

Social Traders

Unlocking business for good



Consideration of broader economic benefits in procurement

Social Traders Submission
July 2024



Relied on by over 620 certified social enterprises

Trusted by over 160 of Australia's largest businesses

Partner for multiple governments

Backed by Australia's leading philanthropists



Contents

Executive summary.....	3
Recommendations to include social value in the consideration of broader economic benefits	4
Recommendation One: Explicitly include certified social enterprise within the Guidance	4
Recommendation Two: Provide further advice for working with social enterprise	5
Recommendation Three: Widen the scope of broader benefits to social benefit to support additional policy objectives.....	5
Why social alongside economic benefits in procurement?.....	6
Increasing calls for Commonwealth social procurement policy	7
National precedents.....	9
International precedents	10
The proof of concept.....	11
The potential outcomes and growth trajectory.....	12
Certification as the tool to identify and de-risk procurement from social enterprises	13
Now is the time	14
Appendix one - About Social Traders	15
Appendix two - Certification Q&A	16
Appendix three - Endorsement of Social Traders.....	18
Appendix four - Social Traders Federal Government submissions and related publications	19
Federal Government submissions.....	19
Social Traders key publications.....	19
Contact.....	20

“Social procurement probably offers more in terms of opportunities than direct job creation in government agencies given the extent of outsourcing in Australia... if government is serious about making inroads to entrenched disadvantage, social procurement can and should play a part.”

Rebuilding Employment Services: Final report on Workforce Australia Employment Services

“The sector has achieved a great amount over recent decades, but there is potential to do so much more with the right regulatory settings and the right partnerships with governments ... Now is the time to leverage for more... Social procurement is so important, and certification will be one of the first steps.”¹

Dr Daniel Mulino MP, Member for Fraser and Chair of the Standing Committee on Economics

“If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use. 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.”

Vedran Drakulic, CEO, Gandel Foundation

¹ Social Traders Business for Good Summit Keynote: *The Opportunity of Social Enterprise and Social Procurement within our Economy*, Dr Daniel Mulino MP (2023). Available at: <https://www.youtube.com/watch?v=8Hw5gGN5XKE>

Executive summary

The Australian Government has committed to “backing social enterprise”². Now is the time to activate the cost-neutral lever of procurement to use social enterprise to deliver multiple policy agendas from employment to the environment.

This submission is in response to the public consultation being undertaken by the Australian Government Department of Finance to seek input from the business community on the ‘*Consideration of Broader Economic Benefits in Procurement*’ guidance document (hereon referred to as the ‘Guidance document’) that has been developed to place a requirement on officials to consider the economic benefit of a procurement to the Australian economy in the context of determining value for money for higher value procurements.

Social Traders provides three key recommendations to strengthen the Guidance document to support the inclusion of broader economic and social benefits in procurement:

1. *Explicitly include certified social enterprise within the Guidance.*
2. *Provide further advice for working with social enterprise*
3. *Widen the scope of broader benefits to social benefit to support additional policy objectives.*

Social enterprises are businesses for good which encapsulates a broad framework of economic benefits already noted in the Guidance document, including but not limited to:

- Making better use of Australian resources that would otherwise be under-utilised by:
 - Employing people who would otherwise be under or unemployed, and
 - Freeing government funds for other spending.
- Otherwise increasing productivity (for example by adopting new know-how or innovation, or enabling more people to acquire in-demand skills), and
- Indigenous workforce participation, and
- Businesses that provide services of person with a disability.

Social enterprises are defined in Australia as:

1. Having a defined primary social, cultural or environmental purpose consistent with a public or community benefit.
2. Deriving a substantial portion of their income from trade.
3. Investing efforts and resources into their purpose such that public/community benefit outweighs private benefit.

Social Traders certification independently validates that each certified social enterprise meets all components of this definition.

The economic benefits that certified social enterprises can offer which are already identified in the Guidance document are:

- Indigenous businesses,
- Businesses that employ people with a disability,
- Providing skills and training that benefit Australian communities,
- Employing workers in Australia,
- Paying taxes in Australia,
- The environmental benefit of the proposed solution (ie circular economy, sustainable materials),
- Contributing to positive social outcomes in Australian communities,
- Engaging unemployed people,
- Using Indigenous businesses
- Using goods and services from a business that provides services of persons with a disability,
- The majority of Australian social enterprises are SMEs.

There have been numerous and increasing calls for a social procurement policy and recognition for explicit inclusion of certified social enterprises into Australian Government procurement policy and guidelines across multiple government departments, businesses, industry bodies and philanthropy over recent years. Multiple parliamentary inquiries have recently recommended social procurement, particularly procurement from social enterprises, be used to achieve a more

² *Working Future: The Australian Government’s White Paper on Jobs and Opportunities*, Australian Government (2023). Available at <https://treasury.gov.au/sites/default/files/2023-10/p2023-447996-working-future.pdf>

competitive, innovative, dynamic and inclusive economy. While changes to the Commonwealth Procurement Rules (CPRs) are out of scope for this consultation, the calls to recognise certified social enterprise in commonwealth procurement can still be implemented through explicit inclusion in the Guidance document to support the considerations of broader economic benefits in procurement.

Recommendations to include social value in the consideration of broader economic benefits

Social Traders collaborates with social procurement intermediary organisations around the world such as Buy Social Canada and Ākina to share knowledge and best practice. Drawing on global best practice and six years of implementing the Victorian Social Procurement Framework across the supply and demand sides of the market, we have learnt what works and where to alleviate pain points. The Australian Government can use this experience to achieve significant additional social and economic value through procurement. This strategic procurement approach will leverage Commonwealth procurement to deliver associated outcomes for key Commonwealth policy areas across multiple portfolios such as employment, disability, home affairs, social services, environment and skills.

