caseload across metropolitan Perth was among the highest in Australia, with above average representation from people with disability, youth, refugees, and Indigenous Australians³⁹.

WISE are shown to produce better employment outcomes than mainstream employment services for people experiencing significant disadvantage⁴⁰, and are therefore able to capitalise on skills and talents that would otherwise lay dormant in our labour market. Beyond the positive impact to the individual, greater utilisation of local jobseekers offers significant productivity benefits for the economy, alleviating pressures on Western Australia's tight labour and housing market.

WISE also produce high social returns. Public investment is proven to return over time through increased taxation revenue and direct reductions in the costs of welfare, health, and housing services^{41 42}. An Australian study found that the total social benefits of these programs outweighs the cost⁴³, while international evidence shows social enterprise often double society's return on investment.

Creating opportunities for vulnerable young people

The unemployment rate for young Western Australians is 8.1%⁴⁵.

Young Western Australians bore the brunt of job losses during COVID-19, triggering an urgent imperative for the WA Government to mitigate “scarring effects” in the post-pandemic youth labour market, whereby young jobseekers see persistent reductions in future wages and job quality as a result of being unemployed⁴⁶ (as has occurred in the past⁴⁷).

However, these individuals currently face a job market with fortified barriers to entry; where demand for entry-level roles significantly outstrips supply, and nearly half of all job vacancies require a tertiary education or at least three years’ experience⁴⁸. Without targeted entry points and pathways, vulnerable young people are at-risk of long-term financial disadvantage, welfare dependency, and rising mental health issues⁴⁹.

The current landscape also exposes and compounds current structural inequalities; young Australians living in the lowest socioeconomic areas are twice as likely to not be in employment, education or training as those from the highest⁵⁰. As a result, at-risk youth face the prospect of being stuck in a riptide, as post-pandemic labour market conditions compound with intergenerational exclusion and socio-economic disadvantage, locking them into long-term unemployment and poverty.

Moreover, young people have told the WA Government that they need a less crisis driven, reactive services system focussed on short-term solutions; but rather *“they want activities and education, employment and training pathways that engage and empower them to reach their full potential.”*⁵¹

Social enterprises are well-placed to provide those opportunities; WASEC’s sector mapping shows over 10% of our state’s social enterprises are focussed on creating employment opportunities for young people.

An Australian study has shown social enterprises help address health inequities, improving a young person’s mental health, employability and housing status⁵⁴. These are areas of expressed concern and anxiety for Western Australia’s young people⁵⁵. WASEC sees a significant opportunity for social enterprise to work with the WA Government to empower young people and support their holistic health, wellbeing, and independence.



Dismantle

Local social enterprise **Dismantle** connects at-risk young people with hands-on, entry level employment opportunities. Dismantle creates over 60 employment opportunities annually, and provides each young person with over 9,000 hours of training⁵². Two-thirds of Dismantle employees’ transition to further employment, education or training⁵³.

Importantly, youth-focussed WISEs like Dismantle are evidenced to deliver dual work and wellbeing outcomes for young Western Australians.

Employing jobseekers with disability

The unemployment rate for people with disability has not changed in thirty years. It is now more than double that of people without disability (10% compared to 3.7%).

In Western Australia; there are currently 100,000 people of working age with a disability and without a job. These individuals are not being offered the same opportunities for work as the rest of the population.

As a whole, Australians are finding it easier to obtain work. Yet, the rate of jobseekers reporting difficulties because of ill-health or disability is growing⁵⁶. In segmenting the Western Australia data, it is the most common challenge reported by potential workers and the main reason for unemployment. Further, of those Western Australian jobseekers who have reported ‘ill health and disability’ as a barrier, around a third have been unemployed for over a year.

Against that backdrop, local social enterprises are providing job opportunities where they are needed most. Many of Western Australia’s largest social enterprises are focussed on creating employment opportunities for people with disability.

