



Do employment-focused social enterprises provide a pathway out of disadvantage? An evidence review

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Table of Contents

GLOSSARY	6
RESEARCH HIGHLIGHTS.....	8
1.0 INTRODUCTION	9
2.0 EMPLOYMENT PARTICIPATION AS A PATHWAY OUT OF DISADVANTAGE.....	10
2.1 CONCEPTUALISING THE IMPACTS OF EMPLOYMENT.....	10
2.1.1 The individual value of employment.....	10
2.1.2 The social value of employment	12
2.2 EMPIRICAL EVIDENCE FOR IMPACTS OF EMPLOYMENT: A PATHWAY OUT OF DISADVANTAGE	13
2.3 THE AUSTRALIAN POLICY APPROACH TO EMPLOYMENT AND EMPLOYMENT SERVICES.....	16
3.0 AUSTRALIAN LABOUR MARKET CONDITIONS AND CHARACTERISTICS	18
3.1 THE MACRO-ECONOMIC CONDITIONS IN 2017-2018.....	18
3.1.1 The Australian economy	18
3.1.2 The Labour market overview	19
3.2 UNDERUTILISED LABOUR AND PEOPLE EXPERIENCING DISADVANTAGE.....	22
3.2.1 The headline unemployment rate is falling but underutilisation remains high.....	22
3.2.2 Employment challenges experienced by people experiencing disadvantage.....	26
3.3 THE SOCIAL AND ECONOMIC COSTS OF UNEMPLOYMENT.....	32
4.0 SOCIAL ENTERPRISES, EMPLOYMENT AND PEOPLE EXPERIENCING DISADVANTAGE	34
4.1 OVERVIEW OF SOCIAL ENTERPRISE AND EMPLOYMENT-FOCUSED SOCIAL ENTERPRISE	34
4.2 EVIDENCE OF EMPLOYMENT OUTCOMES OF EMPLOYMENT-FOCUSED SOCIAL ENTERPRISES	35
4.2.1 Individual employment outcomes	35
4.2.2 Community-level outcomes:	39
4.3 HOW EFFECTIVE ARE SOCIAL ENTERPRISE EMPLOYMENT PATHWAYS?.....	40
4.4 ECONOMIC BENEFITS OF EMPLOYMENT-FOCUSED SOCIAL ENTERPRISES	42
4.5 CHALLENGES, BARRIERS AND OPPORTUNITIES FOR EMPLOYMENT-FOCUSED SOCIAL ENTERPRISES.....	43
4.5.1 What this means for employment-focused social enterprises	45
5.0 IMPLICATIONS FOR EFFECTIVE PHILANTHROPY.....	47
5.1 PHILANTHROPY AND SOCIAL ENTERPRISE IN AUSTRALIA.....	47

5.2 ROLE OF COLLABORATIVE PHILANTHROPY IN SUPPORTING EMPLOYMENT-FOCUSED SOCIAL ENTERPRISES	48
6.0 MEASURING EMPLOYMENT OUTCOMES.....	49
6.1 THE TAKE-UP OF IMPACT MEASUREMENT BY SOCIAL ENTERPRISES	49
6.2 INDICATORS TO TRACK, MEASURE AND REPORT EMPLOYMENT OUTCOMES	54
6.2.1 Employment statistics and indicators from Sustainable Development Goals	54
6.2.2 Employment outcomes measured for Australian employment-focused social enterprises .	56
6.2.3 A multi-tier approach for meaningful and practical employment indicators	58
7 .0 IMPLICATIONS AND CONCLUSION	61
REFERENCES	62
APPENDIX A RESEARCH QUESTIONS	72
APPENDIX B CONCEPTUAL FRAMEWORK: ENABLERS, CONSTRAINTS AND EMPLOYMENT OUTCOMES	73
B1 STRUCTURAL CONDITIONS: THE OPERATING CONTEXT THAT INFLUENCE/CONSTRAIN/SUPPORT THEM...	74
B1.1 Industry regulations and challenges	74
B1.2 Labour market conditions.....	74
B1.3 Financial resilience.....	74
B1.4 Access to social finance.....	75
B1.5 Collaboration and collaborative philanthropy	75
B1.6 Support through intermediaries	76
B1.7 Support through peer networks	76
B2 ORGANISATIONAL FEATURES: THE INTERNAL FEATURES AND ORGANISATIONAL ASPECTS UNIQUE TO EMPLOYMENT-FOCUSED SOCIAL ENTERPRISES.....	77
B2.1 People-centred support	77
B2.2 Flexible approach.....	78
B2.3 Meaningful and relevant work in live business settings	78
B2.4 Emphasis on creating and/or engaging community	79
B2.5 Integrated skill development via training and/or education	79
B3 MODERATORS: FACTORS THAT INFLUENCE THE STRENGTH OF OUTCOMES	80
B3.1 Availability of on-going support for participants	80
B3.2 Duration of program	81

B3.3 Enterprise size and maturity	81
APPENDIX C EMPLOYMENT SERVICES IN AUSTRALIA.....	82

About Centre for Social Impact Swinburne

The Centre for Social Impact (CSI) Swinburne is a multi-disciplinary research and graduate education centre based at Swinburne University of Technology that exists to progress positive social change. We are specialists in social enterprise, social innovation and measuring social impacts. CSI Swinburne forms part of the national CSI network; a partnership between the University of New South Wales, University of Western Australia, and Swinburne University of Technology.

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GLOSSARY

People with disability For the purposes of this review, people with disability includes people whose long-term health conditions limit their activities. A long-term health condition is a disease or disorder that has lasted, or is likely to last, for six months or more.

Employability refers to the skills and capacity of an individual that enable them to gain and maintain employment.

Employment refers to a job that is typically contracted between an employee and employer. An employee receives material rewards, generally in the form of remuneration and other benefits, in exchange for time, effort and use of a skillset (Waddell & Burton, 2006).

Health is specifically focused around physical and mental wellness and refers to a lack of symptoms, while wellbeing is more generally an individual's holistic subjective state, considering their perceived quality of life, happiness, and social and emotional wellness (Waddell & Burton, 2006).

Industry 4.0 refers to the fourth industrial revolution that is driven by automation and advances in transformative technologies.

Social enterprises are businesses led by a social mission that derive the majority of their income from trade and reinvest the majority of their profit or surplus into pursuing this mission (Barraket, Mason, & Blain, 2016).

Unemployed people are those who are not currently employed but are actively seeking and available to work (Waddell & Burton, 2006).

Underemployment refers to the under-use of an individual's labour capacity. Underemployed people include part-time workers who wish to work more, and full-time workers who currently work part-time for economic reasons (such as lack of sufficient work or being stood down).

Underutilisation is the combined effect of underemployment and unemployment. Extended underutilisation rates also consider people with marginal attachment to the labour force (those job-seeking but not immediately available, and those available but who have stopped job-seeking).

Residual welfare regime is the approach to welfare support, as in Australia, where citizens are provided with a basic safety net for services which is facilitated through lighter touch taxation (Esping-Andersen, 1996). This differs from more universal welfare systems that are facilitated through higher taxation.

The welfare trap refers to lost or reduced welfare payments that can occur when individuals first gain employment, leaving them with less overall income and a disincentive to enter low-paid or limited hours work.

Work can be considered paid employment, including self-employment, but is more generally the application of effort or labour over time, as in volunteering, caring, housework, and training. The

concept of work is increasingly important as the gig-economy and number of part-time jobs increase.

Work first logic emphasises getting any job, which is assumed to eventually lead to a better job, rather than developing skills and gaining qualifications as an entry point to employment (Bennett et al., 2018). This has been the Australian government approach since the mid-1990s.

Employment-focused social enterprises aim to provide employment or create employment pathways and work readiness for people at risk of exclusion from the mainstream labour market or facing barriers to mainstream employment (Chui, Shum, & Lum, 2018).

RESEARCH HIGHLIGHTS

- 1.** Employment has been found to benefit individuals, specifically via: access to income and social capital; increased participation and inclusion in society; and promotion of mental and physical health and wellbeing.
- 2.** Australian government approaches to employment services are characterised by a work first approach within a residual welfare regime. In line with this, basic employment services are offered to Australian jobseekers, but they are insufficient both in practice and outcome, particularly for Australians experiencing severe and/or multiple barriers to employment.
- 3.** The Australian labour market has experienced recent rising labour force participation paired with a falling unemployment rate, but underutilisation remains persistently high, which indicates unmet demand for employment. In other words, Australia is not making the most of its productivity potential and the burden of exclusion over-proportionally falls to certain groups (women, young people, people with disability, Indigenous Australians and people seeking asylum) because of system failures.
- 4.** As an alternative to mainstream employment supports, employment-focused social enterprises are a form of social enterprise with the social mission to create employment or employment pathways for people with barriers to mainstream employment. Evidence reviewed suggests that employment-focused social enterprises are able to create significant employment outcomes at the individual and community levels, though comprehensive research is needed to better understand community outcomes.
- 5.** Empirical studies suggest that employment-focused social enterprises are relatively high up-front cost interventions with high return/value. However, there is a lack of comparative research that considers the social value and financial efficiencies of social enterprises relative to other approaches and the available research focuses on small sample studies, which limits the reliability and ability to generalise outcomes to all employment-focused social enterprises.
- 6.** Research exploring the long-term effectiveness of employment-focused social enterprises and the specific mechanisms that produce their outcomes is also limited.
- 7.** Employment-focused social enterprises face various challenges both internally and in response to the operating environment, and supports in the form of financial and non-financial capacity building could help grow and scale the social impacts of employment-focused social enterprises.
- 8.** Philanthropy has been an important source of ‘risk capital’ to generate and trial new responses to social problems, and philanthropic support for social enterprise in Australia has been increasing, but rural and regional social enterprises report low access to philanthropic support. There is considerable scope to share learning and shape collaborative philanthropic practice in the Australian context.
- 9.** Impact measurement has been a challenge for many social enterprises, with approximately one in three social enterprises not measuring their social impacts. For those who have measurements in place, their frameworks are typically enterprise/program-specific, and employment-related impact measures are not standardised across the sector.

1.0 INTRODUCTION

In late 2018, the Westpac Foundation launched a new strategic plan, which identifies employment as a pathway out of disadvantage and positions employment-focused social enterprise¹ as a vehicle to improve employment outcomes, including creating jobs and increasing the work-readiness of Australians experiencing disadvantage. The Foundation's targets include 10,000 jobs created by 2030 through its funding initiatives. This evidence review was commissioned from CSI Swinburne and synthesises available data and research evidence to test the underpinning assumptions and targets of the Foundation's current strategic plan. Drawing on secondary analysis of existing evidence from academic and grey literature, as well as central datasets such as those created by the Australian Bureau of Statistics (ABS), the review addresses: whether and how employment redresses disadvantage; the current costs and future implications of unemployment and underemployment; and the potential and impacts of employment-focused social enterprises on employment creation and reducing disadvantage.

A secondary goal of the review is to identify where there are significant gaps in evidence that may be limiting policy, practice and effective philanthropy. On the basis of the review and gaps identified, the Foundation will consider initiating a collaborative approach to designing and investing in an applied program of research. Thus, the review also considers current approaches to collaboration in the context of strategic philanthropy.

The review is structured and guided by the research questions posed by the Westpac Foundation, which have been refined based on input from Westpac Foundation-funded social enterprises and feedback from the research team (see Appendix A for the list of research questions).

The Westpac Foundation strategy's core assumption is that employment is a pathway out of disadvantage, which presumes that accessing and retaining meaningful employment is a challenge for people experiencing disadvantage. In this document, we consider the available evidence on whether and how employment acts as a pathway out of disadvantage for individuals and communities (Section 2).² We then consider current macro-economic and labour market conditions and their implications for access to employment for people who experience disadvantage (Section 3). Following this, we review the evidence available on the employment outcomes of employment-focused social, their effectiveness, challenges and opportunities (Section 4). After discussing the implications for effective philanthropy (Section 5), the review concludes with a consideration of impact measurement and employment outcome indicators for employment-focused social enterprises (Section 6).

¹ Employment-focused social enterprises are also commonly referred to as 'work integration social enterprise' and the terms largely seem interchangeable in the literature. Some social enterprises also provide 'intermediate labour market' programs, though these programs are not specific to social enterprise and are run in both private and not-for-profit organisations (Nockolds, 2012). The term 'employment-focused social enterprise' used throughout this review refers to work integration or employment-focused social enterprise. Further discussion on the definition of employment-focused social enterprises is provided in Section 4.

² The population groups experiencing disadvantage discussed in this review are women, young people (15-24 years), people with disability, Indigenous Australians and people seeking asylum.

2.0 EMPLOYMENT PARTICIPATION AS A PATHWAY OUT OF DISADVANTAGE

Research consistently shows that, in general, **employment leads to greater health and wellbeing benefits than unemployment** (Broom et al., 2006; Modini et al., 2016). Employment enables an individual to gain economic and social resources, which helps protect against life challenges, promotes overall better mental and physical health and wellbeing, and facilitates participation and inclusion in society (see Waddell & Burton, 2006, Modini et al., 2016; Broom et al., 2006). Conversely, there is strong evidence that unemployment contributes to poorer mental and physical health and wellbeing (Green, 2011; Modini et al., 2016; Pavlova & Silbereisen, 2012), including increases in mortality rates, suicide rates and hospital admissions (Waddell & Burton, 2006). Research into re-employment after a period of unemployment also points to the benefits of a job: re-employment is associated with sustained improvements in health and wellbeing, more or less reversing the negative impacts of unemployment at times (Waddell & Burton, 2006).

This section reviews broader evidence for the benefits of employment from theoretical and empirical perspectives. In particular, close attention has been paid to benefits of work participation to various groups that experience systemic disadvantage.

2.1 Conceptualising the impacts of employment

2.1.1 The individual value of employment

Two influential conceptual frameworks for the impacts of un/employment on the individual exist in the literature: the latent deprivation model (Jahoda, 1981) and the vitamin model (Warr, 1987). Both are broadly located within the discipline of health occupational psychology.

Latent deprivation model

Marie Jahoda's (1981) **latent deprivation model (LDM) states that employment has a main or manifest function of generating an income but five other latent functions that relate to five basic and universal human needs** (Table 1). **Meeting these needs is critical for optimal health and mental wellbeing and, according to Jahoda, employment is the only source where these latent functions (and their corresponding needs) can sufficiently be met** (Paul & Batinic, 2010). Research consistently shows that employed people experience higher outcomes in latent functions than those who are unemployed (Paul & Batinic, 2010; Sousa-Ribeiro, Sverke, & Coimbra, 2014) and the latent functions have been associated with wellbeing across different countries and methodologies (Paul, Geithner, & Moser, 2009).

Vitamin model

Another well-known framework adapted from Jahoda's model and used to explore the impact of un/employment is Peter Warr's (1987) vitamin model, which states that employee wellbeing depends on nine key environmental features as summarised in Table 2. This has since been updated (Warr, 2007) to include three additional 'vitamins' specific to paid employment (good quality supervision, career outlook, fair treatment) but there is a lack of empirical testing of this extended model. Notably, **the vitamin model specifies that the degree or 'dose' of each element for a specific context is important: too much or too little of one feature could be harmful to health.**

Table 1 Latent Deprivation Model

Manifest impact	
<i>Financial security</i>	Access to economic resources is the most obvious function of employment in the LDM. Access to income enables individuals to participate more completely in society, increases their material wellbeing, and improves their accessibility to resources to cope with life challenges.
Latent impacts	
<i>Time structure</i>	Employment offers structure and routine to daily and weekly activities for individuals to guide and plan their activities.
<i>Collective purpose</i>	Employment provides a way for people to be involved in goals or efforts greater than themselves, where they are needed and can contribute to a purpose that benefits others.
<i>Social contact</i>	Employment offers frequent social contact (outside the household or family unit) that enables people to foster social relationships and networks and exposes them to a range of social experiences to view and understand diversity in perspectives. Relationships can play a significant role in people's access to other resources, including services, funds, and economic opportunities.
<i>Social status and identity</i>	Employment is central to the construction of a person's identity and provides a common language of social status, context-dependent on the society itself. Employment also offers an improved sense of autonomy, self and purpose, and an opportunity for personal and skill development.
<i>Regular and intentional activity</i>	Activity (as opposed to passivity) is crucial to wellbeing.

Source: Jahoda (1981), Modini et al. (2016), Paul & Batinic (2010), Sousa-Ribeiro et al. (2014), Waddell & Burton (2006)

Criticisms and comparison between LDM and Vitamin model

Research suggests that the LDM may be a better predictor of psychological distress, while the vitamin model may better predict life satisfaction (Sousa-Ribeiro et al., 2014). In this way, the two models can be seen as more complementary than in conflict, but it is worth noting a few key differences.

Firstly, and as mentioned, the LDM typically does not differentiate between people who are unemployed and those actively or purposefully out of the labour force (OLF), like students or retirees. In one study, while people OLF reported less access to the majority of the latent functions than people in employment, they reported more access than people who were unemployed (Paul & Batinic, 2010). This suggests other factors beyond the latent functions may influence the relationship between employment and wellbeing, which the vitamin model sheds some light upon.

Secondly, the LDM clearly separates latent functions from the manifest function of income, while the vitamin model integrates financial rewards with the other features. The LDM model presumes that deprivation of latent functions is more associated with mental ill-health (Sousa-Ribeiro et al., 2014). Though the negative impacts of unemployment remain even when lowered income is removed

Table 2 Vitamin Model

Environmental feature

<i>Financial rewards</i>	Access to economic resources.
<i>Opportunity for social support and contact</i>	Considering both quantity (amount) and quality (degree of support and motivation) of contact.
<i>Opportunity for skill use and development</i>	Allowing individuals to tailor their learning and continually grow.
<i>Opportunity for control</i>	Allowing individuals to make decisions and act autonomously.
<i>Variety</i>	The opportunity to experience novelty or change in the environment.
<i>Clarity and security</i>	Around future predictability of employment, expectations of tasks, and availability of feedback.
<i>Goals</i>	Considering goal clarity and demand (both the number of goals and difficulty of goals set).
<i>Physical comfort and security</i>	Including safe and adequate practices and equipment.
<i>Social status and position</i>	Similar to the LDM’s social status and identity.

Source: Warr (1987)

(Green, 2011), access to financial capital is strongly associated with wellbeing, and poverty is commonly reported as the primary reason for stress and ill-health arising from unemployment (Paul & Batinic, 2010; Paul et al., 2009).

Thirdly, the LDM places high priority on overall employment status. Jahoda argued that employment is always better than unemployment, though acknowledged that certain job situations can have negative impacts on health and wellbeing (Sousa-Ribeiro et al., 2014). Conversely, the vitamin model places more emphasis on the workplace environment than on the status of being employed. Each of these are relevant to the functions of employment-focused social enterprises, which are detailed in Section 4.

Finally, both the LDM and vitamin model focus on individual impacts of un/employment, and do not address social, community level, or intergenerational outcomes.

2.1.2 The social value of employment

The World Bank (2012) identifies the social value of employment as the individual value of a job plus any spill-over effects, both negative and positive. These include impacts on social cohesion, aggregate productivity, others’ living standards, gender equality, and the environment. Though it is often true that if a job has a positive impact for an individual it will have positive impacts for society, the value of employment can differ for individuals and for society, and different jobs will have different impacts depending on the context. More often than not, employment will also have trade-offs, so balancing any

positive or negative impacts becomes important. Table 3 presents the nine key channels for the spill-over impact of employment on society.

Table 3 Spill-over Channels of Employment

Spill-over Channel

<i>Earnings of others</i>	Regulation of incomes in one job impacts incomes in the job sector more broadly, and the opportunities for other individuals. Government spending and taxation also influence earnings.
<i>Household allocations</i>	How employment income is distributed or used within a household can depend on who receives the income – for instance, women may spend more on food and children than men.
<i>Poverty reduction</i>	Employment that has a specific focus on reducing poverty will have a greater social impact. People value the availability of jobs that take others out of poverty when they are altruistic and value poverty reduction in general.
<i>Agglomeration effects</i>	Jobs in functional cities with closer proximity (of workers, inputs and knowledge) are generally more productive and enable more mutual and specialised learning.
<i>Global integration</i>	Businesses that participate in the global network tend to be more productive, facilitate competition and enable exposure to innovation.
<i>Environmental effects</i>	Jobs can have various negative and positive impacts on the environment, and exploitation of the environment decreases productivity.
<i>Social identity</i>	Employment can change the identity (values and behaviour) of an individual which can affect their interaction with others, increase social trust, and influence norms.
<i>Sense of fairness</i>	Perceptions of the overall job market (e.g. its accessibility and supply) and unemployment rates can influence attitudes of fairness and community, beyond an individual’s own job.
<i>Networks</i>	Employment creates networks among people outside of the household unit who may otherwise not connect. This creates pathways for information sharing, increased social integration and tolerance of difference.

Source: Word Bank, 2012

2.2 Empirical evidence for impacts of employment: a pathway out of disadvantage

The core assumption that employment is a pathway out of disadvantage presumes that accessing and retaining meaningful employment is a challenge for people experiencing disadvantage. ***The effects of unemployment are worse for individuals experiencing disadvantage because they are already experiencing insecurity and have fewer resources and capacity to protect themselves from these effects*** (Lennon & Limonic, 1999). Evidence for the impacts of employment will thus be categorised according to groups that experience changes in employment, considering the barriers they face in gaining and maintaining meaningful employment. When exploring the relationship between un/underemployment and wellbeing, ***the majority of research looks at the negative impacts of unemployment, rather than any positive benefits, highlighting a potential knowledge gap***. Where available, research on the benefits of employment was used to support this review, but given their proliferation, unemployment studies have been used as a starting point. We note, though, that any positive effects of employment are not automatically the reverse of any negative effects of unemployment (Pavlova & Silbereisen, 2012).

