
JOB FOCUSED SOCIAL ENTERPRISES AND THE NEW EMPLOYMENT SERVICES MODEL

ASENA response to the Exposure Draft for the New Employment Services Model 2022 Purchasing Arrangements

July 2021



South Australian Social Enterprise Council



EXECUTIVE SUMMARY

Job focused social enterprises, also known as work integration social enterprises (WISEs), directly address unemployment for disadvantaged job seekers. They are a proven way to support the development of, and create sustainable employment outcomes for, the most disadvantaged people, groups and communities.

Australia needs to support and grow WISEs as a critical part of its solution to entrenched unemployment.

WISEs work because they offer real-world work settings combined with development support to help the most disadvantaged job seekers secure sustainable employment. In the language of the New Employment Services Model (NESM) this means they act as both Provider and Host or Employer.

However, while the government pays Providers and Employers for their role in tackling unemployment, as it involves costs, this funding has largely not been available to WISEs. This has hampered their ability to sustain, scale and maximise the role they play.

Now is the perfect time to put in place the funding mechanism to change this.

The NESM should be a key instrument to do this. WISEs should be able to access the NESM funds if and when they deliver the employment outcomes sought by the NESM. It is a game-changing opportunity to let funds flow to where they are most effective, for the benefit of disadvantaged job seekers, government and communities now and in the future.

However, the NESM requires refinement to do this successfully. To make the NESM work for WISEs, ASENSA makes the following recommendations:

1. That when disadvantaged job seekers are engaged by a WISE, the WISE receives the full funding available to licenced Providers and Employers if and when they deliver the support and employment outcomes sought by the NESM.
2. That this happens via 'wage subsidy-plus' agreements between WISEs and Providers, to pass on not only wage subsidies but any relevant Provider payments and Employment Fund payments when associated criteria are met. These should also have the following features:
 - Have a standard form.
 - Not be at a Provider's discretion.
 - Have the wage subsidy component linked to total hours of employment, within a three-year limit, with a requirement that the average hours of employment increase to an acceptable minimum over time.
3. That compliance relating to the Points Based Activity System not be required for WISE employees (or automatically logged as 100 points) given WISE employees work, and are engaged in wrap-around activities.

These recommendations are consistent with and complement the PBO pilot proposed by White Box Enterprises to the Department of Social Services (DSS) and the Department of Education, Skills and Employment (DESE). In addition to the above changes to the NESM we strongly support this proposed PBO pilot, as a model custom built for effective WISEs, to inform future iterations of employment services in Australia and to be scaled over time.

We welcome the opportunity to meet with DESE to develop the above recommendations ready for full implementation in the proposed NESM timeframe.

ABOUT ASENA

ASENA is the alliance of the seven social enterprise networks representing each state and territory of Australia. It includes:

- Social Enterprise Network Victoria (SENVIC)
- Social Enterprise Council of NSW and ACT (SECNA)
- Queensland Social Enterprise Council (QSEC)
- South Australian Social Enterprise Council (SASEC)
- Western Australia Social Enterprise Council (WASEC)
- Social Enterprise Network of Northern Territory (Impact North)
- Social Enterprise Network of Tasmania (emerging)

Jointly, we represent the interests of over 20,000 social enterprises across Australia.

AUSTRALIA NEEDS JOB FOCUSED SOCIAL ENTERPRISES

Social enterprises are businesses that exist primarily to fulfil a social or environmental purpose¹. For job focused social enterprises this purpose is to provide employment, or pathways to employment² for those most disadvantaged in the labour market. They often focus on systemic disadvantage, providing work and support to specific cohorts such as refugees and asylum seekers, Indigenous Australians and young people.

There are now almost 7,000 WISEs in Australia³. They work because they offer real-world work settings combined with development support⁴.

Like most innovations, WISEs emerged to address a gap or failure in the market; a market failure that remains under the NESM in its current form. The current employment service model has limited impact on the most disadvantaged job seekers⁵. Employers seek the most skilled and experienced people, and employment service providers compete to place the most job-ready people in a job⁶. These conditions leave the most disadvantaged job seekers behind⁷ and entrench the status quo, at great cost to individuals, government and communities.