Social Traders provides three key recommendations to strengthen the Guidance document to support the inclusion of broader economic and social benefits in procurement:

4. *Explicitly include certified social enterprise within the Guidance.*
5. *Provide further advice for working with social enterprise*
6. *Widen the scope of broader benefits to social benefit to support additional policy objectives.*

Recommendation One: Explicitly include certified social enterprise within the Guidance

We make the following recommendation to the Australian Government to update the existing Commonwealth Procurement Rules to explicitly enable social procurement:

1. **Include the definition** of a social enterprise consistent with the accepted definition of Social Traders Certification (detailed on page 14). For example, Transport NSW define a social enterprise as ‘an organisation certified by Social Traders.’³ Appendix 2 provides further information on Certification and the definition of a social enterprise.
2. **Expand guidance to include *social* and economic benefits to Australia.**
 - Add in ‘social value delivered beyond the goods and services being procured.’
 - Modify to include ‘social benefits’ alongside economic benefits to Australia.
 - Alter the language from ‘required to consider’ to ‘**must evaluate** social benefits’ to Australia.
 - Add in a section to support implementation such as; ‘Social benefits could include:
 - a. Employment for marginalised jobseekers as a proportion of total workforce
 - b. Investment in community services as a proportion of total revenue
 - c. Donations to charitable purposes as a proportion of total revenue
 - d. Above metrics measurable through Social Traders Certification’
3. **Expand to include Certified Social Enterprises** by adding:
 - To ensure that Certified Social Enterprises (CSEs) can engage in fair competition for Australian Government procurement, officials should apply procurement practices that do not unfairly discriminate against CSEs and provide appropriate opportunities for CSEs to compete. Officials **must evaluate**, in the context of value for money:
 - a. the benefits of doing business with competitive CSEs when specifying requirements and evaluating value for money;
 - b. barriers to entry, such as costly preparation of submissions, that may prevent CSEs from competing;
 - c. CSEs’ capabilities and their commitment to local or regional markets; and

³ *Social Procurement and Workforce Development Definitions - Infrastructure and Place*, Transport for NSW, (2023), p9. Available at <https://industry.transport.nsw.gov.au/tfnsw/tiip/resources#socialProcurement>

- d. the potential benefits of having a larger, more competitive supplier base, including the disaggregation of large projects into smaller packages, where appropriate, that maximise competition.
- e. The additional social benefit created by a certified social enterprise when considering value for money
 - o Create a target of 1% total annual spend to be delivered through certified social enterprises

Recommendation Two: Provide further advice for working with social enterprise

We recommend that the Australian Government ‘back social enterprise’⁴ by elevating their measurable contribution to broader social and economic benefits through the Guidance document.

We recommend adding further support for social enterprise that includes the following:

1. **Explicit reference to ‘certified social enterprises’** to set clear criteria and de-risk against social washing, and including a definition of social enterprise to build officials and bidders’ awareness of social enterprise as a type of supplier or sub-contractor who can help to meet the economic benefit criteria.
2. **Weightings and targets for certified social enterprise** as part of tender evaluation criteria. For example:
 - o Victorian Government 3% social procurement target on the \$30 billion Big Build pipeline.
 - o Victorian Government weighted evaluation criteria (usually 10%) for procurements over \$20 million⁵.
 - o IPP annual targets for the volume and value of contracts to be awarded to Indigenous businesses. Targets should be aligned to social enterprise capacity (Social Traders can advise on this), and go beyond construction and infrastructure.
3. **Mandatory set asides** where certified social enterprises are given the opportunity to demonstrate value for money before a general approach to market on smaller contracts. For example:
 - o The IPP has set asides for Indigenous businesses for procurements in remote Australia and Australia wide for procurements between \$80,000 and \$200,000.
4. **A Social Enterprise Procurement Guide.** For example:
 - o The Commonwealth Sustainable Procurement Guide and Social Value Model Guide in the UK.

Recommendation Three: Widen the scope of broader benefits to social benefit to support additional policy objectives

Using the example of the Social Procurement Framework in Victoria, there is an opportunity to consolidate procurement connected policies, strategic procurement objectives and social inclusion initiatives initially through the Guidance. This will simplify the policy landscape to create clarity and efficiency for the public service and broader market. The Fair Go Procurement Framework in the Buy Australia Plan only identifies paying tax, however a range of public benefits could be built into the framework.

We recommend that the Australian Government consider the following themes in the development of a Commonwealth social procurement framework which align with existing Australian Government reports, priorities and recommendations:

- **Inclusive employment, skills and training.**
 - o Social Enterprises supporting those furthest from the labour market as described in the 2023 Employment White Paper. The main cohorts supported through certified social enterprises include:
 - People with disabilities
 - New migrant and refugee communities
 - Aboriginal and Torres Strait Islander people
 - Marginalised youth
 - o Current Procurement Connected Policy – Social Inclusion Workplace Gender Equality Procurement Principles and User Guide.
 - o Secure Australian Jobs Code – Aligned to Buy Australia Plan.

⁴ *Working Future: The Australian Government’s White Paper on Jobs and Opportunities*, Australian Government (2023). Available at <https://treasury.gov.au/sites/default/files/2023-10/p2023-447996-working-future.pdf>

⁵ *Inquiry into Workforce Australia Employment Services – Victorian Government Submission*, Victorian Government (2023). Available at: <https://app.converlens.com/treasury/employment-white-paper/public-submissions/view/418>

- Apprentices and Trainees – Aligned to Australian Skills Guarantee Procurement Connected Policy.
- **Supporting industry sectors as committed in the Buy Australia Plan.**
 - Social Enterprise Sector – Aligned to commitment ‘backing social enterprise’ in Employment White Paper.
 - Aligns to Disability Procurement Initiative funded in 2023 budget.
 - Indigenous Business Sector – Aligned to Indigenous Procurement Policy and Buy Australian Plan to ‘provide more opportunities for First Nations businesses.’
 - Better Competition, Better Prices’ Report March 2024 on the inquiry into promoting economic dynamism, competition and business formation.
 - Social Inclusion Workplace Gender Equality Procurement Principles and User Guide.
- **Sustainability to both protect and improve environment on our path to Net Zero.**
 - Aligns to Buy Australian Plan to ‘take action on climate change and support energy projects.’
 - Aligns to the Department of Climate Change, Energy, the Environment and Water, who are developing an Environmentally Sustainable Procurement Policy. If approved, this policy is planned to come into effect from mid-2024.
 - Aligns to ISO24000 Sustainable Procurement Guidelines which include social, economic and environmental considerations.

Why social alongside economic benefits in procurement?

The Australian Government faces continued pressure to address significant social and environmental issues within the constraints of limited public resources.

Social procurement is one of government’s biggest cost-neutral levers to tackle entrenched disadvantage.

The Australian Government has an *essential* role in catalysing the social procurement market through policy setting. The Victorian SPF demonstrates the power of government policy to direct the market to engage social enterprises through procurement.