It is also important to keep in mind that, as suggested by the vitamin model, **having any job does not appear to always be more beneficial than having no job** (Broom et al., 2006). Certain factors of employment appear to have a negative impact on health and wellbeing. Research suggests that the **quality of a job (i.e. a 'decent' job³), its psychosocial stressors, and the nature of a workplace can affect employment outcomes** (Modini et al., 2016; Waddell & Burton, 2006). At an individual level, choice and value in one's employment situation appear to influence employment outcomes (Paul & Moser, 2006; Waddell & Burton, 2006), alongside an individual's perceived employability, their sense of control and self-direction in work (Lennon & Limonic, 1999), and their dependency on a job (Green, 2011). Further, a job is valued in societies where employment is a social norm, meaning that negative impacts of unemployment may result from the social perception of unemployment, rather than unemployment itself (Waddell & Burton, 2006).

Next, we consider evidence from empirical studies on the benefits of employment, and/or the negative impacts of unemployment amongst groups who are experiencing employment disadvantage in the Australian context. In particular, the barriers and the importance of access to meaningful employment are discussed.

Women

Women experience more barriers to participating in the labour market than men. This is in part related to the socio-cultural conditions that affect Australia's labour market dynamics. Whereas some countries, including some Nordic countries, have highly transitional labour markets – meaning that it is relatively easy to move in and out of paid work with strong social service supports and minimal stigma attached to employment status – the Australian system emphasises a static 'work first' approach. This creates barriers (both structural and related to social norms) to moving in and out of the workforce at different life stages. Employment access for women is also influenced by the residual effects of gender inequality. On average, it takes young women longer to gain employment than young men, even when women have more relevant skills or more hours of work experience (Foundation for Young Australians, 2018). Women also tend to have fewer paid years of employment, are over-proportionally represented in part-time work, and have significantly lower retirement incomes than men do (Jefferson, 2009). Additionally, **as indicated by the spill-over channels of employment, when women do gain employment and an income, their individual benefits and spending allocation can have further-reaching impact** (World Bank, 2012).

Young people (15-24 years)

For young people, leaving education or training and moving into the workforce is a key milestone that marks the transition into adulthood and the ability to be financially independent. **Particularly at this life stage, employment helps to build self-esteem and confidence, enables young people to apply and develop the skills they have learnt through education, and helps them start their career trajectories as**

³ What makes a decent job, then? According to the International Labour Organisation, decent employment must have four key aspects: productive and decent work, basic social protection, rights at work, and the ability to have a voice and self-organise (World Bank, 2012). Individuals should have the ability and choice to obtain meaningful employment that upholds their freedom, human dignity, security and equity (World Bank, 2012). Generally, then, decent employment should provide fair pay and a level of security; safety for an employee's mental, physical and emotional health; meaningful tasks and opportunity for personal development; a level of control and choice; and a supportive and non-discriminatory environment with clear communication and interest in the individual's level of job satisfaction (Waddell & Burton, 2006). Decent work is also articulated as part of the Sustainable Development Goals (i.e., 'Goal 8: Decent work and economic growth').

soon as possible – increasing their overall lifetime earning capacity and ability to access timely financial service (Foundation for Young Australians, 2018). Underemployment particularly impacts young people and is associated with depression and chronic disease (Foundation for Young Australians, 2018). When young people do manage to gain employment, it is not always in their preferred form – nearly one-fifth of youth working full-time hours (at least 35 hours a week) make up these hours in casual employment, often through multiple jobs (Foundation for Young Australians, 2018). Casual employment and/or working multiple jobs provides less job security and fewer employment benefits (e.g. leave and consistent superannuation contributions), which can contribute to feelings of hopelessness and stress. Young people are also particularly affected by the future climate of work – mainly changes in industry, increases in automation and technology, and the nonlinearity of today’s career paths. Young people are learning skills that are no longer as relevant, and they are not leaving education with the skills and resources needed to navigate the future of work (Foundation for Young Australians, 2018).

People with disability

Though this is a diverse group, **for people with disability, employment is seen to be beneficial and support wellbeing; for people with severe mental illness, employment has been associated with a reduction in symptoms, improved self-esteem and better social integration** (Waddell & Burton, 2006). **Employment has been associated with better mental health**, primarily concerning depression and anxiety (Modini et al., 2016), and **participation in meaningful employment has been shown to enhance recovery for people who experience mental illness** (Krupa & Lysaght, 2016). Conversely, unemployment rates have been associated with an increase in hospital emergency visits for mental health reasons in South Australian public hospitals (Bidargaddi et al., 2015). **Employment generally promotes independence and participation within society; improves social, health and economic outcomes; and improves overall quality of life and wellbeing.** However, several moderating factors that likely contribute to the impacts of employment for people with disability have been uncovered. Appropriate and decent supervision may be particularly important in cultivating a workplace that values and fosters health promotion, while job type and a country’s overall economic performance may also play a role (Modini et al., 2016). It is also uncertain whether it is the direct act of working that is associated with improved mental health for people with disability, or whether it is the factors that typically arise from employment (e.g. income, social contact, routine), or a combination of both.

Indigenous Australians

Unemployment rates and rates of people out of the labour force are much higher for Indigenous Australians than non-Indigenous Australians. Un/underemployment among Indigenous Australians is associated with poorer mental and physical health, increased suicide rates, higher levels of depression and psychological distress (Maru & Davies, 2011; Modini et al., 2016), as well as social exclusion, low levels of social capital and civic engagement (Hunter, 2000). Australian workplaces also have norms and expectations that generally don’t acknowledge or accommodate the cultural norms of Indigenous Australians (e.g. meeting cultural responsibilities) which further act as a barrier to employment (Maru & Davies, 2011; Spencer, Brueckner, Wise, & Marika, 2016). Further, while recognising that Indigenous Australians live in all parts of Australia, the remote location of some Indigenous Australians decreases their employment opportunities, and strong stigmas around Indigenous Australians and un/underemployment exist (Maru & Davies, 2011). **Employment for Indigenous Australians has been shown to positively impact individuals as well as their communities, through increased financial independence and community development** (Spencer et al., 2016). Importantly, many Indigenous Australians report wanting to operate their own communities and some view employment services, like

the Community Development Program (CDP), as a means to achieve this, *if they are appropriately implemented and integrated in close engagement and leadership with the community (Department of the Prime Minister and Cabinet, 2018). **Increasing an individual's employment prospects increases their self-determination and independence, which can facilitate widespread community development.***

Refugees and people seeking asylum

People seeking asylum experience high unemployment rates upon moving to Australia (Kong, Bishop, & Iles, 2018). They face barriers transferring previously developed skills or qualifications into the context of the Australian labour market, may have poorer English proficiency, are unfamiliar with Australian systems, and often have few supports and limited social networks (Barraket, 2013). People seeking asylum are also often managing the ongoing effects of trauma arising from the conditions they have fled and/or the sustained 'transitory' experiences in refugee camps and interim countries. In the UK, appropriate employment for refugees and people seeking asylum has been suggested to assist them in processing this trauma (Burchett & Matheson, 2010). **Employment can offer a way for individuals to integrate into Australian society, allow them to practice English language, develop social networks, and earn income (Kong et al., 2018), but it is important that people seeking asylum can access decent employment that is properly regulated.** The available research evidence suggests that systemic factors – particularly systemic racism and limited access to language and health services due to current federal government policies – significantly limit employment opportunities for people seeking asylum (Fleay, Lumbus & Hartley 2016). While it is important not to generalise to what is an internally diverse group of people, research also suggests that some refugees and people seeking asylum present entrepreneurial skills and attributes arising from 'necessity entrepreneurship', acquired both through past living contexts and a current need to participate in the host society (Kalitanyi & Visser, 2010).

2.3 The Australian policy approach to employment and employment services

The ability for people to access and maintain meaningful employment is largely moderated by structural and social boundaries in the Australian employment context. Framing of Australian employment policy approaches and the residual social attitudes these policies contribute towards impact individuals' mobility to access employment. This section thus briefly outlines the key Australian approaches to employment services, before Section 3 explores the current status of un/underemployment in Australia.

Australian government approaches since the mid-1990s have been characterised by a 'work first' logic, which emphasises getting any work rather than developing skills and gaining qualifications as an entry point to sustained employment (Bennett et al., 2018). This work first logic has been associated with job instability and lower earnings (Cooney, 2011) and positions employment barriers as directly related to individual motivation, ignoring the multiplicity and interdependence of other structural and social barriers (Mission Australia, 2008). Of particular relevance to this report, a work first approach is particularly problematic and inappropriate for individuals facing systemic disadvantage (Mestan & Scutella, 2007). In internationally comparative terms, Australia is generally classified as having a residual welfare regime (Esping-Andersen, 1996). Essentially, this means that Australian governments provide a basic safety net for those most in need through lighter touch taxation rather than more universal welfare regimes, which provide comprehensive services to most of the population through higher taxation. **Minimal welfare support and tightening of payment eligibility has resulted in the so-called 'welfare trap',** where individuals can be financially worse off than they are receiving welfare benefits in entry-level

or insecure employment, or when they are affected by episodic disadvantage and may not be seeking long-term employment. Individuals also face the financial risk and administrative burden of not being re-accepted onto welfare payments if they have been in temporary employment that has ended, or if the particular conditions of their employment exacerbate their situation.

On the other hand, **mainstream employment supports are largely considered ineffective in creating sustainable employment opportunities for people with multiple and/or severe barriers to employment** (Bennett, Dawson, Lewis, O'Hallora, & Smith, 2018; Australian Federation of Disability Organisations, 2015; Department of Jobs and Small Business, 2018c). In Australia, employment services are the primary responsibility of the Federal Government, with state and local governments providing supplementary services to support employment pathways within local job markets and for specific groups (Department of Jobs and Small Business, 2018a). Federal employment support has been offered by two main services – jobactive and Disability Employment Services (DES)⁴ – noted that the system is currently being reformed from mid-2019.⁵ Jobseekers have reported fear and anxiety from their interactions with such services (Australian Council of Social Service, 2018). This is partly due to the guidelines and regulations structuring these services⁶, along with the policy approaches that inform them. The next section will consider the current labour market and economic conditions that underpin Australian employment before taking a close look at how social enterprises are playing an active role in creating meaningful employment pathways.

Section Highlights

- *Generally, the evidence shows that employment positively impacts health and wellbeing.*
- *Specifically, for people experiencing disadvantage, employment may promote independence, facilitate participation within society, enhance recovery for people who experience mental illness, and improve overall quality of life.*
- *Benefits of employment are conditional and constrained by the external work climate and policy positions. Factors reported to moderate the impact of employment on the individual include: the nature and quality of a job, personal choice, and sense of control.*
- *Particular social groups experience challenges accessing and retaining employment. These factors are not universal for all groups, but include structural, systematic, social, cultural and geographic factors.*
- *Australian policy responses to un/underemployment emphasise gaining quick, entry-level employment. This can be inappropriate for individuals facing systemic disadvantage, and mainstream employment supports are often ineffective.*

⁴ Key features of jobactive and DES in comparison to employment-focused social enterprises are discussed in Section 4.3.

⁵ See Section 4.5 for a brief overview.

⁶ jobactive and DES are compliance-focused and place a high degree of responsibility on the individual jobseeker. Services like jobactive and DES financially penalise users on a 'strike system' where they receive demerits for non-compliant behaviours which lead to withdrawal or cancellation of their Centrelink payments (Bennett et al., 2018). This penalisation has been found to demotivate and disempower some individuals (Department of the Prime Minister and Cabinet, 2018). The majority of users receive casual and/or part-time employment placement, which can create a welfare trap (Bennett et al., 2018). There is a high turnover in the service providers of jobactive and DES, which can lead to poor rapport between parties, and staff are often not adequately trained to understand the needs of people with disability and thus minimise the discrimination and barriers they may face. Further, service providers are privately contracted, and research has shown that service providers sometimes 'park' (do not assist jobseekers most difficult to place) and 'churn' (assist the easiest to place) jobseekers to maximise the financial benefits to the provider (Bennett et al., 2018).

3.0 AUSTRALIAN LABOUR MARKET CONDITIONS AND CHARACTERISTICS

While the evidence reviewed above establishes causal links between employment and the alleviation of disadvantage in broad terms, any employment-driven change strategy must consider the operating environment in which it is implemented. In this section, we examine the macro-economic conditions that influence employment patterns in Australia, current and likely future labour market dynamics and their implications for people from particular social groups who experience systemic exclusion.

3.1 The macro-economic conditions in 2017-2018

3.1.1 The Australian economy

Overall, the Australian economy has outperformed many others over recent decades. It expanded for the 27th consecutive year, growing by 3% in the year to the end of June 2018 (Table 4). Largely driven by domestic demand, Gross Domestic Product (GDP) growth climbed to 3% from 2.1% in 2017 and GDP per capita grew 1.5% through the year, recovering from the 2017 low point (0.5%). The household sector was the main contributor and demonstrated the strongest growth in six years, whereas private business investment grew for the first time in five years (ABS, 2018c). Changes in GDP per hour worked, which is a useful measure of labour productivity, recovered in 2018 from negative values in 2017. However, not all economic indicators are performing positively. The household saving ratio reached its lowest level in nine years, which was explained by strong household consumption and increased income tax paid by households (ABS, 2018c). Meanwhile, growth in real net national disposable income per capita, as a key indicator for living standards, was weaker than the year before.

Table 4 Key Economic Indicators, 2014-2018

	2014	2015	2016	2017	2018
GDP, annual percentage change	2.9	2.0	3.3	2.1	3.0
GDP per capita, annual percentage change	1.3	0.6	1.8	0.5	1.5
GDP per hour worked, annual percentage change	2.6	0.4	2.5	-0.4	0.7
Real net national disposable income per capita, annual percentage change	-0.2	-2.6	0.3	3.3	1.8
Household consumption expenditure	2.7	2.3	2.8	2.4	2.9
Household saving ratio, quarterly ratio at June of the year	8.4	7.8	5.8	4.1	2.8
Private business investment, annual percentage change	-1.9	-8.5	-16.2	-2.2	2.7

Sources: Australian Bureau of Statistics (ABS) (2018a) (Table 1, Table 8, seasonally adjusted data), ABS (2018b) (Table 1A, original data)

Notes: Annual percentage figures are for financial years, ending in June of the year shown

On the financial market, funding conditions remained favourable to households and businesses through 2018, with the historically low cash rate maintained at 1.5 percent and no changes expected in the coming year (Reserve Bank of Australia (RBA), 2018a). Demand for housing credit declined; conversely, growth in business credit overtook that of housing credit. Although the overall low borrowing rates indicate favourable lending conditions, many small businesses are still facing difficulties accessing finance (Connolly and Bank, 2018).⁷

3.1.2 The Labour market overview

Positive economic performance has translated to a strong labour market. By June 2018, outcomes of the labour market are marked by rising labour force participation, paired with a falling unemployment rate (Table 5).

Table 5 Key Labour Market Indicators, 2014-2018

	June 2014	June 2015	June 2016	June 2017	June 2018
Employment-to-population ratio (%)	60.8	60.9	61.2	61.4	62.1
Males	66.6	66.6	66.5	66.6	67.0
Females⁸	55.1	55.4	56.0	56.4	57.5
Participation rate (%)	64.7	64.8	64.9	65.1	65.7
Males	70.9	70.9	70.4	70.5	70.9
Females	58.7	59.0	59.6	59.9	60.6
Unemployment rate (%)	6.1	6.0	5.7	5.7	5.4
Males	6.1	6.0	5.5	5.6	5.5
Females	6.1	6.1	6.1	5.7	5.2
Underemployment rate (%)	8.4	8.9	9.3	8.9	9.0
Males	6.3	6.8	7.3	6.9	6.9
Females	10.9	11.3	11.5	11.1	11.4
Underutilisation rate (%)	14.0	14.4	14.4	14.0	13.9
Males	12.0	12.4	12.3	12.0	12.0
Females	16.3	16.6	16.8	16.2	16.0
Part-time employment share (%)	30.6	30.8	31.4	31.3	31.9
Males	17.3	17.6	18.3	17.8	18.5
Females	46.1	46.2	46.4	46.6	46.9

Sources: ABS (2018d) (Table 1, seasonally adjusted monthly data)

With labour market participation of men being relatively stable, the increase in labour participation was largely driven by rising female participation. The decreasing unemployment rate reflected strong labour demand, benefiting from the solid economic growth in this period. A first glance at recent falls in the

⁷ Social enterprises' needs for funding and financial sustainability are discussed in Section 4.5.

⁸ Non-binary gender is not distinguished in the statistics.

female unemployment rate suggests that the increase in female labour supply met a corresponding increase in labour market demand. However, the underemployment rate for women remained high, meaning that the increase in women seeking new or additional employment was still greater than labour market demand. Despite the solid employment growth, overall underutilisation (unemployment plus underemployment) remains notably high. This means that ***Australia is not making the most of its productivity potential, and that supply of current jobs is insufficient to support meaningful work for all jobseekers.***

By November 2018, 387,100 jobs were added across industries through the year, among which public administration and safety saw the largest employment growth (95,800 jobs) followed by professional/scientific and technical services (48,400 jobs) (Table 6). The top five industries hiring the largest number of employees are mostly the same as those five years ago: health care and social assistance; retail trade; construction; profession/scientific and technical service; and education and training. The only exception is manufacturing, which has fallen out of the top-five list since 2015. The shrinking manufacturing sector reflects the change in the composition of economic activity among Western economies since the late twentieth century, characterised by declining goods-producing industries and rising person and knowledge-based service industries (Wilkins and Wooden, 2014). In Australia, the growth in services has been mostly dominated by two industries since the 1990s: professional/scientific and technical services, and health care and social assistance.⁹ By 2017-2018, health care and social assistance has become the fourth largest industry in the Australian economy as measured by gross value added (ABS, 2018a). Consequently, the gap between the top two industries with the largest employee bases (i.e., health care and social assistance and retail trade) has drastically widened, jumping from 1.3 percentage points in 2014 to 3.1 percentage points in 2018, reflecting the rapid expansion in health care and social assistance and contraction in retail trade. Meanwhile, other gaps within the top five industries have either narrowed or remained stable compared to 2014.

Overall, labour force participation had been reasonably strong in the last two decades after the economy recovered from downturns in the 1990s, until the 2008 Global Financial Crisis (GFC), with a downward trend observed in male participation and rising participation among women. Although population aging plays a key role in constraining the overall labour force participation rates, increases in participation of working-age women, improvement in health and life expectancy, and changes in employment conditions contributed to growth of mature-age participation (Wilkins and Wooden, 2014). Recent data from the Participation, Job Search and Mobility (PJSM) survey examined the impact of employment downturns and recovery cycles on labour force participation, showing that changes in the composition of labour supply in the post-GFC period (2008-2018) presented different results than those from previous employment downturns in the 1980s and 1990s (ABS, 2018f).¹⁰ During the post-GFC period, the labour market saw

⁹ It is worth noting that these two together with other service industries such as retail, accommodation and food services, administrative and support services are the common fields in which social enterprises operate. The expansion of these industries is associated with positive employment growth.

¹⁰ The previous employment downturns in the 1980s and 1990s observed decreasing satisfied male workers (full-time workers and part-time workers who are happy to work part-time) and increasing female satisfied workers.

Table 6 Employment Contribution by Industry: 2018

	Proportion of total employed* (%)	Employment growth** (1,000 persons)
Health Care and Social Assistance	13.30%	28.2
Retail Trade	10.20%	-23.2
Construction	9.40%	-5.6
Professional, Scientific and Technical Services	8.40%	48.4
Education and Training	8.10%	18.8
Manufacturing	7.40%	27.2
Accommodation and Food Services	7.10%	13
Public Administration and Safety	6.30%	95.8
Transport, Postal and Warehousing	5.10%	6.3
Other Services	3.80%	-46.8
Financial and Insurance Services	3.50%	19.3
Administrative and Support Services	3.30%	3.2
Wholesale Trade	3.00%	44.4
Agriculture, Forestry and Fishing	2.60%	8.9
Arts and Recreation Services	2.00%	-6.4
Mining	1.90%	38.2
Information Media and Telecommunications	1.80%	9.7
Rental, Hiring and Real Estate Services	1.70%	-5.9
Electricity, Gas, Water and Waste Services	1.20%	13.7

Sources: ABS (2018e) (Table 1, seasonally adjusted quarterly data)

Notes: * Figures are annual average values of quarterly data for the calendar year; ** growth figures are from November 2017 to November 2018.

falls in both male and female working populations and increases in the proportion of jobseekers (including those who are seeking jobs or more hours) with neither returning to the pre-GFC proportions. The ABS analysis also suggests that factors other than labour supply need to be considered, including the changing industry composition of the Australian economy, aging population and workforce, fertility rates, increasing participation of women in the labour market, changing policy (e.g., retirement ages and immigration targets) and its impact on labour market supply and broad economic shocks.

Recent research on labour market developments has highlighted that low wage growth (Oliver and Yu, 2018), increased part-time employment (Cassidy and Parsons, 2017), and high youth unemployment and underemployment (Healy, 2016; Oliver and Yu, 2018) are significant factors that both affect and are affected by the structure of the contemporary labour market and, thus affect the employment opportunities available for all Australians. The next section provides more details on labour underutilisation and how it is experienced across different population groups.

