

## **Getting the model right : Social Enterprises motivated by employment**

Job creation through social enterprise is currently attracting lots of interest around Australia. I put this down to several factors:

- the failure of mainstream employment programs to meet the needs of the highly marginalised unemployed;
- the rise of social entrepreneurship;
- a policy push towards self-funding public benefit programs; and
- government interest in social inclusion, at the local, state and national levels.

At this time of great opportunity, it is valuable to look at the elements, challenges and models that make some employment motivated social enterprises succeed and others fail. Where are the commonalities and shared learnings to improve the way social enterprises perform financially and for their beneficiaries?

The purpose of this opinion piece is to start a dialogue about employment motivated social enterprises and stimulate reflection. It is also a precursor to a social enterprise employment network meeting to be convened by Social Traders in Melbourne in late April, this year.

Whilst all employment motivated social enterprises have the primary objective of employment creation for marginalised groups, they vary in their execution, for example:

- Social Firms are premised on creating work for people with disabilities in integrated work places;
- Australian Disability Enterprises (ADEs) principally employ people with disabilities that are unable to work in mainstream businesses;
- Intermediate Labour Market Companies (ILMCs) principally to create pathways to mainstream employment for marginalised groups;

And of course, there are hybrid models that borrow from some or all of the above.

In the context of this article, the relevance of this typology lies in the fact that the most appropriate structure for support and workplace composition varies, depending on the number of people employed from the target group and the complexity of their support needs.

This paper focuses on these two elements which I believe lie at the heart of employment motivated social enterprises; (i) workplace support, and (ii) workforce composition.

### **Workplace support and its impact on financial sustainability**

People excluded from the labour market require tailored business models to support them into employment. Support may include dedicated support workers, increased levels of supervision in the workplace and linking into established, funded community supports such as Disability Employment Network programs

A key lesson from my practical experience of running Intermediate Labour Market Companies (ILMC's) and from those employment motivated social enterprises that are still operating from the 1980s and 1990s is: *high support costs without secure funding in place puts an unsustainable burden on social enterprises.*

Whilst the financial burden of high support appears obvious, it has not stopped people from repeatedly developing social enterprises with unaffordable support models. The result of this oversight is business failure.

*So how much support is required?*

In recognising the importance of supportive workplaces for those entering the workforce after long periods of unemployment, I would argue that, in some settings, formal support workers attached to social enterprises can actually be counter-productive.

In my time working at the Brotherhood of St Laurence (2004 – 2008) running an ILMC, we started with the view that it was critical to separate supervision and support as one role is about business and the other is about building resilience; the skills and responsibilities are different. Over four years we experimented with the support role, ranging from high to low levels of support. What we found was that the beneficiaries working in the businesses regarded the ILMC as a job; they did not respond well a dedicated support worker position. It actually created confusion about authority and also undermined the business culture that we were endeavouring to create.

We also discovered that supervisors and managers were picking up what would be typically thought of as 'support' issues and either dealing with them directly or making referrals where necessary. Most managers work in social enterprises because of their interest in and ability to manage relationships. They possess most of the necessary support skills as well as management skills.

We eventually moved away from the dedicated support worker role, instead adopting a mainstream industry standard for trainee support. We went from employing a full-time group training Field Officer to a 0.3FTE Field Officer. Many commercial businesses use the same model with group training companies managing apprenticeships and providing low-level support to the apprentice.

The overall model included:

- A 0.3 FTE (one and a half days per week) Field Officer with a case load of 25 trainees;
- Managers with industry and business skills as well as community sector knowledge and humanitarian values;
- Organisational assistance so that managers could access expertise or resources available internally within the existing organisation and/or be networked with appropriate external support organisations;
- Robust recruitment and federally-funded pre-employment programs that prepared the beneficiaries for the environment they were going into; and
- New apprenticeships to augment the training.

Upon reflection, the only failure of the model was a lack of sufficient support in the transition into the open-labour market, there is a need for tailored programs and assistance for people leaving ILMC's to access the open labour market. This suggests to me that there might be an opportunity for the Department of Education, Employment and Workplace Relations (DEEWR) to link people into the Job Services Australia system in the last three months of their employment in an ILMC.

This experience and learning is based on a personal experience. It may be very different to your experience of successful support models.

- Have you developed successful support models?
- What are your learnings?
- How much is the support model influenced by the workforce composition and industry that the business operates in?

### **Workforce composition and industry**

At its very heart, workforce composition relates to:

- The percentage of the social enterprise workforce coming from the beneficiary group, and
- How long they are retained in the business.

These elements in turn impact upon the sustainability of the social enterprise. Two critical issues that need to be considered are:

- How many people from the beneficiary group can the social enterprise carry before it affects business viability?
- What impact does this have on the industries that these social enterprises can operate in?

Due to their job creation mission and the need to maximise opportunities for unskilled beneficiaries, most employment motivated social enterprises are limited to industries that are labour intensive and based on skills that can be quickly acquired. Consequently, the higher the percentage of the workforce coming from the beneficiary group, the greater the restriction on the type of industries that the social enterprise can operate in.

Maximising productivity is a key business challenge for all businesses. However, a business cannot be highly productive when it is spending considerable time building the skills of its staff. Therefore, employment motivated social enterprises with high numbers of beneficiaries employed are better suited to industries where productivity is less important to the businesses revenues. To take an extreme example, a security company needs to provide a guard at a site for a prescribed time period to meet their contractual obligations while a builder only gets paid if and when the milestone has been achieved. The former is more likely to operate as a commercially viable, employment motivated social enterprise than the latter.

Some employment motivated social enterprises are approaching the challenge of workforce composition from another direction by acquiring and retrofitting existing commercial businesses as social enterprises. This approach is premised on first

getting the business fundamentals right, before building employment of the beneficiary group into the 'winning' business model. It relies on ensuring that there is a rigorous assessment of the threshold beyond which employing additional beneficiaries into the social enterprise makes the business uneconomic.

## **Conclusions**

Of course, employment motivated social enterprises are not just about commercial viability. Many financially unsustainable social enterprises generate valuable social outcome and meet important community needs. Who should pay for this? And how can they understand how much of the financial deficit is based on productivity deficits and how much relates to poor business performance?

These are the conundrums we face in shaping practice and policy. There is no one size fits all, but there does not need to be 100 different sizes either. Most employment motivated social enterprises face similar challenges and there are a limited number of successful responses to these challenges. There is no need to reinvent the wheel every time there is a new start up; we just need to tap into the experience of those that came before us.

In the coming months Social Traders will be discussing the issues of employment motivated social enterprises further. It would be great to hear your views. If you want to discuss the issues raised in this paper, go to the Social Traders Facebook page and let us know your views. If you work or operate out of Victoria, make the time to come to our first employment motivated social enterprise network event in May – contact Nina ([nina.howard@socialtraders.com.au](mailto:nina.howard@socialtraders.com.au)) for more information.

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*NB : The views communicated based on work of the Brotherhood of St Laurence are my own personal views and are not necessarily the current views of the organisation.*