Social Traders modelling indicates that Commonwealth social procurement policy could deliver 44,000 jobs for Australia’s most marginalised job seekers and generate savings to society of over \$4.27 billion⁶ by 2030. Research shows that 86% of businesses expect social procurement to grow.⁷

Social enterprise is an underutilised economic tool that can deliver significant public benefit.

Social enterprises are businesses that deliver public benefit over private gain. Backing social enterprise enables public procurement spend to directly deliver public benefit.

There are 12,000 social enterprises in Australia that contribute \$21.3 billion to the economy and employ 206,000 people⁸. They invest 29% of their revenue into delivering social or environmental outcomes, and 45% of the people they employ would otherwise be shut out of work⁹. They are larger on average than traditional businesses and charities¹⁰.

Social Traders is Australia’s leader in social enterprise procurement.

⁶ *The economic benefits of improving social inclusion*, Deloitte Access Economics (2019). Available at:

<https://www2.deloitte.com/au/en/pages/economics/articles/economic-benefits-improving-social-inclusion.html>

⁷ *The State of Social Procurement in Australia and New Zealand*, CSI Swinburne, in partnership with Akina, Chartered Institute of Procurement and Supply, IPA & Social Traders (2021). Available at: https://www.ipa.com.au/docs/default-source/default-document-library/ipa_social_procurement_report_nobleeds.pdf?sfvrsn=c6ef4a92_2

⁸ *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/>

⁹ *Pace 23: Profile of Australia’s Certified Social Enterprises*, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/Pace2023_SocialTraders.pdf

¹⁰ 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. *Pace 23: Profile of Australia’s Certified Social Enterprises*, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/Pace2023_SocialTraders.pdf

Social Traders is Australia's leader in social enterprise procurement, with a robust six-year proof of concept demonstrating its effectiveness and impact, in partnership with the Victorian Government. Over 160 businesses and governments have already committed to social enterprise procurement, including three states (VIC, NSW, QLD) and one territory (ACT) government.

Increasing calls for Commonwealth social procurement policy

There are increasing calls for a social procurement policy as an economic lever to address key social, environmental and economic challenges from across Australian parliamentary committees, government departments, businesses, philanthropy and the social enterprise sector itself.

Workforce Australia - to generate employment outcomes for long term unemployed people:

- The House of Representatives Select Committee on Workforce Australia Employment Services Final Report recommended that 'the Australian Government develop and implement a Commonwealth Social Procurement Framework to leverage Commonwealth spending on major projects and large service contracts ... The Framework should ... be developed with input from key sector enablers such as Social Traders...'¹¹

Standing Committee on Economics 'Better Competition, Better Pricing' - to promote economic dynamism, competition and business formation:

- 'Government also spends tens of billions of dollars procuring services. The efficiency and effectiveness of this procurement needs to be improved, by including social enterprises and SMEs and through better designed auctions and panels.'
- 'The Committee also shares the view of witnesses in the social enterprise sector that by adopting a social procurement framework that supports social enterprises, government can use its spending power to generate both social and economic outcomes, thereby creating a more inclusive and beneficial economy.'¹²

Department of Finance Future Made in Australia Office and MPs - to deliver public community benefit:

- The Future Made in Australia Office is aiming to use Government's 'significant purchasing power' as an 'economic lever' and 'deliver economic, social and environmental benefits'¹³ for Australian communities.
- Dr Daniel Mulino MP, Chair of the Inquiry into Economic Dynamism, Competition and Business Formation stated, "social procurement is so important ... the government is already aware of the need to think about this in the context of SME procurement, and that's a starting point... and there are so many examples we've already seen in Victoria and Queensland."¹⁴

Social impacting investing stakeholders - to leverage investment into national priority areas:

- The Social Impact Investing Taskforce recommended that the government 'maximise social impact generated through existing government spending by adopting a social procurement policy' as a 'budget neutral' initiative¹⁵.
- The evaluation report on the DSS social impact investment programs recommended 'establishing a social procurement policy with a mission to scale impact opportunities'.¹⁶

¹¹ *Rebuilding Employment Services: Final report on Workforce Australia Employment Services*, House of Representatives Select Committee on Workforce Australia Employment Services (2023). Available at:

https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000017/toc_pdf/RebuildingEmploymentServices.pdf

¹² *Better Competition, Better Prices Report on the inquiry into promoting economic dynamism, competition and business formation* (March 2024), House of Representatives Standing Committee on Economics, access online via https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/Economicdynamism/Report

¹³ *Buy Australia Plan*, Australian Government Department of Finance (2023). Available at: <https://www.finance.gov.au/business/buyaustralianplan>

¹⁴ Social Traders Business for Good Summit Keynote: *The Opportunity of Social Enterprise and Social Procurement within our Economy*, Dr Daniel Mulino MP (2023). Available at: <https://www.youtube.com/watch?v=8Hw5gGN5XKE>

¹⁵ *Australian Social Impact Investing Taskforce – final report*, Australian Government Department of Prime Minister and Cabinet Social Impact Investing Taskforce (2023). Available at: [https://treasury.gov.au/publication/p2023-391009#:~:text=The%20Social%20Impact%20Investing%20\(SII,the%20Social%20Impact%20Investing%20market](https://treasury.gov.au/publication/p2023-391009#:~:text=The%20Social%20Impact%20Investing%20(SII,the%20Social%20Impact%20Investing%20market)

¹⁶ *Social Impact Investing (SII) Program First Phase Evaluation Report*, Urbis and Bridges Australia (2023). Available at: <https://www.dss.gov.au/communities-and-vulnerable-people-programs-services-social-impact-investing/social-impact-investing-sii-program-first-phase-evaluation-report>

Department of Social Services and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability - to support inclusive employment of people with a disability:

- Department of Social Services (DSS) Future of Supported Employment Discussion Paper consulted on a Disability Business Procurement Initiative¹⁷ including options for a disability procurement policy.
- The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability Final Report recommended that government ‘leverage the procurement power of governments to encourage inclusive employment practices in the private sector, supporting greater social procurement.’¹⁸

Australian Skills Guarantee - to develop skills and training opportunities:

- The Australian Skills Guarantee – Procurement Connected Policy Draft for consultation seeks to ‘leverage the Australian Government’s significant purchasing power to drive the demand for apprentices and trainees.’¹⁹

Department of Climate Change, Energy, Environment & Water (DCCEEW) - to support environmental outcomes:

