



Work integration social enterprise:

Requests of the Australian Government

December, 2024

This paper outlines the characteristics and value of work integration social enterprises (WISEs) and the barriers to growth they face, and makes five requests that can unlock greater contribution from them.

Estimates show that social enterprises in Australia currently employ about 206,000 people, or 1.6% of the national workforce¹. They contribute \$21 billion to the Australian economy each year. WISEs exist to provide employment opportunities for people most disadvantaged in the labour market.

Research shows that WISEs produce better outcomes for this cohort than mainstream employment service providers, creating public value and government savings through improvements in mental health, employability, housing status, work retention, earnings and other factors. Despite this, social enterprises face systemic challenges that stifle their growth and the value they can create. This paper outlines how this can be addressed, to accelerate the capacity of social enterprises to help address employment disadvantage, create and keep people in jobs, and deliver outcomes that benefit society as a whole.

What is a WISE?

A social enterprise is a business that puts people and planet first. They trade like any other business but exist specifically to make the world a better place. WISEs exist "to provide employment, or pathways to employment, for people who are highly disadvantaged in the labour market"². They complement federal government-funded universal employment services to address systemic disadvantage and discrimination, providing work and support to those who

¹ Gales, B., & Khalil, J. (2022). *Business for good: the size and economic contribution of social enterprise in Australia*. Social Enterprise Australia. Retrieved November 27, 2022, from <https://socialenterpriseaustralia.org.au/business-for-good/>. No national estimates are available for the number of WISEs in Australia, however Map for Impact# estimates that 13% of Victoria's social enterprises focus on generating employment opportunities for people from a specific group, and 3% focus on generating employment opportunities for people from a specific geographic area.

² Barraket, J., Douglas, H., Eversole, R., Mason, C., McNeill, J., & Morgan, B. (2017). Classifying social enterprise models in Australia. *Social Enterprise Journal*, 13(4), 345–361.

experience barriers to work, for example; refugees, First Nations Australians, people experiencing homelessness, people who have spent time in prison, and people with a disability.

WISEs are diverse, providing employment pathways, transitional and/or permanent employment opportunities,³ and supported transitions to mainstream employment. They operate across industries and offer a wide variety of roles. In job-poor communities, they are often established to provide not only employment opportunities for individuals but to increase the availability of jobs.

The key value WISEs bring is to:

1. Intervene to prevent and address long-term unemployment
2. Use the power of business and trading revenue to test and scale innovative ways to create employment opportunities for the most disadvantaged in the labour market
3. Increase the availability of jobs and employment pathways that are the right fit for people excluded from work
4. Provide a real work setting coupled with wraparound support.

The outcomes they create

WISEs “produce higher and better employment outcomes than mainstream employment services for people experiencing significant disadvantage”⁴, particularly long-term employment outcomes⁵.

Research by the Centre for Social Impact Swinburne examined the effects of WISEs through case studies and found a positive influence on the social determinants of health for young people and their communities. They found “improvements in young people’s mental health, employability (rather than employment) and housing status as a result of WISE participation”⁶.

Research by Taylor Fry⁷ compared public data on Disability Employment Services (DES) with data from a federal government-funded trial that pays social enterprises to deliver employment outcomes for a specific cohort⁸. The trial is led by White Box Enterprises and delivered by 17 social enterprises. Taylor Fry found:

- They stay in work longer: employee retention after 52 weeks with a social enterprise is at 69%, compared to DES at 26%.
- They earn more: individuals earn an average of 27% more than DES participants in their first 12 months, and an average of 14% more over five years.

³ Barraket, J., Douglas, H., Eversole, R., Mason, C., McNeill, J., & Morgan, B. (2017). Classifying social enterprise models in Australia. *Social Enterprise Journal*, 13(4), 345–361.