The NESM sensibly proposes enhanced services to better support high need job seekers and reduce the risk of these job seekers becoming or remaining long-term unemployed. However, it does not yet draw on an effective and proven model to deliver sustainable employment to disadvantaged job seekers: WISEs. A thriving WISE sector will be an important market-based driver of a new economy that is more just and inclusive.

¹ Barraket, J., Mason, C., & Blain, B. (2016). *Finding Australia's social enterprise sector*. Social Traders and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

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.

³ Barraket, J., Mason, C., & Blain, B. (2016). *Finding Australia's social enterprise sector*. Social Traders and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

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

⁵ Thomas, M., & Vandenbroek, P. (2017). *Employment—Measuring and improving outcomes for young Australians*. Parliament of Australia. https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/EmploymentYoungAustralians

⁶ Social Traders (2013). *Employment services beyond 2015: The role of social enterprise*. Retrieved June 29, 2021, from <https://10pso92wbk40rqcl1jc5p3-wpengine.netdna-ssl.com/wp-content/uploads/2016/05/Employment-Services-Beyond-2015-The-Role-of-Social-Enterprise-.pdf>

⁷ Department of Jobs and Small Businesses (2018). *I want to work: Employment services 2020 report*. Retrieved June 29, 2021 from https://docs.employment.gov.au/system/files/doc/other/final_-_i_want_to_work.pdf

WISEs “produce higher and better employment outcomes than mainstream employment services for people experiencing significant disadvantage”^{8,9}, particularly long-term employment outcomes¹⁰. This directly reduces government costs and increases tax revenue¹¹ and improves people’s lives and livelihoods¹².

WISE case studies that show ongoing success, with robust impact measurement include:

STREAT

STREAT is a social enterprise in Melbourne that tackles youth disadvantage and homelessness by using its hospitality businesses to provide young people with a supported pathway to careers in the hospitality industry and independent living. They offer an intensive 6-month intervention that costs STREAT \$18,196 per young person. This work saves the government an average of \$32,495 per participating young person¹³. Since its inception ten years ago, recent data shows STREAT has saved the Australian government about \$49 million.

VANGUARD LAUNDRY SERVICES

Vanguard Laundry Services is a social enterprise in Toowoomba that provides jobs and employment pathways for people with a lived experience of mental illness who have a history of unemployment. Their impact evaluation for the 2020 financial year, supported by the Centre for Social Impact Swinburne, found a 32.1% reduction in total gross Centrelink payments and an increase in median total income of \$638 per fortnight for participants’ first year of employment with Vanguard. It also showed that, of evaluation participants who had left Vanguard as of 2020, 63.2% left with a job, 91.7% of these remained employed at last contact, 5.3% left to study, and 100% of these remained studying at last contact.

GREEN CONNECT

Green Connect is a social enterprise in Wollongong that provides jobs and employment pathways for young people and former refugees. They were engaged by the NSW Government under a payment by outcome (PBO) contract to support employment outcomes for the most disengaged and disadvantaged young people in the Illawarra¹⁴. Under the program, less than two years since it started, 105 young people had engaged in work experience and of those, 63 commenced paid work, 40 transitioned to long-term employment, and 28 completed six months in employment. About the program, Wollongong Lord Mayor Gordon Bradbery said: “The Green Connect program is different to other employment programs in that it directly employs people

⁸ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

⁹ Mission Australia (2008). Working for renewal: An evaluation of Mission Australia’s UREEP a social enterprise and transitional labour market program. Retrieved June 29, 2021, from <https://www.voced.edu.au/content/ngv%3A32716>

¹⁰ Mestan, K., Scutella, R., & Allen Consulting Group. (2007, September). *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

¹¹ Lamb, S., & Huo, S. (2017). *Counting the costs of lost opportunity in Australian education* (No. 02/2017). Mitchell Institute. <https://www.vu.edu.au/sites/default/files/counting-the-costs-of-lost-opportunity-in-Aus-education-mitchell-institute.pdf>