3.2 Underutilised labour and people experiencing disadvantage

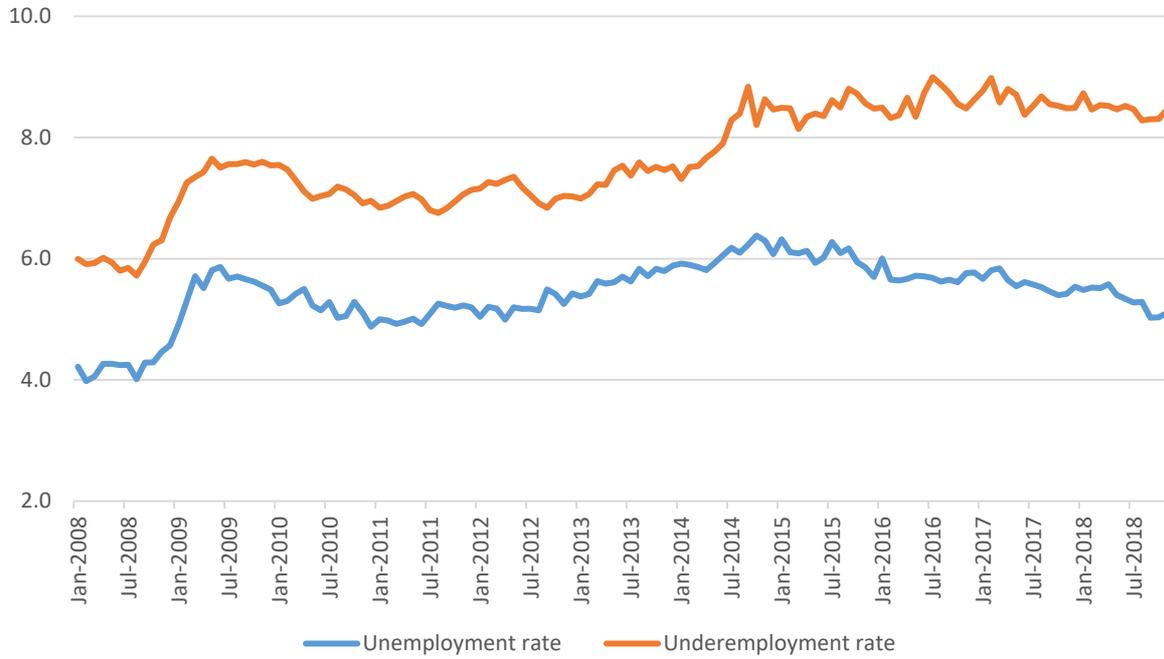
3.2.1 The headline unemployment rate is falling but underutilisation remains high

The concept of labour underutilisation centres on potential spare capacity in the labour market. The headline unemployment rate, though commonly used, only presents a partial picture. To fully map out whether and/or to what extent the economy is making the most of available human resources, three key measures are: unemployment, underemployment and potential labour force (or the population with marginal attachment to the labour force, as termed by ABS).

Unemployment measures target people who are not in employment but are actively seeking jobs and are available to start working. Together with those in employment, they make up the full labour force. The measure of underemployed workers, as defined by ABS, include two categories: part-time workers who prefer and are available to work more hours; and full-time workers who currently work part-time for economic reasons (such as lack of sufficient work or being stood down). ***In Australia, the movements of unemployment and underemployment rates have diverged in recent years, with the unemployment rate continuously declining (in recent years) and the underemployment rate stubbornly staying elevated, which leads to the overall underutilisation rate remaining relatively high.*** Figure 1 presents this trend for the decade following the GFC.

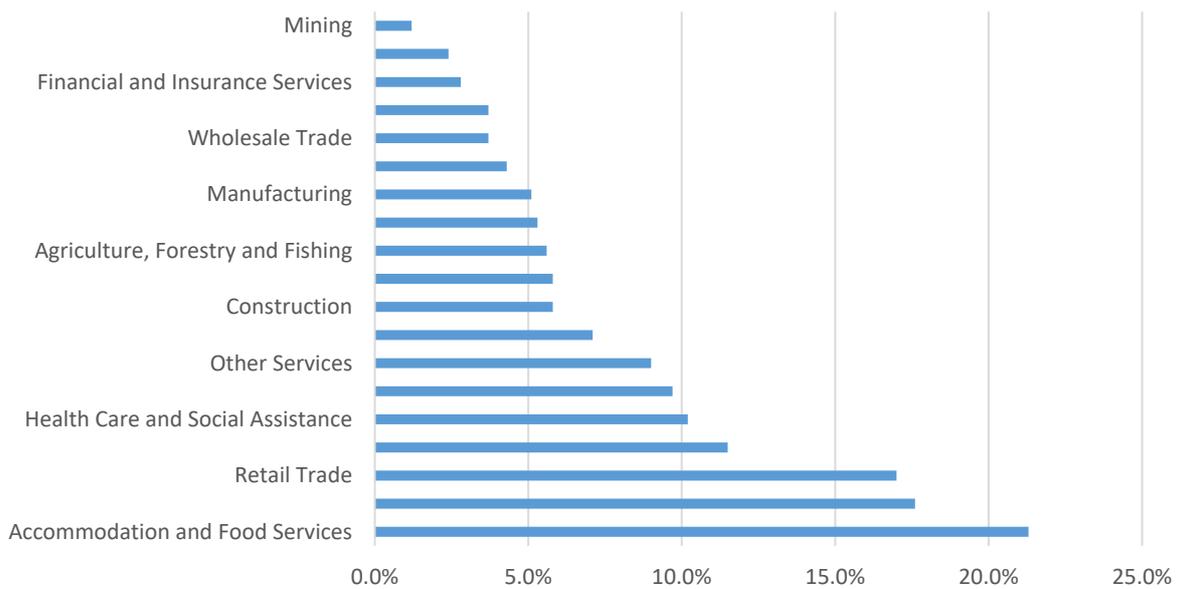
To explain the rising unemployment rates in years immediately following the GFC in 2008, economists have attributed the employment downturn to the economy downturn, with evidence on the cyclical relationships between labour participation rates/unemployment rates and economic conditions (for example, Borland, 2015; Evans, Moore and Rees, 2018). In particular, Evans, Moore and Rees (2018) examined the cyclical behaviour of labour participation and reported that the participation rates of young people, women aged 25-54 and older men were most affected by changes in labour demand. In other words, when economic conditions change, these people are often the first to enter or leave the labour force.

Figure 1 Unemployment and underemployment rates: 2008-2018



Source: ABS (2018e) (Table 1, seasonally adjusted monthly data)

Figure 2 Underemployment ratio, by industry: 2018



Source: ABS (2018e) (Table 19, original data)

Underemployment rates are observably higher among groups with a higher share of part-time employment, such as female, younger and older workers, and in industries with a higher share of part-time workers (RBA, 2017). Figure 2 is a snapshot of underemployment across industries. The fact that underemployment figures remain elevated in contrast to decreasing unemployment rates suggests that a significant portion of workers are facing various barriers to fully utilising their labour capacity. Research has shown ***the rise in underemployment has been mainly driven by the experience of younger (aged 15-24 years) and older (aged 55 and over) male workers*** (Oliver and Yu, 2017). A recent study (Kler, Portia and Shanka, 2018) on underemployment using the 13-year HILDA panel data (2001-2013) found that ***one out of three part-time employees were underemployed; with males, immigrants, youth, blue-collared and casual workers particularly affected by underemployment***. Further details on youth unemployment and underemployment are presented in the next section.

A recent OECD analysis (OECD, 2017) examined the employment barriers for Australians who were persistently out of work (long-term unemployed or inactive) and those with weak labour market attachment¹¹, using the 2014 HILDA survey data. ***Having low relative work experience (43% of the population under this study), low skills (38%) and health limitations (35%) were identified as the most common barriers in Australia, with about one in ten (13%) facing scarce job opportunities***. The study also found that barriers affecting one's employability (e.g., low education or professional skills, lack of work experience, health limitations) were playing a key role for those who were out of work while those in weak employment conditions (e.g., unstable jobs, limited working hours or low earnings) were mainly affected by motivation barriers.¹² It is important to note that this research focuses on the individual factors related to barriers to employment. As noted above, labour market structure is a significant determinant of people's opportunities to find and retain employment. Other systemic factors – including, for example, indirect discrimination and local labour market conditions – influence labour market attachment and opportunities for people from different social groups and locations (see Evans, Moore and Rees, 2018; Milner et al, 2018).

While the labour force underutilisation rate reported in the Labour Force surveys summarises rates of unemployment and underemployment, the extended labour force underutilisation rate is the broadest underutilisation measure produced by ABS. In addition to unemployed and underemployed workers, this measure extends to the population with marginal attachment to the labour force; that is, people actively looking for work but not available immediately and discouraged job seekers who want to and are available to work if offered a job, but have given up looking for work.

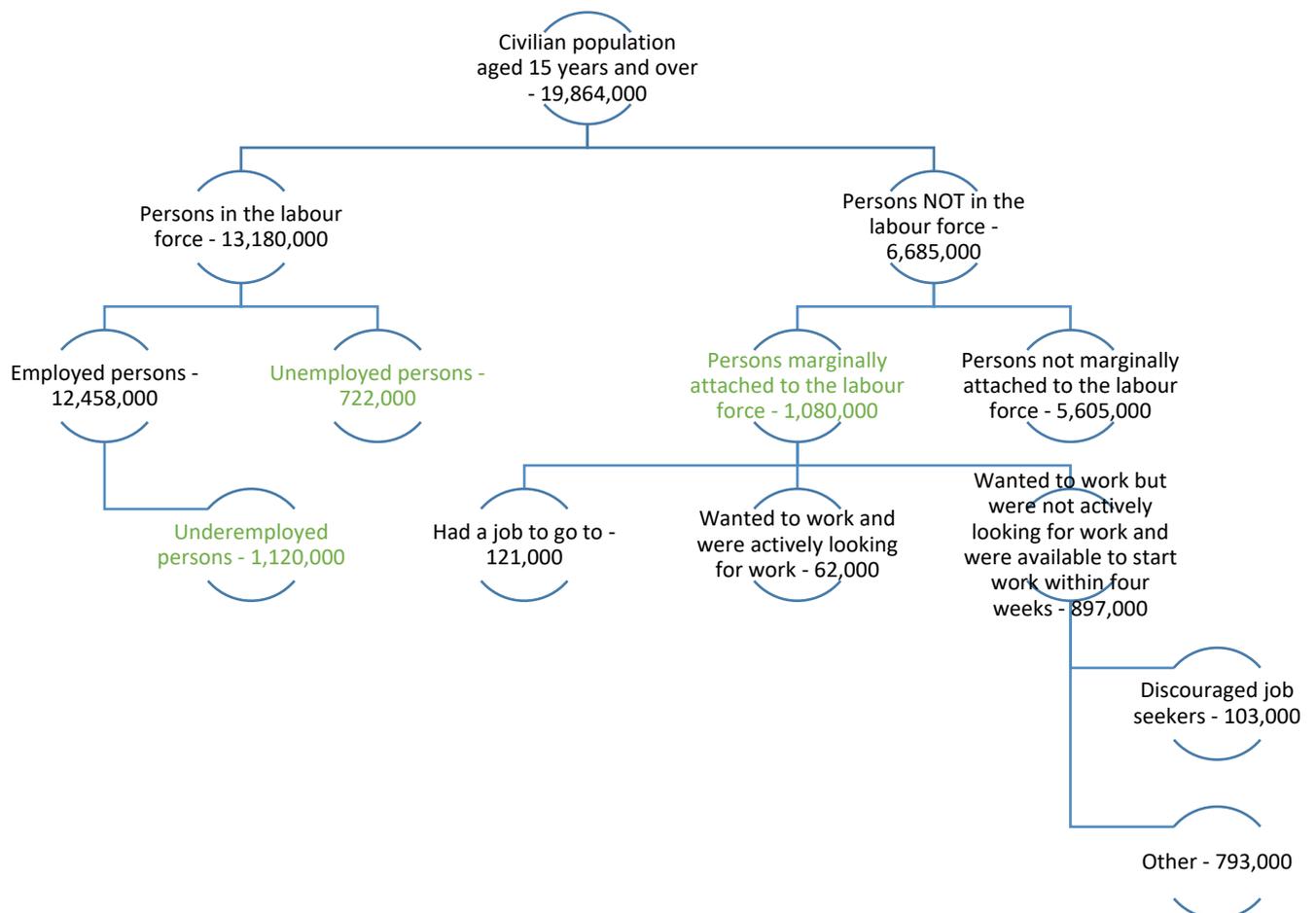
The Participation, Job Search and Mobility (PJSM) Survey in February 2018 (ABS, 2018f) provided the latest data on the composition of the civilian population aged 15 years and over by labour participation status. Figure 3 shows how different underutilisation measures target different population groups, highlighting where spare labour capacity might be present. Among those who were employed at the time of survey, nine percent (1,120,000) were underemployed. Of those not employed, 90% (6,685,000) were not in the labour force; and of those classified as not in the labour force, 16% (1,080,000) were classified as marginally attached to the labour force, of whom 10% (103,000) were discouraged job seekers. The

¹¹ People with unstable jobs, on restricted working hours, or with very low earnings.

¹² There are three types of employment barriers: employability, motivation and opportunities. Employability barriers include: low education or professional skills, no past work experience, positive but low relative work experience, health limitations, and core responsibilities. Motivation barriers are: high non-labour income and high earnings replacement. Opportunity barriers refer to scarce job opportunities.

survey data further indicated that, among those marginally attached to the labour force, 51% were aged between 15 to 34 years and 28% had had a job within the last 12 months. Among discouraged job seekers, nearly half (49.7%) were aged 55 and over; 17% were a partner with dependents in a family; and one in five (21.8%) was living alone (ABS, 2018f). These statistics suggest that ***in the labour force, 700,000 Australians were without a job and over one million employees would like to work more hours; and another one million Australians, although not included in the labour force, were willing to work (known as ‘marginally attached to the labour force’)***. Yet, one in ten of this group has given up looking for work due to negative work or job seeking experiences.

Figure 3 Civilian population aged 15 years and over, by labour status: 2018



Source: ABS (2018f)

3.2.2 Employment challenges experienced by people experiencing disadvantage

This section examines the employment challenges experienced by different population groups, according to mainstream employment statistics. With detailed data available from the Labour Force Surveys, trend analysis was conducted for women and young people examining the pattern and changes in their unemployment and underemployment conditions over the last decade in comparison to men and people in other age groups. Although similar analysis was unable to be performed for people with disability, Indigenous Australians and people seeking asylum due to lack of time series data, the employment barriers to these groups have been well documented. The key findings across the groups are summarised in Figure 4.

Figure 4 People experiencing employment challenges



Women

The OECD analysis cited earlier identified seven clusters of individuals with no or weak labour market attachment based on combinations of employment barriers (OECD, 2017). Among these, five groups are female-dominated: low-educated women with limited work experience and health limitations; mothers with care responsibilities and few other employment obstacles; underemployed workers with weak work incentives; women with limited work experience living in higher-income households; and mothers with multiple employment obstacles. The only two clusters that are mainly composed of men are: experienced early-retirees with health limitations, and long-term unemployed with limited work experience and low education.

The female labour force participation in Australia has increased to and stayed above 60% since August 2017, marking a period with the highest recorded rates in history. Next, we take a closer look at the employment conditions and trends for women, focusing on unemployment and underemployment.

Figures 5a-5d show participation rates, unemployment rates, part-time employment share and underemployment ratio from 2008 to 2018 for both men and women. Female workforce participation, characterised by an upward trend since 2016, reached 60.5% by December 2018; however, this is still 10.5 percentage points below male participation. After fluctuating and rising in the years immediately following the GFC, unemployment rates for men and women converged and displayed a downward trend for both groups. With increased labour participation and decreased unemployment among women, the share of part-time employment stays as high as almost one in two employed women working part-time in 2018. The part-time employment share among men has climbed from 15.5% in 2008 to 19.2% in 2018. Underemployment showed a similar rising trend to unemployment until 2015, and since then has stayed elevated (above 11%) for female workers; meanwhile, underemployment among male workers is below their female counterparts yet also displays an upward trend. ***While significant improvements have been achieved for female labour force participation over time, women's demand for employment has yet to be fully met.***

Young people (15-24 years)

Unemployment and underemployment of young people (aged 15-24 years) are driving contributors to national unemployment and underemployment. As shown in Figures 6a & 6b, the unemployment rate for people aged 15-24 years was 11.2% by December 2018 (increased from 9% in 2008), which is more than double the unemployment rate of 25-34-year-olds, and more than triple the unemployment rate of people over 35 years. Over time, youth unemployment rates have also displayed more volatility than in any other age groups. Underemployment figures for young people paint an even more concerning picture. Underemployment rates for 15-24-year-olds have jumped from 11.4% in 2008 to 17.4% in 2018, an underemployment rate that is well above any other age group (ABS, 2018d).

The longer people stay unemployed, the harder it becomes to find a job. The long-term unemployment measure by ABS captures people who are unemployed for 52 weeks (one year) or longer. The data indicates that, since November 2009, the percentage of those aged 15-24 years has stayed above other age groups in their share of long-term unemployment (ABS, 2018e).

Figure 5a Participation rates: 2008-2018

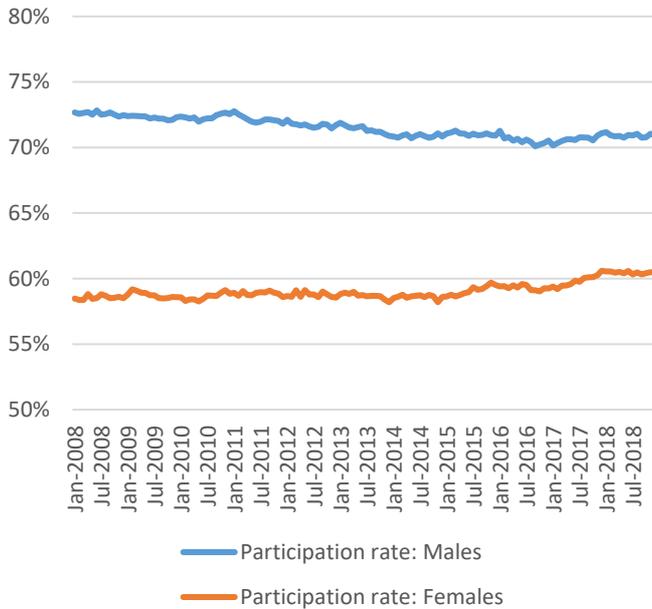


Figure 5b Unemployment rates: 2008-2018

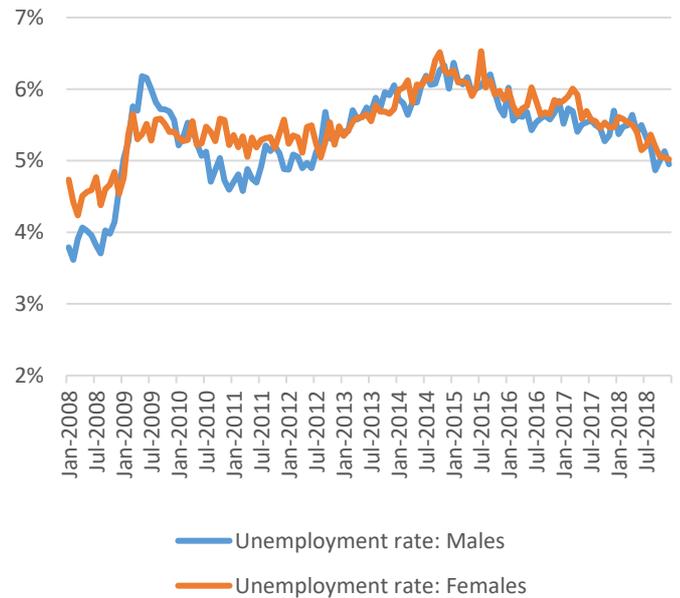


Figure 5c Part-time employment ratio: 2008-2018

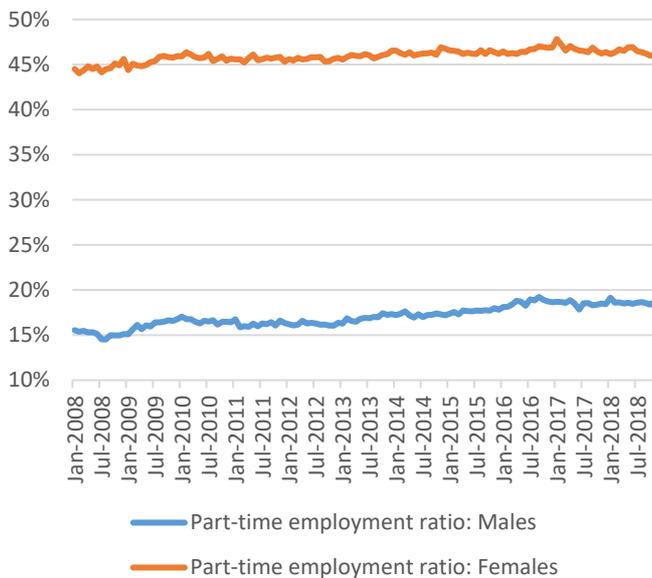
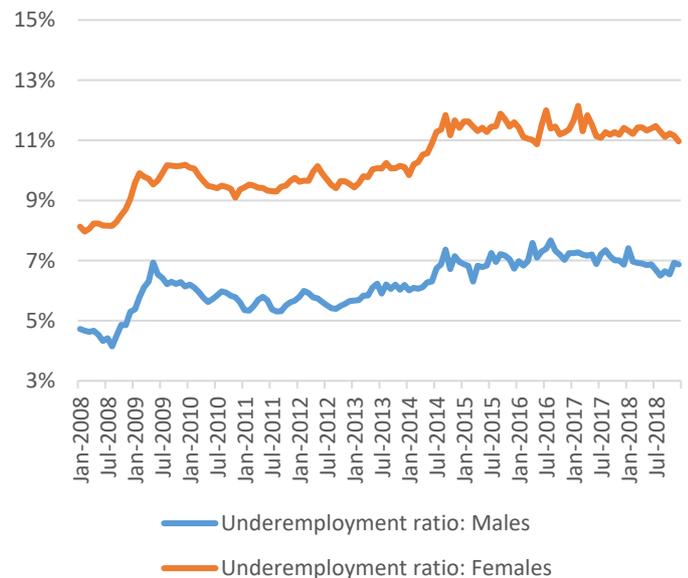


