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Submission to the SA Productivity Commissioner

Hi Matthew,

It was a pleasure meeting you at Social Traders offices on 8 August, 2019.

As discussed on that day, Social Traders believes that Social Enterprise Procurement is an effective and efficient way of delivering goods and services and broader community outcomes.

Our argument is based on the premise that social procurement is a good idea as long as the cost of social procurement is less than it would cost to buy the equivalent goods or services through standard procurement + the same benefits to the community through government programs.

Social Traders is weeks away from completing a piece of work with PwC, the purpose of which is outlined below:

Social Traders has engaged PwC to:

- Quantify the full impact of Social Traders social enterprise procurement marketplace between FY17 and FY19
- Quantify the potential of Social Traders social enterprise procurement marketplace to reduce disadvantage to FY25 under two to three growth scenarios
- Translate Social Traders impacts into economic and social measures that are defensible with government
- Map Social Traders impact and agenda to the policy priorities of the Victorian, Queensland and NSW governments to demonstrate alignment with the respective government's policy platforms
- Recommend enhancements to Social Traders' impact measurement framework, systems, resourcing and processes and a plan to implement improvements

At the time of our meeting you outlined a desire to see a cost-benefit analysis of social enterprise procurement. There is very limited evaluation on the cost benefit of social enterprises in supply chains, the PwC work has been undertaken to provide a cost-benefit analysis of Social Traders marketplace. At this stage we are unable to share the draft report, Social Traders will be seeking Board endorsement of the report later in September and will then be able to distribute the final document. We would welcome an opportunity to submit the report upon Board approval as we believe it adds significant evidence to the importance of social enterprise procurement.

I have attached an excerpt from the draft report to identify the scale of impact generated in FY18 and 19 based on transactions between business/government members and social enterprises totaling approximately \$90 million. We believe that these employment, training, discounted goods and services and profit redistribution outcomes are significant and will only grow. The report also demonstrates that most Social Traders Business and Government Members find that social enterprises are the same price as commercial competitors.

Activity in the ST procurement marketplace	FY18	FY19	Total
Employment of disadvantaged people (# of headcount)	467	638	1,105
People with disabilities	136	185	321
People experiencing disadvantage	331	453	784
Training hours provided (hours)	94,087	128,704	222,791
Value of free or low cost goods/services provided	\$3.4m	\$4.7m	\$8.1m
Value of profit redistributed to charitable purposes	\$0.7m	\$0.9m	\$1.6m
Tonnes of waste diverted(T)*	62,963		

The report goes onto provide a range of discounts in relation to displacement, likelihood of beneficiaries falling out of the labor market and acknowledgement that some would have found work without social enterprise. The final report will provide a clear articulation of the savings to society through social procurement.

Social enterprises have operated for centuries. The social enterprises certified by Social Traders had a turnover of \$700 million in FY19, \$65 million of that trade was generated through the Social Traders marketplace, over 90% was earned from other customers, many of whom are unaware they are buying from social enterprises. Social enterprise win work through a range of RFX processes where social benefits are not being sought. They are winning work based on price and quality.

Social Traders believes that the South Australian Government should look at ways of incorporating social outcomes into its procurement framework, in order to capture this additional value, at little or no cost to the government. We would value the opportunity to provide you with our completed report because it further builds the case for social enterprise procurement for government.

Please don't hesitate to contact us if you would like to discuss social enterprise procurement further.

Regards



Mark Daniels

Executive Director, Buyer Services

Social Traders