

Social

Traders

Unlocking business for good



Submission to Economic Reform Roundtable

How social enterprise can contribute to the productivity agenda, July 2025





Photo credit: Chocolate on Purpose, NSW

Acknowledgement of Country

We acknowledge the Traditional Custodians of Country throughout Australia and their connections to land, sea and community. We pay respects to their Elders past, present and emerging. We extend that respect to all Aboriginal and Torres Strait Islander peoples.

We would also like to thank the various certified social enterprises for the use of their photos. Front cover photo credit: Assembled Threads, Victoria.

Executive Summary

Introduction

Social enterprises are uniquely positioned to support the Australian Government's goals to improve productivity, enhance economic resilience, and strengthen budget sustainability.

Social enterprises use market mechanisms to deliver public value. They are businesses like any other, but exist to create social and environmental outcomes.

Social enterprises foster inclusive employment, drive innovation, and reduce public costs. Their contributions align closely with the reform priorities outlined in recent government inquiries, the Productivity Commission's long-term strategy, and global best practices.

Redirecting existing government procurement spend to social enterprises creates immediate productivity gains through increased public value and savings in public spending.

Recommendations

Social enterprises improve productivity, enhance economic resilience, and strengthen budget sustainability in the following ways:

1. Expand workforce participation and reduce welfare dependency

- Including social enterprise in the employment system, and scaling the social enterprise payment by outcomes trial, could result in \$220m benefit to government.

2. Drive economic dynamism and innovation

- Beyond economic contribution, social enterprises are also directly investing \$5.7 billion every year on delivering community outcomes (thereby reducing public spending).

3. Enhance public value through procurement

- Building social value and social enterprise into procurement policy will deliver 44,000 jobs for Australia's most marginalised job seekers and \$4.27 billion in societal savings.

4. Lift productivity in the non-market sector, inclusive growth and regional development

- A national social enterprise strategy could deliver an additional \$900m of direct investment into social causes through the Australian social enterprise sector.

5. Consider global endorsements of social enterprise as a productivity driver

- UN, OECD and World Economic Forum all confirm social enterprise as a driver of innovation, productivity and national interest

Australia's social enterprise sector

There are more than 12,000 social enterprises in Australia. They contribute \$21.3 billion to the economy each year and account for 1 per cent of GDP. They employ more than 200,000 people; 1 in 60 jobs or 1.6 per cent of the workforce. This is about the same number of people as employed in arts and recreation services or the mining industry.

Australia's certified social enterprises are more likely profitable than traditional SMEs and their close down rate is lower. They achieve these efficiencies while also delivering \$5.7 billion in public value annually¹.

As noted in the Inquiry into Economic Dynamism Final Report: "social enterprises are unique in the economy, blending diversity, dynamism, and a commitment to social good. Differing from traditional businesses, they prioritise social goals, focusing on community and environmental wellbeing. This approach redefines 'value for money' to include wider social and environmental benefits."²

1. Expand workforce participation and reduce welfare dependency

The Inquiry into Workforce Australia Employment Services (2023)³ recommends a complete overhaul of the Commonwealth Employment Services System to better serve disadvantaged jobseekers. Social enterprises are highlighted as effective vehicles for:

- Delivering tailored, community-led employment support.
- Creating jobs for people facing systemic barriers (e.g., long-term unemployed, people with disability, refugees).
- Reducing reliance on welfare through sustainable employment pathways.

The Committee's final report, *Rebuilding Employment Services*, calls for embedding social value into commissioning frameworks and leveraging community organisations to address entrenched disadvantage.

The Treasury's *Employment White Paper (2023)*⁴ explicitly acknowledges the role of social enterprises in creating inclusive employment pathways, particularly for disadvantaged jobseekers. For example, in FY23, certified social enterprise Fruit2Work secured over \$2 million in contracts with Social Traders business and government members. Contracts such as these have enabled Fruit2Work to successfully employ over 100 people exiting the justice system and reduce recidivism by 75%⁵.

White Box Enterprises Payment By Outcomes Trial with Department of Social Services further demonstrates the effectiveness of social enterprise. Taylor Fry Costs and Benefits Comparison of Social Enterprise Employment and Disability Employment System concluded: "If the approach could be scaled (noting the potential challenges of rapidly growing the social enterprise market), fiscal benefits would likely scale similarly. For example, a program that placed 10,000 people

¹ <https://assets.socialtraders.com.au/downloads/rise-report.pdf>

² https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000263/toc_pdf/BetterCompetition,BetterPrices.pdf

³ <https://www.aph.gov.au/waes>

⁴ <https://treasury.gov.au/employment-whitepaper/final-report>

⁵ <https://www.socialtraders.com.au/for-social-enterprise/grow-program/>

(about 4% of the Dec-22 DES caseload size) would see fiscal benefits of \$220m over a five-year period.”⁶

Including social enterprise in the national employment system would boost productivity and create savings to government.