Figure 5d Underemployment ratio: 2008-2018



Source: ABS (2018d) (Table 1, Table 22, seasonally adjusted monthly data)

Figure 6a Unemployment rates, by age group: 2008-2018

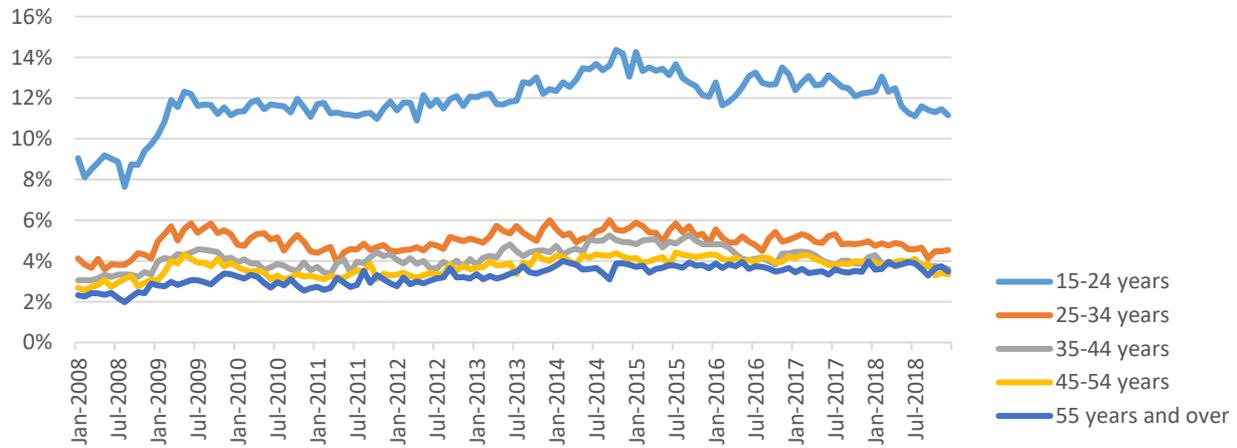
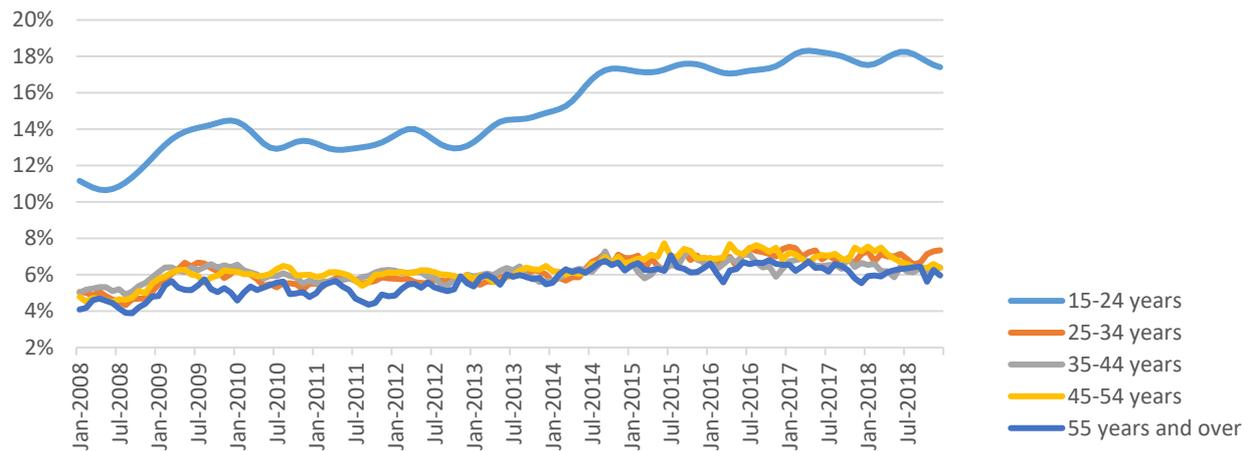


Figure 6b Underemployment rates, by age group: 2008-2018



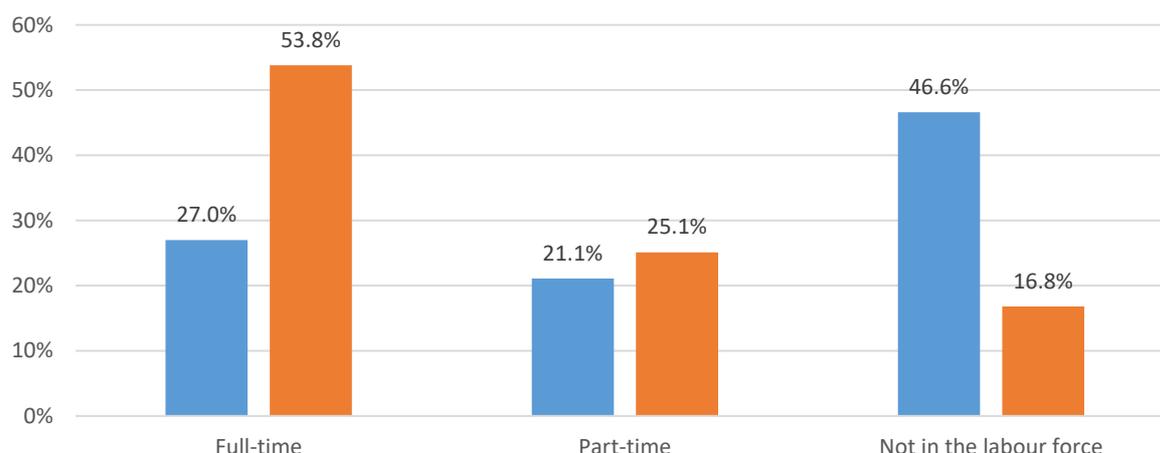
Source: Figure 6a & 6b, ABS (2018d) (Table 22, seasonally adjusted data)

An RBA analysis (Dhillon and Cassidy, 2018) on labour market outcomes for younger people cited structural change and cyclical movements in the economy as possible factors explaining the rise in unemployment and underemployment for young Australians over the last decade. It also found that the share of 20-24 year olds that are neither engaged in employment nor full-time education or training (the NEET rate) has increased. This, together with elevated underutilisation, suggests that **younger workers have ample spare labour capacity and demand for employment.**

People with disability

More than one in five Australians live with disability (ABS, 2016a). **Relatively low labour force participation rates for Australians with disability have been documented for over two decades** (Australian Human Rights Commission, 2015). According to the 2015 Survey of Disability, Aging and Carers (SDAC), there were 2.1 million Australians of working age (15-64 years) with disability, and slightly more than half of them (53.4%) were in the labour force at the time of the survey, compared to a participation rate of 83.2% for people without disability (ABS, 2016a). The percentage of people without disability engaged in full-time work was 53.8%, which is double than that for people with disability (Figure 7).

Figure 7 Working age persons labour force status, by disability status: 2015



Source: ABS, 2016a

The SDAC data further revealed that, in 2015, two in five (41.9%) people of working age with disability lived on a government pension or allowance as their main source of cash income; and around one in two people with disability lived in households with incomes in the lowest two quintiles¹³. The SDAC survey also reported discrimination experienced by people with disability. **Employers were the reported source of discrimination for almost half of those aged 15 to 64 years with disability who were unemployed (46.9%) or employed full-time (46.2%) and just over one-third (34.6%) of those employed part-time.** Evidence from empirical studies shows that workers with disability face a greater risk of leaving employment compared to their peers without disability (Milner et al, 2018). Research suggests that negative working conditions such as discrimination and bullying, lack of support from colleagues and

¹³ Measured by equivalised gross household income.

supervisors, high job demand and low job control contribute to people with disability dropping out of the labour market.

Access to meaningful employment for people with disability is essential for economic empowerment and social inclusion. A national disability survey (AHRC, 2014) shows that many people with disability are willing and capable of working. The 2015 AHRC paper on employment discrimination against people with disability highlighted not only employment barriers for Australians with disability, but also barriers employers may experience to employing people with disability. To create more job opportunities and to address issues concerning negative working conditions, fundamental changes are needed in labour market structures and other systemic conditions.

Indigenous Australians

Substantial and long-term relative socio-economic disadvantage of Indigenous Australians is well-documented. The labour participation data on Indigenous people is currently not included in the regular Labour Force Surveys. The 2014–15 National Aboriginal and Torres Strait Islander Social Survey has the most recent data for the Indigenous population, including their labour force characteristics (ABS, 2016b).

Comparing the labour force status of Aboriginal and Torres Strait Islander people to non-Indigenous people (Table 7), findings show that **in 2014-2015, Indigenous people had a labour participation rate lower than the national average (58.1% compared with 64.7%); the unemployment rate for Aboriginal and Torres Strait Islander people aged 15 years and over was 20.6%, much higher than that amongst non-Indigenous people (5.9%); and Indigenous Australians were also less likely to be working full-time than non-Indigenous people (27.6% compared with 42%).** Indigenous young people were found to have the highest unemployment rate (31.8%) compared to their non-Indigenous counterparts (16.7%). Gender differences also exist in the labour market participation of Aboriginal and Torres Strait Islanders. For example, males were more likely than females to participate in the workforce and were more than twice as likely to be employed full-time.

Table 7 Labour Force Status, by Indigenous Status: 2014-2015

	Indigenous People*			Non-Indigenous People**		
	Males	Females	Total	Males	Females	Total
Labour force participation rate	65.0%	51.5%	58.1%	70.9%	58.7%	64.7%
Unemployment rate	20.9%	20.6%	20.6%	5.9%	5.9%	5.9%
Employed full-time ratio (of population aged at 15 years and over)	37.9%	18.3%	27.6%	54.8%	29.6%	42.0%

Source: * ABS (2016b) (Table 11.1), **ABS (2018d) (Table 1, original data)

Refugees and people seeking asylum

Having a job is an important part of life in Australia to many new arrivals. In general, new migrants face many challenges in their job searching experiences, such as the language barrier, problems with skills recognition, lack of work experience in Australia, and discrimination. Particularly, refugees and people seeking asylum are worse off than other migrant groups. Data shows that the unemployment rate was 21.5% for humanitarian entrants; in sharp contrast, this rate dropped significantly within the family stream (10.4%) and the skilled stream (6.1%) (Commonwealth of Australia, 2017). The Department of Social Services engaged over 2000 participants from 2013 to 2018 in the Building a New Life in Australia (BNLA) longitudinal study. Results from the study reveal that, for males seeking asylum, those at higher risk of psychological distress, with poor self-rated health, low English proficiency, and with more children or migrating with families were less likely to be employed (Commonwealth of Australia, 2017). Research shows that Australian policies limiting people seeking asylum the right to work in past years have affected their capacity to gain local work experience (Fleay, Lumbus & Hartley, 2016). The majority of people seeking asylum were without work rights, and as a result, they have been unemployed for several months or years (Jesuit Social Services, 2015). Empirical evidence suggests that a lack of local work experience means less chance of employment. Thus, even where people seeking asylum are granted work rights, they may find it harder to obtain work because of this gap in local experience. **Addressing employment barriers and creating job opportunities for refugees and people seeking asylum needs to be based on a better understanding of their needs for assistance and a more inclusive welfare regime** (see Fleay, Lumbus & Hartley, 2016).

3.3 The Social and Economic Costs of Unemployment

The significant social and economic costs of unemployment have been well recognised, with an expansion of focus to underemployment in recent years. For individuals and households, the most direct impact is reduced income. The impacts of reduced personal income on the wider community range from reduced earnings of others (through the spill-over effect), reduced taxation collection, to increased government expenditures on social welfare, and increased usage and costs of public/community services. More generally, these costs also include social exclusion, skill loss, psychological harm, ill health and reduced life expectancy, loss of motivation, the undermining of human relations and family life, racial and gender inequality and loss of social values and responsibility (see Watts and Mitchell, 2000). There are a few empirical studies measuring these costs in Australia after the economic and employment downturn in 1990s.¹⁴ In addition to the efforts to estimate economic costs of unemployment in the historical context, these studies have highlighted difficulties in quantifying the costs of social problems associated with unemployment, and acknowledged the non-pecuniary costs such as damaged self-confidence and social exclusion.

The direct outlay of government expenditure on unemployment benefits is an oversimplified measure for the economic costs of unemployment. According to the Australia's Welfare 2017 report (AIHW, 2017),

¹⁴ An early study by Dixon (1992) estimated that within the early 1990s context the direct cost of unemployment to the Australian government was between one to three quarters of the private income lost due to unemployment. Measuring the costs of unemployment in the 1998 context, Watts and Mitchell (2000) reported that achieving an unemployment rate of 2 percent could increase output by approximately 37.3 billion and lead to a net increase in post-tax wages for individuals of 12.4 billion.

total welfare spending on unemployment benefits increased from 5.6 billion in 2006-2007 to 9.9 billion in 2015-2016 in real terms. As stated above, ***the economic impacts of unemployment should be unpacked at individual, household, community and society levels; and the extent of the social costs of unemployment remain challenging to fully reveal and assess through quantitative measures.*** Having said that, efforts made to estimate the economic costs of unemployment in specific areas or for certain groups have shed light on the possible impacts of reducing unemployment to some extent. For example, research by PwC (PwC, 2011) estimated that by moving into the top eight OECD countries in rates of employment of people with disability, Australia's economy could gain almost \$50 billion in GDP by 2050. Another study by Deloitte Access Economics (Deloitte Access Economics, 2011) indicated that reducing one-third of the gap in labour participation rates and unemployment rates between people with, and without disability would provide a \$43 billion increase in the GDP over a decade. Similarly, a recent report by the Foundation for Young Australians (Foundation for Young Australians, 2014) found that having 31.5% of young people unemployed or underemployed was estimated to cost the Australian economy \$15.9 billion in lost GDP annually, accompanied by a further \$7.2 billion on associated mental health issues. It is worth noting that the real challenge is not estimating GDP gains or losses by adjusting unemployment rates, but in addressing structural factors in the labour market to remove employment barriers and creating better working conditions for people experiencing systemic disadvantage. Benefits of employment as articulated in Section 2.2 are constrained by the nature and quality of a job, sense of control at work and the actual employment conditions. In other words, ***merely filling up job vacancies and ignoring the suitability of a job does not necessarily lead to beneficial employment outcomes beyond lowering the headline unemployment rate.***

Section 2 indicates that employment can be a pathway out of disadvantage, highlighting the importance of the nature and quality of employment on producing individual and social benefits. A stocktake of the current labour market conditions reveals ample potential capacity within and beyond the labour force; however, people from certain social groups are facing systemic challenges in accessing and maintaining employment. This suggests that work integration interventions need to consider the systemic and structural conditions that influence employment patterns if they are to be effective. In recent years, employment-focused social enterprises have gained increasing attention as one vehicle for improving social equity through employment. In Section 4, we review the available evidence about employment outcomes and the implications for their likely impacts in the Australian context.

Section Highlights

- The Australian economic conditions were favourable in the past year, characterised by continuous economic growth paired with strong labour market outcomes.
- However, despite the decreasing unemployment rate, the underemployment rate remains notably high.
- A granular look at unemployment, underemployment and those with marginal attachment to the labour market suggests significant demand for employment remains unmet.
- Changes in labour market dynamics are exacerbating employment access problems for particular groups, especially young people.
- Un/der-employment is substantially affected by systemic conditions, including the structure of the labour market, economic and welfare policies, and discriminatory norms and practices.
- With enormous social and economic costs of un/der-employment, there is more at stake than the headline unemployment rate.

4.0 SOCIAL ENTERPRISES, EMPLOYMENT AND PEOPLE EXPERIENCING DISADVANTAGE

Employment-focused social enterprises have been seen as an alternative approach to help individuals experiencing disadvantage to gain and maintain meaningful employment. Tentatively, data suggest that employment-focused social enterprises produce higher and better employment outcomes than mainstream services (Mission Australia, 2008); increase individuals' social and financial capital (Elmes and Vanguard Laundry Services, 2018); and generally positively impact wellbeing at an individual and community-level (Barraket, 2013). Available evaluation literature suggests that employment-focused social enterprises have relatively high degrees of participant retention (Barraket, 2013; Mission Australia, 2008) and relatively positive participant feedback (Elmes and Vanguard Laundry Services, 2018). However, there is a lack of comparative research that considers the social value and financial efficiencies of social enterprise relative to other approaches (Abbott et al., 2019) and comparing the cost and value of employment-focused social enterprise as an employment intervention is challenging (Mestan & Scutella, 2007; Spencer et al., 2016). The indicative costs of employment-focused social enterprises range between \$5,000 and \$6,000 per person (Mission, 2008; Mestan & Scutella, 2007), though more current data is needed. Employment-focused social enterprises also appear to reduce public costs through savings in health and welfare (Mestan & Scutella, 2007; Elmes and Vanguard Laundry Services, 2018). ***This suggests that employment-focused social enterprises are high (relative) up front cost interventions with high return/value. However, we note that the lack of comparative analysis and the focus on small sample studies limits the reliability of these findings.***

The Westpac Foundation's current strategy posits employment-focused social enterprises as vehicles for offering supportive employment to help lift individuals out of disadvantage. In this section, we review the available evidence about the relationship between social enterprise and employment pathways to confirm or challenge this assumption and identify gaps in evidence. Drawing from the employment frameworks discussed in Section 2.1 and research exploring employment outcomes of employment-focused social enterprises, we have outlined the individual and community-level outcomes, before considering the effectiveness of employment-focused social enterprises and the common challenges and barriers they face.

4.1 Overview of social enterprise and employment-focused social enterprise

In Australia, social enterprises are defined by three key features – purpose, trading and use of profit or surplus (Barraket, Mason, & Blain, 2016) - as illustrated in Figure 8. In other words, ***social enterprises combine a social mission with the pursuit of financial sustainability and self-sufficiency, using trading activity*** (Abbott et al., 2019). ***Employment-focused social enterprises are a type of social enterprise where the social mission focuses on creating employment or employment pathways for people at risk of exclusion from the***



Figure 8 The key aspects of social enterprise

mainstream labour market, or facing barriers entering mainstream employment (Kong et al., 2018). By generating productive activity in live work settings with additional supports, employment-focused social enterprises attempt to increase an individual's participation and access to resources in society (Chui et al., 2019), and increase economic productivity at both the individual and community level. There are two main types of employment-focused social enterprises. The first, often called 'intermediate labour market', is transitional and provides temporary training or employment, with the goal of individuals finding employment outside the enterprise (Nockolds, 2012). The second offers more permanent employment (either with the employment-focused social enterprise or via placement) and on-going training (Spear & Bidet, 2005). There are some organisations that adopt both approaches.

4.2 Evidence of employment outcomes of employment-focused social enterprises

Drawing on the theoretical frameworks reviewed in Section 2.1, employment outcomes of employment-focused social enterprises are considered below at an individual and community-level, both of which incorporate significant economic outcomes. It is noted that the employment outcomes of employment-focused social enterprises are better documented at an individual level than the community level. Further, there is little research evaluating the long-term outcomes of employment-focused social enterprises (Nockolds, 2012) or the mechanisms behind these outcomes (Chui et al., 2019). **Both researchers and practitioners have noted that there is a significant gap in knowledge about how social enterprises in general and employment-focused social enterprises in particular produce their social impacts**, though some previous research has attempted to map the intervention pathway of social enterprises (e.g. Roy et al., 2014) and the characteristics of social enterprises have been mapped in the Victorian context (Castellas et al., 2017). There is extensive literature exploring possible factors that enable and/or constrain the outcomes of employment-focused social enterprises. In order to organise findings from these studies we use a conceptual framework to map the factors and conditions identified in Appendix B, though a full discussion of the mechanisms behind employment-focused social enterprise outcomes are beyond the scope of this review.

4.2.1 Individual employment outcomes

At a general level, **involvement in employment-focused social enterprise seems to improve participants' self-reported mental and physical health as well as overall wellbeing** (Elmes and Vanguard Laundry Services, 2018; Mestan & Scutella, 2007), with an associated reduction in health service use (Elmes and Vanguard Laundry Services, 2018). Similar findings have been reported in international studies (Akingbola, Phaetthayanan, & Brown, 2015). Specifically, employment-focused social enterprises appear to contribute to several key outcomes that likely impact individual health and wellbeing, as outlined in Figure 9.

Figure 9 Individual-level employment outcomes



Increased income

Most notably and highlighted in all three of the theoretical models of work and wellbeing outlined in Section 2, paid employment or training offers income which increases economic self-sufficiency and financial independence and replicates ‘real-world’ employment (though not all social enterprises offer remuneration or remuneration at the same level (Meltzer et al., 2018). For example, receiving income and income benefits increased employment-focused social enterprise employees’ median fortnightly income by \$392 in one regional Australian study (Elmes and Vanguard Laundry Services, 2018), and increased monthly income by \$593 in one international study (Rotz et al., 2015), though these outcomes are not comparable. Generally, participation in intermediate labour market programs is suggested to increase participants’ overall lifetime earning capacity (Mestan & Scutella, 2007).

