

# Social Traders

Unlocking business for good



Australian Government  
Department of Social Services

## Issue Paper Response: A stronger, more diverse and independent community sector

November 2023



Relied on by over  
500 certified social  
enterprises



Business for good

Trusted by 150 of  
Australia's largest  
businesses



Partner for  
multiple  
governments



Backed by  
Australia's leading  
philanthropists



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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, March 2023*

“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. One such example is certification, which we believe is a ready-made solution to de-risk investment for government and collect data for decision making, and we advocate for it to be immediately adopted.”

*Vedran Drakulic, CEO, Gandel Foundation, January 2023*

## Executive Summary

**Social enterprises are businesses that exist for good. Social enterprises deliver essential community services, advocacy, social justice and social wellbeing supports across a broad spectrum of social services. They innovate and deliver social support programs and address environmental challenges.**

This submission specifically responds to the questions put forward by the Australian Government Department of Social Services in the 'A stronger, more diverse and independent community sector' Issues Paper for:

a) *Focus Area 4: Ensuring grant funding flows to a greater diversity of CSOs.*

Social enterprises are an untapped resource for the Australian Government to help address many of Australia's most complex social, cultural and environmental issues.

Social enterprises are a valuable contributor to the community services sector, addressing their social, cultural and environmental purpose largely through independent trading revenue. Furthermore, social enterprises are diverse in their impact, their business models, their products and services, and their organisational leadership, as well as their legal structures; only 64% of certified social enterprises are non-profit organisations<sup>1</sup>. This means the impact potential of 36% of certified social enterprises is not able to be fully realised and supported here in Australia.

While social enterprises are continuing to grow and thrive, ongoing sustainability is always a challenge with increases in the real cost to deliver quality services and genuine impact. Because social enterprise sits between traditional business and charity, many fall through the gaps in the opportunities for funding support and strengthening of infrastructure that are currently available.

Social enterprise will deliver significant social, cultural, environmental and economic returns if they are included in a broader definition of Community Sector Organisations, and provided with access to the grant funding support and strengthening initiatives to be implemented by the Department of Social Services.

Social Traders certification has been built over five years with sector and state government endorsement. It is credible and rigorous while also being inclusive of all social enterprise legal structures, all stages of development and all impact models. The data collected by Social Traders offers an unmatched outcomes measurement framework with over five years of longitudinal data and an evidence base to quantify impact outcomes as well as return on investment savings to society.

Now is the time for the Australian Government to diversify and leverage the social and economic value of social enterprise as a partner in the delivery of community services in Australia.

### Issues Paper Options that Social Traders supports:

- **A comprehensive review of funding flows from government to CSOs**
- **Shared decision-making that includes organisations, government and communities**
- **Establishment of a virtual Community of Practice (CoP) on achieving grant success**
- **Dividing suitable future Australian Government grant opportunities into separate streams for small and large CSOs**

### Social Traders also recommends:

1. **Include social enterprise sector representation on the Community Services Advisory Group (CSAG)** to ensure the voices and needs of the social enterprise sector are heard and considered in DSS community sector stakeholder engagement.
2. **Expand the definition of Community Sector Organisations (CSOs) to include certified social enterprises** to ensure diversity and inclusion of all forms of organisations which offer community services.
3. **Expand eligibility for Australian Government Community Service Grants to include Social Traders certified social enterprises** to ensure a more diverse and representative community services sector while also de-risking the investment from government, protect against social washing and ensure genuine social enterprises are supported to drive community outcomes.

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*Pace23: the profile of Australia's certified social enterprises*, Social Traders (2023). Available at <https://www.socialtraders.com.au/news/pace23>

4. **Partner with intermediary organisations to leverage data capabilities to** measure and monitor the economic and social return on the grants programs through data and research to ensure government funds are effective and the success of government investment can be tracked and reported.
5. **Enable a more innovative and independent community sector** by enabling access to markets through a social procurement policy for social enterprise.