Local social enterprise Good Sammy trades to create employment and training pathways for over 500 people with disability. Importantly, Good Sammy has employed 100 new jobseekers over the last year with intellectual disability, who currently experience an unemployment rate of 20%. Many of these roles are being developed within the circular economy — for example, for every 30 tonnes of textiles recycled by Good Sammy, around one job is created for a person with disability.

There is growing recognition, including within the Federal Treasury Employment White Paper, that mainstream employment services are not producing long-term or successful outcomes for disadvantaged jobseekers, and that alternative programs are needed to lift their participation.

The Commonwealth Government is currently testing the role of social enterprise in supporting people with disability into work. Through the trial, 81 long-term jobseekers have been employed by social enterprises across Australia.

When compared to the Disability Employment Services (DES) program, early findings from the trial suggest jobseekers fare significantly better through social enterprise⁵⁷.

- **They stay in work longer:** Employee retention after 26 weeks with a social enterprise is at 86%, compared to DES at 37%.
- **They earn more:** Individuals are estimated to earn \$28,000 in their first 12 months, 28% more than the average DES participant.
- **They start work sooner:** When individuals are employed with a social enterprise, paid employment and training start simultaneously.



Partnering for employment and decent work

Social enterprise is a fulcrum for the WA Government to promote equality of opportunity and cultivate an economy that all Western Australians can participate in, both now and in the future.

Given the macro-trends directing our economy, there is an underlying, urgent need for the government to buffer structural changes to our workforce with an accessible pipeline of jobs. Already, significant skill and education-based inequities exist within our state's labour force. Recent analysis from the Bankwest Curtin Economics Centre shows that Western Australian workers with university education consistently experience unemployment rates below 4 per cent, versus 6 to 8 per cent for those without post-school qualifications²⁰. That figure drops for persons who have not finished high school, sitting at around 10 to 14 per cent depending on how many grades were completed²¹.

That disparity is in danger of growing. Opportunities are dwindling for people without qualifications, with reports from the National Skills Commission highlighting almost 90 percent of new jobs in the next four years will require post-school education²². Meanwhile, changes wrought by the global energy transition and local adoption of automation and artificial intelligence will further upheave the workforce and crowd out disadvantaged job-seekers.

Meeting that disruption through greater investment in our mainstream employment, skill and training system will not sufficiently resolve the entrenched inequalities in our labour market, nor dismantle the barriers which preclude the most marginalised from participating in our economy. The promotion of more inclusive jobs and alternative training pathways is needed to empower disadvantaged Western Australians and ensure our workforce remains accessible to all — irrespective of socioeconomic status, educational attainment, or innate ability and skills.

Social Enterprises are helping to engage with individuals from the WA community, who might otherwise be locked out of the jobs market. By creating new and meaningful local employment opportunities, we avoid adding to the housing crisis and offset the need to bring in migrant workers to fill vacant roles.

Social enterprise is a proven, high-leverage gateway to job creation and career progression for all members of the workforce, especially those facing high barriers to work.

A state-funded analysis of Victoria's social enterprises showed that the sector contributes at least \$5.2 billion to the Victorian economy and generates around 60,000 jobs (nearly 2% of the Victorian workforce)²³. Importantly, over a third of those roles are filled by workers from disadvantaged social groups, such as people with a disability or the long-term unemployed²⁴.

Given the proportion of marginalised job seekers employed by Victorian social enterprises, the total, value-add economic impact was estimated to be \$7 billion²⁵.

Further research into the sector has shown that Victoria's social enterprises are as efficient and productive as other small-to-medium enterprises²⁶.

Inclusive adoption of technology

When considering automation and artificial intelligence, Western Australia’s recent intergenerational report identified the risk of workforce disruption and called for strong leadership from Government in facilitating an inclusive transition to quality jobs²⁷. The inquiry found that the shifting and increasing skill requirement within workplaces was “very likely” to exacerbate existing inequalities. The World Economic Forum further emphasised that accelerated digitisation will “affect disadvantaged workers with particular ferocity”²⁸.

