

***Productivity Commission Report on the Contribution of the Third Sector  
- Comment by May Lam, Social Traders***

Are not-for-profit organisations as productive as they could be? Certainly not, concludes the Productivity Commission in its final report.

There are understandable but not good reasons for this lack of productivity and social innovation. The Commission has found that constraints faced by not-for-profits include difficulty in accessing funding to invest in technology and training, lack of support for evaluation and planning, prescriptive service contracting by government, and in some cases resistance to change by volunteers, members and clients.

Though we can readily recognise these constraints on third sector capacity for innovation, it is not so easy to fix them. How often do we find philanthropists or governments inviting submissions from non-profits to undertake 'capacity building', to overhaul their information and communications systems, or to undertake a thorough review of their past mistakes and plan new service configurations to realise the meaning of 'social inclusion' on the ground?

The report finds that state and territory governments have provided some limited support to help not-for-profits to build capacity, and the Victorian government's funding of Social Traders is noted as an exceptional case. But the Commission concludes that there is a great deal of unmet need for investment in capacity building and more work to be done by intermediary organisations if they are to become more productive and enterprising.

Social Traders is in heated agreement with the Commission about this: intermediaries can serve as cross-pollinators in a sector of evolving non-profits of various sizes, growing and adapting to new conditions and opportunities. By virtue of their mobility and capacity to learn quickly from many sources, intermediaries have immense potential to spread the DNA of social innovation. The kinds of intermediary support needed to advance social innovation and enterprise identified by the Commission are those long recognised by Social Traders: the ability to learn from other non-profits' mistakes and successes; business planning, evaluation and benchmarking; finance and financial services; matchmaking of philanthropic or corporate support to social program innovations.

The Productivity Commission acknowledges 'a growing view of social enterprise as being well placed to drive social innovation', due to the typical configuration of social enterprises as multi-goal, multi-ownership, multi-resourced organisations. It also allows that 'all types of social enterprise offer the potential for building community connections', and notes that 'social enterprise activities are seen by some as offering major opportunities to address the gap in social inclusion resulting from the current for-profit approach to business'. The Commission is cautious, however, in finding that this is yet the case, probably reflecting the lack of evidence currently available, or presented, during its investigations. In the lexicon of the PC report, then, social enterprise is one colour in the spectrum of social innovation.

We are very interested in the Commission's recommendation that the Australian Government should fund the Department of Innovation's Enterprise Connect program to establish a Centre for social enterprise. Over the coming months we will monitor and contribute to discussions about the proposed Centre and continue to report developments.

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