- Commonwealth Sustainable Procurement Advocacy and Resource Centre consulted on ‘strengthening the environmental sustainability provisions in the Commonwealth Procurement Rules to drive demand for recycled content’, noting that ‘the Australian Government can use its purchasing power to influence the shift to reduced resource consumption.’²⁰

Leading businesses – to increase social value in supply chains:

- John Holland Group joined Social Traders because of the Victorian SPF. “Our social procurement approach has matured from a compliance approach to a broader appetite for social value creation and because purchasing with social enterprises makes good business sense. Our journey demonstrates the potential that a Commonwealth Social Procurement Framework could unlock.”²¹

Leading philanthropists – to grow the impact of the social enterprise sector:

- Vedran Drakulic, CEO of the Gandel Foundation stated “If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use. We urge the Federal Government to engage in a meaningful and direct way with Social Traders.”²²

The social enterprise sector itself – to make social enterprises more sustainable:

- In the landmark 2016 Finding Australia’s Social Enterprise Sector Final Report, 75% of Australian social enterprises identified social procurement as the best way to enable their sustainable growth²³.

¹⁷ *The Future of Supported Employment Discussion Paper*, Australian Government Department of Social Services (2023). Available at <https://engage.dss.gov.au/wp-content/uploads/2023/08/future-supported-employment-discussion-paper-2023.pdf>

¹⁸ *Our vision for an inclusive Australia and Recommendations*, Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability (2023). Available at <https://disability.royalcommission.gov.au/publications>

¹⁹ *Australian Skills Guarantee Procurement Connected Policy – Consultation working draft*, Australian Government Department of Employment and Workplace Relations (2023). Available at: <https://www.dewr.gov.au/australian-skills-guarantee/resources/australian-skills-guarantee-procurement-connected-policy-consultation-working-draft>

²⁰ *Australian Government Environmentally Sustainable Procurement Policy consultation paper*, Australian Government Department of Climate Change, Energy, the Environment and Water (2023). Available at <https://consult.dcceew.gov.au/environmentally-sustainable-procurement-policy>

²¹ Stevie Cole, Group Manager Social Impact, John Holland Group (Social Traders buyer member)

²² Vedran Drakulic, CEO, Gandel Foundation

²³ *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>

National precedents

Commonwealth Sustainable Procurement Policy

The Commonwealth Procurement Rules currently state that ‘price is not the sole factor when assessing value for money’ and that ‘when conducting a procurement, an official must consider the relevant financial and non-financial costs and benefits of each submission.’²⁴ This is ‘including, but not limited to the ... environmental sustainability of the proposed goods and services (such as energy efficiency, environmental and climate change impact and the use of recycled products). To this end, the Procurement Rules include a requirement to ‘consider the Australian Government’s Sustainable Procurement Guide where there is opportunity for sustainability or use of recycled content.’²⁵

Commonwealth Indigenous Procurement Policy (IPP)

The Indigenous Procurement Policy (IPP) sets a Commonwealth precedent and policy framework to replicate. The IPP shows that that social procurement (in this case Indigenous business procurement) can generate public value. The IPP has generated over \$6.9 billion in spend with Indigenous businesses since the policy was implemented in 2015 and has catalysed state government and corporate adoption of Indigenous procurement policies.²⁶ The IPP is both a proof point that social procurement works, and an example and precedent that can be replicated.

Example: Victorian Government Social Procurement Framework (SPF)

The Victorian Government identified social procurement as an ‘innovative and powerful policy lever to harness government spending’ to ‘drive social, environmental and economic outcomes.’²⁷ The Victorian SPF has been a catalyst for social procurement across Victoria driving demand from businesses and creating sustainable growth for social enterprises.

Social Traders partnered with the Victorian Government to develop and implement the SPF on both the demand and supply sides of the market. As a result:

- 53% of Social Traders business members joined and started engaging in social procurement because of the Victorian SPF.²⁸
- 55% of all social enterprise procurement is happening in Victoria.²⁹
- The Victorian Government spent \$31.8 million on 213 purchase agreements with certified Victorian social enterprises through to June 2021.³⁰
- 71% of Social Traders business members are increasing social procurement spend over time.³¹

²⁴ *Commonwealth Procurement Rules: Value for Money*, Australian Government Department of Finance (2024). Available at: <https://www.finance.gov.au/government/procurement/commonwealth-procurement-rules/value-money>

²⁵ *Commonwealth Procurement Rules: Value for Money*, Australian Government Department of Finance (2024). Available at: <https://www.finance.gov.au/government/procurement/commonwealth-procurement-rules/value-money>

²⁶ *Indigenous Procurement Policy*, Australian Government National Indigenous Australians Agency (2024). Available at: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp#:~:text=The%20primary%20purpose%20of%20the,to%20participate%20in%20the%20economy>

²⁷ *Inquiry into Workforce Australia Employment Services – Victorian Government Submission*, Victorian Government (2023). Available at: <https://app.converlens.com/treasury/employment-white-paper/public-submissions/view/418>

²⁸ Prime motivations for joining Social Traders are collected and recorded by the Social Traders team when first meeting with prospective members.

²⁹ *Impact Report FY21*, Social Traders (2022). Available at: <https://assets.socialtraders.com.au/downloads/Social-Impact-Report-Infographic-FY21.pdf>

³⁰ *Inquiry into Workforce Australia Employment Services – Victorian Government Submission*, Victorian Government (2023). Available at: <https://app.converlens.com/treasury/employment-white-paper/public-submissions/view/418>

³¹ *Impact Report FY22*, Social Traders (2023). Available at: https://assets.socialtraders.com.au/downloads/ST-FY22_Impact-Report-FINAL.pdf

International precedents

UK Social Value Act

The United Kingdom (UK) introduced social procurement legislation in 2013 via the Social Value Act to increase public value for money through wider social, economic and environmental benefits. The Act requires commissioners to ‘consider’ whether the procurement could generate wider public benefit. In 2018 the UK Government took a step further and created policy that requires procurers to ‘explicitly evaluate’ social value for major contracts with a minimum 10% weighting, and report on social impact delivered.³² To support implementation, the government introduced a Social Value Model with guidance.³³

The changes over time to the UK’s social procurement requirements point to the importance of clear and direct policy language and minimum weighting mandates to drive social procurement uptake.