Social enterprises can be a powerful counterbalance to these forces. Many offer entry-

level, routine and inclusive jobs and are purposely focused on labour-intensive business²⁹. These organisations are structured around the very opportunities which are set to decline in coming years – administrative jobs and lower or entry level security, factory, and commerce roles³⁰.

That capacity is underscored by the diverse, job-rich sectors Australia’s certified social enterprises predominantly operate in, including administrative and support services; accommodation and food services; professional, science and technical services; retail trade; and manufacturing³¹.

For every \$1 million in turnover, Australia’s social enterprises are estimated to produce 9 jobs. For comparison, that amount of turnover yields one job within our mining and construction industries³².

A just transition

By the numbers, the jobs lost during the energy transition are set to balance out by the creation of equal or greater roles in the renewable economy. However, when compared to the fossil-fuel industry, a greater proportion of clean energy jobs will require university and postgraduate degree education³³. Those with the lowest skills are set to face the most difficult transition, consistent with previous structural adjustments in Australia³⁴.

Growing the circular economy is an opportunity to achieve decarbonisation goals while redistributing and opening up job opportunities for workers with a range of skills. The sector is labour intensive, and hinges just as much on manual and practical labour as it does on highly-skilled roles in design and engineering.

It is therefore unsurprising that the International Labour Organisation has positioned the circular economy as a key instrument for a just transition, recommending that Governments facilitate the formation of, and promote decent jobs within, the waste management and recycling sectors³⁵.

Social entrepreneurship is a well-established platform for achieving that goal, especially for those facing the greatest risk of being left behind. Local social enterprises such as **Good Sammy**, **Loop Upcycling** and **Green World Revolution** are facilitating Western Australia’s just and green transition towards a resilient low-carbon economy, curbing the use of resources while providing local and inclusive employment opportunities.



Partnering for stronger, resilient regions

Social enterprise is a proven approach to fostering regional economies and revitalising local communities.

Social enterprises typically operate at the local level, emphasising place and people. Many emerge in response to a direct perceived need of a community, providing sought after goods, services or opportunities for participation and inclusion⁷.

Given the diversity and vastness of Western Australia's regions, truly place-based regional development frameworks can be difficult to enact. Where markets or public resources are thin, social enterprise can work alongside Local Government to strengthen and diversify remote communities; actively addressing service gaps through locally-owned business strategies and innovations. The majority of WA's regional social enterprises trade for that purpose, providing cultural, community, mental health, employment, education, or training services.

In terms of driving economic diversification, WA's regional social enterprises are focussed on target and emerging growth sectors including agriculture, arts and culture, environmental services, and recycling and waste management.

Critically, social enterprises enhance the wellbeing, health and cohesion of communities they trade in^{8,9,10}. One study of regional cities in Australia has shown social enterprises develop “*strong connections and links with local business and local government agencies*” that help build social capital¹¹. Given social cohesion is proven to improve climate change adaptation¹², particularly response to and recovery from natural disasters¹³, there is significant potential for social enterprises to cultivate regional resilience and cooperation in areas facing heightened climate risks of bushfires and extreme weather events.

Indigenous entrepreneurship and business development is critical to unlocking the potential of regional economies. To harness that, greater support and advancement of Indigenous enterprise is needed.

Indigenous people use business to achieve economic self-determination, as well as improve outcomes for their community and/or land¹⁴. Indigenous businesses are therefore a vital part of Western Australia's social enterprise sector – distinguished by name, but not purpose.

While the Aboriginal Procurement Policy has catalysed significant growth within the Indigenous business sector, the approach favours established enterprises, rather than newly established or early-stage businesses. As recommended by the OECD, governments should make a long-term, multi-faceted commitment to developing Indigenous businesses, aligned with local circumstances and cultures¹⁵.

