



# SOCIAL CAPITAL RESIDENCIES

**Towards a Co-operative State:  
Securing the Social and Economic Prosperity of  
South Australia through corporate diversity**

**DON DUNSTAN  
FOUNDATION**  
inspiring action for a fairer world



**thinkers**  
IN RESIDENCE  
• SOCIAL CAPITAL RESIDENCIES •

# ACKNOWLEDGEMENTS

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- Rose Lagoon Williamson from the Don Dunstan Foundation (DDF). The DDF is a thought leadership organisation that works on collaborative projects to inspire action for a fairer world while building on the legacy of the late Premier of South Australia, Don Dunstan.
- Gillian McFee, on behalf of the Business Council of Co-operatives and Mutuals (BCCM) provided editorial assistance for the final Report. Gillian provides advisory services to the BCCM and other organisations interested in developing sustainable co-operative and mutual enterprises.

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# About Dr Guy Turnbull



Dr Guy Turnbull is a leading UK social care expert, involved in the co-operative and social enterprise sector since 1988. He is a social entrepreneur and the former Managing Director of Care & Share Associates (CASA), an employee-owned social enterprise providing high-quality domiciliary and complex health and social care to the elderly, disabled and vulnerable that he helped to found in 2004. He previously worked across the UK as a social economy consultant, specialising in business planning, social franchising and replication, programme leadership, training, research and strategic planning. He is the co-creator of RED (Rapid Enterprise Development) Workshops, an innovative approach to social enterprise development for people with a disability.

Guy has a lived experience of disability – at the age of two, Guy's parents were told that he had Cerebral Palsy, and might never walk, and participate in mainstream education. This assessment never diminished Guy's parents' determination for their son to achieve. Their verve for possibility and opportunity was clearly passed on to Guy; 50 years on, Guy is a PhD, award-winning serial social entrepreneur, father of 4 children, former MD of a £17 million Care Co-operative, and a keen (albeit slow) hill walker.

An unintentional entrepreneur by his own admission, Guy's early aspiration of lecturing in social geography was soon overtaken by the social enterprise 'bug' as he comprehended how co-operative development had the capacity to achieve profitable businesses focused on fixing social problems, and positively transform people's lives. This realisation of how co-operatives could generate change through business that was ethical, democratic and purpose-driven, evolved into the founding of CASA. Its innovative business model elevated employee satisfaction levels, increased retention and improved quality of customer care, which facilitated increased profitability that further enabled improved worker conditions. At the time of Guy's exit from CASA in 2018, the business had increased its care provision (and revenues) by 250%, employing over 700 people, 93% of whom were drawn from traditionally underserved areas.

Guy is confident this innovative model would benefit better engagement and outcomes for the National Disability Insurance Scheme and other serious challenges facing South Australia.

'In South Australia with the ageing population and range of other economic drivers, the workforce is going to be a huge challenge in the future', he said. His experience shows that when separately asked what government, providers, and ageing and disabled people want, the answer is the same –value for money, quality, and safety. He believes combining these stakeholders into one business model will create something that is both powerful and mutual. A mutual model produces innovative cost-efficiency with scalable values-based care. Guy links carer co-operatives with primary health, allied health professionals, and multi-stakeholder co-operatives of patients, families and workers where individuals are engaged in how their care is delivered.

His passion, the expertise gained at the helm of an enterprise with an annual turnover in excess of £17 million, together with the indelible mark of changing the way the world looks at doing business, earned Guy the prestigious title of '2016 UK Entrepreneur of the Year'. He also received recognition from the Great British Care Awards as national winner in the 'Outstanding Contribution to Social Care' category. In 2017 his work was also recognised by Social Enterprise UK through the award of an Honorary Fellowship.

As the former Don Dunstan Foundation 2018 Specialist Thinker in Residence, Guy is currently working with a range of organisations including the South Australian Government, Business Council of Co-operatives and Mutuals, Higher Education, allied professional stakeholders, and the private sector to assist in developing a blueprint for action in Australia's health and social care sector.