Increases in financial security (the manifest function in LDM model) have a range of monetary and non-monetary impacts. People who increased their income via employment with employment-focused social enterprises reported decreases in financial stress (Elmes and Vanguard Laundry Services, 2018); increased capacity and access to resources to support themselves and improve their living standards; reduced reliance on welfare supports (Elmes and Vanguard Laundry Services, 2018; Vieta et al., 2015); increased housing stability via improved capacity to afford housing costs (Elmes and Vanguard Laundry Services, 2018; Rotz et al., 2015); and increased ability to purchase material items like appliances and homewares (Elmes and Vanguard Laundry Services, 2018). For people seeking asylum, earning an income allowed them to support themselves and/or their family in setting up a new life in Australia (Kong et al., 2018). Aside from, and at times beyond (Akingbola et al., 2015), economic outcomes, the ability to earn money in a conventional way also had emotional effects – it validated individuals, making them feel they had overcome adversity (Chui et al., 2019) and could contribute to their families and communities (Spencer et al., 2016), as suggested by the spill-over channels of employment (World Bank, 2012).

However, ***not all economic outcomes from participating in social enterprises are positive***. One international study did find that social enterprise workers experienced a small financial loss (-2%) a year after gaining employment, which was believed to result from the welfare trap of lost or reduced welfare payments, combined with higher housing costs that were associated with increased housing stability (i.e. starting to rent) (Rotz et al., 2015). This has also been found in an Australian study for a minority of participants (Elmes and Vanguard Laundry Services, 2018) and highlights the interdependence between individual outcomes and the structure of our (residual) welfare regime discussed in Section 2.

Longitudinal studies may provide further insight into the extent of this impact, but employees in receipt of particular forms of welfare support may face an initial trade-off between gaining income and losing welfare, which they will only be able to exit if they can access increased income from upskilling or working more hours. Leaving welfare payments appears to have better outcomes when done voluntarily and with support (Waddell & Burton, 2006).

Increase in relevant and meaningful work experience

As indicated in Section 3, insufficient relevant work experience is the main reported barrier to employment in Australia for certain social groups (OECD, 2017). Interestingly, work experience is not explicitly identified in either the LDM model or the vitamin model, but it enables the development of many of their features (e.g. skill development, time structure and intentional activity). ***Employment-focused social enterprise offers individuals a way to experience real-world employment and gain associated skills in a safe and accepting environment*** (Elmes and Vanguard Laundry Services, 2018) where learning is ‘on the job’ rather than in a classroom (Kong et al., 2018). At Vanguard Laundry Services in Toowoomba, 13.6% of participants reported no employment experience prior to joining and only 31.8% of participants reported significant employment experience. After participating at Vanguard, 56.5% of participants felt they had gained significant work experience (Elmes and Vanguard Laundry Services, 2018). As noted in the characteristics of employment-focused social enterprises, however, providing genuinely relevant work experience for diverse individuals can be challenging (Cooney, 2011). Thus, ***the available research evidence suggests that employment-focused social enterprises are most effective where they help individuals develop a range of hard and soft employability skills through their work experience*** (Mestan & Scutella, 2007).

Increase in vocational and generalised skills

The opportunity for skill use and development is a principal factor for employee wellbeing in the vitamin model (Warr, 2017), and speaks to both providing individuals with the opportunity to use their known skills and to develop new skills in their field of interest. A job that offers skill development is more likely to offer task variety, lead to goal generation, and enable a higher level of individual control – all of which are other important environmental features (Unterslak, 2009). ***Skill development helps individuals transfer into mainstream employment and provides them with various benefits to their perceptions of self and ability***, which are outlined further below. ***It tentatively appears that general skills developed via employment-focused social enterprises are equally or more important than specific vocational skills, because they are transferrable and likely enhance future employability*** (Nockolds, 2012). For example, females seeking asylum in one social enterprise were provided a safe place to gain the skills needed to participate in current Australian society. Through engaging in the enterprise, women were able to improve their English language, learn how to shop in Australia, time-manage, and converse casually with people day-to-day, which helped improved their self-esteem and confidence in navigating their new community (Kong et al., 2018). Development of attributes valued in the workplace (e.g. motivation, self-directed activity) provides individuals with key skills applicable to a range of situations (Mestan &

Scutella, 2007), while specific vocational skill development can be helpful when an employment-focused social enterprise is trying to fill a particular employment-supply need.

Enhanced self-esteem and self-efficacy

Involvement in employment-focused social enterprises is commonly reported to improve an individual's sense of self and change their self-perception. Changes to self-esteem and self-efficacy are partially expressed through the notion of social status and identity in both LDM and vitamin models, although the frameworks have discussed this feature in broader terms. Involvement in meaningful and productive work that benefits others (Elmes and Vanguard Laundry Services, 2018); pride in oneself and one's work (Spencer et al., 2016); greater awareness and utilisation of individual skills (Krupa & Lysaght, 2016); and increased confidence and self-esteem (Vieta et al., 2015) have all been reported as outcomes of employment with such social enterprise. For the women seeking asylum mentioned above, the increase in confidence, self-esteem and emotional security ultimately improved their life satisfaction and self-reliance (Kong et al., 2018). For people with mental health conditions, the ability to gain and maintain paid work gave them tangible evidence of the things they were able to achieve and the obstacles they were able to overcome, which helped counter their pre-existing negative self-narrative and the narrative commonly imposed on them by society (Elmes and Vanguard Laundry Services, 2018).

Changes to identity

In line with changes to self-esteem and ability, ***employment-focused social enterprises also appear to contribute to overall changes in identity, both through a cultural and organisational lens.*** The latent deprivation model directly speaks to the link between employment, social status and identity, and how individuals often see themselves as others see them (Paul & Batinic, 2010). The importance of social status and position is also covered in the vitamin model, and the spill-over channels of employment consider how changes to an individual's self-view influence how they interact with others. Culturally, it has been found that some enterprises act as a safe place where refugees and people seeking asylum can come to terms with their new identity, linking their old and new experiences (Burchett & Matheson, 2010). From an organisational point of view, employment-focused social enterprises may also provide individuals with a new 'worker identity', which is linked both to subjective meanings attached to the role, and socially contextual features of social status associated with holding employment (Krupa & Lysaght, 2016). ***For people with disability, this worker identity has been shown to enable individuals to re-define their sense of self, capacity and worthiness*** (Elmes and Vanguard Laundry Services, 2018; Saunders & Nedelec, 2014). A worker identity also allows people to link in to a collective organisational identity, where individuals share activities, situations, and goals. The sense of a collective identity has particular impacts for people from social groups that may experience stigma or discrimination, and the ability for an individual to tap into a new organisational collective identity through work may provide them with social mobility, while also starting to change perceptions around their other collective identity (Krupa & Lysaght, 2016; Vieta et al., 2015). As detailed in Section 2, employment rates of people with disability have historically been low, in part because capabilities of people with disability have been ignored or misunderstood.

Increased sense of belonging

Linked with identity, ***the ability of employment-focused social enterprises to employ individuals from a specific group and connect people together has been reported in multiple studies as important for increasing feelings of belonging*** (Akingbola et al., 2015; Chui et al., 2019; Kong et al., 2018). The

importance of social contact *outside the family or household unit* is highlighted in the latent deprivation model, and this links to the spill-over channel of networking. By creating access to social networks of people with similar experiences who are otherwise marginalised in society, employment-focused social enterprises have been able to help individuals feel like they belong to a community (Burchett & Matheson, 2010; Kong et al., 2018). Employment-focused social enterprises also help enhance individuals' social inclusion by increasing their access to diverse networks and integration within the broader community (Barraket, 2013). This widening of social networks provides individuals with further, otherwise inaccessible opportunities - individuals without stable connections to their community are less likely to find employment (Bodsworth, 2015; Foundation for Young Australians, 2018) while individuals who feel connected are more likely to contribute to further network building (Department of the Prime Minister and Cabinet, 2018).

4.2.2 Community-level outcomes:

The goods and services that social enterprises generally (Barraket, Mason & Blain, 2016; Barraket, Collyer, O'Connor & Anderson, 2010; Castellás et al., 2017) and employment-focused social enterprises specifically (Mestan & Scutella, 2007) produce sometimes seek to address an unmet need in the local community they are situated within. This stimulates local

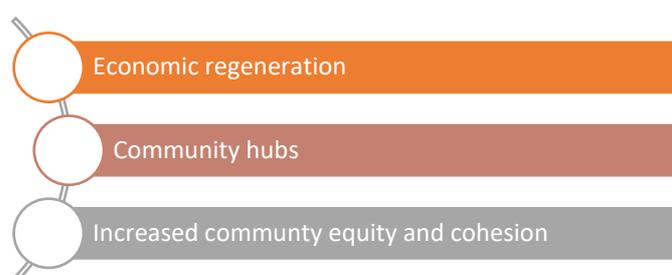
community development and economic regeneration (Barraket, Eversole, Luke & Barth, 2018; Eversole, Barraket & Luke, 2013), and the addition of local employment participation offered by employment-focused social enterprises can facilitate connections within community and improve social equity.

Employment-focused social enterprises appear to contribute to several consistent community-level outcomes (as outlined in Figure 10), but there is limited empirical evidence of these outcomes to date.

Economic regeneration

The available evidence suggests, albeit tentatively, that outcomes of employment-focused social enterprises can include intergenerational economic benefits and local economic benefits. With regard to intergenerational benefits, one individual's income has flow-on effects for their household and community and can shift allocation of spending, as highlighted by the spill-over channels of employment. A parental figures' engagement in an employment-focused social enterprise thus consistently appeared to improve quality of life for the overall family (e.g. via reduced stress), and helped establish the parent as a good role model (Mestan & Scutella; Spencer et al., 2016). With regard to local economic development, the limited evidence suggests that employment-focused social enterprise and other forms of social enterprise can 'plug' local economic leaks in rural and regional communities by providing needed services and thus encouraging local spending, particularly in rural, regional and remote communities (Barraket, Eversole, Luke & Barth, 2018; Eversole, Barraket & Luke, 2013). For one Indigenous remote community, building economic independence through an employment-focused social enterprise was also seen as a means for the community to "regain the political and social control that is required for establishing self-determination" (Spencer et al., 2016: 399). ***The limited available evidence suggests that individual benefits created by employment-focused social enterprises also lead to***

Figure 10 Community-level employment outcomes



reduced government spending, particularly in the provision of welfare and healthcare services (Elmes and Vanguard Laundry Services, 2018), **while the creation of jobs increases overall earnings and subsequent tax revenue** (Mestan & Scutella, 2007). While the available evidence suggests local and intergenerational economic benefits from employment-focused social enterprises, we have found no research that has sought to formally measure or predict the economic cost-benefits of employment-focused social enterprises at the community-level.

Acting as community hubs

Related to creating networking opportunities for individuals, **social enterprises sometimes exist as community hubs – bringing together and linking different parts of a community**. This further highlights the networking spill-over channel of employment, and the ability of employment to enhance connection and information sharing. Employees of some employment-focused social enterprises teach gardening programs to local schools and clear rubbish from community areas of significance, which increases their social integration and presence in the community (Spencer et al., 2016). By building relationships in the community, another enterprise was able to offer their employees vouchers for yoga, sporting events and local cafes, which further helped improve visibility of employees and enabled individuals to access services they otherwise would not (Vieta et al., 2015). **As highlighted above, employment participation helps facilitate connections within community and these connections are protective** (Bodsworth, 2015; Foundation for Young Australians, 2018). By increasing community participation, social enterprises can also facilitate a feeling of contributing to a common goal (Spencer et al., 2016; Vieta et al., 2015), as identified in the LDM and vitamin model, whilst strengthening social contact and feelings of belonging within that community and the enterprise itself (Akingbola et al., 2015; Elmes and Vanguard Laundry Services, 2018).

Increased social equity and cohesion

Employment is also linked to equity within a community, and representation and participation via work from all groups is important to enable community cohesion. This reinforces the relationships between social status and employment, highlighted in both the latent deprivation model and vitamin model. For instance, **employing people with disability in customer-facing roles has been shown to help tackle stereotypes and challenge social stigmas around discrimination in the broader community** (Vieta et al., 2015) **and inclusion of marginalised groups helps bring their narrative and needs into the dominant social discourse** (Barraket, 2013). Promoting inclusion within a community and bringing in people from the margins also improves overall economic capacity, health and skill-development of a community, sharing the benefits of employment (Mestan & Scutella, 2007).

4.3 How effective are social enterprise employment pathways?

While the impacts of social enterprises in general and employment-focused social enterprises in particular are being increasingly documented (see Elmes and Vanguard Laundry Services, 2018; Mission Australia, 2008) there has been minimal large-scale analysis evaluating the successes of employment-focused social enterprises, and evaluations generally focus on individual enterprises based in single small sample studies (Nockolds, 2012). This makes assessing the effectiveness of employment-focused social enterprises challenging, particularly in relation to long-term successes and when comparing the costs and impacts of social enterprises with other employment services (Abbott et al., 2019). There is, however, substantial evidence that employment services like jobactive (Bennett et al., 2018; Department of Jobs

and Small Business, 2018c) and the DES (Australian Federation of Disability Organisations, 2015) are insufficient to assist individuals with multiple and/or severe barriers to employment (Barraket, 2013) and lead to relatively low rates of sustainable employment outcomes (Department of Jobs and Small Business, 2018a, 2018b). A brief outline of the main employment services in Australia is provided in Appendix C.

Tentatively, initial figures of employment outcomes suggest that employment-focused social enterprises have higher success rates supporting individuals into employment than jobactive or DES, and that relatively more of these individuals gain full-time (and so likely more secure) employment. In one Australian social enterprise, 47.6% of past participants were employed approximately 1 year after participating and 50% of those employed were in full-time work (Mission Australia, 2008). On top of this, all past and current participants believed their participation had, or would improve their employment opportunities. Similarly, one international study found that, across 7 social enterprises, 51% of all individuals were employed 1 year after participating, while only 18% had been employed prior to participating (Rotz et al., 2015). On the other hand, from April 2017-March 2018 49.2% of all jobactive jobseekers were employed 3 months after participating in the jobactive program, but only 23.4% of these were employed in full-time work (Department of Jobs and Small Business, 2018). Further, only 26.4% of jobseekers with multiple and complex barriers were employed - and this group is most comparable to employment-focused social enterprise participants. During the same time period, 32.1% to 33.8% of DES jobseekers were employed 3 months after participating in the DES program (Department of Jobs and Small Business, 2018b). ***These results cannot be directly compared considering their different methods, contexts and timeframes, nor can the employment outcomes be generalised out to all employment-focused social enterprises as we are constrained by the limited research with single small sample studies.***

Empirical findings have suggested that employment-focused social enterprises may be better placed to assist people with multiple and/or severe barriers to employment through a few factors. Firstly, ***employment-focused social enterprise appears to offer more flexibility and awareness of the life situations and barriers that make employment difficult for individuals experiencing disadvantage*** (Elmes and Vanguard Laundry Services, 2018; Spencer et al., 2016), and an acknowledgement that these challenges will likely not disappear immediately upon starting employment (or that behaviours produced by these barriers are to be penalised in the first place). Secondly, ***employment-focused social enterprises integrate their services and this appears to be significant in employment outcomes*** (Chui et al., 2019; Ferguson, 2012). International evidence suggests that the specific intervention type (e.g. employment versus other supports) may not be as important as key intervention features, like integrating supports and offering them frequently and for long enough (Cook et al., 2005; Ferguson, 2018). ***Employment-focused social enterprises also tend to develop strong community partnerships and networks that help link individuals to different areas of the community depending on their needs***, and, in terms of job placement, allow them to better tailor training to what's available (Mission Australia, 2008; Vieta et al., 2015). Further, ***employment-focused social enterprises target specific groups of individuals, so presumably have greater awareness of their exact needs or, through close engagement with individuals, are able to better learn their needs over time*** (Kong et al., 2018). ***Employment-focused social enterprises are typically much smaller than traditional service providers, which gives them the power to provide non-standardised support*** (Nockolds, 2012) and get to know their employees or trainees at a more personal level. However, their staff must be highly trained and dedicated to achieve this intense level of personalised support, which is typically associated with higher costs from an

operational perspective. Considering these and additional costs, we will now discuss the economic benefits reported for employment-focused social enterprises.

4.4 Economic benefits of employment-focused social enterprises

It is challenging to place an economic measure on the effectiveness of employment-focused social enterprises.¹⁵ Firstly, traditional profit-derived indicators used to measure business performance are not always appropriate for social enterprises (Abbott et al., 2019), whose decision making process is not solely driven by profit maximisation but is guided by their social mission. Secondly, it is challenging to accurately account for the entire social impact of an enterprise because these impacts are not linear or defined by boundaries, and many will have flow-on effects (Spencer et al., 2016). The monetisation of human emotion, wellbeing, social needs, and contributions can be challenging and “intellectually uneasy” (Vieta et al., 2015: 165), and it is impossible to completely cover the complexity of these factors or put a fixed dollar amount on their impact. Thirdly, the measurement of social impact involves various assumptions and decisions around which impacts to measure and how to measure them, which must remain explicit in the reporting process. This is particularly true if social enterprises are to be compared, as the effectiveness of different social enterprises likely have different assumptions underpinning them (Vieta et al., 2015). Finally, economic measures emphasise an outcomes or cost-benefits perspective, which does not fully acknowledge the narrative of the process to such outcomes. For these reasons, ***economic analyses of the economic benefits of employment-focused social enterprises should not be taken in isolation from qualitative and context-sensitive findings*** (Vieta et al., 2015).

In saying this, ***the economic benefits of employment-focused social enterprises appear strong and varied***, despite previous criticism of the apparent inefficiency of social enterprise in comparison to commercial business (Barraket et al., 2016). ***A recent study has found that social enterprises in Victoria demonstrated comparable and, at times, higher relative labour productivity than similar sized commercial businesses***, where productivity is a measure of how efficiently wealth or outputs can be created from limited resources or inputs by businesses (Abbott et al., 2019). The study also recognised that employment-focused social enterprises do incur relatively high upfront costs that partly arise from employing individuals facing high levels of disadvantage.

Due to lack of available data, the per-person costs estimated for employment-focused social enterprises a decade ago – ranging between \$5,000 to \$6,000 (Mission, 2008; Mestan & Scutella, 2007)¹⁶ – have yet to be updated with more recent figures, and do not sufficiently canvass the different operating contexts for social enterprises (with the two studies cited focused on social enterprises operating within large and well-established welfare agencies). As stated earlier, lack of large-scale studies and comparative analysis is a major contributor to this. However, recent per-outcome/person costs from government-funded

¹⁵ Cost-benefit analyses and social return on investment analyses suggest that employment-focused social enterprises produce benefits over and above their costs. In Australia, one mid-range estimate suggested that every \$1 invested in intermediate labour programs resulted in \$14 benefit to society, which is a high benefit to cost ratio (Mestan & Scutella, 2007).

¹⁶ Net per person costs (total costs of program minus the value of services provided) of employment-focused social enterprises have been estimated to be \$5 583 by Mestan & Scutella (2007) and \$5,310 by Mission Australia (2008). Total costs per person range from \$22,333 to \$29,142 in two studies, which, at the time, were significantly less than comparable WISE programs in the UK (Mestan & Scutella, 2007). As noted, these costs cannot be directly compared with other programs.

employment services spanning from \$1,500 to \$10,500¹⁷ suggest that government funded employment services can have high costs as well.

Despite their high costs, ***employment-focused social enterprises are high-return interventions and one Australian employment-focused social enterprise was found to have total social benefits (both to those who did and did not directly benefit from the SE) that outweighed their costs*** (Mestan & Scutella, 2007). This finding has been replicated internationally (Akingbola et al., 2015; Rotz et al., 2015). Costs and benefits did differ substantially across the different enterprises, which is expected given the diversity among employment-focused social enterprises' size, industry, and maturity, as well as nature and duration of support provided to employees, duration of individual employment, overall per-employee costs, and individual business model. As detailed in the previous section, social benefits include positive impacts on mental health (e.g. reductions in hospitalisation, and increased self-esteem and confidence) and employment (e.g. change in employment status, increased income, reduced reliance on welfare), and increased social capital (e.g. improved and increased relationships, better access to housing, higher levels of education) (Elmes and Vanguard Laundry Services, 2018; Mestan & Scutella, 2007). Though some of these social benefits can be converted to monetary values (e.g., savings in direct hospital costs and Centrelink payments as estimated by Elmes and Vanguard Laundry Services (2017)), it is impossible to fully estimate the impacts of employment-focused social enterprises in monetary terms; nor is it useful to do so.

4.5 Challenges, barriers and opportunities for employment-focused social enterprises

Social enterprises in general face various operational barriers, particularly around: accessing appropriate capital (Barraket, Mason & Blain, 2016); having adequate resources and capacity for impact measurement and reporting requirements (Barraket, Mason & Blain, 2016; Spencer et al., 2016); improving marketing and communication strategies (Barraket, Mason & Blain, 2016; Castellás et al., 2017); and lack of consistent and targeted policy support at federal and state level (Barraket, Mason & Blain, 2016). On top of this, employment-focused social enterprises specifically are constrained or enabled by numerous other factors which are outlined below.