## About Social Traders

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

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

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

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

Social Traders are endorsed by over 140 corporate and government members<sup>2</sup> 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 Paul Ramsey Foundation, Gandel Foundation, Ian Potter Foundation and Helen McPherson Smith Trust, and fully endorse a more strategic partnership approach between government, philanthropy and the community service sector.

## Recommendations for ensuring grant funding flows to a greater diversity of Community Sector Organisations (CSOs)

### *Recommendation 1: The inclusion of social enterprise sector representation on the Community Services Advisory Group (CSAG)*

Social enterprises are a unique and innovative breed of business that drives positive impact through sustainable business trading practices. With the rising cost pressures and increased competition for access to finite funding, community services are recognising the role and need for social enterprise business models to build more sustainable income streams. However, not all community services understand the unique needs, challenges and opportunities that social enterprises face and therefore these particular needs of the social enterprise sector as a form of community service organisation may not be adequately captured thoroughly through consultation with the CSAG. Social enterprise intermediaries such as Social Traders and the national peak body for social enterprise, [Social Enterprise Australia](#), play a key role in advocating and providing a voice for the Australian social enterprise sector and thus there are organisations who provide this function, who are ready and able to provide this CSAG representation.

We therefore recommend that there is explicit social enterprise sector representation on the Community Services Advisory Group (CSAG) to ensure the unique voice of social enterprise is heard in CSO stakeholder consultations.

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<sup>2</sup> *Social Traders business and government members*, Social Traders (2023). Available at: <https://www.socialtraders.com.au/business-and-government-members>

## *Recommendation 2: Expand the definition of Community Sector Organisations (CSOs) to include certified social enterprises.*

Social enterprises deliver community outcomes not dissimilar to traditional community sector organisations, but they use sustainable business practices as a vehicle to drive their impact. A social enterprise is a business, for good. They trade like any other business but exist specifically to make the world a better place. Social enterprises do three things:

- Have a social, cultural or environmental purpose; and
- Generate a substantial portion of their income from trade; and
- 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 people<sup>3</sup>. Social enterprises invest 29% of their revenue into delivering impact<sup>4</sup>. They are larger on average than traditional businesses and charities<sup>5</sup>. Social enterprises can be found in all areas of Australia, delivering products and services in all sectors and industries.

**Social enterprises are diverse in their impact.** They generate their impact through three main ways:

1. **Employment generating** - social enterprises that deliver impact by creating employment and/or training opportunities for marginalised people. This may be within their own organisation through direct employment or may be by creating economic opportunity or providing targeted recruitment services for a particular marginalised cohort.
2. **Community need** - social enterprises that deliver impact by providing products/services/programs that meet a community need, otherwise not met by the mainstream market. Accessibility is inherent to the impact that these enterprises generate, in that their purpose is around ensuring their beneficiaries have access to the products/services/programs that they provide. Social enterprises with an environmental purpose often fall into this impact model.
3. **Redistribution of profit** - social enterprises that deliver impact by distributing 50% or more of profits to a charitable purpose, which may be an external charity partner, or to a parent charity organisation.

**Social enterprises are diverse in their legal structures**, selecting the legal structure that best enables them to deliver impact through business practices which may be for-profit or not-for-profit. Both for-profit and not-for-profit social enterprises are certified under the same standards and framework, to ensure consistency and confidence that all certified social enterprises are genuinely delivering public and/or community benefit that outweighs private benefit.

**Social enterprises are diverse in their target beneficiaries**, including but limited to people with disabilities, Aboriginal and Torres Strait Islander people, people of migrant and refugee background, formerly incarcerated people, marginalised women, youth, people with mental health challenges, animals and the environment as some examples.

