

# Opinion: How greater government support for social enterprises would benefit national economy



Anna McCann March 16, 2023

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**According to recent reports, there are over 12,000 social enterprises across Australia, and the sector contributes \$21.3 billion to the national economy, employing around 206,000 people.** However, many social enterprises that focus on generating and sustaining employment opportunities for traditionally underemployed groups, including Indigenous people, people with a disability, refugees and asylum seekers, and survivors of domestic violence, receive little or no **government** support to financially sustain their work or scale it to help more people.

In these tight economic times, the government should be looking at ways to increase employment and ensure that our most marginalised and vulnerable

communities are looked after. It is critical to ensure the work of social enterprises supporting the underemployed is not overlooked or undervalued. One drop in the ocean can lead to a ripple that affects real change.

## The ripple effect

From Free to Feed, an organisation creating empowering employment opportunities for people seeking asylum and refugees through the creation of shared food experiences to Australian Spatial Analytics, a data services company employing young autistic and neurodiverse adults, there are some incredible examples of social enterprises finding innovative ways to provide work opportunities for the underemployed.

These organisations act like job placement agencies, except that the level of wrap-around support is much greater. Often these organisations will offer additional layers of support that extend far beyond regular employers – from meeting specific medical needs to providing support with day-to-day activities like finances.

**Employing people who would otherwise struggle to find or keep a job is critical to supporting not just their financial stability, but the overall health and well-being outcomes of themselves and their families, and has a domino effect on their communities.** Not only does this create new tax revenue streams for the government, but it strengthens the national economy by reducing people's reliance on social services.

Whilst these social enterprises often deliver high impact for the communities they support and have the tools and drive to sustain and scale the organisation, what they lack is government funding and support to help turn their ambitions into reality.

## Overcoming the 7 year-itch

It's common for start-up social enterprises to suffer from what we call the "7-year itch". Around this time is when an organisation will have proven its concept but exhausted its initial philanthropic support. Most will still require funding to fill the gap between the commercially generated revenue activities and the true cost of doing business to cover the social support it delivers.

An outsider may take the position **"Well, why aren't these organisations covering their costs to operate when they are, in effect, businesses?"**.

However, the fact of the matter is that they will probably never be profitable because the cohort they exist to support can often not work at their full capacity and many experience other social and health issues, including trauma that inhibits their ability to work at high efficiency. Yet, the truth remains these enterprises are creating positive, supported, equitable and productive environments for their cohorts.

If you take community housing, for example, the government tops up the gap between the market rental rate and the capacity of the tenant to pay. The community housing provider is subsidised to provide the tenant and housing support. So, why don't social enterprises providing much-needed employment receive the same benefits?

Back in 2012, a report by Social Ventures Australia reviewed three initiatives by the Queensland government that were focused on supporting employment-based social enterprises. The three projects reviewed created 261 jobs and 122 employment pathways. All three projects exceeded their targets and demonstrated "value for money" on the investments.

The government needs to be doing more to empower these organisations, many of which are working at the grassroots level and driving tangible impact

through their innovative and generous business models. It can be a tough sell given the extra employment figures seem small per organisation, however, when added together, these social enterprises can make a really big impact.

In mid-2022 the Department of Social Services, in partnership with Whitebox Enterprises launched a \$3.8M trial exploring the effectiveness of jobs-focused social enterprises in delivering long-term employment outcomes for people living with a disability. This is the first payment by outcomes (PBO) program involving social enterprises and impacts investing.

While the trial is promising, it is limited to approximately 170 people living with disability and does not consider the benefit and needs faced by many other underemployed groups.

There are other efforts by State Governments to plug the gaps in funding for social enterprises. One example is the NSW Treasury Office of Social Impact Investing which has trialled various impact investing options in order to support organisations that deliver social outcomes. The economic return to the Government comes in the form of savings down the track. Each of the targeted processes has been successful in producing social returns. However, the difficulty in casting the investment net wider is that the "savings" delivered will benefit multiple department budgets – some federal, some state – and the question of who pays for this investment up front is complex and political.

What we need to see is the governments working together to invest back into a broad range of social enterprises that are generating jobs for the underemployed. Simply put, through open and effective collaboration, governments can actively participate in getting more people who would

otherwise be long-term unemployed and relying on welfare support, into sustainable jobs. Meaningful, stable work not only benefits the employee but positively contributes to their families and the wider community as a whole.