For more Indigenous entrepreneurs and businesses to succeed, there needs to be a broadening of capacity building support for pre-establishment and establishment phases, such as leadership, community planning, and skill development (i.e., legal, finance, business and commercial)¹⁶. The OECD also emphasises the need to support intermediaries that “facilitate partnerships, access to knowledge, and that can support commercial partnerships.”¹⁷

The evaluation for the Indigenous Social Enterprise Fund found that early-stage education in investment and financial literacy was key to helping support social enterprises in Aboriginal and Torres Strait Islander communities¹⁸. A “relationship orientated” approach was also deemed essential, whereby funding was accompanied by peer support from an Indigenous social entrepreneur who could provide capability uplift and mentoring¹⁹.

part 2

A strategy to
supercharge
social enterprise
in WA



A strategy to supercharge social enterprise in WA



Investing in proven policy settings

Despite being a powerful mechanism for more inclusive, sustainable and diverse economic development, social enterprise remains a relatively small part of Western Australia's business landscape. Tapping that potential requires targeted action and investment, structured around the unique barriers social enterprises face to start-up and establishment.

Whether trading in Australia or the other side of the world, the obstacles to scaling social enterprises are the same. They face similar issues to other start-ups and Small to Medium Enterprises (SMEs), such as building business acumen and capability, commercial planning and development, accessing funding, and market engagement.

Fortunately, consistent barriers have bred consistent solutions. Based on international evidence and the eastern state experience, there are several key Government actions which are linked to building a strong, sustainable social enterprise sector⁵⁸. In following the policy blueprint set domestically and internationally, WASEC proposes


investment in a series of five strategic pillars for social enterprises to build from.

These pillars would be interconnected and mutually-reinforcing, encompassing an **enabling environment**, a **tailored capital mix**, a **social procurement strategy**, an **accreditation framework**, and **data and reporting**.

By enacting them together, the WA Government would strengthen, grow and connect the sector, enabling social enterprise to play an even greater role in creating jobs for, and delivering economic and social value to, the Western Australian community.

Setting up the strategic pillars


The below table outlines our proposed investment and desired action from the WA Government to help to supercharge social enterprise in WA. The proposed strategy and subsequent funds are intended to run for at least three years, however amounts listed below are shown as per annum.

 Enabling Environment	
An enabling environment which allows social enterprises to have a shared voice and work in partnership with Government, as well as coordinate, innovate and build self-sufficiency.	
Social Enterprise Peak Body	\$450,000
Social Enterprise Capacity Building Grants	\$1,000,000
Total	\$1,450,000

 Capital Mix	
A tailored capital mix that supports social enterprise across the business lifecycle, enabling them to launch, develop and grow.	
Social Enterprise Growth Fund	\$2,400,000
Social Impact Outcomes Fund	\$6,500,000
Total	\$8,900,000

 Social Procurement Strategy	
A cost neutral Social Procurement Strategy that directs everyday Government spend towards creating jobs and social, economic and environmental outcomes	
Total	\$0

 Accreditation Framework	
An accreditation framework that legitimises the social enterprise sector and de-risks purchasing from the public and private sector.	
Total	\$150,000

 Data and Reporting	
Data and reporting to measure sector impact and inform decision-making.	
Total	\$150,000

An enabling environment for social enterprise

Social Enterprise Peak Body | \$450K pa

WASEC recommends the WA Government fund a Social Enterprise Peak Body, which cements WASEC as an industry peak for social enterprises, responsible for supporting sector maturity and connection.

WASEC's core focus is to represent, support and grow the social enterprise sector in WA – however we have been largely volunteer run since inception in 2019 and without stable core-funding we risk losing momentum and targeted effort to grow the social enterprise sector in WA.

The current fragmentation of Western Australia's social enterprise sector is hindering growth. Social entrepreneurs are siloed from one another and disconnected from stakeholders, including government representatives, potential investors and advisors in the business and philanthropic communities.

Without support from a peak body, the sector is hindered in its desire to collaborate, plan and learn together so that it can innovate and improve overall performance.

Like our east coast counterparts, WASEC is well-placed to help build a connected social enterprise sector in WA while creating opportunities for social enterprises to learn, share and scale their impact.