# Foreword



The Business Council of Co-operatives and Mutuals (BCCM) stands proudly alongside this wonderful ecosystem of partners who have lent their support to examining how co-operative and mutual models can contribute to growing the Purpose Economy in South Australia.

Co-operatives operate successfully and sustainably in all areas of the economy. In South Australia they operate in areas as diverse as financial services, mobility, health insurance, housing, pharmacy, retail, meat and almond production and disability care.

Building on the legacy of Don Dunstan and South Australia's proud history of social enterprise, this Residency is focusing on the evolution of the National Disability Insurance Scheme. With a focus

on health, aged care and disability, the 2018 Thinker in Residence, Dr Guy Turnbull, has set out to explore how corporate diversity can empower people with disability as citizens, so they are able to exercise real choice and control in a diversified marketplace of providers.

Supported by the Don Dunstan Foundation, Guy has assembled an impressive range of partners willing to invest in this Thinker in Residence topic. This level of collaboration speaks volumes about the natural ability of South Australians to collaborate in generating and testing new ideas to address big social and economic challenges in South Australia.

The BCCM welcomes this Report now.

Ownership matters in terms of who benefits from capital, and the economic and social prosperity derived from this. A genuine mixed economy that promotes different forms of ownership, including consumer and worker-owned businesses, helps to spread wealth and prosperity in the interest of the widest number of people. By sharing ownership and the rewards of enterprise locally co-operatives and mutuals help secure the social and economic future of South Australians for the long-term.

Drawing on his UK experience and taking on board the feedback from many individuals and organisations who participated in this Thinkers program, Guy motivates us to explore new ideas, some tried and tested in other countries, about creating the right conditions for more co-operatives and mutuals to form, and through this, to strengthen the resilience of the South Australian economy.

As the industry voice of co-operatives and mutuals in Australia, the BCCM hopes this Report acts as a catalyst for actions that bring the South Australian Government together with citizens, business, universities and the purpose sector to help secure a socially and economically prosperous South Australia through corporate diversity.

## **Melina Morrison**

Chief Executive Officer

Business Council of Co-operatives and Mutuals

# About the Thinkers in Residence Program

Established in 2003, the Adelaide Thinkers in Residence program was a global first. It is a tested Social Innovation, developed in South Australia, to address urgent challenges or to explore areas of opportunity, through new policy development and systems reform.

The program brings new ideas into the state and translates them into practical solutions to improve the lives of the people who live in South Australia. The Thinkers methodology relies upon the relevance of the issue at hand, the calibre of the visiting expert (known as the Thinker), and the leadership of the public, community, university and private sector partners who invest in the residency and commit to supporting the implementation of the recommendations.

The Thinkers in Residence program helped guide the State's response to some of the most important issues of the last decade including health, education, water, climate change, manufacturing, transport and road safety.

In 2017 the first series of residencies was launched under this new model with a focus on growing the Purpose Economy – they were called the Social Capital Residencies. **The aim was to build on South Australia's founding purpose: to be a better society, while addressing our most contemporary need – job creation.** The ultimate goal, and hence the name, was for South Australia to be as well-known for Social Innovation as Geneva is for diplomacy or Tamworth is for country music – to be truly known as the Social Capital of Australia.

## The Social Capital Residencies

The Social Capital Residences are a series of Thinkers programs, focused on developing the Purpose Economy in South Australia to better enable and achieve the highest levels of social, cultural and environmental impact.

The Foundation wants to grow the Purpose Economy by:

- Breaking down silos between the business and social innovation ecosystems as well as the entrepreneurship and social enterprise ecosystems.
- Supporting and inspiring start-ups, small, medium and large businesses to improve their social, cultural and environmental impact.
- Helping to bring social innovations to scale by improving the innovation ecosystem's ability to produce investment-ready social businesses, social enterprises and other for purpose businesses, including co-operatives and mutuals.
- Changing the systems in South Australia to support these goals through policy and culture change.