Through the Social Traders social enterprise dataset of 518 Australian certified social enterprises, we know that certified social enterprises annually contribute/provide the following:

- Certified social enterprises spend \$690m annually on delivering impact – that's 31% of their revenue reinvested into delivering impact.
- \$43.5m invested into community services (2022)<sup>6</sup>.
- \$98,301 tonnes of waste diverted from landfill.
- \$19.4million of profits distributed to charitable partners.
- Social enterprise's impact is majority self-funded, with more than 77% of revenue coming from business activities rather than grants or donations (\$1.74bn of \$2.25bn in revenue generated through trade).
- Almost half the people employed by social enterprises (45%) would otherwise be shut out of work.
- 13.6m hours of direct employment for beneficiaries (direct paid employment).

Expanding the definition of Community Sector Organisations to be inclusive of certified social enterprises of all legal structures would assist in ensuring grant funding flows to a greater diversity of CSOs.

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<sup>3</sup> *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/>

<sup>4</sup> *Pace23: the profile of Australia's certified social enterprises*, Social Traders (2023). Available at: <https://www.socialtraders.com.au/news/pace23>

<sup>5</sup> 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.

*Pace23: the profile of Australia's certified social enterprises*, Social Traders (2023). Available at: <https://www.socialtraders.com.au/news/pace23>

<sup>6</sup> *Social Traders Impact Report FY2018-22*, Social Traders (2022).

### *Recommendation 3: Expand eligibility for Australian Government Community Service Grants to include certified social enterprises.*

Social enterprises are diverse and take different legal forms. Social washing is becoming an increasing concern, and there is appetite to be able to identify, define and elevate genuine social enterprises to set them apart. Certification de-risks government investment in social enterprise by ensuring social enterprises are genuine. Certification also leads the market to strive for innovation and sustainable business practices that puts the public benefit ahead of private benefit and promotes dynamism in our economy.

Certification has been used to de-risk social enterprise grants and support by the Australian Government, Victorian Government, Queensland Government, and the South Australian Government (see Case Study 1 below).

Social Traders is the only certifier of social enterprise in Australia, and our certification<sup>7</sup> is world-leading. It has been developed and adapted over five years. It is:

**Backed by international and local research** - Social Traders partnered with academia in 2010 and 2016 to complete two significant research projects in order to define social enterprise and to identify and map the social enterprise sector: its scope, its variety of forms, its reasons for trading, its financial dimensions, and the individuals and communities social enterprises aim to benefit. Finding Australia's Social Enterprise Sector (FASES) produced its first report in June 2010. *The definition of a social enterprise developed through this research has formed the basis of the definition we use in our certification framework.*



**Co-designed with Minter Ellison and EY** – Following a pilot program, EY were engaged in 2018 to assess and recommend improvements to the existing Social Enterprise certification process and criteria. Minter Ellison provided input and assistance into the process, developing the example legal terms required to be embedded into the governing legal documents for social enterprises operating under a for-profit legal structure.

**Overseen by an independent expert advisory group** - Social Traders established a Certification Advisory Group in 2020 to provide external technical expertise and advice on complex cases, insight into international developments in the social enterprise sector, and advice and guidance on the evolution of the certification framework. Since that time, our framework has been expanding and evolving to increase the accessibility for certification and support the growth and innovation in the sector.

**Endorsed by the social enterprise sector, and adapted ongoing based on sector needs** - There are certified social enterprises in every state and territory in Australia. Social Traders certification framework and our network of certified social enterprises is endorsed and used by state governments around Australia. All states and territories now have state based peak bodies for social enterprise as well as the national peak, Social Enterprise Australia. All of these network peak bodies have endorsed Social Traders certification. Social Traders certification framework has also been endorsed by Australia's leading philanthropists including Gandel, The Ian Potter Foundation and the Helen Macpherson Smith Trust. Social Traders framework has also been internationally recognised by Social Enterprise World Forum (SEWF).