Both the Queensland Social Enterprise Strategy and the Victorian Social Enterprise Strategy incorporate core funding for an industry peak, in recognition of the valuable role they play in supporting the maturity of the sector, and connecting social entrepreneurs to peers, potential customers, and investment opportunities, across metropolitan and regional areas.



Social Enterprise Capacity Building Grants | \$1M pa

WASEC recommends the WA Government implement a capacity building fund, to fast-track innovative, high-impact business models.

To achieve maturity, social enterprises require both broad and specialised skill sets, blending specific areas of social impact and general commercial know-how. However, many in Western Australia are lacking the business development skills needed to engage the market, and there is a vacuum of legal, finance, business and governance expertise.

For the sector to grow, there needs to be upskilling across existing and new organisations, and a deepening of commercial acumen. That can be achieved by funding targeted capacity building programs from specialist, for-purpose intermediaries, such as impact investors and business accelerators.

WASEC recommends grants of \$30K - \$100K for this program.

In 2022-23, the Queensland Government provided Sector Development Grants for approved projects that support the development and growth of the social enterprise ecosystem in Queensland⁵⁹. Funding was provided to sector intermediary organisations or significant ecosystem developers with experience in building the skills, capability and capacity of social enterprises.

From 2017-2021, Victoria ran the Social Enterprise Capability Voucher Stream⁶⁰. The vouchers enabled social enterprises to access the expertise they needed to compete in the market, innovate, or become contract and finance ready.



Good Sammy

A capital mix for social enterprises

Like any business, social enterprises require different forms of finance and capital investment depending on where they are in their life cycle. However, unlike other, traditional businesses, social enterprises trade for community and public benefit, pairing profit creation with purpose.

While innovative, that cost structure and business model restricts access to traditional start-up and growth capital and prevents Western Australia's social enterprises from scaling and growing impact – including job creation for disadvantaged jobseekers.

As identified by the Social Impact Investing Taskforce, social enterprises need greater early-stage support from Government, so they can be ready and mature for mainstream finance opportunities⁶¹. A carefully designed funding program would bridge that gap: positioning social enterprises for self-sufficiency and long-term sustainable impact generation.

Social Enterprise Growth Fund | \$2.4M pa

WASEC recommends the WA Government start a Social Enterprise Growth Fund, so more social enterprises can enter the market and begin their impact journey.

Western Australia has grant programs to boost traditional start-ups and SMEs, as well as Indigenous businesses. Yet, no such support is available for social entrepreneurs who seek to deliver Government priorities and tackle our state's greatest challenges. As with other local businesses, early-stage, specific funding for social enterprise is necessary for market entry and growth.

WASEC recommends grants of \$100K – \$250K for a Social Enterprise Growth Fund. Social Enterprises accessing the growth fund would likely leverage this Government grant by blending it with

other funding (e.g. repayable loans from impact investors or mainstream finance, and/or philanthropic grants) depending on their stage of their business lifecycle, risk appetite and growth ambitions.

The return on social enterprise grants has been proven in Western Australia. Over a decade ago, Dismantle received start-up funding as part of State Government Social Enterprise Fund⁶². Owing to that grant, Dismantle supports over 400 at-risk young people each year, enhancing their economic, social and mental wellbeing through a variety of youth development and employment programs.

Victoria and Queensland both offer grants to social enterprises, aimed at supporting start-up and expansion cost, capability development, and impact growth^{63 64}.

In 2022-23, the Queensland Government ran a series of grant rounds to grow and develop social enterprises with a mission or purpose aligned to state priorities (including supporting jobs, investing in skills, growing regions, protecting the environment and safeguarding health). A specific program also ran for not-for-profit organisations, enabling them to grow businesses which provide employment or training opportunities to disadvantaged jobseekers.

In 2022, the Victorian Government ran a Social Enterprise Support Grant Program to assist social enterprises expand their business activity and impact, including access to the social procurement marketplace and/or job creation through direct employment or transitional pathways for job seekers facing barriers to economic inclusion.