**For more information on the Purpose Economy see the Don Dunstan Foundation website.**

# Starting at the End: Opening Comments

I have been a frequent visitor to South Australia over the past six years for both work and play. It is, without a doubt, an amazing part of the world, bursting with a rich narrative of social innovation and desire to 'have a go'. During my time as the Don Dunstan Thinker in Residence over winter and spring 2018, it became clear that South Australia faces some fundamental economic, social, and demographic challenges. These can be addressed by increasing the diversity of ownership forms and enabling more citizens to share the benefits of member ownership. Embracing new co-operative ways of owning and organising a range of economic activity and health and social care services will strengthen the South Australian economy.

I have lived and worked in the UK, mostly in co-operative business and social care. In 2004, inspired by the benefits of co-operatives and mutuals, I helped found Care & Share Associates (CASA), a successful employee-owned social enterprise providing high-quality domiciliary and complex health care to older people, people with a disability, and other vulnerable individuals.

The foundation of CASA mirrored the international co-operative principles of voluntary open membership, democratic member control, member economic participation, autonomy and independence, empowerment through information, education and training, co-operation among co-operatives and concern for the community. The innovative business model we built with our employee-owners lifted employee satisfaction levels, increased retention and improved the quality of customer care. This, in turn, facilitated increased profitability that led to improved worker conditions.

As a person with lived experience of a disability, I have a unique perspective in consulting to organisations and people both in Australia and the UK, helping them build sustainable social enterprises which, through ownership, help empower people with disability and care workers.

I can see opportunities to bring consumers and providers together in multi-stakeholder co-operatives to achieve a shared purpose to provide quality services, value for money and safety. Finding the common ground and shared purpose among these stakeholders, and working co-operatively to design new member-owned business models, is both powerful and inherently mutual.

In an increasingly globalised economy, who 'owns and controls' becomes significantly more important, not only for those policy-makers engaged in economic development seeking to retain wealth and knowledge locally, but also crucially those sections of the community that feel marginalised, and left behind by what, from their perspective, might feel like empty growth. It is, therefore, crucial to steer a growing global interest in nationalism, towards embracing democratic localism and co-operation – genuine citizen engagement in the local economy, including the design, delivery, and reception of public services.

After almost 30 years of either helping to develop, or working in democratically owned enterprises, I strongly believe the key to building a strong co-operative business is combining the right ideas, the right people, and the right support to generate compelling commercially viable solutions to problems – this golden thread guided my Residency.

The Residency created opportunities to bring different people and organisations together to explore different ideas for change. There were ideas about bringing carer co-operatives together with primary and allied health professionals. Another idea with some traction was multi-stakeholder co-operatives of providers and people with disabilities, families and workers, who as member-owners, are engaged in how care is delivered.

I am confident these innovative models could also achieve better engagement and outcomes for the National Disability Insurance Scheme, with scope for South Australia to show national leadership in this transformational social care program.

**Dr Guy Turnbull**  
Thinker in Residence  
The Don Dunstan Foundation

# Recommendations:

## Towards a plan for a Co-operative State

The following are recommendations developed during Guy Turnbull's visits to South Australia, and build on the recommendations of other Thinkers of the Social Capital Residencies.



### The Right Ideas

Co-operative and social enterprise business models gain traction when they focus on particular sectors of the economy. In order to grow a more purposeful economy, it is recommended the following sectors are prioritised:

#### Health, Aged Care and Disability Sectors

- The Not-For-Profit (NFP) sector should commission a feasibility study into establishing a 'Social Innovation Hub' to provide a place for small, medium and large NFPs, social enterprises, co-operatives and mutuals to work more collaboratively together, to enable the testing of new ideas, new products and services across traditional siloed fields.
- Working with the co-operative and mutual sector, peak bodies in these industries should take a lead role in promoting and building the capability to realise the significant benefits that co-operative and employee ownership models can bring to addressing the significant workforce challenges faced in these sectors.
- Peer support workers are an emerging and important element of this workforce – the establishment of a peer support worker-owned co-operative to develop this critical workforce should be trialled in the mental health sector, with potential for expansion to support the development of this workforce in other sectors.
- Organisations working in or connected to the health sectors should explore opportunities to use the co-operative business model to drive innovation at the interface between the public, primary and acute health care systems. SA Health and the Primary Health Networks should play a convening role in exploring the opportunities that co-operatives provide to improve health outcomes in South Australia.
- The Disability Industry and Market Co-ordinator General should champion feasibility studies into the establishment of regional-based disability co-operatives of providers and users to ensure genuine choice and control in 'thin markets' (NDIS Thin Markets Project Discussion paper to inform consultation, 2019) in the NDIS.
- Communal approaches to labour-sharing across these sectors should be explored by Government in response to the significant workforce challenges faced by these sectors, e.g. a passport or blanket qualification that enables workers to seamlessly operate across the care sectors, and build career pathways.