¹² Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

¹³ Scott, R., Edelmaier, G. & Barrelle, K. (2019). *Social Enterprise: A Case Study for Government*. STREAT. Retrieved June 30, 2021, from https://www.streat.com.au/sites/default/files/streat_a_case_study_in_creating_value_for_government_a3_3.pdf

¹⁴ Moore, J. & Flament, K. (2020). *Funding employment support for those who need it most*. Community Resources. Retrieved June 30, 2021, from https://treasury.gov.au/sites/default/files/2020-09/115786_COMMUNITY_RESOURCES_-_SUPPORTING_DOCUMENTS_2.pdf

and wraps support around them... it's critical that the Government continue to support this program and others like it [to] create opportunity for those who need it most to break the cycle of welfare dependency"¹⁵.

THE BREAD & BUTTER PROJECT

The Bread & Butter Project is an artisan bakery and social enterprise in Sydney that provides training and employment pathways for refugees who aspire to become bakers (a job category with chronic labour shortages across Australia). The Bread & Butter Project offers a 6-8 month full time paid baker training program that includes completion of a TAFE qualification, hands-on baking training, ESL tutoring, paid work placements and employment after graduation at either The Bread & Butter Project or partner employers. Independent research conducted by the Social Impact Hub in 2018 found that, since launch in 2013, 100% of baker graduates had secured sustainable employment and were no longer accessing the Newstart allowance. The cost to The Bread & Butter Project of supporting humanitarian migrants into sustainable employment as professional bakers is estimated at \$21,000 per participant.

Effective WISE's achieve outcomes through FIVE CRITICAL DESIGN FEATURES:

1. **WORK AND SUPPORT** – WISEs usually integrate real-world work settings combined with personalised development support, training or education, and access to external support services where required¹⁶. In the language of the NESM, this means they act as both Employer or Host and Provider.
2. **PEOPLE-CENTRED** – WISEs are typically closely engaged, aware of the structural barriers and life situations that make employment difficult for the people they support and flexible¹⁷. They understand the needs of the individual over time¹⁸.
3. **WORK THAT'S MEANINGFUL** - WISEs provide work that is not only doable but challenging, unlocking development, unlike many traditional sheltered workshops¹⁹. WISEs labour productivity is the same or higher than that of small and medium businesses²⁰, evidencing this.
4. **COLLABORATIVE** – WISEs typically develop strong community relationships that enable them to link their staff and trainees to different work, social, and personal development opportunities²¹.
5. **ADAPTIVE** - WISEs adapt with efficiency and speed to new opportunities and needs²².

¹⁵ Moore, J. & Flament, K. (2020). *Funding employment support for those who need it most*. Community Resources. Retrieved June 30, 2021, from https://treasury.gov.au/sites/default/files/2020-09/115786_COMMUNITY_RESOURCES_-_SUPPORTING_DOCUMENTS_2.pdf

¹⁶ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

¹⁷ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

¹⁸ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

¹⁹ Chui, C. H. K., Shum, M. H. Y., & Lum, T. Y. S. (2018). Work integration social enterprises as vessels of empowerment? Perspectives from employees. *Asia Pacific Journal of Social Work and Development*, 29(2), 133–148.

²⁰ Abbott, M., Barraket, J., Castellanos, E. I. P., Hiruy, K., Suchowerska, R., & Ward-Christie, L. (2019). Evaluating the labour productivity of social enterprises in comparison to SMEs in Australia. *Social Enterprise Journal*, 15(2), 179–194.

²¹ Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

²² Barraket, J., Qian, J., & Riseley, E. (2019). *Social enterprise: A people-centred approach to employment services*. Westpac Foundation and Centre for Social Impact Swinburne. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/westpac-foundation/WestpacFoundation_CSI_report_Aug2019.pdf

It is critical the NESM fosters the above features that make WISEs successful. This can be done in a genuine partnership between Government and WISEs, based on shared investment in employment outcomes, to help the most disadvantaged job seekers gain sustainable employment. Given most income from WISEs comes from their trading revenue, and they invest in their social purpose²³ WISEs bring resources over and above government funding to tackle entrenched unemployment. This investment by WISEs grows as WISEs grow.