Canadian Social Procurement Policy

The Canadian Government has a Social Procurement Policy with a focus on ‘best value’ in procurement rather than lowest cost. ‘Best value’ applies to all government procurement, and ‘ensures procurement decisions achieve an optimal balance between resource expenditures and the realisation of outcomes ... [and] ensures addressing socio-economic objectives and contributing to the advancement of the Government of Canada’s policy goals.’³⁴

³² *Social Value Act: information and resources*, UK Government (2024). Available at: [https://www.gov.uk/government/publications/social-value-act-information-and-resources/#:~:text=The%20Public%20Services%20\(Social%20Value,social%2C%20economic%20and%20environmental%20benefits](https://www.gov.uk/government/publications/social-value-act-information-and-resources/#:~:text=The%20Public%20Services%20(Social%20Value,social%2C%20economic%20and%20environmental%20benefits).

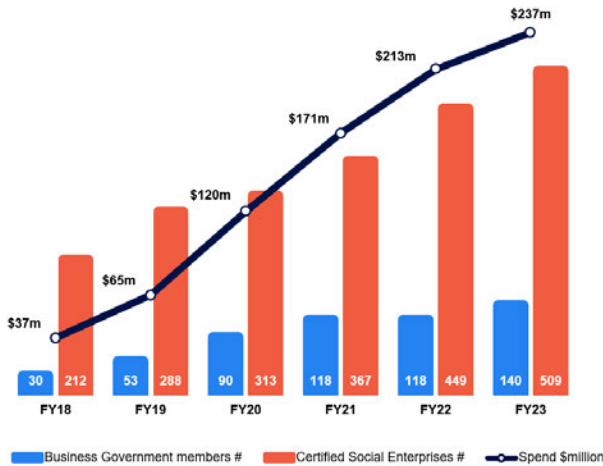
³³ *Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts*, UK Government (2020). Available at: <https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>

³⁴ *Policy on Social Procurement*, Public Services and Procurement Canada (2021). Available at: <https://www.tpsgc-pwgsc.gc.ca/app-acq/pas-posp-eng.html>

The proof of concept

Social Traders has a six-year proof of concept of the power of social procurement as a growth lever for social enterprise and driver of jobs and wider public value. This has been driven in partnership with the Victorian State Government through the Victorian Social Procurement Framework (SPF).

Growth in social enterprise procurement, driven by the Victorian Social Procurement Framework



\$843m spent with certified social enterprises

36% growth in spend each year (average)

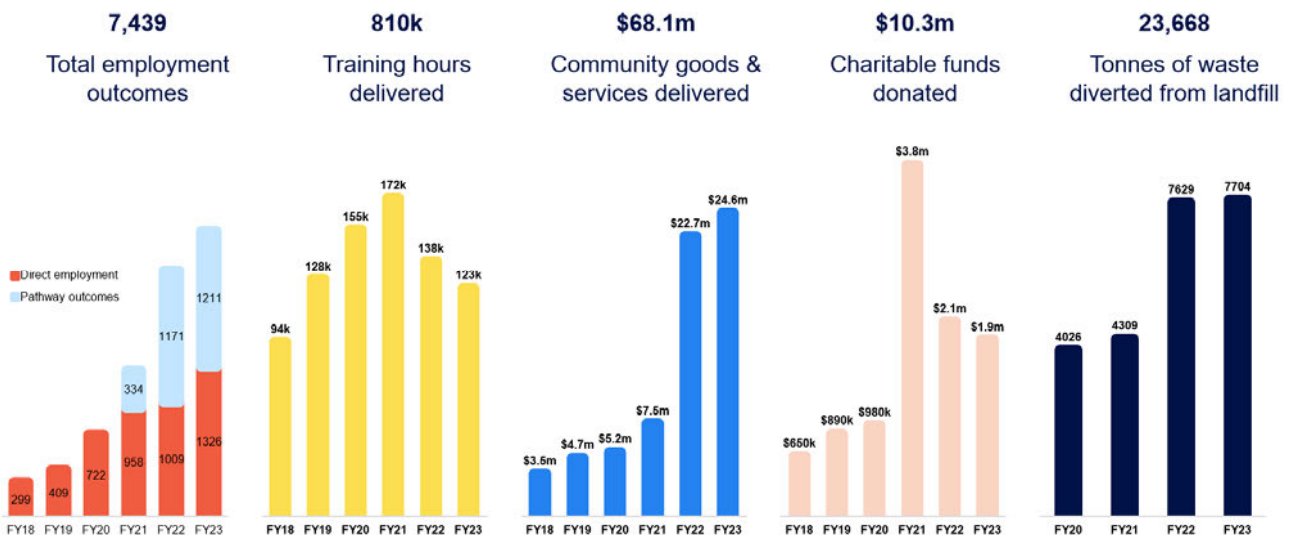
29% growth in business & government members each year (average)

16% growth in certified social enterprises each year (average)

Over six years \$843m was spent with certified social enterprises by Social Traders members. That spend enabled:

- 86% of social enterprises to increase their revenue³⁵ (becoming more sustainable businesses that self-fund the creation of public value)
- 77% of certified social enterprises to increase their spend on impact³⁶ (increasing the costs associated with delivering their social or environmental purpose)
- 67% of certified social enterprises increasing the number of beneficiaries supported³⁷

Through social procurement, businesses and governments have enabled significant increases in social and environmental outcomes without any additional investment.