### Creative Industries

- The South Australian Cultural and Creative Industries should consider what role co-operatives can play in supporting the development of the careers of artists, makers and others, with reference to successful models operating elsewhere, and considering if they can be emulated as place-based solutions.

### Social Procurement

- The South Australian Government should adopt a social procurement policy, inclusive of Purpose Economy business models and locally owned businesses that recognises the value of procurement as a crucial lever for government in delivering improvements to the economic and social wellbeing of communities.
- The Industry Advocate should adopt the role of championing this social procurement policy to Local Government, universities and the private sector.
- The Small Business Commissioner should take a leading role in supporting small businesses to consider how they can use their own procurement practices to improve and increase social and environmental outcomes in South Australia.
- The Institute of Public Administration should promote greater awareness of the opportunities provided by initiatives such as social procurement, impact measurement and impact investing by including them in their training programs for the public sector.

### Employee Ownership

- Working with the employee-owned business sector, Business SA and other industry bodies should promote the opportunity of employee ownership to address the business succession challenges that many small to medium sized family-owned businesses in South Australia face.

### Community Buy-Outs

- There is a rich heritage of local communities taking ownership and control of declining key services such as hotels and shops in country areas. Community buy-outs of such assets should be incentivised by regional development bodies through collaboration with the co-operative and employee-owned business sector to provide communities with specialist advice, grants, loans, social investment and community funding platforms for viable businesses.



## The Right People

People are what matter most in business, including co-operatives and social enterprises. South Australia needs to identify and then nurture more Social Entrepreneurs.

- The South Australian Parliament should take a leadership role in promoting the social enterprise sector in developing the collective understanding of both the Purpose Economy and how its growth relates to the social and economic development of South Australia.
- The Department of Innovation and Skills should, with industry and key stakeholders, lead the development of a social enterprise, and co-operative and mutual enterprise (CME) strategy and action plan based on a broad-based consultation process.
- Both State and Local Government should release an annual 'wicked problems' statement and invite the community to be part of finding solutions.
- State Government should commission a report on Corporate Diversity in South Australia (similar to the UK Ownership Commission) to determine the opportunities to strengthen a home-grown economy by supporting different business structures to flourish.
- The Office of the Chief Entrepreneur should sponsor a social enterprise award to highlight community achievement.
- Social entrepreneurship and distinct social enterprise models (including co-operatives, mutuals, employee ownership and shared value) should be a key and specific part of all relevant education and training curriculums in South Australia. In particular, each South Australian University should appoint an internal champion to lead this effort.
- Disability Employment Services (DES) providers and other providers in the disability space should conduct a series of ongoing supported self-employment workshops to support people with a disability to create their own jobs and enterprises.



### The Purpose Economy

- All South Australian innovation hubs or precincts should consider how they can build initiatives, support and report on greater social impact.
- The South Australian Chief Entrepreneur should champion the establishment of a National or State-based Yunus Social Business Centre, located on Lot Fourteen, to help develop and co-ordinate these efforts.
- Fund work with the Purpose Council of South Australia to drive the implementation of all the recommendations from the Social Capital Residencies.
- Local Governments should support the establishment of Purpose Business Networks to promote and raise awareness of the benefits of these business models.
- The SA Government should commission a feasibility study for the establishment of a South Australian Social Impact Fund, supported by South Australian financial mutuals and other financial institutions, to ensure social enterprises are able to access the finance they need to scale their impact. Without access to unsecured risk capital, the ambitions of this Report will simply not be realised.

