

Social Enterprise in Australia:

The Need for a Social Innovation Ecosystem



How do we respond to growing inequalities during times of an increasingly fragile global outlook? Such questions have become more important in our lives, and the need to respond to them has intensified, as economic, social and political frictions are felt closer to home.

ARTICLE BY: **DR CHRIS MASON**

For example, reductions in government funding for essential services, many of which deal directly with social and economic inequalities, often require organisations to do more with less. Certainly, not too long ago, the Australian federal government used (and quickly dropped) innovation to frame how the country's 'ideas boom' would help guide all Australians to a more prosperous economic future. The importance of innovation to help tackle long-term social

inequalities was less clear.

Indeed, any innovation ecosystem that lacks proper, coordinated investment makes the task of delivering long-term equality even harder. For organisations on the front-line of service delivery – those working with individuals and communities affected by complex challenges – reductions in funding and marketisation of their services, apply severe pressure on their ability to serve communities.

Understandably, given these constraints, some existing providers and community



Social innovation ecosystem in Australia

Since social enterprises have been shown to effectively tackle inequalities, how do they fit into the wider social innovation 'ecosystem' in Australia? Social innovation is a broad term that refers to "innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social".⁴

There are many actors and institutions that influence social innovation, and in turn social enterprises specifically. These include: all levels of government, social impact investors, sector advocacy organisations and intermediaries, charities and non-profits, philanthropists, universities, some NGOs, and international development organisations and institutions. Naturally, these actors are not constrained to within Australia – there are undoubtedly international networks and relationships that are interwoven into the ecosystem.

The value of the ecosystem metaphor is that it illustrates how collaboration between several key actors can lead to, or support, tackling inequalities in Australia. Furthermore, it prompts us to think of the interplay and connectedness between the different actors as dynamic, rather than static. The ecosystem is constantly shifting and adapting as new entrants emerge, while others leave the scene.

Although not exhaustive, this list gives a good indication of the breadth of interest

members have sought alternative ways to address inequality. One such approach is social enterprise.

These organisations are businesses that trade products and services to produce surplus, which is reinvested towards a social and/or environmental mission. Social enterprise can take many forms: from cooperatives and mutuals, to social firms, community and voluntary organisations. Social enterprise is certainly not a new idea or practice, as our long history of cooperative¹ and community enterprise illustrates.

Social enterprises are a good example of organisations that work directly with people experiencing different kinds of inequality. In Australia, the social enterprise sector comprises approximately 20,000 diverse organisations – and they do their work in every industrial sector.² The types of inequality these organisations

address vary, depending on their mission, values, workforce and business model.

There are many examples of social enterprises that successfully deliver multiple impacts: social, environmental and economic. Streat is a Melbourne-based social enterprise that deals directly with issues of economic and social

inequality, specifically equality of opportunity for young people experiencing homelessness.

Through intelligent business model design and financing, combined with a strong, shared commitment to the founding social mission, Streat has helped transition over 300 young people through their programs.³ There are many excellent examples of how social enterprise can address

inequalities: from economic and social outcomes to more specific focuses on Indigenous communities, migrant and/or gender inequality.

In Australia, the social enterprise sector comprises approximately 20,000 diverse organisations.

in social innovation in Australia, perhaps also reflecting its growing importance in our communities. Social finance, for example, has been pivotal to enabling some well-known social enterprises to get started, as well as scaling their impacts. That said, the vast majority of social enterprises do not qualify for, or are unable to acquire this kind of investment. Thus, many social enterprises turn to other parts of this ecosystem (friends, family, and maybe mainstream banks) to secure the resources they need to get started.

Compared to overseas

As a recent review of social innovation in health equity⁵ showed, social innovations can develop through strategic programs, as well as at grassroots levels.

In contrast to countries with a formal strategic approach to social innovation, it is clear that Australia is playing catch-up. For example: the UK Government's investment in the Behavioural Insights Team (BIT).⁶ BIT 'spun out' from government, meaning it is now a social-purpose company owned by the government, the 'innovation foundation' Nesta, and employees. In so doing, BIT laid the blueprint for similar state government teams in New South Wales and lately in Victoria. Such teams apply behavioural science to provide robust, evidence-supported policy interventions, and bring social innovation closer to government.