A Social Impact Outcomes Fund | \$6.5M pa

WASEC recommends the WA Government establish a Social Impact Outcomes Fund, which can be used to purchase priority outcomes for both people and the planet.

Outcomes-based payments incentivise efficiency in social service delivery, directing public funding towards high-impact and successful interventions. The efficacy of the model has been recognised by the Social Impact Investing Taskforce, as well as the Commonwealth⁶⁵, New South Wales⁶⁶, Victorian⁶⁷, South Australia⁶⁸ and Queensland governments⁶⁹. Yet, this financing tool remains underutilised in Western Australia.

Through outcomes-based contracts, the WA Government is able to partner with service providers to deliver innovative and proven models of support, while shifting program risk away from the taxpayer. These arrangements would help the WA Government achieve the objectives of its State Commissioning Strategy for Community Services and deliver targeted, place-based community outcomes through value for money investment.

WASEC further recommends the WA Government further develop and implement the State's Outcomes Measurement framework for Community Services, which was developed by the WA Council for Social Services in 2017, and also build the capacity of community service providers to report against it. That would provide important data and robust evidence to the WA Government about which programs are successfully driving social value for our most vulnerable, as well as generating savings for State Government agencies through avoided and reduced costs.

The Victorian Government recently received advice from the Centre of Evidence and Implementation regarding what successful early intervention looks like across the service system. The paper emphasised that high quality, valid data and evidence is essential in targeting Government investment towards areas which have a real

impact in reducing acute service usage and improving outcomes for vulnerable people. Within that recommendation, a key element was the effective sharing of program datasets (within departments), as well as linked datasets (comprising data across departments and portfolios⁷⁰).

As the WA Government is in the process of rolling out a privacy and information sharing regime for State Government agencies and departments, there is a window to develop and roll-out a standard outcomes measurement framework alongside these legislative changes. Doing so would enable greater realisation of the reform's intended benefits, which include the identification of high-quality, sustainable community services and supports, and the redirection of Government funds towards effective solutions.

Buddiup

The role of social enterprise in a Social Impact Outcomes Fund

Many social enterprises have a proven record creating inclusive jobs, addressing local disadvantage, and delivering place-based community development programs. As part of a broader shift towards outcome-based contracts, the WA Government should make provision for partnerships with social enterprises.

Noting the gap in effective employment services for those facing high barriers to work, there is a significant opportunity for social enterprise, to stimulate employment and training programs for marginalised groups, including people with disability, youth, Indigenous Australians, and other disadvantaged job seekers.

The NSW Government recently established a \$30 million Social Impact Outcomes Fund (SIOF) and has partnered with not-for-profits and social enterprises to advance the economic and social participation of disadvantaged job seekers⁷¹⁷². Targeted employment and job readiness programs will be run through a Payment-by-Results contract with social enterprises.



Social procurement strategy

With Government procurement representing around 12% of GDP and a third of its spend, public supply chains can shape an inclusive, sustainable and fair economy which all Western Australians can benefit from.

Treasury's Employment White Paper calls for the Government to promote the creation of jobs to alleviate entrenched disadvantage and pave the way for marginalised jobseekers to enter the workforce.

Social procurement can generate these outcomes, at no additional cost to the WA Government. Simply by harnessing everyday spend, agencies and departments can generate employment and training pathways for our most marginalised, spurring lasting social change and community benefit. To realise that promise, certain conditions must be met. A deeper, explicit commitment to social enterprise and social value must be embedded across our state's supply chains; through purchasing decisions and contracts which are levered to generate, support and grow inclusive workforces.