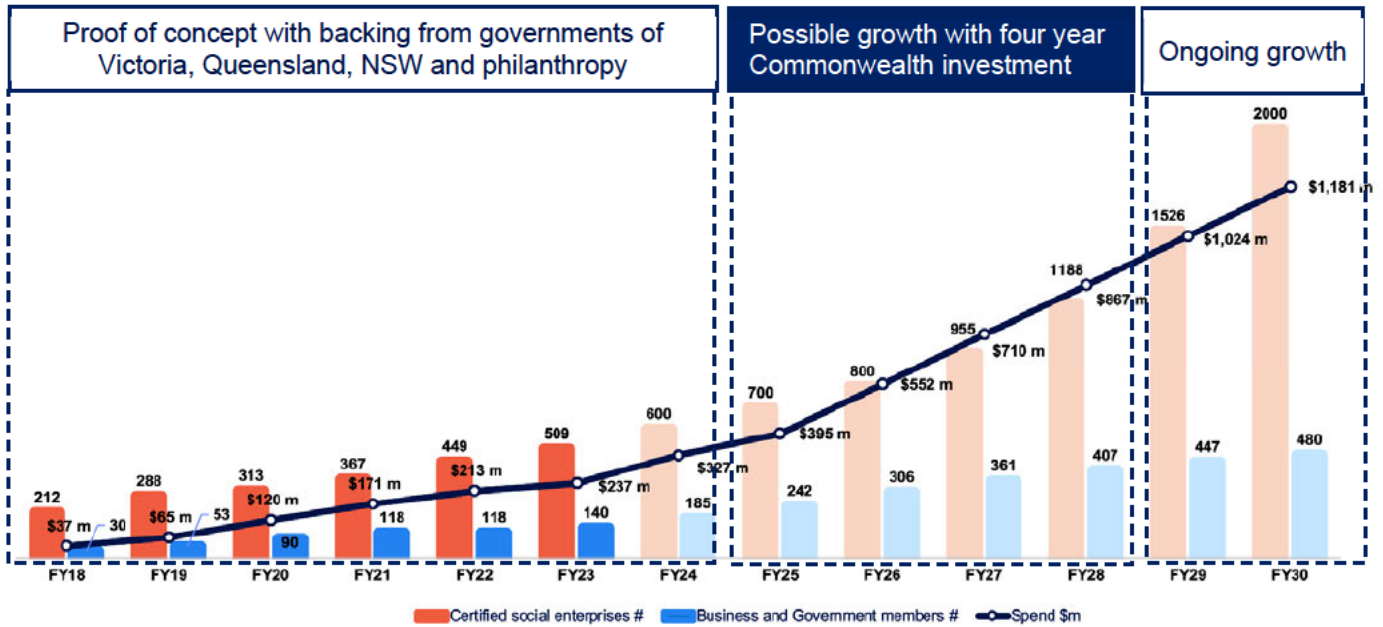
³⁵ Impact Report FY23, Social Traders (2024). Available at: <https://assets.socialtraders.com.au/downloads/STFY23-Impact-Report-digital.pdf>

³⁶ Impact Report FY23, Social Traders (2024). Available at: <https://assets.socialtraders.com.au/downloads/STFY23-Impact-Report-digital.pdf>

³⁷ Impact Report FY23, Social Traders (2024). Available at: <https://assets.socialtraders.com.au/downloads/STFY23-Impact-Report-digital.pdf>

The potential outcomes and growth trajectory

Social enterprise procurement is growing at 36% every year. With Australian Government investment and social procurement policy we are on track to deliver \$5.5 billion in spend with social enterprises by 2030.



FY25-28 outcomes that would be delivered with Commonwealth social procurement policy

\$157.6 million community services & donations

2.9 million training hours

14,600 jobs

\$1.57 billion savings to society

Certification as the tool to identify and de-risk procurement from social enterprises

Certification: the established and proven verification of social enterprise

The Commonwealth Procurement Rules currently allow for self-declaration as a social enterprise (as one type of SME):

The SME status of a potential supplier should be confirmed at the time of, or prior to, approaching the market using this exemption 17.

- *An entity should seek written clarification from a potential supplier ascertaining their SME status, each time an entity applies this exemption 17. An optional SME Declaration form is available for this purpose.*
- *Self-declaration from a potential supplier does not preclude an entity from doing their own due diligence and making reasonable enquiries. This might include, for example, checking a business's structure on their website.*

Self-declaration as a social enterprise is very high risk given the complexity in understanding and calculating whether 'social costs' are greater than any profit generated (the proof point that public benefit is greater than private benefit – core to the social enterprise model). Social Traders currently declines approximately 12% of certification applications – these are self-declared social enterprises that are either unaware they are not operating as a social enterprise or are deliberately fraudulent in attempting to claim social enterprise status.

We strongly recommend that the Commonwealth utilise Social Traders certification to identify genuine social enterprises. This will ensure the government is not complicit in social washing. We recommend that any inclusion of social enterprises in Commonwealth procurement policy explicitly name 'certified social enterprises'.

There are currently 600+ certified social enterprises in Australia. This number will grow significantly and quickly with Australian Government endorsement (as we saw in Victoria when the SPF was introduced).

The recommendation to utilise Australia's existing social enterprise certification system run by Social Traders aligns to recommendation (50) in the Workforce Australia Inquiry Report to 'endorse the certification framework administered by Social Traders' as 'Social Traders' certification process is evidence based, transparent and mature and there is no need to reinvent the wheel. It is already being used by the Victorian, New South Wales and Queensland Governments and is under consideration elsewhere and should be endorsed by the Commonwealth Government.'

Certification mitigates against social washing

Social enterprises are diverse and take different legal forms. Social washing is becoming more prevalent. There is a growing need to be able to identify, define and elevate *genuine* social enterprises.

Certification is what guarantees that spend is flowing to *genuine* social enterprises and that the government is not complicit in social washing.

Social Traders developed certification in 2017 to de-risk social enterprise procurement. Since then, it has expanded to protect and define the whole Australian social enterprise sector. Social Traders is the only certifier of social enterprise in Australia with over 590 certified social enterprises nation-wide. Social Traders certification is established, robust, trusted and is the mechanism in the social enterprise sector to ensure that public funds are used for public benefit.

The Victorian Government's SPF³⁰ serves as an illustrative case, highlighting how an increased focus on social impact can unintentionally spur social washing. Within the SPF, there emerged a commercial incentive for businesses to seek social enterprise status and certification, primarily to secure procurement contracts. To prevent and address this issue, we recommend that the Australian Government endorses and uses Social Traders certification as the basic market standard. This support will ensure a robust verification process, promoting authenticity and transparency among participating suppliers in procurement processes.

Social Traders certification is:

- ✓ Backed by international and local research
- ✓ Co-designed with Minter Ellison and EY
- ✓ Overseen by an independent expert advisory group
- ✓ Inclusive of all diverse models, legal structure and development stages
- ✓ Delivered with one-to-one support for every applicant



The agreed definition of social enterprise in Australia

Social Traders certification verifies that a social enterprise meets the agreed definition of social enterprise in Australia:

4. Has a defined primary social, cultural or environmental purpose consistent with a public or community benefit.
5. Derives a substantial portion of their income from trade.
6. Invests efforts and resources into their purpose such that public/community benefit outweighs private benefit.

The definition has been designed to be broad and inclusive of all social enterprise types.

Through the certification process, over 200 data points are verified on each social enterprise to validate that the enterprise meets all components of this definition. Data captured includes governing legal documents, financial data, impact data and social costs.