JOB FOCUSED SOCIAL ENTERPRISES NEED A RELIABLE WAY TO FUND THE SUPPORT THEY PROVIDE

WISEs have support costs not borne by other businesses, as they provide development support to job seekers who experience complex barriers to employment. As WISEs grow, so too does the absolute value of dollars required for these costs.

The current absence of a reliable large-scale mechanism to fund these costs is problematic. Government programs have not been well suited to WISEs' critical design features, and as a result WISEs are typically too small to apply for meaningful government funding and also do not earn the commercial returns to attract debt funding or private investment. As a result, despite their superior employment outcomes for disadvantaged job seekers, this has hampered their ability to sustain, scale and to maximise the role they play.

The sector is excited by the PBO pilot proposed by White Box Enterprises that is currently in development with DSS and DESE. It is a key opportunity to test a model built specifically to fit effective WISEs and to maximise and demonstrate the value WISEs can provide with the right funding mechanism. The sector eagerly anticipates this pilot, the scaling of it, and the lessons from it that can inform the future iterations of employment services in Australia.

The need for a WISE-supportive employment model can and should also be addressed by the NESM right now. WISEs should be able to access the NESM funds if and when they deliver the employment outcomes sought by the NESM. This will enable them to sustain, grow and maximise their impact. It is a game-changing opportunity to get this right for the benefit of disadvantaged job seekers, government and communities now and in the future.

HOW TO MAKE THE NESM WORK FOR JOB FOCUSED SOCIAL ENTERPRISES

Because WISEs act as Providers and Employers, there are options within the proposed NESM to support WISEs and the outcomes they create.

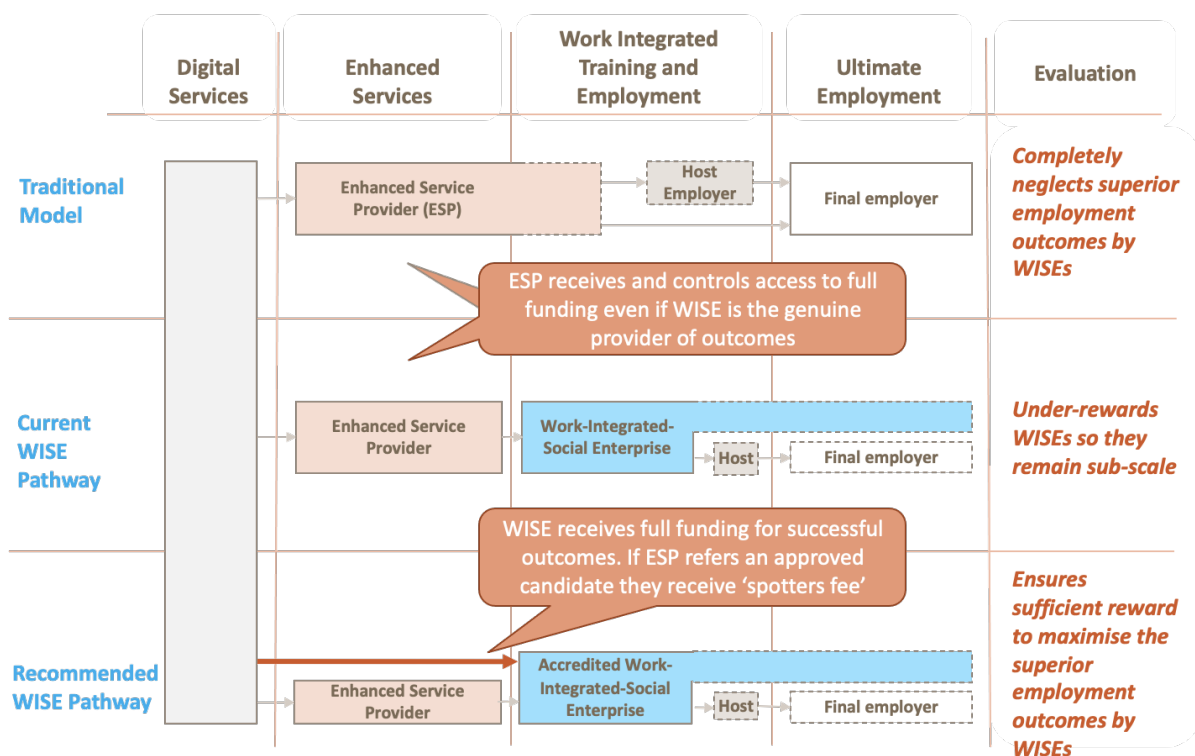
RECOMMENDATION 1: When disadvantaged job seekers are engaged by a WISE, the WISE receives the full funding available to licenced Providers and Employers if and when they deliver the support and employment outcomes sought by the NESM.

