Social inclusion, employment and social enterprise

Dr Jo Barraket
Senior Lecturer in Public Policy
University of Melbourne

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The social inclusion and place based disadvantage workshop was held on the 13th of June 2008 at the Metropole Conference Centre in Fitzroy, Victoria, under the auspices of the Brotherhood of St Laurence’s Research & Policy Centre and the Victorian Government’s Department of Planning & Community Development. It was hosted by Paul Smyth, facilitated by Allison McClelland, and coordinated by Kristine Philipp. These proceedings are aimed at fostering, informing and stimulating public reflection, discussion, debate, research, and policy initiatives to address one of the central challenges facing contemporary Australian governments, industries and communities.

The following papers were presented at the workshop:
Associate Professor Scott Baum – Making space for social inclusion.
Dr Zoë Morrison – Place, social inclusion and ‘cultural justice’: reflections on the British experience – a place-based social exclusion policy case study
Professor Paul Smyth – Social inclusion down under
Professor Ruth Fincher – Issues of scale: a place-based view of social inclusion centred on redistribution, recognition and encounter
Mr Damian Ferrie – Social inclusion and place-based disadvantage: what we have already done that is valuable for the future
Dr Tim Reddel – Reframing governance and service delivery by ‘place and partnership’: some ideas and lessons from Queensland
Professor William Mitchell – A return to full employment is a precondition for social inclusion
Dr Jo Barraket – Social inclusion, employment and social enterprise
Mr Tom Bentleigh – Places and mainstream services
Professor John Wiseman – Strengthening social inclusion through place based action to improve mainstream services
Professor Bill Randolph – Locating social exclusion: the case of Sydney
Dr Kathy Arthurson – Urban regeneration, scale and balancing social mix

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The views expressed in the proceedings, including this paper, do not necessarily reflect any official position of the publishers. We expect and support the further development of these ideas and their subsequent publication in journal or book form.
About the Author
Dr Jo Barraket is Senior Lecturer in Public Policy at the University of Melbourne.
Email: barraket@unimelb.edu.au

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Research & Policy Centre
67 Brunswick Street
Fitzroy VIC 3065
ABN 24 603 467 024
Phone: (03) 9483 1364
www.bsl.org.au/

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Defining Community and Social Enterprise

Social and community enterprises are businesses that are driven by a social or environmental objective. They are typically non-profit or limited profit distributing. They include:

- individual businesses that operate with the exclusive purpose of fulfilling a particular community need, and where the products and services traded directly serve those needs (known as community enterprises);
- individual businesses that serve a social/environmental purpose through trading, but where the goods or services traded do not directly respond to the needs of a targeted community (known as social enterprises); and
- business ventures undertaken by not-for-profits in order to generate revenue to invest in other charitable activities (known as nonprofit business ventures).

The main business characteristics of social and community enterprise are:

- Their day to day activities include providing goods or services in return for payment
- At least some proportion of their income is generated through trading
- They are principally driven by a social or environmental goal, with profit viewed as a mechanism to fulfill that goal
- They reinvest profit to further their social/environmental objectives.

Social and community enterprises are variously concerned with: providing essential local services in the face of state and market failure; generating permanent or intermediate labour market (ILM) opportunities for traditionally marginalised people (these are referred to in the European context as Work Integration Social Enterprise); generating income to support local community development or not-for-profit agency activities; creating vehicles to retain income within local economies; and providing organisational frameworks for developing economic, social and civic participation.

In Europe, the UK and Canada, public policy support for social enterprise development has formed part of a broader repertoire of policy initiatives aimed at facilitating social inclusion through the third sector. This includes, but is not exclusively focused on, stimulating local-level responses to entrenched disadvantage. In Australia, relatively little public policy attention has been given to the development

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1 There is no stipulated minimum of trading revenue for organizations to be defined as social enterprises in Australia. In the UK, a not for profit organisation is defined as a social enterprise if at least 25% of its overall income is accrued through trading.
of community and social enterprise. The Victorian Government has led the way, with its Community Enterprise Strategy. At the local government level, the Cities of Brisbane and Parramatta have also engaged in targeted support for social enterprise development. All of these policy approaches place social and community enterprise squarely within a social inclusion agenda.