Now is the time

The Australian Government has an opportunity from now until June 2024 to make important and impactful changes to the Commonwealth Procurement Rules that support social enterprise sector and community outcomes. Supporting this industry sector directly aligns to the election commitment in the Buy Australia Plan with further policy developments and improvements made over time. This policy lever would result in significant demand for social enterprise services and return significant community benefits and government savings.

Appendix one - About Social Traders

Social Traders has been a leading social enterprise intermediary since 2008 and is the certifier of social enterprises in Australia. We are a DGR1 not-for-profit dedicated to building a thriving social enterprise sector.

Social Traders has worked directly with over 800 social enterprises across social procurement, social investment, start-up accelerators, certification and a wide range of capability building programs. Over 15 years Social Traders has built deep knowledge of social enterprise sector needs, and strong understanding of how to build the market and bridge the supply and demand gap between social enterprises and businesses through its specialist social procurement expertise.

Social Traders provides social procurement services to over 160 of Australia's largest ASX companies including Westpac, IFM Investors, Commonwealth Bank, Mirvac, John Holland and four state governments. Social Traders is backed by Australia's leading philanthropists including Paul Ramsay Foundation, Gandel Foundation and Ian Potter Foundation.

Social Traders has built sector infrastructure that supports grants, investment and procurement with social enterprises.

Identifying and de-risking social enterprise

- National certification standard that identifies genuine social enterprises & mitigates social washing
- Quality assured through an audit and risk framework created by EY and an independent advisory group
- Continuously evolving to meet future needs based on social enterprise feedback and international best practice
- Inclusive of all social enterprise legal structures, stages of development and impact models
- One-to-one support for every applicant through the certification process
- Deep knowledge of over 560 certified social enterprises, including investment and procurement readiness
- Social Enterprise Finder – the digital platform to find certified social enterprises nationally

Impact measurement using Australia's deepest social enterprise dataset

- Australia's deepest social enterprise dataset: 200+ verified data points on over 560 social enterprises
- Translates investment in social enterprise into comparable impact outcomes
- Tracks 'cohort' outcomes i.e. specific beneficiary groups, time periods, regions etc
- Outcomes data capture fit-for-purpose for all social enterprises to supply comparable data points
- Identifies social enterprises ready for social investment or procurement
- Robust data infrastructure and security

Connecting business/government with relevant social enterprises

- Australia's leader in social enterprise procurement – delivering 55% year on year growth
- Matching and connecting relevant social enterprises with business and government
- Solving for the supply/demand gap in social procurement, and identifying procurement-ready social enterprises
- Advisory & training services for business and government to embed social procurement
- Social procurement policy and strategy

Capability building for social enterprise procurement readiness

- Capability building for procurement and investment readiness
- Bespoke 12 month 'Grow' program for social enterprises ready to scale and take on contracts
- Previous provider of social finance and support to social enterprises through a social investment portfolio
- Certification readiness and support

Appendix two - Certification Q&A

Is there a definition of social enterprise in Australia?

- The definition of social enterprise in Australia was established in 2010 in the first major study into the social enterprise sector in Australia – Finding Australia’s Social Enterprise Sector (FASES)³⁸.
- The FASES definition forms the basis of the certification framework Social Traders has been using to certify social enterprises for the last seven years.

What is the definition of a social enterprise?

- The definition has three parts:
 - A defined primary social, cultural or environmental purpose consistent with a public or community benefit.
 - A substantial portion of their income from trade.
 - Investing efforts and resources into purpose such that public/community benefit outweighs private benefit.
- The definition is agnostic in regard to legal structure and type of impact being delivered, and instead focusses on ensuring that there is primacy of purpose over profit.

How was the definition created?

- The 2010 research - Finding Australia’s Social Enterprise Sector (FASES)³⁹ - was conducted by Jo Barraket, Australia’s leading social enterprise academic. The FASES research comprised a number of phases including: an extensive domestic and international literature review, a series of workshops, surveys (with 539 responses) and detailed data analysis.
- Social Traders has ensured the definition continues to remain relevant through direct input from genuine social enterprises themselves. This input is collected via the daily one-to-one conversations with social enterprises through the 1,600+ certifications conducted over the last seven years.

Is the definition used/endorsed by the sector?

- The definition is endorsed and used by:
 - 580+ certified social enterprises
 - 160+ of Australia’s largest businesses
 - Social Enterprise Australia and state peak bodies
 - Leading philanthropists
 - Social enterprise intermediaries
 - Social procurement partners (eg Supply Nation, WEConnect)
 - Government - Federal, State and Local:
 - Federal Government - the DSS Payment by Outcomes Trial, DSS Strong & Resilient Communities Grants⁴⁰, and the Economic Pathways to Refugee Integration \$21.3 million⁴¹ grants
 - Victorian Department of Jobs, Precincts and Regions
 - Sustainability Victoria
 - South Australian Government Department of Human Services
 - QLD Department of Employment, Small Business and Training
 - ACT Government Social Enterprise grant program
 - NSW Transport
 - Local councils including: City of Melbourne, Yarra Valley and Darebin City

³⁸ *Finding Australia’s Social Enterprise Sector*, commissioned by Social Traders and CSI Swinburne, authored by Jo Barraket, Chris Mason and Blake Blain (2016). Available at: <https://www.socialtraders.com.au/news/finding-australias-social-enterprise-sector-fases>

³⁹ *Finding Australia’s Social Enterprise Sector*, commissioned by Social Traders and CSI Swinburne, authored by Jo Barraket, Chris Mason and Blake Blain (2016). Available at: <https://www.socialtraders.com.au/news/finding-australias-social-enterprise-sector-fases>

⁴⁰ *Strong and Resilient Communities (SARC) Activity – Inclusive Communities Grants - Round 3*, Australian Government Department of Social Services (2024). Available at: <https://www.grants.gov.au/Go/Show?GoUId=1676cc5a-a579-424b-905c-98c01b61b0cd>

⁴¹ *Employment Pathways for Refugees*, Australian Government Department of Home Affairs (2023). Available at: <https://immi.homeaffairs.gov.au/settling-in-australia/coordinator-general-for-migrant-services/employment-pathways-for-refugees>

- As stated by NSW Government: “the definition of a social enterprise is an organisation certified by Social Traders”.
- The definition is aligned with international definitions in countries with certification frameworks.