2. Drive economic dynamism and innovation

In its final report titled "Better Competition, Better Prices"⁷ (March 2024), the House Standing Committee on Economics made a specific recommendation about social enterprise:

Recommendation 13 (Section 4.67): "That the Treasurer's Competition Policy Taskforce examine the role of social enterprises in promoting competition and economic dynamism, and consider whether policy settings could better support their development and growth."

This recommendation acknowledges that social enterprises can contribute to a more dynamic and inclusive economy, particularly by:

- Introducing alternative business models that challenge traditional market structures.
- Addressing market failures by serving communities and individuals often left behind by mainstream businesses.
- Fostering innovation through mission-driven approaches.

The Committee's inclusion of social enterprise in a national economic policy context is a significant step. It reflects growing recognition of the social enterprise sector's potential to:

- Enhance economic participation.
- Drive inclusive growth.
- Support regional and community resilience.

Social enterprises are increasingly filling gaps in the market where traditional services are absent or ineffective, particularly in areas of market failure in regional and underserved communities. They do this by:

- Responding directly to the unique challenges and opportunities of their local communities, as place-based enterprises.
- Operating in regional, remote, and disadvantaged urban areas, where mainstream services may be limited.
- Contributing to social cohesion, economic inclusion, and environmental sustainability.

⁶ <https://whiteboxenterprises.com.au/wp-content/uploads/2024/09/2024-Taylor-Fry-Social-Enterprise-Report.pdf>

⁷ https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000263/toc_pdf/BetterCompetition,BetterPrices.pdf

Beyond economic contribution, social enterprises are also directly investing \$5.7bn every year on delivering impact to communities and creating an estimated 89,000 jobs for people that would otherwise be shut out of work⁸.

3. Enhance public value through procurement

Government procurement - worth over \$70 billion annually – is a powerful lever for productivity and public benefit.

Social procurement is a ready-made solution to embed social value into the economy by directing the market to embed public outcomes into procurement. The social enterprise sector can partner with government to create a more dynamic economy that puts public benefit ahead of private benefit.

Redirecting existing government spending to social enterprises creates immediate productivity gains through savings on public services. Strategic procurement that incorporates social value can lead to significant government savings by reducing long-term expenditure on welfare, justice, and health services.

The Workforce Australia inquiry recommends embedding social value into procurement and commissioning frameworks. Such measures would not only support the growth and sustainability of small and social enterprises but would also contribute to broader social and economic objectives.

Since 2018 Social Traders has been embedding social enterprise into the supply chains of government and industry. Over seven years we have enabled \$1.1 billion⁹ in spend with certified social enterprises. This spend has generated:

- 10,000 jobs for marginalised Australians and over 918,000 training hours for people otherwise shut out of work.
- \$88.1 million in affordable and accessible community services, often in areas of market failure.
- 56,500 tonnes of waste diverted from landfill.
- \$13.1 million donated to charity partners.

With Commonwealth Government policy support, Social Traders is forecast to grow this spend to \$5.5 billion and deliver 44,000 jobs for Australia's most marginalised job seekers. This would deliver \$4.27 billion in societal savings through employment, reduced welfare dependency, and improved wellbeing¹⁰.

This aligns with the Productivity Commission's call for smarter public sector innovation and better use of non-market actors to improve service delivery.

⁸ <https://www.socialtraders.com.au/news/social-enterprise-australia-report>

⁹ <https://assets.socialtraders.com.au/downloads/Social-Traders-Impact-Report-FY24.pdf>

¹⁰ Social Traders Pre-Budget Submission 2025

<https://consult.treasury.gov.au/download/fil2bd4881d3ac855c5ce1e1>

4. Lift productivity in the non-market sector, inclusive growth and regional development

The Productivity Commission identifies the non-market sector (e.g., health, education, social services) as a key area for productivity gains. The Productivity Commission's 5-Year Productivity Inquiry Report – Advancing Prosperity (2023)¹¹ also stresses the importance of inclusive labour market reforms and community-led solutions to lift productivity. Social enterprises, with their hybrid models, are well-positioned to:

- Innovate in service delivery.
- Improve outcomes for vulnerable populations.
- Reduce long-term public expenditure.

Social enterprises often operate in regional and disadvantaged communities, helping to decentralise economic opportunity. This supports the Government's broader goals of inclusive growth, as outlined in both the Workforce Australia and Economic Dynamism inquiries.