Adapting to the future work climate

As noted in Section 3, person and knowledge-based services industries have been growing and this is dominated by two fields: professional/scientific and technical services and health care and social assistance. The content of jobs are also becoming increasingly automated and adaptive (Foundation for Young Australians, 2017), and jobs of the future are expected to require higher education levels and skill development, particularly in the domains of maths, science and entrepreneurship (Foundation for Young Australians, 2017; McClure, Wesley, & Sinclair, 2015). By 2030, advances in technology will significantly reduce the number of routine, labour intensive jobs – instead jobs will likely require more time spent

¹⁷ Jobactive's cost per employment outcome (not per person) was \$1,453 in 2016-17 (Department of Employment, 2017) but this includes employment outcomes for all streams of jobseekers, the majority of which would not be targeted by employment-focused social enterprises. The Community Development Program, a government-run employment service targeted at marginalised individuals (Indigenous Australians living in rural areas), has estimated per person costs of \$10,494 (Australian National Audit Office, 2017-2018). Per-person costs were not found for the DES.

collaborating, learning and problem solving, an increase in self-direction and self-management, and greater utilisation of interpersonal skills and creativity (Foundation for Young Australians, 2017). The nature of jobs has also changed. As outlined in Section 3, part-time employment has increased and more employees are independently contracted into temporary or casual positions (Department of Jobs and Small Business, 2018c), which acts as a further barrier to move off any welfare payments. If people are placed into precarious employment, the likelihood of them having to re-apply for welfare is high, and this may result in a gap of financial support.

In addition to labour market dynamics, the Australian workforce has been changing in response to other factors, such as demographic and technological changes. Overall, the changing demographic profile of the labour force, work flexibility, the impact of automation, and the shift between routine/manual jobs and abstract tasks has placed great value in workplace diversity which, in turn, demands organisational structures to adapt to changing circumstances.

Adapting to the future of Australian employment services

Considering the insufficiency of services like jobactive and DES and the changing work climate detailed in Section 4.3, Australia's employment services will be overhauled in the coming years. As of July 2019, the new employment services model began piloting in areas of South Australia and New South Wales, and it is planned to be rolled out nation-wide from July 2022 (Department of Employment, Skills, Small and Family Business, 2019). This new model has two main features that differ from the current jobactive system. Firstly, the model is primarily grounded in a digital platform. Jobseekers who are assessed as being 'job-ready' and digitally literate will access self-service supports through the digital platform, including online tools and training modules, while jobseekers who require more individualised support will continue to receive some degree of traditional face-to-face assistance from an employment service or training provider. It is hoped that digitising the system will help 'personalise' support through data driven job matching, and free up more intensive support for those who need it; particularly those with disability, who make up 27% of all jobseekers but only 15% of those who gain employment (Department of Jobs and Small Businesses, 2018). Secondly, there will be changes to the mutual obligation requirements – the conditions jobseekers must meet to receive assistance – which will be assessed under a points-based approach via the new model.¹⁸ This is hoped to enable greater self-direction, personal responsibility and choice in the activities that jobseekers undertake to meet their requirements.

Costs and challenges related to personalisation and flexibility

Many employment-focused social enterprises adopt high-level flexibility and personalisation to meet the needs of their target groups (Nockolds, 2012), but this carries with it various costs. In targeting disadvantaged individuals, a natural tension arises – the greater the challenges to placing an individual, the higher related operating costs will be (in terms of supervision, training, productivity etc.), and the worse their employment outcomes are likely to be in the short term (their outcomes may not be deemed a 'success'). Additional expenses are required to cover any arising productivity losses, or operational costs, and support employees on their journey – e.g. if they require time off due to episodic illness (Rotz et al., 2015).

¹⁸ For more information see fact sheet: https://docs.employment.gov.au/system/files/doc/other/nesm_fact_sheet_-_more_flexibility_for_job_seeker.pdf

Insufficient organisational capacity, knowledge and resources

Like social enterprises in general, employment-focused social enterprises commonly experience challenges that occur from not having sufficient resources to carry out tasks related to the financial sustainability of the enterprise. Employment-focused social enterprises report on the difficulty of effectively performing administrative requirements (Vieta et al., 2015) and meeting the needs and requirements of external funders or partners (Kong et al., 2018; Meltzer et al., 2018; Spencer et al., 2016), particularly in regards to record-keeping and social impact measurement. The core operational skills and knowledge of employment-focused social enterprises are also often located within their founders or a small number of central staff, which can lead to a lack of shared knowledge. More generally, employment-focused social enterprises report difficulty managing demand that exceeds the current capacity of the enterprise (Austin, Stevenson, & Wei-Skillern, 2012; Kong et al., 2018; Meltzer et al., 2018; Vieta et al., 2015), whereby employee numbers are limited by industry regulations or accessible funding. Further challenges related to impact measurement are discussed in Section 6.

Capacity to scale

As we have noted above, the effectiveness of employment-focused social enterprises lies to some degree in their niche role in the provision of personalised work settings for people who are often experiencing multiple and intersecting barriers to mainstream employment. A common question that thus arises is whether and how employment-focused social enterprises might be scaled. Researchers and practitioners are consistent in distinguishing between scaling the business in commercial terms and scaling the social impacts. Yet, this distinction can still limit clarity, particularly in social enterprise models, where the social purpose is strongly integrated into the business activities. This can create tensions between their social purpose and business viability. Findings suggest that the goal of financial self-sustainability in particular can challenge the social mission of an employment-focused social enterprise – employment-focused social enterprises who operate without social finance or donations (and thus experience greater competition and greater risk impact) typically seem to target less disadvantaged workers to compensate (Cooney, 2011; Nockolds, 2012).

4.5.1 What this means for employment-focused social enterprises

The above factors present various opportunities and challenges for employment-focused social enterprises. ***Jobs within employment-focused social enterprises that seek to support socio-economically disadvantaged people have traditionally been within entry-level lower-skill jobs and industries that accommodate these roles at scale.***¹⁹ ***Changes driven by the future of work may push employment-focused social enterprises to operate in different industries and challenge their underpinning business models over time.*** This will require awareness of fields with current demand and strong networks and partnerships to enable the adaptation of employment-focused social enterprises. More resources may have to go towards education and training before individuals can start employment, and the emphasis on improving autonomy and providing generalised and transferrable skills will continue to be significant. The

¹⁹ We note that some forms of employment-focused social enterprises that target other demographic groups – for example, neurodiverse people such as those on the autism spectrum – appear in more skilled labour segments.

digital inclusion and capability of employment-focused social enterprises, as with other types of business, will be increasingly important to their success.

In terms of changes to employment services, the impact on employment-focused social enterprises will in part depend on the success of these changes. Research has shown that integrated supports (Ferguson, 2012, 2018) and trust in the system (Roy, Baker & Kerr, 2017) are crucial, but ***the data-driven digital approach of the new employment services model may hinder its ability to provide genuinely personalised and appropriately integrated support.*** Further, the new model's ***emphasis on pushing more responsibility on those they determine 'job-ready' may continue to frame unemployment as an effect of individual motivation and capacity, rather than as an effect of labour market conditions and systemic factors that create exclusion.*** Substantial improvements to traditional services may provide competition for employment-focused social enterprises, but could, in theory, reduce some of the demand burden. ***Popularity for employment within social enterprises, in comparison to more traditional work-placements, is expected to grow,*** however, and the changes to traditional employment services will likely have some teething issues (Meltzer et al., 2018). ***Particularly for those who require enhanced supports then, employment-focused social enterprises may fill a niche in their ability to provide genuine smaller-scale face-to-face support that can be more flexibly tailored to an individual,*** if these social enterprises are provided with consistent and targeted supports (both financial and knowledge-based) to offset the related costs.

To address challenges arising from productivity deficits and insufficient capacity to meet reporting and measurement needs, some employment-focused social enterprises need supports in the form of financial and non-financial capacity building. These supports must be tailored to the diversity within employment-focused social enterprises, but particularly target newer employment-focused social enterprises that do not seem to have the same outcomes as more established organisations, and may be experiencing more, or more rigid barriers (Rotz et al., 2015). A broader range of social finance is required – including grants, guaranteed loans and early stage capital – as are links to appropriately matched opportunities between enterprises and sources of capacity-building via intermediaries (Castellas et al., 2017). An additional key player in the support of employment-focused social enterprises is strategic philanthropy, which is explored in the next section.

Section Highlights

- Employment-focused social enterprises appear to produce positive individual employment outcomes and contribute to community development.
- Employment-focused social enterprises are relatively high up front cost interventions with high return/value.
- Studies generally point to the effectiveness of employment-focused social enterprises both internationally and in Australia, and in relation to social and economic benefits.
- However, there is a lack of comparative research that considers the social value and financial efficiencies of social enterprise relative to other approaches and the available research focuses on small sample studies which limits the reliability. Research exploring the long-term effectiveness of employment-focused social enterprises and the mechanisms behind their outcomes is also limited.
- Employment-focused social enterprises face various challenges, both internally and in response to the operating environment, and will require dedicated supports to maintain and/or expand their effectiveness.

5.0 IMPLICATIONS FOR EFFECTIVE PHILANTHROPY

Philanthropy has historically been an important source of ‘risk capital’ to generate and trial new responses to social problems. Over the past two decades, the push towards strategic philanthropy has emphasised the importance of setting clear goals, taking data driven approaches, supporting with ‘time and talent’ as well as ‘treasure’, and evaluating and refining grantmaking based on evidence of what works (Social Ventures Australia, 2015a). Philanthropic interest in impact investing has also shed light on how philanthropists may use their investable funds in further progressing their philanthropic purposes. ***More recently, as philanthropy grapples with taking a more systems-based approach to social change and its role in responding to complex adaptive problems, there has been a further shift from predictive to emergent models of strategy and related philanthropic practice*** (Kania, Kramer & Russell, 2014). Emergent strategic approaches involve an appetite for partnership and a willingness to relinquish control in the pursuit of common goals (Kania, Kramer & Russell, 2014), and are best applied to solving complex problems. While aspects of enabling employment-focused social enterprises through philanthropic support are more technical than complex, the wider challenge of growing meaningful employment is a complex one and the mechanisms for effectively embedding and scaling employment-focused social enterprises remains largely unknown; for each of these reasons, ***some aspects of emergent and systems-based approaches to philanthropy are needed to support employment-focused social enterprises as vehicles for increasing employment as a pathway out of disadvantage.***

5.1 Philanthropy and social enterprise in Australia

Philanthropic support for social enterprise increased from seven to twelve per cent of social enterprise income from 2010-2016 (Barraket, Mason & Blain, 2016), suggesting increased interest from philanthropists and, presumably, a good match between the needs of social enterprises and the goals of philanthropy. Several family and corporate foundations have established priorities around supporting social enterprise, and giving to social enterprise through other philanthropic vehicles seems to be growing. ***While social impact investment has grown significantly in a short period in Australia with some notable investments in social enterprise, the bulk of this growth lies in green bonds*** (Castellas & Findlay, 2018) ***and there is a continued mismatch between supply and demand in relation to social impact investment products and social enterprise development*** (Barraket et al., 2016).

There are an estimated 20,000 social enterprises in Australia (Barraket et al., 2016). Finding Australia’s Social Enterprise Sector 2016 noted that ***unmet demand for external finance was strongest in parts of Australia where there was no presence of social finance intermediaries.*** Recent mapping research conducted in Victoria also indicates that, while social enterprises are concentrated in urban centres, there is strong representation of social enterprises in rural and regional communities (Castellas et al., 2017). An ongoing challenge for rural and regionally-based social enterprises is their access to support through the wider social enterprise ecosystem; recent case study research finds, in particular, that ***rural and regional social enterprises have less reported access to philanthropic support and corporate partnerships than their urban counterparts*** (Barraket et al., 2018). Our evidence review also finds relatively little publicly-available learning from Australian trusts and foundations about their work with social enterprises.

5.2 Role of collaborative philanthropy in supporting employment-focused social enterprises

Despite increased rhetoric, **there are relatively few examples of comprehensive collaborative approaches to employment creation through social enterprise in Australia.** Several high-profile employment-focused social enterprises certainly benefit from diverse partnerships with philanthropic and other organisations. Yet, these arrangements appear to be largely driven by multiple one-to-one funding relationships brokered into wider relationships over time, rather than founded in pre-established multilateral partnerships. This has the danger of increasing transaction costs while limiting the value added through effective coordination of resources. **Greater forward commitment to co-funding and other collaborative models by philanthropy would be beneficial to employment-focused social enterprises and the communities they serve.**

In the Geelong region, the GROW 21 consortium²⁰ is one visible example of a cross-sector collaborative approach to employment creation in a region experiencing significant economic restructuring. While not focused specifically on social enterprise development, the GROW 21 example includes salient features for such an approach, including: local leadership and community involvement; a multi-sector approach with established goals and agreed ways of working; a long-term development horizon with interim goals; and up-front investment in understanding local labour market and social conditions, as well as mapping the assets of the community. Based on the latter, the GROW 21 plan places social procurement from within the region at the centre of its approach, recognising the potential of regional spending to significantly increase local economic growth and related employment options.

Collaborative philanthropy in general, and in support of employment creation through employment-focused social enterprise in particular, is nascent, and there is considerable scope for increasing practice and sharing learning from such approaches in the Australian context. **These approaches require a commitment to ‘leaving logos and egos at the door’²¹, establishing shared language, adopting a learning attitude, and identifying and committing to common goals.** Consistent with the ‘nothing about us without us’ principle²², such approaches should also consider whether and how the people employment-focused social enterprises seek to serve are involved as active agents in designing solutions to the challenges they experience.

Section Highlights

- Philanthropic support of social enterprise has been increasing.
- Social impact investment in particular has grown significantly in Australia, but the majority of this lies in green bonds and there is a continued mismatch between supply and demand for social enterprise finance.
- Rural and regional social enterprises report low access to philanthropic support.
- As such, there is considerable scope to share learning and shape collaborative philanthropic practice in the Australian context.

²⁰ See: <https://grow.g21.com.au/>

²¹ Social Ventures Australia. (2015b). *Critical elements for successful collaboration*. Retrieved from: <https://www.socialventures.com.au/blog/critical-elements-for-successful-collaboration/>

²² Masutha & Rowland, as cited in Charlton, J. (1998). *Nothing about us without us: Disability oppression and empowerment*. University of California Press. <http://www.jstor.org/stable/10.1525/j.ctt1pnqn9>

6.0 MEASURING EMPLOYMENT OUTCOMES

Demonstrable achievement of goals and learning about how these come about requires effective measurement. In this final section, we look at measures of employment outcomes and impacts achieved by social enterprises, and consider meaningful and practical employment indicators by navigating metrics developed and used by government and industry.

6.1 The take-up of impact measurement by social enterprises

Despite often being cited as a challenge, social impact measurement can be both important for and useful to the sustainability and success of social enterprises. Done well, the process can help social enterprises better understand how they fulfil their mission and who their key stakeholders are, and thus improve their work and support their stakeholders (Vieta et al., 2015), and measurement is increasingly required by funders and policy makers. Social impact measurement also enables clear communication of outcomes to the broader public, funders and policy makers, and allows social enterprises to clearly justify and support their activities and narrative.

Recent studies on social enterprises in Australia have shed light on their readiness and capacity to measure and report impact. As outlined in Table 9, approximately one in three social enterprises are not measuring their impact. **These studies further identified challenges that hinder social enterprises in undertaking impact measurement, mainly including: limited resources (money and time); lack of technical capacity (not knowing the how-to); diversity in expectations from stakeholders; high cost; and inconsistency in measurement frameworks.** The Map for Impact report (Castellas et al., 2017) revealed that early-stage social enterprises in particular may struggle with resources to measure impact, but identifying with being part of the social enterprise sector may motivate enterprises to take up impact measurement.

Table 9 Social Impact measurement take-up by social enterprise in Australia

Survey scope	% Social enterprise not evaluating/measuring impact	Sample size	Year of data collection	Study
Victoria	38%	369	2017	Map for Impact, 2017
Australia	35%	359	2016	FASES, 2016
Australia	35%	365	2010	FASES, 2010

International studies on impact measurement for social enterprise have demonstrated how the social enterprise sector in different socio-economic contexts and at different development stages is approaching this work (see Table 10). Despite country specifics, some common challenges for social enterprises in measuring social impact emerged, including constraints on resources (time, money and

tools) and technical capacity, echoing what has been reported in Australia. It is also noted that, while lack of measurement systems and tools is a major issue in some countries, not knowing how to choose and implement the best measures when too many tools are available presents another challenge. Similarly, preferences between standardised measures and enterprise-specific measures are emphasised differently across countries/sectors. ***This suggests that impact measurement design for social enterprises should consider: the primary usage of results (for example, for internal decision-making or external reporting purposes); the development stage of the enterprise (from start-up to mature stage); and the timeframe of outcomes or impact to be measured (from immediate/intermediate outcomes to long-term impact).***

Table 10 Impact measurement status of social enterprises

Country	Impact measurement status	Key impact results/dimensions	Challenges/developments
<i>Belgium</i>	80% in the sample (N=63) reported having at least one indicator to track social impact	The most frequently reported indicator is employment-related	Lack of in-depth and tailored indicators to fully map the social impact
<i>China</i>	No impact assessment system of independent third-party assessment agency, social enterprises relied on own records and assessments	The number of targeted beneficiaries that actually benefitted from the SE; the most used tools are SROI and CBA	Demands from overseas foundations and government purchase drove social enterprises to pay more attention to impact measurement
<i>Germany</i>	Impact measurement remained a major issue. Policy makers, investors and scientific community stressed the need for standardized measurement while social entrepreneurs worried that increased reporting needs may affect their focus on generating social impact	The number of people reached is perceived as a key indicator of success	The discussion concerned scaling, i.e., how impact generated can be implemented on a larger scale
<i>Hungary</i>	Impact measurement among social enterprises in Hungary was still in a very initial phase	The very few impact results available are qualitative and don't provide much information on quality dimensions	There were a lot of discussions of impact measurement, but most players lack tools and resources to track impact

Evidence review



<i>Portugal</i>	Though organisations were obliged to measure social impact to attract potential social investors, few were doing this effectively due to lack of technical capacity	Easy to monitor metrics such as employment, lives touched or activity measures	This topic was gaining importance in Portugal
<i>Russia</i>	None of the surveyed social enterprises were measuring social impact	No information	A couple of social enterprises indicated they were going to measure impact in the future
<i>Spain</i>	54% in the sample (N=55) reported having at least one indicator to track social impact	The number of beneficiaries employed and number of beneficiaries placed in external jobs	Many funding programs from banks targeted social enterprises and hence competition among social enterprises was raised
<i>Sweden</i>	The extent to which social enterprises used impact measurements varied, spanning from easy to track indicators to sophisticated systems. Support-functions/intermediaries supported social enterprises with feasible ways to frame social impact measurements and preferred measures developed uniquely for each project	Majority used quantitative indicators, from the number of people encountered or mediated ('lives touched' or 'employment') to more complex measures such as SROI	Increasing demand for improvements in capacity for impact measurement; financial challenge was perceived as the most salient for young social enterprises in measuring social investment

Evidence review



UK

The majority of social enterprises measured social impact, especially for social start-ups and social enterprises whose main source of income was the public sector

The most common social impact indicators from the Social Entrepreneurs as Lead Users for Service Innovation (SELUSI) survey were: the number of beneficiaries served/employed, and the number of individuals empowered

Challenges for measuring impact identified: difficulty for social enterprises with long-term outcomes to measure impact in contract length; high costs (time and money); with growing number of tools, lack of capacity among social enterprises to select the right tools and resources to implement measurement

Source: table is based on Social Enterprise as FORce for more Inclusive and Innovative Societies (SEFORIS) 2014

6.2 Indicators to track, measure and report employment outcomes

6.2.1 Employment statistics and indicators from Sustainable Development Goals

Employment and unemployment statistics are widely and rigorously collected on a regular basis by government to monitor and analyse labour market conditions. **While these measures provide high order benchmarks, they also frame the primary employment outcome indicators.** Table 11 summarises key employment measures and data sources and discusses the implications for employment-focused social enterprises. In addition to the Australian government sources, we also include relevant indicators from the UN Sustainable Development Goals (SDGs), which have become part of mainstream business reporting according to a recent PwC study (PwC, 2018).