Why do we need certification?

- Certification is the only way to identify a genuine social enterprise and ensure that public funds are being used to create public value. It’s the only way to protect against social washing and misuse of public funds.

How rigorous is Social Traders certification?

- To certify a social enterprise Social Traders collects and verifies over 200 data points on each social enterprise. These include governing legal documents, financial data, impact data and social costs.
- Social Traders maintains the highest integrity in its certification standards, that are:
 - World leading in process and rigor
 - Overseen by an independent advisory group
 - Co-designed with Minter Ellison & EY
 - Governed by an audit and risk framework created by EY
- Social Traders ensures that only genuine social enterprises are certified:
 - Social Traders declines ~12% of certification applicants because they don’t fit the criteria.
 - Social Traders de-certifies social enterprises that no longer fit the criteria.

Is certification accessible for all social enterprises?

- The certification framework is inclusive of all legal models, all stages of development including start-ups and all impact types.
- Social Traders has a dedicated certification team that supports each social enterprise through the process, including helping them articulate their impact model and social costs.

How is the certification framework improved over time?

- Social Traders actively seeks feedback on certification, through direct conversations with social enterprises and stakeholders, surveys, forums and consultations.
- Social Traders conducts specific reviews as required, for example:
 - *Indigenous social enterprises (2023)*: a review to ensure certification is accessible for Indigenous Business that are also social enterprises.
 - *Fair trade social enterprises (2020)*: a review to support certification of Fair Trade businesses that are also social enterprises.
 - *Community banks (2023)*: a review to support community banks to certify as social enterprises including new step-by-step guidance to assist community banks to achieve social enterprise certification.
- Social Traders has a public [complaints and review process](#).

Is certification ready to scale?

- Social Traders certification is world-leading, mature and ready to scale. It will scale quickly with Federal Government endorsement.
- As stated in the Federal Government Workforce Australia Inquiry report:
 - *“Social Traders’ certification process is evidence based, transparent and mature and there is no need to reinvent the wheel. It is already being used by the Victorian, New South Wales and Queensland Governments and is under consideration elsewhere and should be endorsed by the Commonwealth Government.”*

Should certification be used as eligibility criteria?

- Certification is useful as an eligibility criteria as the only way to ensure that funds/support for social enterprises are being directed to genuine social enterprises (not those who falsely claim to be social enterprises). It’s an established mechanism to ensure public funds are used for public benefit.

Appendix three - Endorsement of Social Traders

Stevie Cole. Group Manager Social Impact, John Holland Group

“John Holland joined Social Traders in 2018 with the introduction of the Victorian Government’s Social Procurement Framework. We engaged with Social Traders to help our people and projects to understand and work with certified social enterprises and educate the business more broadly about the power of social enterprise procurement. Utilising Social Traders impact data has helped us to articulate the impact of our social enterprise procurement spend in the communities in which we operate across metropolitan and regional Australia. The ongoing partnership and engagement with Social Traders and the data-based evidence of our impact has positioned John Holland as an industry leader in social procurement. We continue to work with Social Traders to keep growing the awareness and engagement with social enterprises with our procurement teams across the whole of our business, including areas where there are no mandated social procurement requirements. And we do this because our social procurement approach has matured from a compliance approach to a broader interest and appetite for social value creation and legacy and because purchasing with social enterprises makes good business sense. Our journey demonstrates the potential that a Commonwealth Social Procurement Framework could unlock. And we support Social Trader’s advocacy for a national framework that encourages Australia’s business community to work with certified social enterprises as we believe this could accelerate positive social outcomes in Australian communities.”

Vedran Drakulic OAM, CEO, Gandel Foundation

“Social enterprise businesses provide economic and social benefit to Australia. Social enterprise procurement has been one of the most successful areas of the social enterprise eco-system, set to generate up to 44,000 jobs by 2030 for marginalised and hard-to-reach communities. Social Traders are one of the principal trailblazers of social enterprise procurement, with an established proof of concept and working relationships with state and local government, as well as some of Australia's largest companies. If the Federal Government is truly committed to achieving their social and economic policy objectives, social procurement is an ideal mechanism to use. 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. We see partnership with Social Traders as having a multiplier effect ... to enable Social Traders to strengthen the social enterprise sector as a whole.”

Paul Conroy, CEO, The Ian Potter Foundation

“The Ian Potter Foundation has supported the social enterprise sector for more than a decade, funding dozens of social enterprises. This sector focuses on providing the career start that the most vulnerable in our community need. The work of Social Traders, which supports the growth of social procurement – incentivising corporates and government departments to buy services and goods from social enterprises – will ultimately strengthen the whole sector and the wider community.”

Appendix four - Social Traders Federal Government submissions and related publications

Federal Government submissions

Pre-budget submission - 2024

<https://www.socialtraders.com.au/news/australian-government-backing-social-enterprise-to-deliver-multiple-policy-agendas>

Social Traders Employment White Paper Submission - 2023

https://assets.socialtraders.com.au/downloads/Employment-White-Paper-Social-Traders-Submission_Nov-2022.pdf

Social Traders submission to Inquiry into Economic Dynamism, Competition and Business Formation - 2023

<https://assets.socialtraders.com.au/downloads/Submission-to-Standing-Committee-on-Economics-Social-Traders-March-2023.pdf>

Social Traders submission to the Workforce Australia Inquiry - 2023

<https://assets.socialtraders.com.au/downloads/Submission-to-Workforce-Australia-Committee-Social-Traders-July-2023.pdf>

Social Traders Measuring What Matters Consultation Submission - 2023

<https://assets.socialtraders.com.au/downloads/Social-Traders-Measuring-What-Matters-Submission.pdf>

Social Traders key publications

Social Traders FY23 impact report - 2024

<https://assets.socialtraders.com.au/downloads/STFY23-Impact-Report-digital.pdf>

Social Traders Pace23 report: the Profile of Australia's Certified Social Enterprises – 2023

https://assets.socialtraders.com.au/downloads/Pace2023_SocialTraders.pdf

Backing Social Enterprise: a Look at Social Enterprise Strategies Around the World – 2023

<https://www.socialtraders.com.au/news/backing-social-enterprise-a-look-at-social-enterprise-strategies>

Finding Australia's Social Enterprise Sector (FASES) – 2010 & 2016

<https://www.socialtraders.com.au/news/finding-australias-social-enterprise-sector-fases>

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