Social Traders is Australia's National social enterprise certifier, which aims to scale and embed social procurement nationally. As part of a five year proof of concept, Social Traders engaged 140 of Australia's largest businesses and three state governments, to buy from over 500 certified social enterprises⁷³. From FY18 – FY22, \$607m was spent with social enterprises, which delivered:

- 3,397 jobs for people previously shut out of work
- 1,505 pathway outcomes into further study or jobs
- 551k training hours to upskill marginalised jobseekers
- \$43.5m in affordable or accessible community goods and services
- \$8.4m donated to charity
- 8,335 tonnes of waste diverted from landfill



Kardan Construction



Social procurement strategy

WASEC recommends the WA Government introduce a social procurement strategy with purchasing targets for social enterprises.

Last year, the WA Government spent \$27 billion on procuring goods, services and works. Even shifting the tiniest fraction of that spend toward social enterprises would catalyse jobs for those facing systemic barriers to economic inclusion.

Western Australia has shown great leadership in supporting Indigenous business through a dedicated Aboriginal Procurement Policy (AAP). Last year, nearly \$254 million worth of WA Government contracts were awarded to Aboriginal business owners. The turnkey for that spend were purchasing targets for agencies and departments. Prior to that, Indigenous businesses (IB) secured only a small number of contracts to deliver goods and services.

Social enterprises face the same barriers to procurement as IB, however there are no explicit measures in Western Australia's social procurement framework to direct purchasing towards job creation and training opportunities

for other disadvantaged cohorts. To address that, WASEC recommends the WA Government set a 2% purchasing target for social enterprise.

Every \$100K spent with a certified social enterprise creates 0.76 jobs⁷⁴; a two percent purchasing target would generate an estimated 4,000 jobs in Western Australia, mainly for people who are currently locked out of the workforce.

The AAP has been a cornerstone initiative for achieving outcomes in the National Agreement on Closing the Gap and WA's Aboriginal Empowerment Strategy. Purchasing targets for social enterprises would immediately see other policy priorities realised, such as our Disability Strategy and At-Risk Youth Strategy.

WASEC recommends the WA Government ask its suppliers to deliver social or environmental outcomes as part of their procurement processes.

By setting social procurement and community benefit requirements for contract partners, the WA Government can pursue economic empowerment, equality and sustainability through private business, maximising the efficiency and effectiveness of public spending.

The Victorian Government has set a nation-leading policy. Within its Social Procurement Framework, suppliers must demonstrate how an individual procurement activity will achieve a desired social outcome. These outcomes are tied to creating opportunities for targeted vulnerable groups and disadvantaged jobseekers, as well as implementing safe and fair workplace practices.

For example, a supplier could meet a commitment to create opportunities for people with disability by directly purchasing from a relevant social enterprise or delivering against performance standards on employment and training outcomes for people with disability (i.e., labour hours worked). Importantly, the latter can be met by partnering with a social enterprise that employs people with disability.

These partnerships generate a powerful ripple effect by immediately creating employment and training opportunities for marginalised groups, as well as boosting the size, scale and capability of the social enterprise⁷⁵. That, in turn, enables it to expand, and employ and train more disadvantaged job seekers.

Since Victoria's Social Procurement Framework was introduced, over \$156 million has been spent with social enterprises⁷⁶. According to Social Traders, that has 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



Loop Upcycling

There is the opportunity for Western Australia’s record infrastructure pipeline to unlock significant jobs, training and pathways for our most marginalised. Twelve months after Victoria’s Social Procurement Framework launched, major road and rail projects spent around \$84 million with social enterprise. These projects generated: 15,204 employment hours for refugees, 36,413 employment hours for the long-term unemployed, 6,432 employment hours for disengaged young people, and over 4,000 employment hours for people with a disability⁷⁷.

Procurement targets and principles were essential to these outcomes. According to a report commissioned by the Victorian Government, “*Social procurement has been around for years. However, for the transport and infrastructure industry it wasn’t until government policy and requirements were built into contracts and business models that large amounts began to be spent.*”⁷⁸.

An analysis of the social and sustainable initiatives of the Melbourne Metro Tunnel project found that for every \$1 invested in social procurement, \$4.02 of social and economic value was created⁷⁹.

