

In the field of social enterprise there is a range of naturally occurring ‘types’ that emerge from common approaches, ideals, and social purposes. Social Traders, working with a number of experts, have developed this series of Social Enterprise Info Briefs to capture the unique characteristics of each social enterprise type.

Social Firms

What are they?

A social firm is a not-for-profit social enterprise with the specific mission of creating employment for people excluded from the labour market as a result of mental illness, disability or other disadvantage.

A social firm is a supportive work environment that:

- has a not-for-profit legal status;
- maintains an integrated workplace employing between 25-50% of employees with a disability or disadvantage;
- generates the majority of its income through the commercial activity of the business;
- pays all workers at award/productivity-based rates;
- provides the same work opportunities, rights and obligations to all employees; and
- builds the modifications required for employees in need of support into the design and practices of the workplace.

Social firms foster social inclusion through employment and training opportunities in an integrated workplace. Social firms offer real jobs in well supported workplaces, designed to meet the needs of people with a disability and where acceptance of a person for their abilities is standard.

Social firms operate across a range of industries. They can be businesses established as social firms from inception or existing businesses restructured to become a social firm.

Why do we need these?

People with a mental illness or disability are typically excluded from the open labor market for a range of reasons including the complex nature of the illness or disability and the lack of support available in most workplaces. This is compounded by the fact that people with a mental illness are often reluctant to disclose their illness for fear of discrimination.

Many people with a mental illness or disability are able and willing to work. Employment offers individuals a valuable connection to community, meaningful purpose that can help improve their well-being and increased income. Social firms offer specialised, targeted workplaces enabling individuals to disclose mental illness to employers and maintain long term employment.



What outcomes do they achieve?

Research conducted by Social Ventures Australia (SVA) has shown that social firms provide significant social returns. For example, one particular study found that for every \$1 invested into the social firm 'Outlook Environmental', a return of \$1.90 is provided (1). Each job created for a disadvantaged worker saves the community an average of \$1,400 each year as individuals draw on a lower level of New Start or the Disability Pension. An average of \$700 in new tax revenue per annum is also generated. For the fifty staff with a disability at Outlook Environmental in 2008, this represents projected annual saving for the Australian Government of \$70,000 in welfare payments and additional tax revenue of \$35,000.

Other benefits generated for the community through job creation include:

- Greater opportunities for workers to gain further employment through skills acquired;
- Increased personal income for disadvantaged workers (estimated at \$5,700 p.a)(1); and
- A higher than average job retention rate for employees of social firms.

Social Firms Australia (SoFA) is working in partnership with the Psychosocial Research Centre (PRC) to pilot a quality of life evaluation tool for employees with a mental illness working in social firms and other workplaces. Preliminary findings indicate that employees in social firms have improved sense of social connectedness as well as improved mental health and self-esteem, which also positively impacts their families.

How do they perform financially?

A social firm generates the majority of its income through the commercial activity of the business, producing goods and services at commercial rates. However, as social firms employ a proportion of employees with specific employment support needs it is generally necessary for these businesses to receive government support to offset additional expenses or loss in productivity. Ideally this subsidy will be more than recouped to the community through social returns such as reductions to health service costs for employees, increased revenue and payroll tax, and other social benefits.

A German study demonstrated that on average social firms covered two thirds of their running costs through commercial activity, with the remainder being covered by government subsidies. These social firms repaid 98% of this subsidy investment through decreases in social insurance payments and increases in employment taxes (2). Social firms operate most effectively when they are networked with support from the disability employment, health, rehabilitation and business sectors to ensure they operate as 'best practice' workplaces.



Prominence in Australia and overseas

The model originated in Italy and social firms now operate successfully in the UK, Canada, USA, Australia and throughout Europe. However the social firm model differs around the world, with the ratio of employees with a disability and pay scales varying between countries.

Examples in Australia

There are a number of successful social firms operating in Australia including:

- Cleanable, Cleaning Service– <http://cleanable.com.au>
- Outlook Environmental, Resource Recovery Centres <http://outlookenviro.org.au/>
- Prahran Mission, Cafe and Shop - <http://www.prahranmission.org.au/goodwill-material-aid.htm>

References, Research and Resources

1. Social Ventures Australia, *Outlook Environmental SROI Report*
2. Review of the Research: Social Firms, Do they Work?
<http://www.forthsector.org.uk/documents/SROIreport-SixMarysPlace.pdf>
Social Firms Australia www.socialfirms.org.au
Social Firms UK www.socialfirms.co.uk/

For further information

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