Social Traders Report on Identified Social Enterprises (2024)¹² highlights that every year, 636 certified social enterprises contribute:

- 15.78 million hours of paid employment to beneficiary employees
- 13,000 employment pathway outcomes
- 906,000 hours of employability training
- \$230.9 million towards providing community goods and services
- \$33.7 million in donations to charitable organisations
- 1.2 million tonnes of waste diverted from landfill.

Certified social enterprises in Australia spend 27% of total revenue on impact costs. When applied to sector estimate of 12,000 social enterprises, this could amount to \$5.7 billion annually.

86% of revenue in certified social enterprises is derived from trade, demonstrating commercial viability alongside social impact¹³.

If a national social enterprise strategy in Australia mirrored the successes of Scotland, a 16% increase in the number of social enterprises could amount to an additional \$900m of direct investment into social causes through the Australian social enterprise sector.

¹¹ <https://www.pc.gov.au/inquiries/completed/productivity/report>

¹² Social Traders RISE Report (2024): <https://assets.socialtraders.com.au/downloads/rise-report.pdf>

¹³ Social Traders RISE Report (2024): <https://assets.socialtraders.com.au/downloads/rise-report.pdf>

5. Consider global endorsements of social enterprise as a productivity driver

The OECD Recommendation on the Social and Solidarity Economy and Social Innovation (2022)¹⁴ recognises social enterprises as key actors in addressing socio-economic and environmental challenges. The OECD urges governments to:

- Integrate social enterprises into national and regional economic strategies.
- Support access to finance, markets, and capacity-building.
- Embed social value in public procurement and regulatory frameworks.

These recommendations align closely with Australia's own reform directions, particularly in employment services and public sector innovation.

The World Economic Forum 2024 report, *The State of Social Enterprise*¹⁵, reveals that:

- There are 10 million social enterprises globally, generating \$2 trillion in revenue and creating 200 million jobs.
- One in two social enterprises are led by women - double the rate of conventional enterprises.
- Social enterprises are bridging economic, gender, and regional divides while contributing to the Sustainable Development Goals (SDGs).

The World Economic Forum calls for policy frameworks that recognise and support the dual economic-social mission of these enterprises.

The UN World Youth Report (2020)¹⁶ and the Entrepreneurs for Social Change Initiative¹⁷ highlight the role of social enterprises in:

- Empowering youth and marginalised communities.
- Accelerating progress toward the SDGs, particularly in employment, education, and gender equality.
- Fostering innovation ecosystems that are inclusive and sustainable.

The UN recommends:

- National strategies to support social entrepreneurship.
- Investment in training, legal support, and access to finance.

¹⁴ <https://www.oecd.org/en/topics/social-economy-and-social-innovation.html>

¹⁵ <https://www.weforum.org/publications/the-state-of-social-enterprise-a-review-of-global-data-2013-2023/>

¹⁶ <https://social.desa.un.org/publications/world-youth-report-2020>

¹⁷ <https://sdgs.un.org/partnerships/entrepreneurs-social-change>

Conclusion

Social enterprises are not peripheral market actors - they are central to achieving a more dynamic, inclusive, and productive Australia. Their alignment with government reform priorities and global best practices makes them strategic partners in workforce development, regional revitalisation, public sector innovation, and inclusive economic growth. By embedding social enterprise into national policy frameworks - through procurement, employment services, and regional development strategies - Australia can unlock untapped human capital, drive inclusive economic growth, and grow productivity.

About Social Traders

Social Traders is a leading industry body for social enterprise and social performance, established since 2008. We certify and support social enterprises across Australia to increase trade revenue. Social enterprises are businesses like any other, but they exist to intentionally solve social or environmental challenges.

We support business to drive social performance in more ways including procuring for impact, embedding fair and inclusive employment practices and establishing initiatives to better support communities. Our unrivalled social enterprise data and reporting capabilities enable businesses to track, measure and quantify their social impact.

We've successfully built a national social procurement market and have supported over 300 of Australia's largest businesses and four state governments to build certified social enterprises into their supply chains. There has been \$1.1 billion spent with certified social enterprises since 2017.

We've built the most comprehensive database of social enterprises in Australia. We've combined our data on certified social enterprises with other datasets, providing a view of 6,000 social enterprises across Australia on an interactive dashboard.

By 2030 our goal is to unlock \$5.5 billion in contracts for social enterprises - creating over 44,000 jobs, 6 million training hours, and deliver community services and donations of \$128m.

CONTACT

Alex Hooke

Executive Director Innovation & Impact
alex.hooke@socialtraders.com.au

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Head office: Level 27,
150 Lonsdale Street,
Melbourne, VIC 3000

03 8319 8444

info@socialtraders.com.au

www.socialtraders.com.au

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