This approach will not change the cost per outcome to the Government. However, it will enable funding to flow to the source of the outcome, growing effective solutions.

The following diagram illustrates this approach.

²³ Social Traders. (n.d.). *What is a social enterprise? Social enterprise definition*. Retrieved June 27, 2021, from <https://www.socialtraders.com.au/about-social-enterprise/what-is-a-social-enterprise/social-enterprise-definition/>

Comparison of current versus recommended WISE integrated employment model and funding



RECOMMENDATION 2: This happens via 'wage subsidy-plus' agreements between WISEs and Providers, that pass on not only wage subsidies, but any relevant Provider payments and Employment Fund payments when associated criteria are met.

These should also have the following features:

- Have a standard form, to provide clarity and certainty.
- Not be at a Provider's discretion. Leaving payments at the discretion of licenced Providers results in the situation that currently occurs, where Providers have little or no incentive to fairly compensate WISEs for the role they play in supporting and achieving employment outcomes.
- Have the wage subsidy component linked to total hours of employment, within a three-year limit, with a requirement that the average hours of employment increase to an acceptable minimum over time. Wage subsidies based on minimum hours of employment per week, every week, from the first week of employment can be problematic for the most disadvantaged job seekers. They risk driving perverse outcomes that result from disadvantaged job seekers moving into paid employment too quickly and the employment failing, further entrenching unemployment. Some of the most disadvantaged job seekers need to commence with a few hours of paid employment and allow time for life situations, required training and support, and confidence building, before increasing paid employment. Sector consultation with over 40 WISEs carried out in 2021 by White Box Enterprises found:
 - A general trend of an increase in the hours worked per week for most cohorts.
 - That breaks from employment, though not from contact and ongoing support, can be needed.
 - That, on average, 50% of cohort employees will transition to further employment in a 12-month period.

This stipulation will support WISEs to provide work coupled with support, work that's both doable and challenging, and maintain their proven people-centred approach.

RECOMMENDATION 3: Compliance relating to the Points Based Activity System not be required for WISE employees (or automatically logged as 100 points).

Given WISE employees work, and are engaged in wrap-around activities, this activity requirement should be considered as met. This will help avoid perverse outcomes that result from disadvantaged job seekers undertaking activity that is too much, too soon, or less helpful than other activities, and support the people-centred approach that makes WISEs effective. It will also make payments truly outcomes based.

NEXT STEPS

We recommend ASENSA meets with DESE to develop the above recommendations ready for full implementation in the proposed NESM timeframe.

Together with DESE we will:

- Agree a national accreditation process for WISEs that leverages well established and rigorous accreditation models currently in place, such as Social Traders' social enterprise certification.
- Work closely with DESE to agree the standard WISE contract, including outcome measures and reporting mechanisms, drawing on relevant employment outcome metrics and payments proposed in the NESM.

The above co-designed changes can be completed in the timeframe envisaged by the NESM, noting full implementation by July 2022.

As a sector we are excited about the opportunity to sustainably fund WISEs to maximise the employment benefits they deliver. The NESM can and should be a key vehicle through which WISEs achieve scale and reach commensurate with their longstanding success in delivering employment outcomes for disadvantaged job seekers.