Elsewhere, the Social Innovation Exchange⁷ in Europe is a multi-country,

EU-funded network that works to bring together social innovation experts and practitioners from across the continent. Other country-level social innovation hubs, centres and institutes are also common and, in this regard, Australia also features strongly: for example, the Australian Centre for Social Innovation (TACSI)⁸ has a significant track record in this space, and other regional centres and hubs play important roles too⁹.

When compared to the United Kingdom, there is a large difference in the scale of public investment in social enterprise. Beginning with their 'Strategy for Success' in 2002, there has been continuing (although not uncontested) commitment to social enterprise, especially promoting and supporting capacity building in tandem with wider Government welfare reforms.

For example, the creation of social enterprise 'spin-outs'¹⁰ has accelerated the development of new

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Indigenous Corporation working on a social enterprise model.

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sorghumsisters.com.au | MELBOURNE
Catering organisation that employs refugee and migrant women.

streat.com.au | MELBOURNE
Skills and hospitality training for homeless and long-term unemployed.

socialchangecentral.com
Australia's first online hub to connect social enterprises.

socialtraders.com.au
Industry advocate for the social enterprise market in Australia.

Structural changes to existing welfare regimes are part of a broader social innovation movement that has been well resourced by governments and sector agencies.



social enterprises from within the world's largest single-payer public health system. Spin-outs (in the UK, they are often referred to as public service mutuals) are independent public service providers that choose to de-couple from public sector structures. The general aim of these spin-outs is to create autonomous, socially-orientated businesses that streamline public service provision. These structural changes to existing welfare regimes are part of a broader social innovation movement that has been well resourced by governments and sector agencies. This is well highlighted by the Digital Social Innovation project;¹¹ commissioned by the European Commission and collaboratively developed by Nesta, the Waag Society and Esade Business School.

What can be done to support social innovation?

There are several areas that need attention in order to better support the social innovation ecosystem in Australia. In keeping with the ecosystem idea, the areas are interlinked and play mutually-supportive roles in fostering impact through social enterprise.

Policy and legal support

Despite recent state-level government activity, such as the Victorian Government's Social Enterprise Strategy, there is no specific federal policy to strategically support social enterprise

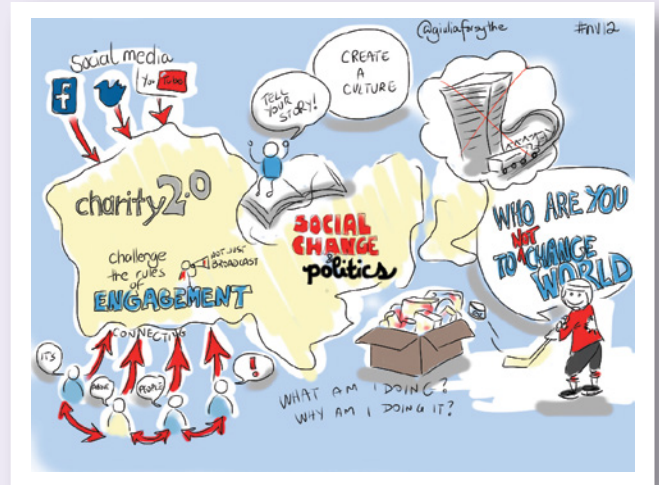
in Australia. Many see this lack as an impediment to enhancing the wider legitimacy of social enterprise, and may act as a handbrake to further developing key parts of the social innovation ecosystem.

Indeed, given Australia's geography, there are place-based inequalities in rural and remote areas that could be addressed by more coordinated social enterprise activity.¹² It appears that at the state-level, specific policy actions are proving effective in supporting social enterprise development, such as Victoria's commitment to social procurement. In short, social procurement will create new opportunities for social enterprises to tender for, and deliver services to government.

Furthermore, some researchers and sector advocates¹³ feel the time has come to recognise social enterprise as a distinctive legal entity, similar to the Community Interest Company in the UK.¹⁴ Specific legal forms for social enterprise can have some key benefits, such as limited liability for members, better access to the debt-market (i.e. loans) and 'continuity of purpose'. However, there is a strong counter-argument that there are other sector needs that are just as, if not more, important, such as the availability of suitable start-up finance.

Capacity building

One area where government has been quite active is creating new market-based opportunities for social enterprises to emerge and/or grow. These take the form of social procurement, and opening-up



welfare provision to new entrants, such as the National Disability Insurance Scheme (NDIS). Social enterprise providers in NDIS markets could feasibly create multiple benefits for service users and its employees, while remaining competitive.¹⁵

Although if we take the NDIS as an example, it remains unclear if the scheme is geared up to support social enterprise *per se*, or just increase competition between providers more generally.¹⁶ Very little evidence exists that evaluates the depth and quality of social enterprise performance in these kinds of quasi-markets.