Table 11 Key employment measures by government

	Key Indicators	Implications	Data sources
ABS Employment and Unemployment Statistics	<ul style="list-style-type: none"> • Employment to population ratio • Unemployment rate • Labour force participation rate • Monthly hours worked (full-time and part-time) • Underemployment rate • Underemployment ratio (proportion to employed) • Underutilisation rate • Long-term unemployment rate • Volume measures of unemployment/ underemployment/ underutilisation rates 	<ul style="list-style-type: none"> ➤ These statistics provide national, state and industry benchmarks for labour market outcomes ➤ Volume measures are hour-based (number of hours preferred by individuals) and are more sensitive in revealing the potential labour capacity than headcount measures 	The monthly Labour Force Survey (ABS)

	Key Indicators	Implications	Data sources
Employment Services Outcomes Measures – jobactive / DES (Department of Jobs and Small Business, 2018a and 2018b)	<ul style="list-style-type: none"> • Percentage of job seekers employed three months after participating in jobactive • Percentage of job seekers employed three months after completing training or other jobactive activity • Percentage of job seekers employed in full-time/part-time/casual employment • Percentage of job seekers remaining employed 4/12/26 weeks after commencing in a job placement • Percentage of job seekers participating in jobactive activity who reported improved soft skills • Percentage of job seekers participating in education or training • Percentage of job seekers with ‘positive outcomes’ (have achieved either an employment and/or education outcome) 	<ul style="list-style-type: none"> ➤ These measures provide details on the duration and type of employment, and include education/ training outcomes ➤ Three months after completing the training/work-assistance program is used as a standard timeframe to measure employment outcomes. We note that many employment-focused social enterprise practitioners advocate for a longer time period as a better proxy for employment retention. ➤ Survey data is collected on soft skills which are measured by: ability to adapt to a new environment, desire to find a job, ability to keep to a routine, ability to work with others, and communication skills 	Quarterly Employment Services Outcomes Report (Department of Jobs and Small Business)
Labour Market Indices (LMIs) (Baker and Ball, 2018)	<ul style="list-style-type: none"> • Unemployment rate • Underemployment rate • Long-term unemployment rate • Youth unemployment rate • Average hours worked • Labour participation rate • The ratio of job vacancies to unemployed people • Turnover • Other indicators from consumer and business surveys (e.g., consumer perceptions of job availability, business plans to hire additional staff and change in employment level) 	<ul style="list-style-type: none"> ➤ Apart from headline un/underemployment rates, job vacancies and insights from business surveys are used to analyse the demand side of the labour market ➤ The change in working hours and turnover might be relevant measures to employment-focused social enterprises 	ABS, NAB Business Survey
Indicators of Australia’s Welfare (AIHW, 2017) –	<p>Wellbeing:</p> <ul style="list-style-type: none"> • Employment to population ratio • Employees working 50 hours or more 	<ul style="list-style-type: none"> ➤ The welfare indicators highlight the impact of working 50 hours or more on individual wellbeing 	ABS, Department of Employment (for the last indicator)

	Key Indicators	Implications	Data sources
work/employment related	<p>Welfare services performance:</p> <ul style="list-style-type: none"> • Labour force participation for people with disability • Jobless families • Long-term unemployment ratio • Youth unemployment rate • Job seekers off benefits after participation in employment services 	<ul style="list-style-type: none"> ➤ The indicator on jobless families shows the spill-over effect of employment on household wellbeing 	
SDG Indicators (UN, 2019)	<p>1.1.1 Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural)</p> <p>1.2.1 Proportion of population living below the national poverty line, by sex and age</p> <p>1.2.2 Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions</p> <p>5.5.2 Proportion of women in managerial positions</p> <p>8.3.1 Proportion of informal employment in non-agriculture employment, by sex</p> <p>8.5.1 Average hourly earnings of female and male employees, by occupation, age and people with disabilities</p> <p>8.5.2 Unemployment rate, by gender, age and persons with disability</p> <p>10.2.1 Proportion of people living below 50 percent of median income, by sex, age and persons with disabilities</p>	<ul style="list-style-type: none"> ➤ Goal 8 addresses decent work and economic growth; moreover, spill-over effects of employment can be reflected by other SDGs on poverty reduction, gender equality, and access to education and training. 	

6.2.2 Employment outcomes measured for Australian employment-focused social enterprises

As discussed earlier in this section, impact measurement remains a challenge to many social enterprises. To those who are measuring impact relevant to the social mission of the organisation, identifying indicators to track, designing data collection tools and plans, incorporating them to operation, analysing data collected, and reporting is resource intensive. On the other hand, ***more research is needed on impact measurement/assessment of social enterprises to test different impact frameworks,***

measurement tools and data collection methods, to understand the impact creation pathway and to further unpack the socio-economic impacts achieved by this sector.

Drawing from the limited publications on impact assessments of employment-focused social enterprises in Australian context, Table 12 showcases findings from some studies and reports on how their employment outcomes were measured. As we can see, outcomes outlined in these cases reflect sophisticated measurement systems resulting from collaborative or commissioned research, highlighting the level of technical capability and associated costs involved in assessing impact. Meanwhile, though there are common themes, it is clear that the measurement frameworks are designed specifically for the social enterprise or program evaluated, and employment outcomes are not standardised. The group(s) of beneficiaries the enterprise is engaged with, its social mission and the design/mechanism to deliver employment outputs influences the design of measurement systems.

Table 12 Employment outcomes measured by employment-focused social enterprises

Targeted group	Outcomes	Australian employment-focused social enterprise (study)
People with intellectual disability	<ul style="list-style-type: none"> • Skill development • Participation • Relationships • Material wellbeing • Personal wellbeing (physical and emotion health and safety) • Self-reported self-determination, rights, respect, and equity 	(Meltzer et al., 2018)
People with mental illness experiencing long term unemployment	<ul style="list-style-type: none"> • Health: mental and physical, health behaviours • Wellbeing: satisfaction and quality of life, access to resources • Economic participation: income, skills and knowledge, Vocational identity, employability • Social inclusion: support, sense of trust and community, relationships 	<i>Vanguard</i> (Elmes and Vanguard Laundry Services, 2018)
Remote Indigenous Australians – Yolnu community	<ul style="list-style-type: none"> • Acquiring, managing and utilising resources • Organisational capacity to advance mission • Output measurements of targets • Internal outcomes: behavioural & environmental changes • External outcomes: client & customer satisfaction • Public value accomplishment • Network/institutional legitimacy 	<i>Nuwul</i> (Spencer et al., 2016)

<p>People with barriers to gaining and maintaining participation in employment and education</p>	<ul style="list-style-type: none"> • Employment and training outcomes • Health outcomes • Housing outcomes • Environmental sustainability outcomes • Outcomes for the local community • Skills shortage outcome 	<p><i>Mission Australia Urban Renewal Employment Enterprise Program (Mission Australia, 2008)</i></p>
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6.2.3 A multi-tier approach for meaningful and practical employment indicators

Drawing on broader labour statistics, indicators tracked by employment services and the national welfare framework, and employment outcomes developed by impact assessments of employment-focused social enterprises, we propose a multi-tier approach for social enterprises to design and select employment indicators as presented in Figure 11 below. By structuring the indicators along with data sources and the technical capacity required to gather and interpret data, this approach aims to accommodate employment-focused social enterprises with different levels of impact assessment needs and capacity. The key features are explained as follows:

Tier 1 – employment output measures: basic data is collected through operation/management data from the enterprise, with no extended employee details to obtain. The goal is to keep the cost of data collection at minimum while offering output-type data on the number of people hired and hours worked; hence, this suits employment-focused social enterprises at the initial stage, or those with limited resources, to measure and report employment outcomes.

Tier 2 – extended measures: to construct these measures, social enterprises need to collect some extended information from employees and produce analysis on operations/management data. Compared to Tier 1, this requires more resources and inputs; on the other hand, it provides more insights as these indicators attempt to capture some aspects of meaningful employment.

Tier 3 – resource-intensive measures: data at this level is usually collected through surveys and interviews with employees, which requires higher technical capacity and a larger budget. Though these indicators can provide in-depth information on possible outcomes of meaningful employment, survey/interview tool design, data collection and analysis (reporting) is resource-intensive and hence this group of measures is typically employed when the enterprise is at a major decision point or results are used to secure significant investment or development opportunities.

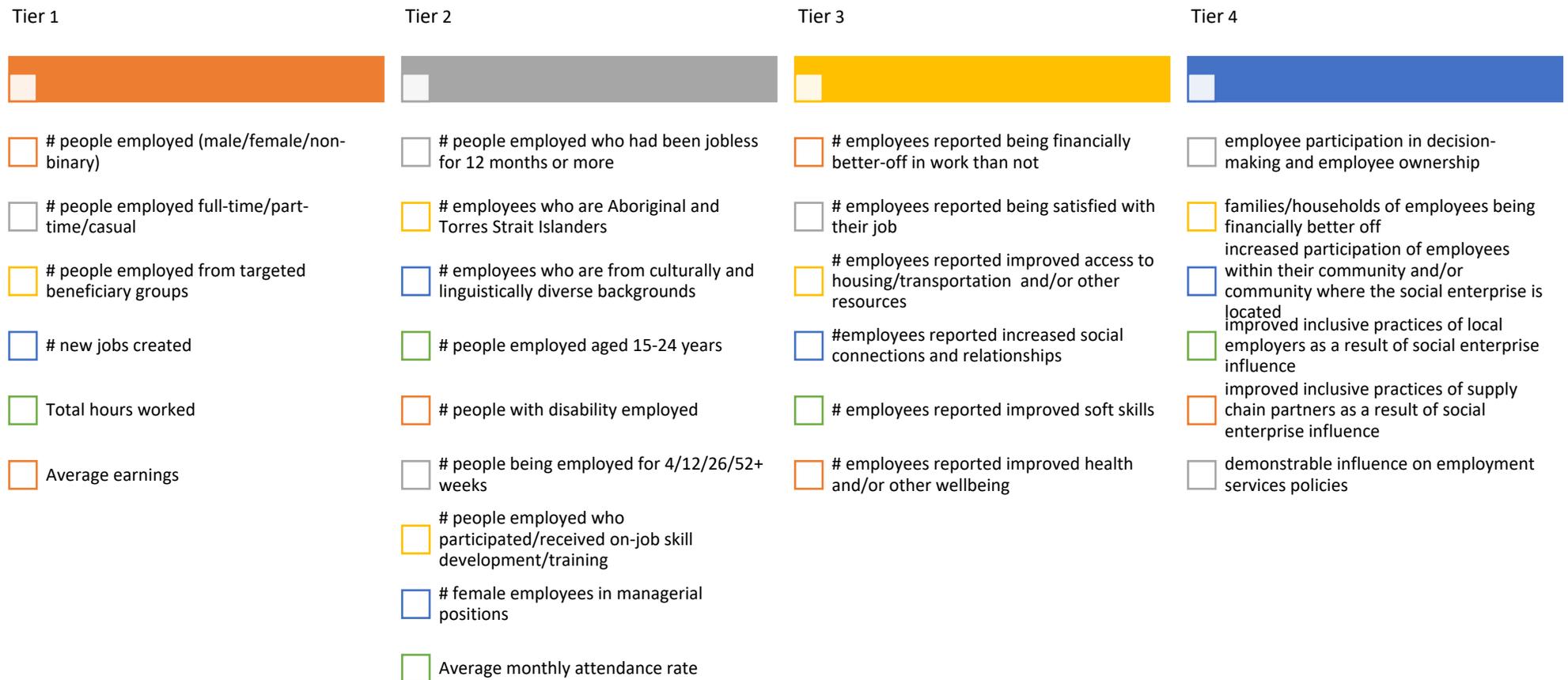
Tier 4 – organisational capacity and community impact measures: these measures are designed to capture employment outcomes at the organisational and community level. Similar to Tier 3, this usually requires more resources and to tap into higher technical capacity to design tools and collect data for analysis and reporting. However, as discussed in Section 2 and 4, the spill-over effects of employment on households and community is an integral part of the overall impact achieved by employment-focused social enterprises.

The best way to select indicators is for employment-focused social enterprises to review: data readily collected from their existing management systems; the primary purpose of measuring and reporting employment outcomes; the key stakeholder groups they seek to inform and/or influence; and the resources available. Past research also notes the importance of ‘evaluation readiness’ of social enterprises – including among managers and boards – as a necessary precondition for success (Barraket and Yousefpour, 2013). Indicators can be selected and reported from Tier 1 (for new players) or by selecting across the four tiers. This process should be iterative, meaning that indicators will be tested, revised, and tested again.

Section Highlights

- Studies on Australian social enterprises show that approximately one in three social enterprises are NOT measuring their impact, with many facing challenges in resources (money and time), technical capacity (not knowing the how-to), diversity in expectations from stakeholders, high cost, and inconsistency in measurement frameworks.
- Mainstream (un)employment statistics have shed light on primary employment outcome indicators while providing high order national and industry benchmarks.
- Measurement frameworks are typically enterprise/program-specific, and employment outcomes are not standardised.
- A multi-tier approach is proposed to design and select employment metrics for employment-focused social enterprises.

Figure 11 Indicative multi-tier indices approach for employment-focused social enterprises



7.0 IMPLICATIONS AND CONCLUSION

This review finds clear evidence that meaningful employment can provide a pathway out of disadvantage. It also finds significant evidence that Australia's current labour market is characterized by underutilization of our nation's human capital through systemic exclusion of people from particular social groups and substantial restructuring as we transition towards Industry 4.0. The review suggests that our labour market structure, prevailing societal norms about work, and Australia's employment services system and related welfare provisions interact to create a 'perfect storm' for some people experiencing barriers to work, particularly young people, Aboriginal and Torres Strait Islanders, people with disability, refugees and people seeking asylum, and women.

The review finds that employment-focused social enterprise is one form of 'people-centred' response to creating employment and employment pathways for people experiencing social and economic disadvantage. The available research evidence is small but growing. It is largely characterized by small-sample studies and single organization evaluations that focus on social impacts without regard for business fundamentals, although this is changing. There is very little in the way of available cost-benefit analysis, no valid comparative studies of the relative cost and (financial and social) value of employment-focused social enterprises compared with other forms of employment services interventions in Australia, and limited insight into the specific organisational mechanisms by which employment-focused social enterprises – as businesses that seek to redress disadvantage – achieve their goals. Further, much of the employment-focused social enterprise research to date has focused on outcomes for individuals at certain points in time. There are few longitudinal studies (see Elmes and Vanguard Laundry Services, 2018 for an exception) and few studies that comprehensively assess the community-level effects of employment-focused social enterprises within particular locations or for particular social groups.

Westpac Foundation's internal data, combined with current policy supports for social enterprise development in various Australian states, suggests that the Foundation's goal of 10,000 jobs through its support for social enterprise by 2030 is achievable and possibly understated if taking into account efforts initiated by others to which the Foundation may indirectly contribute. While there is potential to scale the impacts of employment-focused social enterprises, it must be noted that the very nature of their value – that is, flexible and personalized support that overcomes some of the rigidities of standard employment services and mainstream workplaces – suggests there are trade-offs between employment-focused social enterprises scaling commercially and fulfilling their social purposes. Thus, while scale of impacts in terms of meaningful employment is achievable, this is most likely to occur through coordinated efforts rather than standardised approaches that seek to turn employment-focused social enterprises into the very kinds of generalized employment services interventions whose weaknesses they have evolved to overcome.

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APPENDIX A RESEARCH QUESTIONS

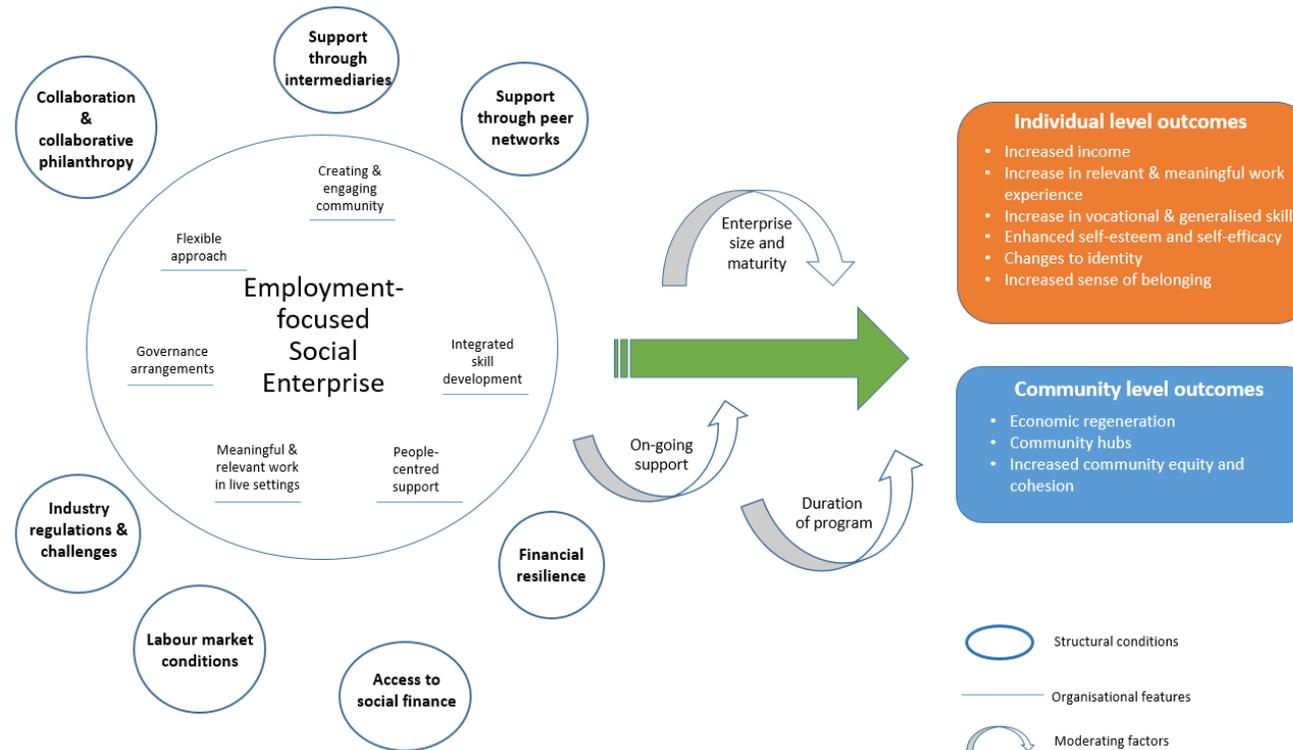
This evidence review considers the following Research Questions (RQs), with a particular focus on RQs 1-3 and 7:

1. What is the current and future state/cost to society of vulnerable people being unemployed/disengaged/not being employable? What are the causes of this issue and current challenges?
2.
 - a. How does employment act as a pathway out of disadvantage?
 - b. How effective is social enterprise in creating sustainable employment for vulnerable Australians compared to other employment programs, traditional government and not-for-profit support in terms of return on investment?
3. What are the key barriers and challenges to the growth of employment-focused social enterprises?
4. What is the impact of Westpac Foundation's model of funding and support on the scaling potential of employment-focused social enterprise? What is effective/ineffective, what are the gaps and what else is needed?
5. How many jobs and pathways can Westpac Foundation commit to in the next 10 years and what partnerships are required to achieve this goal?
6. How will the outcomes of this research inform the Foundation's approach beyond 2020?
7. What are the best and most realistically implementable indicators to measure the strategic goals that are linked/aligned to broader benchmarking/impact measurement initiatives for employment-focused social enterprises?

APPENDIX B CONCEPTUAL FRAMEWORK: ENABLERS, CONSTRAINTS AND EMPLOYMENT OUTCOMES

In this section, we use a conceptual framework (see Figure 12) to map the factors and conditions identified in the review that enable and/or constrain the employment outcomes of employment-focused social enterprises.

Figure 12 Employment-focused social enterprise: enablers, constraints and employment outcomes



B1 Structural conditions: the operating context that influence/constrain/support them

B1.1 Industry regulations and challenges

Generally, employment-focused social enterprises operate in lower-skill entry-level industries where relatively large numbers of individuals can engage in work with relatively low barriers to entry. However, and in line with the work first logic of employment services discussed in Section 2, this may trap individuals in a cycle of low-paid, low-skilled work (Cooney, 2011) where attention is not given to building decent employment pathways. The specific industry an employment-focused social enterprise exists within also has its own regulations and norms, which enterprises must learn and follow (for example, occupational health and safety regulations, or industry standards for training). These can affect, for example, the number of unqualified workers allowed on a site, the ratio of qualified to unqualified workers allowable in the workplace, and the types of work trainees can undertake. On top of this, each industry will have its own market pressures, technological advancements, tax incentives and resourcing challenges, of which enterprises must be aware (Nockolds, 2012). All of these issues are material to the business modelling and projected social outcomes and financial performance of employment-focused social enterprises.

B1.2 Labour market conditions

Employment-focused social enterprises are affected by the general labour market and the conditions outlined in Section 3. Like other businesses, they need to adapt their operations to respond to changes in industry structure and related demand for labour. Further, adjustment to the underutilisation figures may in-part affect need for employment-focused social enterprises. Any increases in underutilisation may lead to an over-burdening on existing employment-focused social enterprises, considering some employment-focused social enterprises already report turning people away due to constraints on the number of people they can help. The future of work will also influence the ability of employment-focused social enterprises to create employment outcomes that match the work climate and lead to sustainable employment (Foundation for Young Australians, 2018) given, as noted in Section 3, the substantial restructuring of the labour market currently underway. While macro-economic conditions are significant in understanding the current and future potential of employment-focused social enterprises in creating employment as a pathway out of disadvantage, it is notable that the large majority of Australian social enterprises serve local or regional markets and missions (Castellas et al., 2017; Barraket et al. 2016). This means that they can be particularly sensitive to local labour market conditions and supply of targeted workers from disadvantaged groups. In some cases, this can lead to mission drift or more purposeful changes of strategy, where employment-focused social enterprises seek to find best fit between labour supply, business needs, and their social purposes.

B1.3 Financial resilience

Though social enterprises aim to be financially self-sustainable, most employment-focused social enterprises have high operating costs, sometimes understood as ‘productivity deficits’, that arise from supporting workers who are in training and are experiencing barriers to employment (Nockolds, 2012). With their social purpose ‘baked in’ to their business models, many employment-focused social enterprises thus face competitive disadvantages arising from higher operating costs than commercial

counterparts. This means that some depend upon non-trading finance, which needs to be adequate, consistent and targeted to meet the needs of diverse employment-focused social enterprises (Spencer et al., 2016). International research suggests that historically, social enterprise income comes from a single service contract or customer, and this can constrain employment-focused social enterprises and increase their vulnerability to financial shock (Nockolds, 2012). Australian data suggests that social enterprises as a group have reasonable diversification in revenue streams and funding sources (Barraket et al., 2016). Recent longitudinal research in Western Australia found that, when facing economic contraction in that state, social enterprises remained reasonably resilient, placing a notable emphasis on partnership and collaboration as a means of ensuring their operational sustainability (Mason, Barraket, Simnett & Elmes, 2017). However, there is no specific research that unpacks the financial diversification and resilience of Australian employment-focused social enterprises. Past evaluation research (Mission Australia, 2008) does indicate, however, that Australian employment-focused social enterprise finances often interact with government service provision (through, for example, employment services and, recently, consumer-centred models under the National Disability Insurance Scheme), suggesting some vulnerability to financial shocks arising from significant public sector reforms.