⁴ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: a people-centred approach to employment services* [Report for Westpac Foundation]. Westpac Foundation and the Centre for Social Impact Swinburne. Retrieved November 27, 2022, from https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

⁵ Mestan, K., Scutella, R., & Allen Consulting Group. (2007). *Investing in people: Intermediate Labour Markets as pathways to employment*. Brotherhood of St Laurence. Retrieved July 6, 2021, from http://library.bsl.org.au/jspui/bitstream/1/6208/1/investing_in_people_ILMs_print.pdf

⁶ Barraket, J., Campbell, P., Moussa, B., Suchowerska, R., Farmer, J., Carey, G., Joyce, A., Mason, C., & McNeill, J. (2020). *Improving Health Equity for Young People? The Role of Social Enterprise: Final Report*. Centre for Social Impact Swinburne, Melbourne. Retrieved October 28, 2024, from <https://doi.org/10.25916/5f604d4e94b31>

⁷ Taylor Fry. (2024, August). *Costs and benefits comparison social enterprise employment and Disability Employment Services*. White Box Enterprises. Retrieved October 28, 2024, from <https://whiteboxenterprises.com.au/wp-content/uploads/2024/09/2024-Taylor-Fry-Social-Enterprise-Report.pdf>

⁸ Participant eligibility includes: a) not active in the labour market for 19 out of the last 26 fortnights, or has income that has not reduced Income Support payments for the last 12 months; b) aged 16–59; c) receiving either Jobseeker Payment and DES eligible, or CDP eligible, or receiving Disability Support Payment, or receiving Youth Allowance and DES eligible; or receiving Special Benefit Payment and DES eligible; d) willing to work; and comfortable to provide informed consent on income monitoring for evaluation purposes under the Trial.

- Significant government savings: over five years, the trial model is estimated to save the Government 20% on net welfare, employment support spending and tax compared with DES, an estimated \$21,900 per person.

Barriers to growth

WISEs incur costs that standard businesses do not; costs to deliver impact. These are called Impact Costs. Not being able to recoup their Impact Costs - to be paid for the public value and savings they create - has hampered WISEs' ability to sustain, scale, and maximise the role they play.

The Centre for Social Impact Swinburne found that WISEs incur three main types of Impact Costs:

1. Employee costs – including salaries and on-costs for: the additional supports provided to target employees; management engagement with the social enterprise field; additional staff to compensate for target employees that are less experienced, qualified and/or efficient; higher rates of leave and absenteeism and hours-of-work limitations of some target employees; and higher staff turnover for WISEs that operate a transitional employment model.
2. Property costs – WISEs property costs are often higher than commensurate businesses due to: a greater floor area being required for training and accessibility; and location choice to be close to multiple modes of public transport and target employee cohort.
3. External training costs – many WISEs allocate a distinct budget for external organisations to facilitate training or provide training resources to support target employees. This can include job-specific skills, general life skills, or both.⁹

Private solutions to recoup Impact Costs are limited. Suitable employment opportunities are most common in low-margin industries, creating a gap between trading revenue and expense due to Impact Costs. Philanthropic contributions are often required to bridge this gap long term and cannot scale with WISEs because, unlike government, they don't make public savings from the contribution of WISEs. Further, most financial institutions and investors will not lend to or invest in social enterprises because of this gap. Indeed, one of the best ways to unlock private investment in social enterprise is to recognise the savings and Impact Costs of WISEs, and to pay them for the outcomes they deliver.

What is needed to unlock more outcomes

The Australian Government can change this by making targeted investments and embedding the role of social enterprises within employment services. This can fairly compensate WISEs for the public value and savings to government they create, and grow the value they deliver. It can help resource an enabling environment for WISEs and create sizeable and sustainable public value.

This should be done in the context of a **federal social enterprise strategy** that is underpinned by commitments to:

⁹ Pullen, T., Webster, J., & Ward-Christie, L. (2023). Understanding the Impact Costs of Work Integration Social Enterprises. Centre for Social Impact, Swinburne University of Technology, Hawthorn, Australia.