**Inclusive of all social enterprises diverse models, legal structures and stages of development** - Social Traders certification framework is inclusive of all legal models, all stages of development and all impact types, and is constantly evolving based on the innovation of the social enterprise sector. This evolution is overseen by the Certification Advisory Group (refer above). We have a range of membership fee waivers in place to ensure that certification as a social enterprise is accessible and affordable.

Expanding eligibility for Social Traders **certified** social enterprises to access Australian Government community service grants would enable grant funding flows to a greater diversity of CSOs.

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<sup>7</sup> *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](https://assets.socialtraders.com.au/downloads/FINAL-full-guidance-notes-16May22_2022-05-26-004207.pdf)

**CASE STUDY 1: South Australian Government Department of Human Services expands grant program eligibility to include Social Traders certified social enterprises.**

The South Australian Government Department of Human Services recently expanded the eligibility for their Grants SA program, which has typically only been open to non-profit organisations, to now include Social Traders certified social enterprises in recognition of the diverse and positive social and environmental impact that genuine, verified social enterprises of all legal structures can generate for their region. This expanded eligibility applies to all current and future Grants SA grants.

See the [media release](#) from Nat Cook MP, Minister for Human Services which references this expanded eligibility.

*Recommendation 4: Partner with intermediary organisations to leverage data capabilities to measure and monitor the economic and social return of grant programs.*

*“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

Data is essential to understand the impact that social enterprise, and all community service organisations, can create and enable learning and innovation.

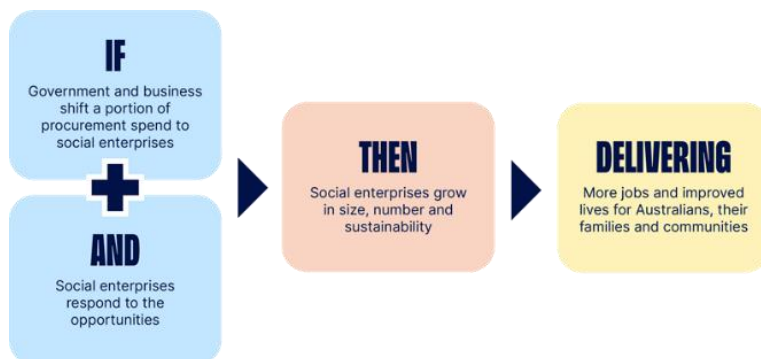
Social Traders holds Australia’s largest dataset of verified social enterprises, growing at an average of 29% year on year. It’s the only dataset in Australia that:

- Includes economic *and* impact data, across 37 data points (see Appendix 1 for list of data points).
- Includes five years of longitudinal 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).

The data held by Social Traders can be used to monitor the impact outcomes and investment into impact of social enterprises. It can be compared across regions, impact models, beneficiary groups, and over time.

Partnering with intermediary organisations who have data capabilities to measure and monitor the effectiveness of social enterprise delivery of community services and grant funding will help the Australian Government to evaluate and understand the economic and social return on their investment into the social enterprise sector.

*Recommendation 5: Enable a more independent community sector by enabling access to markets through a social procurement policy for social enterprise.*



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

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

Social procurement is one of government’s biggest levers to bring marginalised jobseekers into the labour market and create more opportunities for more Australians. Social procurement is one of the greatest enablers of social enterprises

being able to self-fund their social, cultural and environmental impact, or at the very least not be solely reliant on government grants.

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 buyers<sup>8</sup>. 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.

In the five years from FY2018 to FY2022, \$607 million was spent with certified social enterprises, and that has grown at an average of 55 per cent every year.

### Social enterprise procurement, supported by Social Traders, delivers real impact



### 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

Supporting the development and implementation of an Australia Government Social Procurement Policy that explicitly includes social enterprise procurement would enable certified social enterprises to grow their community impact, which often also diverts funding from welfare and other government-funded services, while reducing the reliance of community service organisations on Australian Government grant funding in the long-term.

<sup>8</sup> 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>



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