Social and community enterprise, employment and inclusion

By using a business vehicle to meet social objectives, most social enterprises directly create niche employment opportunities or pathways into mainstream employment. Some enterprises – for example, community owned businesses in small rural towns – also generate employment indirectly by stimulating their local economies. It should be noted, however, that employment is not the principal social objective of all forms of social enterprise.

In those enterprises that do focus on work or work integration, enterprise participants experience both the manifest benefits of employment, that is, income, as well as what Jahoda (1982) refers to as the latent benefits of employment, such as increased self-efficacy, vocational and personal skills development, social interaction and support. It is these latent benefits which are likely to support sustained labour market outcomes for those experiencing multiple barriers to employment. In my own research, I have also found that these latent benefits lead to other social inclusion outcomes – including increased civic engagement, more diverse social relationships, and improved self-reported health – for some social enterprise participants. However, I have noted elsewhere that, with regard to ILM models, many of the employment outcomes generated by ILMs appear to be in secondary industries characterized by casualisation and associated insecurities of employment. This raises further questions about how to ensure that the pathways to employment created by ILMs do not lead to revolving doors of casualised employment for those most disadvantaged in the labour market.

In addition to being employers themselves, ILMs and other forms of work integration social enterprises often act as intermediaries between their participants and other local employers. Evaluative research I have conducted with a small number of work integration social enterprises has found some evidence that individual enterprises used their industry networks to secure employment for individuals who have participated in training programs within the enterprises. This is consistent with the OECD’s findings that social enterprise is able to develop flexible responses to training and employment that attend to the demands of both individual clients and local employers (OECD, 2006: 13).

While there is some evidence that social and community enterprise can facilitate social inclusion by providing supportive employment environments and/or stimulating inclusive labour market transitions, public policy support rightly demands evidence of the value and effectiveness of these kinds of niche initiatives. This raises specific
questions about the costs and effectiveness of community and social enterprise in facilitating social inclusion in particular, and more general questions about the value of investing in locally-led responses to intractable social and environmental problems.

**Costs**

There is no doubt that business start-up that is central to social enterprise models can be costly relative to other labour market programs. However, it is necessary to examine cost in terms of sustainability of employment outcomes and society-wide savings derived from social enterprise models. With regard to the former, we have little evidence yet in Australia of the sustainability of employment outcomes arising from social and community enterprise. As discussed above, Australia has seen very limited targeted government investment in social and community enterprise and that which has been initiated has only occurred in the past four years. With regard to society-wide savings associated with social and community enterprise, we have evidence to suggest that some forms of social enterprise deliver cost-effective models of employment integration. In 2007, the Brotherhood of St Laurence worked with the Allen Consulting Group to develop a cost-benefit analysis of their own ILM model of community enterprise. Their medium range assumptions for the model suggested that for every dollar of investment in ILM programs, society would receive around $14 worth of benefits (Mestan & Scutella with Allen Consulting Group, 2007: v).

Another way of viewing the public value (as distinct from the costs) of social and community enterprise approaches to social inclusion is the extent to which they provide a vehicle for leveraging social investment from a wide range of sources. My work evaluating a small number of ILM models in particular, finds that government investment can be an important trigger for wider social investment, but ultimately forms a minority proportion of overall income in social and community enterprise activities. Additional sources include income derived from trading; membership fees and subscriptions; philanthropic investment; start up support from auspicing agencies; social venture capital from established social enterprises; and corporate support through monetary and/or in-kind contributions.

**Effectiveness**

A common criticism of current interests in stimulating local level responses to disadvantage is that they do not address the structural and systemic causes of disadvantage that can not be effectively tackled by communities alone. I concur with this criticism, although I question the presumption that structural and systemic interventions need to be mutually exclusive from ‘new localism’. A related concern, however, is the extent to which small-scale local endeavours can have a wider impact on systemic problems.