Partnership	Vetting	Evidence
Partner with Social Enterprise Australia to engage the Australian sector, and urge state and territory governments to partner with their local peak, to design and implement social enterprise initiatives.	Social enterprises are diverse and take different legal forms. Define social enterprise in alignment with the global standards and underpin with suitable vetting.	Collect and aggregate social enterprise data and research to inform decisions and understand sector traits and contribution. Share data on the costs and impacts of existing government interventions to inform innovation.

It should include investments in:

Capability building	Social procurement	Payments for outcomes	Impact investment
Build specialist capabilities in social enterprises so they can trade to tackle challenges associated with ESG, full employment and Scope 3 emissions.	Develop a social and environmental procurement framework to align public spend with policy.	Pay social enterprises for the public value and savings they create, so that they can cover the Impact Costs they incur.	Drive a flow of appropriate capital to grow social enterprise impact.

Specifically, we have five requests at this time to ensure WISEs are fairly compensated for the public value and savings they create, and enabled to grow their contribution:

1. Extend and expand the Economic Pathways to Refugee Integration (EPRI) program in the Department of Home Affairs, and the social enterprise Payment by Outcomes trial in the Department of Social Services. These programs are delivering employment outcomes, supporting WISEs to scale, and providing evidence that can inform the design of future initiatives. They should not conclude until new payment mechanisms are in place.
2. Allocate part of the Remote Jobs and Economic Development (RJED) program funding to establish and grow WISEs that support employment outcomes led by and for First Nations Australians, and investigate conditions for increasing WISE activity in remote areas. These steps can unlock the WISEs' contribution to create new jobs, and provide jobseekers in remote communities with meaningful jobs with fair pay and conditions.
3. Develop further appropriate payment mechanisms for WISEs, across relevant departments, underpinned by sector partnership, vetting and evidence. This should apply to the development of both WorkFoundations and further initiatives. This will enable WISEs to sustain and grow their employment contribution.

4. Share aggregated employment services, welfare and income tax data for the cohorts served by WISEs. This will support WISEs to validate their benefits and business model and can enable them to contribute to more systemic and successful innovation.
5. Invest in Seedkit¹⁰ and its further development so that enterprises can measure and track their impact and Impact Costs. This can build capability and strengthen the foundation for payments for outcomes, social procurement, and impact investment and provide aggregated data to better understand sector traits and contribution.

How was this paper developed?

This paper was prepared by the WISE Hub: a committee convened by Social Enterprise Australia to bring together key actors to support WISEs to collectively grow and unlock greater economic inclusion. It comprises people from the national peak body, social enterprises, intermediaries and funders. Its members include Kate Barelle from STREAT, Cindy Carpenter from The Bread and Butter Project, Mark Daniels from White Box Enterprises, Lisa Fowkes from Social Ventures Australia, Sally McGeoch from Westpac Foundation, Fiona Jose from Cape York Partnership, Matt Knopp from the Paul Ramsay Foundation, and Jess Moore from Social Enterprise Australia. These views are those of individual members and do not necessarily reflect those of their organisations.

¹⁰ Seedkit is a self-managed impact reporting and learning tool designed with and for social enterprises. It enables them to select or create indicators that accurately reflect their social enterprise's impact goals and business operations. It provides them with a simple and streamlined way of entering and monitoring data for each indicator and it generates meaningful data dashboards and downloadable reports for stakeholders.

The other benefit of Seedkit is that it can produce insights about the social enterprise sector. The developers of Seedkit are highly experienced social enterprise researchers who are able to aggregate and analyse de-identified data from Seedkit to generate insights about the sector and provide social enterprises, policy-makers and funders with the evidence they need to help the sector thrive.

Seedkit is owned and hosted by Melbourne Social Equity Institute at the University of Melbourne. It was co-developed by the Centre for Social Impact Swinburne and Melbourne Social Equity Institute. Its initial development was funded by Victoria State Government.