WASEC recommends the WA Government measure and report on the achievement of social procurement targets and commitments

Government departments and agencies, as well as their suppliers, should be accountable for the social procurement targets and outcomes they have committed to. For example, the Victorian Government measures value for money outcomes and progress against its Social Procurement Framework by:

- Requiring Government agencies and departments to report on social procurement activities in their own Annual Reports, and contribute to a yearly whole of government report.
- Requiring suppliers to report on social procurement commitments made during the tender process (i.e., the total number of hours Victorians with disability they or their subcontractors employ worked on a Victorian Government contract).



An accreditation framework

De-risking social enterprise

WASEC recommends the WA Government endorse Social Traders certification, so that it can be used to verify social enterprises and de-risk government investment.

Social enterprises are unique because they exist to create impact through trade. Purpose is at the heart of the social enterprise model, but it can be hard to quantify or explain, and they use many different legal structures.

This is why the WA Government should establish an accreditation framework. Social enterprise certification (administered by Social Traders) provides assurance that the business has been independently verified and creates genuine social or environmental impact through trade.

The Australian Government, Victorian Government and Queensland Government have relied on the Social Traders certification to de-risk social enterprise grants and / or procurement.

“*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 Traders certification | \$150K pa

WASEC recommends the WA Government fund certification for social enterprises to ensure demand for their goods and services can be met.

An accreditation framework is vital for legitimising the social enterprise sector, especially as concerns mount around ‘social washing’. However, WASEC acknowledges the number of certified social enterprises in Western Australia would need to grow to meet demand for their goods and services.

As the certification cost can be prohibitive for early-stage social enterprises, WASEC recommends the WA Government fund the process for those which have a priority mission or purpose. In doing so, these enterprises will be able to enter the social procurement market, and work with Government and business to deliver desired outcomes, such as job and training opportunities for disadvantaged Western Australians.

As part of its Social Enterprise Strategy, the Queensland Government met the Social Traders certification cost for 20 social enterprises. The social enterprises certified under the scheme were found to generate a combined revenue of \$25.76m (95% through trade) and employ 377 Queenslanders, with a third being from a disadvantaged group. They also contribute \$4.99m annually back into the impact they create, over and above the goods or services they trade in.

Industry standards implementation and certification was also an eligible business capability project under the aforementioned Social Enterprise Capability Voucher Stream in Victoria.

Data and reporting

Sector Impact Report | \$150K

WASEC recommends the WA Government commission a Social Enterprise Sector Impact Report, so that data informs decision making.

Understanding the aggregate characteristics and impacts of Western Australia's social enterprise sector helps advance shared learning and public awareness of the sector, as well as inform evidence-based decision making about the most effective levers for strengthening its scale and impact.

WASEC has built a useful sector baseline based on direct feedback from social enterprise. However, gaps remain. Commissioning a bottom-up analysis would provide a comprehensive picture into the scope and contributions of Western Australia's social enterprises.

The economic and impact data could speak to the Commonwealth Government's *Measuring What Matters* framework. This would then enable social enterprises to align and assess themselves against the national wellbeing dimensions relevant to policy-making, program evaluation and inter-Government action.

To support the implementation of a state social enterprise strategy, both the Victorian⁸⁰ and Queensland Government⁸¹ commissioned sector mapping to determine the scale, reach and characteristics of their state's social enterprises. Doing so validated the economic and employment impacts of these businesses, and identified key areas to focus sector-building efforts and Government intervention.

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WASEC acknowledges the traditional custodians and their continued connections to country and culture throughout Australia. We pay our respect to these communities and to Elders both past and present.

Since time immemorial, Traditional custodians across Western Australia have practiced their laws, customs and languages and nurtured the country. Sovereignty was never ceded. Through the strength, resilience and pride of our First Peoples, their cultures, communities and economies endure and continue to grow and thrive today.

The WA Social Enterprise Council acknowledges the Whadjuk people as the traditional owners of the greater Walyalup area where we work from.