B1.4 Access to social finance

In recent years, policy and corporate sector efforts to increase Australian social enterprises' financial sustainability have focused on improving access to external finance through impact investment and stimulating markets through social procurement. With regard to impact investing, the available evaluation evidence suggests that, while there has been observable stimulation of the impact investment market in Australia since 2013, there is significant mismatch between impact investing supply and social enterprise demand (Barraket et al., 2016). The evaluation of the national Social Enterprise Development and Investment Funds recommended that greater attention be given to a broader suite of social finance options – including grant finance, patient capital and early-stage risk capital – to better increase social enterprise access to suitable debt and equity finance (Barraket et al., 2016). With regard to increasing finance by stimulating markets, corporate and government attention to social procurement is starting to redress the current limited and inconsistent investment in social enterprises, although this is largely confined to mature business-to-business social enterprises. Unbundling contracts has been suggested as one way to support small-to-medium employment-focused social enterprises to better diversify their income and increase their competitiveness (Burkett, 2010). At the time of preparing this evidence review, there is extremely limited published evidence on the effects of current social procurement reforms on social enterprises or on the social goals such procurement seeks to fulfil. One comparative case study of Australian and UK experience in the construction industry suggests that social enterprises bear considerable risk and have limited agency within supply chain relationships arising from social procurement (Barraket and Loosemore, 2018).

B1.5 Collaboration and collaborative philanthropy

Partnerships and support networks are valuable for employment-focused social enterprises, enabling individuals or organisations with different skillsets to link together, facilitate brokerage or borrowing of resources, and combine expertise (Warner & Mandiberg, 2006). As noted above, there is evidence that Australian social enterprises engage in collaboration as part of their resourcing strategies when facing tough economic conditions (Mason et al., 2017). Particularly considering the integration of services that employment-focused social enterprises offer and the groups they target, networks of experts and

partnerships within the community are important to foster engagement and disable barriers (Nockolds, 2012). High profile Australian employment-focused social enterprises, such as STREAT and Vanguard Laundry Services, are widely known for both seeking and stimulating multi-partner approaches that result in ‘ecologies of support’ to enable their social enterprises and encourage organisations in their networks to become champions for the social changes they seek to create. Collaborative funding can play an important role in this process, although it can also increase transaction costs for an individual employment-focused social enterprise. Aside from providing potential access to funding and reducing the transaction costs of holding multiple one-to-one relationships, collaborative philanthropy can provide opportunities for learning and enable thoughtful and purposeful decision making (Rockefeller Philanthropy Advisors, 2017). It is also a risk management strategy, which may help divert the impact of risk from individuals or individual organisations (Spear & Bidet, 2005). While there are some known examples of collaborative philanthropic approaches to supporting social enterprise and social economy development – such as the GROW 21 initiative²³ in the Geelong region and the Affordable Housing Challenge²⁴ in Melbourne initiated by Lord Mayor’s Charitable Foundation – there has been very limited documented learning arising from these initiatives to date.

B1.6 Support through intermediaries

With an historically piecemeal policy approach to social enterprise development in Australia (Lyons & Passey, 2006; Barraket, 2008), there has been relatively limited government and philanthropic investment into intermediaries, or second-tier organisations that enable social enterprise through organisational development, policy and advocacy (Burkett, 2010; Jenner 2016). Intermediaries have the knowledge and capacity to support enterprises to become investment-ready or developed enough to leverage opportunities that become available. They can help foster bridging between the enterprises (demand) and sources of capital (supply) to ensure capital is matched with impact and purpose; build in support mechanisms and transfer long-term capabilities and knowledge for enterprises; and reach markets otherwise considered too risky (Burkett, 2013). While one study has concluded that a more holistic approach to intermediaries is needed to support the social enterprise ecosystem in Australia (Jenner, 2016), little is known about the role of intermediaries, particularly in non-financial transactions, and how to best support them to support social enterprises (Burkett, 2013). Social procurement agendas are now seeing a number of intermediaries shift their focus to supporting market development for mature business-to-business social enterprises, while other intermediaries have recently ceased operations. A stronger holistic approach to supporting social enterprise in general and employment-focused social enterprise in particular, through a diversity of specialist intermediary organisations (Jenner, 2016), is required to enable true growth and development in the sector (Maury, 2018).

B1.7 Support through peer networks

Related to the inconsistent investment in and support for intermediation, formalised peer support networks remain patchy among Australian social enterprises despite the apparent benefits of peer support for small and medium-sized enterprises (SMEs) (Kuhn & Galloway, 2015). For example, the Queensland Social Enterprise Council (QSEC) is a member-based network established in 2013 to promote

²³ See: <https://grow.g21.com.au/>

²⁴ See: <https://www.lmcf.org.au/affordable-housing-challenge>

social enterprise development in Queensland. In Victoria, with state government investment through the Victorian Social Enterprise Strategy, the Social Enterprise Network of Victoria (SENVIC) is currently under development. South Australian social entrepreneurs have recently established a social enterprise meet-up group. While there is substantial activity among social entrepreneurs, it is typically thinly resourced or reliant on government investments in a public policy context which, as noted above, is patchy at best. While there is a lack of empirical evidence for the impact of peer supports on social enterprise-related activity, steady membership growth²⁵ in the above networks suggests a practical need. Further, evidence for peer networks of SMEs point to the potential benefits for social enterprise. Notably, peer networks seem particularly important for start-up SMEs who can't or do not wish to access other government-led supports and peer networks offer support that arises from first-hand experience (Kuhn & Galloway, 2015). The formalisation of peer networks also appears to foster feelings of trust, cooperation and similarity, which is important in otherwise competitive business fields (Kuhn & Galloway, 2015).

Alongside the operating context that employment-focused social enterprises exist within, the internal organisational features of employment-focused social enterprises similarly constrain and enable their ability to create employment-related outcomes. In the next sub-section, we identify key internal features of employment-focused social enterprises that consistently come up in research and practice and appear significant to their outcomes. This is not an attempt to capture the characteristics of social enterprise in general, which has been done elsewhere (e.g. Barraket et al., 2016; Castellas et al., 2017).

B2 Organisational features: the internal features and organisational aspects unique to employment-focused social enterprises

B2.1 People-centred support

Targeting individuals with the most severe barriers to employment generally requires targeted case management or support (Mestan & Scutella, 2007), which goes beyond the level of support that mainstream employment services provide (Nockolds, 2012). This requires specialist staff as well as strong internal communication procedures. The majority of successful employment-focused social enterprises offer some type of formal and informal supports tailored to the individual (Chui et al., 2019; Nockolds, 2012) and it has been suggested that low staff-to-participant ratios (around 1:25) and regular (at least weekly) supportive contact is crucial to employment-focused social enterprises realising their goals (Mestan & Scutella, 2007). As part of this, links to external support for on-going and/or more substantial issues (e.g. physical and psychological health services) may be needed. A true people-centred approach also actively involves participants in decisions that are related to them. The available evidence suggests it is important that employment-focused social enterprise participants are demonstrably recognised as self-determining and valued individuals who can make decisions about their employment and overall situation (Elmes and Vanguard Laundry Services, 2018; Ferguson, 2012; Smith, McVilly, McGillivray, & Chan, 2018). Voluntary engagement in employment-focused social enterprises is thus important (Mestan & Scutella, 2007).

²⁵ See QSEC Annual Reports: <http://www.qsec.org.au/public-resources/>

B2.2 Flexible approach

A significant part of the personalised support employment-focused social enterprises provide is their ability to adapt and respond flexibly to the needs of different individuals (Mestan & Scutella, 2007). As suggested by Jahoda's LDM, the structured time arising from employment-focused social enterprises has been shown to have positive impacts on employees, but offering flexibility in adhering to this structure is important (Elmes and Vanguard Laundry Services, 2018). Having regular time commitments that stem from employment has been reported to contribute to improved eating, sleeping and exercising routines (Mission Australia, 2008), as well as helping people transition out of potentially negative environments (e.g. peer influence) (Spencer et al., 2016), and helping them replace or reduce unhealthy behaviours (e.g. smoking, sleeping all day) (Chui et al., 2019). Social enterprises' ability to be flexible with these time structures has been shown to be particularly beneficial for people experiencing disadvantage arising from episodic challenges (such as mental illness) and social isolation, and vital for their sustained participation in the workplace (Elmes and Vanguard Laundry Services, 2018; Spencer et al., 2016). Awareness of the barriers individuals are facing, and the ability to offer flexibility and choice in the number of weekly working hours as well as flexibility to step back from employment for periods of time to deal with periods of illness or cultural significance (Spencer et al., 2016) has also been reported as significant (Akingbola et al., 2015; Elmes and Vanguard Laundry Services, 2018). Feeling secure that employees would be able to return to their job, and open communication with their employers seemed to enable employees to make the most out of this flexibility²⁶, which points to the 'vitamin' of clarity under Warr's model. Workplace flexibility and high-level personal support does create additional costs which contribute to the productivity deficit experienced by employment-focused social enterprises (Nockolds, 2012) and related business risks.

B2.3 Meaningful and relevant work in live business settings

Though not always the case, research suggests that an effective employment-focused social enterprise should offer meaningful and relevant work (Chui et al., 2019). This links to meaningful work that is valued at a social level (i.e. pursuing a social mission) and work that is socially relevant, both to the labour market and specific target group (Cooney, 2011). Further, work should be meaningful at an individual level insofar as job tasks should be tailored to some degree to personal interests and aspirations (Nockolds, 2012). Job type should be appropriate to the specific target group and employment-focused social enterprises should have clear intentions of who they wish to target (Nockolds, 2012). Matching employment to target groups has appeared to be difficult for some employment-focused social enterprises, however. As highlighted, employment-focused social enterprise employment is traditionally in lower-skill entry-level service sector jobs that require minimal upfront skills, and some studies suggest that, for transitional employment-focused social enterprises that provide labour-intensive employment, this does not result in sustainable positive employment outcomes in terms of income or future employment status (Cooney, 2011). Cooney's (2011) work found that any initial gains from the work experience faded after a year or so, except for individuals experiencing the highest level of disadvantage. Similarly, another study reported that some females found these traditionally male-dominated industries

²⁶ Workplace flexibility creates various challenges for WISE and the degree of flexibility an enterprise can exert depends in some way upon the structural conditions surrounding them, such as industry conditions and social service systems. For instance, if WISEs are linked in to Technical and Further Education (TAFE) institutes that provide their participants with training, they largely have to adhere to the regulations of the TAFE (e.g. attendance requirements) (Mission Australia, 2008).

challenging – several women prematurely left one employment-focused social enterprise program in construction, and reported feeling intimidated (Mission Australia, 2008). This points to the need to design employment-focused social enterprises with both targeted beneficiary needs and industry conditions and norms in mind. Available research further suggests that employment-focused social enterprises are more likely to succeed where they foster skills and relationships that are relevant to labour market conditions. The conditions of employment-focused social enterprise employment in general should be of a similar nature to employment conditions in the mainstream labour market (Mestan & Scutella, 2007) and/or should tap in to skills which are currently, or are predicted to be in demand, to increase the longevity of employment outcomes (Nockolds, 2012), enhance transferability of skills and ‘legitimise’ the employment-focused social enterprise experience. It has been noted, however, that transition out of the industry in which an employment-focused social enterprise operates can be a positive sign of increased self-efficacy for individuals (Mission Australia, 2008), suggesting that developing transferable skills and work experience is more important than presuming to train people to work in single roles or industries.

B2.4 Emphasis on creating and/or engaging community

Employment-focused social enterprises often focus on increasing individuals’ access to and integration within their community, as well as emphasising a sense of community and belonging within the workplace (Spencer et al., 2016) and the wider community (Mestan & Scutella, 2007). As detailed in Section 2, assisting people to be more actively engaged within society is one of the key ways to improve overall living standards, social productivity and social cohesion (World Bank, 2012) and employment services should seek to expand and leverage existing networks and relationships within a community to link jobseekers into existing opportunities (Bodsworth, 2015). Engaging people in the start-up of an employment-focused social enterprise also arguably improves the ability to identify an unmet need and increases the on-going success of an organisation (Mestan & Scutella, 2007). Further, employment-focused social enterprises need to integrate themselves organisationally within a community and demonstrate this on-going commitment to relationship-building. Successful employment-focused social enterprises invest time into developing connections to establish strong partnerships that can protect against financial shocks; provide access to business opportunities (including funding and service contracts); improve decision making; and improve outcomes for their participants by increasing the quality and range of external supports to which they can link (Nockolds, 2012), and employment pathways they can pursue.

B2.5 Integrated skill development via training and/or education

Low skills are the second biggest barrier to employment in Australia (OECD, 2017), and relevant skill development is crucial to enhance an individual’s employability and increase their income (World Bank, 2012). Employment-focused social enterprises typically offer some level of training to increase employability, skill and/or career development (including general life skills and vocational skills) (Chui et al., 2019; Elmes and Vanguard Laundry Services, 2018; Spencer et al., 2016; Vieta et al., 2015). This ranges from formal TAFE training in certificates relevant to the business to informal mentoring around hygiene, nutrition and money management (Spencer et al., 2016). Notably, skill development is integrated within other supports, when they are otherwise traditionally delivered separately (Meltzer, Kayess, & Bates, 2018). Typically, employment-focused social enterprises integrate employment supports with education or training to develop general and vocational skills (Chui et al., 2019; Ferguson, 2012) and it is this integration that appears significant. It provides individuals with a consistent point of contact to build rapport, enables communication across the different supports, and creates multiple employment

pathways and work readiness rather than development for a specific role (Chui et al., 2019; Ferguson, 2012).

B2.6 Governance arrangements

Social enterprises in general are constrained and enabled by their governance, and particularly report challenges when located within a larger parent organisation, such as a welfare agency. Social enterprises that are embedded within bigger organisations experience challenges in part because they're governed by boards and systems that are not responsive to the flexible decision-making that small businesses need (Barraket, Mason & Blain, 2016). Conversely, some research has noted that support from a strong lead organisation can help absorb financial and operational risk (Mestan & Scutella, 2007; Nockolds, 2012). Governance can have big effects on the business viability and thus indirectly on employment outcomes from employment-focused social enterprises. International evidence also suggests that social enterprises face common problems in relation to their governance. In particular, finding board members with an appropriate and relevant level of expertise, managing the needs of diverse stakeholder groups, and balancing the tensions between financial and social goals affect the day-to-day running of social enterprises (Spear, Cornforth & Aiken, 2009).

Beyond the operating environment and internal organisational characteristics, it appears that certain factors moderate the relationship between structural conditions and organisational features to influence employment-related outcomes. Such moderating factors have emerged in the literature as strength-based features: they may increase or decrease the ability of employment-focused social enterprises to create employment pathways.

B3 Moderators: factors that influence the strength of outcomes

It is important to note that it is impossible to control for all factors that influence employment outcomes. Extenuating factors related to the individual (their characteristics, relationship with their service provider and specific employment barriers), the structural environment, and the specific experience offered by the employment-focused social enterprise (considering their size, maturity, specific goal – e.g. transition or permanent employment – nature and degree of additional supports offered, and industry-field), will affect outcomes. However, there do appear to be several consistent moderators that influence the strength of employment outcomes.

B3.1 Availability of on-going support for participants

Personalised post-employment (Rotz, Maxwell, & Dunn, 2015) and/or ongoing support (Cook et al., 2005; Nockolds, 2012) seems to moderate the success of employment outcomes. Employment supports may include job seeking assistance or general training and counselling for other life challenges, but, echoing above findings, it appears necessary that these supports are offered at a level that is individualised beyond traditional employment supports (Nockolds, 2012). Post-employment support is consistently associated with sustainable positive employment outcomes, though there has been little analysis comparing different supports (Nockolds, 2012). Rotz and colleagues (2015) found that individuals who received some form of postemployment support in the year following employment-focused social enterprise involvement reported increases in housing stability and monthly income, and a decrease in depression.

B3.2 Duration of program

Similar but smaller positive outcomes were also found for every extra week an individual was employed at the same social enterprise (Rotz et al., 2015), and a positive correlation has repeatedly been found between longer duration of EMPLOYMENT-FOCUSED SOCIAL ENTERPRISE engagement and better outcomes (Foundation for Young Australians, 2018; Mestan & Scutella, 2007; Nockolds, 2012). Specifically, nine to twelve (Nockolds, 2012) or fifteen months (Mestan & Scutella, 2007) has been suggested as the optimum time required to increase long-term employability of people with severe or multiple barriers to employment. For young people, 5,000 hours of paid and relevant work experience was found to help individuals gain full-time work 12 months faster (and this is a cumulative effect, e.g. 2,000 hours decreased job-seeking by 5 months) (Foundation for Young Australians, 2018). Longer involvement at the same enterprise better enables trusting relationships to be built and strengthens an individual's association to their network.

B3.3 Enterprise size and maturity

There is conflicting research on whether size and maturity of an employment-focused social enterprise affects their employment outcomes. Rotz and colleagues' (2015) evaluation found that employment-focused social enterprises that are more established and/or larger (e.g. 500 employees compared to 10) are likely to produce more benefits for society and taxpayers relative to their costs. This may point to the greater capacity and learned experience of mature social enterprises, but requires further research (Meltzer et al., 2018). Conversely, larger enterprises have also been found to have less successful employment outcomes than smaller enterprises, which is suggested to occur because of increased standardisation and decreased personalisation, resulting in targeting of people who don't need high levels of intense support (Nockolds, 2012). Chui and colleagues (2018) also found that by providing a participatory approach, the structure and size of social enterprises didn't affect qualitative outcomes.

APPENDIX C EMPLOYMENT SERVICES IN AUSTRALIA²⁷

Type	Target group	Core services	# of locations	Employment outcomes at national level	Funding source
Employment-focused social enterprise	People experiencing disadvantage with barriers to employment	<ul style="list-style-type: none"> • Employment • Personalised supports • Education and training to develop skills 	875 SEs ²⁸ in Victoria and 6,500 social enterprises Australia-wide	There is a lack of comparable data on employment outcomes. ^{29 30}	Multiple revenues via commercial income, philanthropic grants
Employment Service Providers via jobactive	Stream A: Jobseekers who are job ready (41.3% of all jobseekers); Stream B: jobseekers with some barrier to employment (e.g. language: 42.6%); Stream C: jobseekers with	<ul style="list-style-type: none"> • Assistance looking for a job • Offering referrals to jobs • Assistance with job readiness e.g. targeted training and work experience 	44 providers across 1700 sites Australia-wide	April 2017-March 2018 with 364,000 job placements. 49.2% of all jobseekers were employed 3 months after participating, but only 26.4% of Stream C jobseekers were employed (this group is most comparable to	Government funded

²⁷ This information was correct at the time of writing, but, as indicated, employment services in Australia are currently being reformed.

²⁸ Castellás, E., Barraket, J., Hiruy, K., & Suchowerska, R. (2017). Map for Impact: The Victorian Social Enterprise Mapping Project. Retrieved from: Hawthorn: Centre for Social Impact.

²⁹ In one Australian SE, 47.6% of past participants were employed approximately 1 year after participating. Of those employed, 50% were in full-time employment. This social enterprise targeted young people, and the majority of past participants (21) had also competed or were completing various study opportunities (e.g. certificates and short courses). 100% of participants (past and current) believed their participation had, or would improve their employment opportunities (Mission Australia, 2008).

³⁰ Though situated in the USA, another study demonstrated that, across 7 social enterprises in the US, 51% of individuals were employed 1 year after participating. This is in comparison to 18% employed prior to participating, and includes a full sample of individuals incarcerated and not incarcerated. When looking only at individuals not incarcerated, 67% reported holding continuous employment for at least six months (Rotz et al., 2015).

Evidence review



	multiple and complex barriers to employment (16.1%). ^{31 32}	<ul style="list-style-type: none"> • Case management for those deemed most disadvantaged 		employment-focused social enterprise participants). ³³	
Disability Employment Services (DES)	People with disability looking for employment. Offers employment via sheltered and/or competitive employment.	<ul style="list-style-type: none"> • Disability management services (DMS): assistance to find and maintain employment • Employment Services Support (ESS): assistance to maintain employment 	Currently 224 DES providers across 2000 sites Australia-wide	Currently supporting 180,000 individuals ³⁴ . April 2017-March 2018: DMS-33.8% of individuals employed; ESS-32.1% of individuals employed ³⁵	Government funded

³¹ Department of Jobs and Small Business. (2018). Employment services outcomes report (jobactive): April 2017-March 2018. Australian Government.

³² Some refugees and people seeking asylum have no access to any federal services, including jobactive.

³³ Of the 49.2% employed, 23.4% were in full-time employment, 25.8% in part-time employment and 54.6% in casual employment. The majority of jobs were short-term: 65.4% had paid 4-week outcomes and 58.5% had paid 12-week outcomes. Yearlong outcomes were not reported (Department of Jobs and Small Business, 2018a).

³⁴ Department of Social Services. (2016). New Disability Employment Services from 2018; Discussion paper. Retrieved from: <https://engage.dss.gov.au/wp-content/uploads/2016/11/DES-Reform-Discussion-Paper-November-2016.docx>

³⁵ Department of Jobs and Small Business. (2018b). Employment services outcomes report (DES): April 2017-March 2018. Australian Government. Outcomes were measured 3 months after participating.