This has played out in relation to social and community enterprise, with questions raised about the scalability of these activities in order to increase the impact that they
have on intractable social problems. It is worth noting that not all forms of social and community enterprise are small – the 2007 UK social enterprise of the year, for example, has an annual turnover of $21 million with a 20% annual growth projection. With regard to ILM models of community and social enterprise, there is a range of international examples where ILMs have been successfully scaled up to achieve outcomes for many thousands of participants (see, for example, Bickerstaffe & Devins, 2004).

While scalability of some forms of social and community enterprise is possible, I would suggest that not all community enterprise activities can, or should, be scaled up, because both their purpose and their value rests with the fact that they are responding to niche conditions and needs. The effectiveness of these niche enterprises may not be in their capacity to scale up their own activities, but in their capacity to influence practices within other organizations, sectors and communities. OECD research has found, for example, that community enterprises can stimulate local labour markets through their day to day working relationships with locally-based industries. In research I am currently conducting with Verity Archer, we have found that there is a number of cross-sectoral partnerships and collaborations forming in support of community enterprise development, and that in some cases these create flow-on effects in the form of changed practices within other sectors that are consistent with enterprises’ social inclusion objectives. As discussed above, some larger welfare organizations are active in negotiating with private sector organisations to develop relationships that will support participants of ILM programs into mainstream employment in exchange for quality recruits in a tight labour market. In this sense, the effectiveness of social and community enterprise in relation to employment lies not only in their own core business activities, but in the extent to which they facilitate bridging links and transformed practices amongst larger labour market actors. In this sense, the effectiveness of social enterprise with regard to employment rests in its influence on both labour market supply and demand.

Implications for Facilitating Social Inclusion

Social and community enterprise is no panacea to social inclusion. Where appropriately supported, however, this type of civil society activity can form part of a broader suite of community and third-sector led initiatives that empower communities and stimulate social innovation in response to local needs. As such social enterprise has a role to play alongside continued efforts to redress structural and systemic inequality at the macro level. Victoria has led the way in investing in and promoting the potential benefits of community and social enterprise in supporting social inclusion. If these kinds of enterprises are to become more than marginal activities generating a few ‘good news stories’, however, further work is required by policy makers, social and community enterprise leaders, and parts of the corporate sector. In particular, there is a need to:
Develop an enabling regulatory environment, which both supports not for personal profit trading and facilitates new ways to bring resources from across sectors to bear on community and social enterprise development;

Improve the financing of social enterprise including the establishment of ‘patient capital’ which supports the start-up of social purpose-driven business through community development financial institutions, stimulating the market for social enterprise services through social procurement, encouraging ‘tactical philanthropy’ as a form of social investment, and raising awareness of social enterprise and its needs among mainstream financial providers; and

Further evaluate the impacts of existing social and community enterprise models, in order to develop the evidence-base for what works and under what circumstances.

Finally, I would suggest that we need to conceptualise community and social enterprise as a form of social innovation – which potentially generates a range of social inclusion outcomes in diverse ways – rather than as a set of finite models for creating new jobs or pathways into employment. One of the strengths of civil society responses to disadvantage is that they can be flexible and responsive to local imperatives, and make creative use of the range of available resources in response to those imperatives. Where social and community enterprise sectors are well-developed, they include an array of enterprising approaches to employment creation and integration, service delivery, and proactive responses to cultural and environmental problems, amongst other things. What binds them together is not that they all produce jobs or pathways to jobs, but that they are all concerned in some way with achieving social justice through redistributive economics. To pigeon-hole community and social enterprise as an employment response is to impoverish the wider range social inclusion outcomes that potentially arise from a diverse sector seeking to stimulate a range of benefits for the communities they serve. It also creates the risk of generating a form of ‘manufactured civil society’ which becomes homogenized in response to policy dollars, rather than diversified in response to local need. In international settings where there are strong public policy frameworks to support social enterprise development, it has been observed that these are stimulating isomorphic tendencies amongst social enterprise, which have the potential to erode the very basis of their contributions to social inclusion. While there are necessary limits on what and why governments will invest in social and community enterprise, there is a continued need for reflexive discussion amongst social enterprise leaders, the wider third sector and governments about the approaches needed to encourage diversity amongst social and community enterprise, and to invest in the full range of ways in which they facilitate social inclusion.
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