Business support

A recent study of social enterprise in Western Australia identified a significant need for business skills and development support.¹⁷ Being able to respond quickly and effectively to changing market conditions is critical to any business, and social enterprises are no exception.

Intermediaries

There are several intermediaries in the Australian social innovation space that work directly with social enterprise. For example, Social Traders is the leading voice for social enterprise in Australia, and through its dedicated support programs it offers advice and mentoring to social enterprise at different stages of development. They also work with other

important actors in the ecosystem, from corporates to philanthropists and government at all levels.

Furthermore, other important actors also cross sector-boundaries in this ecosystem, such as the Australia Council of Social Services¹⁸ and the Brotherhood of St. Lawrence¹⁹. Both of these examples have pioneered and advocated strongly for changes that directly or indirectly impact on social innovation and social enterprise. Thus, the ensuing coordinated cross-sector collaborations and partnerships among intermediaries will be vital to the long-term health of this ecosystem.

Social finance

Finally, the importance of social finance cannot be underestimated for individual social enterprises, and to the future sustainability of the social enterprise sector. Social impact investments, such as those undertaken by Social Ventures Australia and Social Enterprise Finance Australia, can transform both organisations and the scale of their impact.

The Social Enterprise Development and Investment Funds (SEDIF) are the only government-backed investment initiative to support and develop capacity for social

enterprise. A recent evaluation of the SEDIF showed it had some good results, though they were largely restricted by the available scale of funds.²⁰

Other options, such as Social Impact Bonds (SIBs), remain relatively untested in Australia compared to overseas, although some SIBs have been launched in Australia in recent times, with some positive signs for outcomes and returns to investors, as Impact Investing Australia's recent report shows.²¹

Concluding remarks

Although we are seeing social enterprise become more prominent in the fight against inequality of several kinds, Australia still has much to do to ensure the wider social innovation ecosystem is geared to support deeper impacts.

There are many positive signs, such as the vitality of the intermediary space, the emergence of innovation hubs and accelerator programs for budding social entrepreneurs, as well as the excellent work that social enterprises undertake.

However, it will take coordinated, prolonged efforts at policy and operational front-lines to make deeper, perhaps scalable solutions, to address the growing inequality in our communities. [AQ](#)



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Redefining Inequality: It's the Inequity of Social Trust, not 'the Economy, Stupid'

The popular definition of inequality relies heavily on materialistic differences. Yet when viewed as systemic, rather than materialistic, the question becomes how to interpret the effects of inequality as symptoms of unfair systems – systems that generate antisocial distrust and undermine social cohesion. It is no coincidence that, as inequality rises, trust in our public and political systems hits historic lows. So what is the connection between trust and growing material disadvantage, and why are we on the verge of a cultural paradigm shift?

EVA COX AO



Drowning in the Rising Tide: Policy and Inequality in Australia

Inequality has become the defining idea of the early 21st Century. Unusually – for an economic concept – it has captured the public imagination. Yet what have been the political and legislative forces that have accentuated inequality in Australia, and what could be done to rectify the trend? With the Australian workforce and the nature of wealth changing, have the macro and micro decisions made by subsequent governments been in the best interests of everyone?

DAVID HETHERINGTON



Divided Cities, Divided County

The more unequal the society the more intense the social issues – and the inequalities between people, according to where they live, are well known in Australia. Sydney's Mosman, Melbourne's Toorak, North Adelaide and Perth's Peppermint Grove – while poorer households inhabit whatever places they can afford with lower incomes. Where we live – suburb, city, rural – can be the most salient indicator of our different socioeconomic positions, and can result in vicious cycles that further entrench inequity. Yet there are solutions...

FRANK STILWELL



Social Enterprise in Australia: The Need for a Social Innovation Ecosystem

Australia has a history of relying on independent charities as a social safety net – yet globally the model is changing. Social Enterprises, for-profit businesses with a socially beneficial outcome, are increasingly important in tackling intractable problems such as homelessness. They provide skills, training and support for many that have fallen between the cracks of faltering capitalism. But what is the landscape like for social innovation in Australia? How can we do more to support revolution at the fringes of society?

CHRIS MASON

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