### Co-operatives and Mutuals

- The South Australian Treasury should establish a time-limited taskforce to consider how empowering public service workers and citizens (consumers) through mutual ownership, mutual governance and employee ownership structures could improve the provision of public service delivery.
- Develop a supportive co-operative ecosystem in South Australia by conducting a 90-day change project led by the Minister for Innovation and Skills, to reduce red tape and incentivise the use of co-operative, mutual and employee-owned business models. This project should focus on removing barriers to forming co-operatives and increasing awareness of the opportunities of small business succession planning to include the transfer of ownership to employees. It should also ensure the proper resourcing of the State Registrar, and working with the Commonwealth to ensure consistent regulation and administration of South Australian co-operatives nationally.
- Working with the co-operative sector, professional bodies, such as the Law Society, Institute of Chartered Accountants, and the Australian Institute of Company Directors should actively build their members' knowledge of co-operative and mutual legal structures.
- The South Australian Government should seek the input of peak bodies including the Business Council for Co-operatives and Mutuals and Employee Ownership Australia in shaping legislative and policy support for the CME and social enterprise sectors.

# Building a Co-operative State: Discussion

This Report sets out recommendations and a plan indicating why South Australia is the **right place**, with the **right ideas**, and the **right people** who, together with the **right support**, can create a more Co-operative State that will secure the State's future economic and social prosperity.

## How this report is presented:



## The opportunity for social innovation and leadership in South Australia

The premise of this Report is that despite South Australia's relative prosperity, the State faces some fundamental structural challenges, including:

- Unemployment and under-employment
- Economic and social marginalisation in particular communities
- Reliance on large tax-dollar funded infrastructure projects to bridge the gap between losses in the automotive industry; and commencement of a significant contract in Defence.
- A branch plant economy where a large proportion of the region's employees are in establishments owned by firms where the head office is located outside the region.
- Low levels of business investment unable to increase employment by creating more better-paying job opportunities that attract people to South Australia.
- Demands to re-engineer the health, aged care and disability sectors to respond to new pressures on those systems, including an ageing population, an increase in childhood disability and a pending crisis due to insufficient workforce.

## The opportunity for social innovation and leadership in South Australia

The premise of this Report is that despite South Australia's relative prosperity, the State faces some fundamental structural challenges, including:

Bold and innovative solutions that transform systems are needed to address these challenges. Indeed, as the world grapples with climate emergency, growing inequality, and faltering life expectancy, there is much debate over whether economic growth as measured by Gross Domestic Product (GDP) is a useful indicator of the health of our system. For example, the point made by Joseph E Stiglitz, a Nobel Laureate in economics, on the short-comings of using GDP alone as a measure of a Country or State's performance.

GDP is not a good measure of wellbeing. What we measure affects what we do: if we measure the wrong thing, we will do the wrong thing. If we focus only on material wellbeing – on, say, the production of goods, rather than on health, education, and the environment – we become distorted ... we become more materialistic. (Stiglitz, 2018)

There is a rich co-operative history in South Australia.

- Many of South Australia's most iconic brands are co-operatives or mutuals (RAA, Beyond Bank, People's Choice Credit Union, Health Partners, and National Pharmacies);
- In 2017-18, successive South Australian Governments drove the development of Australia's first public service employee mutual, Kudos Services;
- South Australia has Australia's only co-operatives of hairdressers and butchers and Australia's earliest co-operatively owned hotel is in Renmark;
- South Australia has the highest per capita membership of credit unions and mutual banks;
- Australia's largest community-owned supermarket is the Barossa Co-operative.

The 2019 National Mutual Economy Report shows there is scope to increase the contribution of CMEs in South Australia to the national economy. There are 2,032 active CMEs in Australia, with a combined membership of 31.3 million people. CMEs in Australia have a combined turnover of \$104 billion and employ at least 61,000 people (National Mutual Economy Report Incorporating the Top 100, n.d.). Globally, CMEs contribute to employment and work opportunities for 280 million people (Ica.co-op, 2019). [ica.coop, 2019].

Of Australia's top 100 CMEs, eleven were located in South Australia (BCCM Blueprint for an enterprising nation, n.d.).

This history of co-operation, social innovation, self-help and trailblazing on a local, national and global level, places South Australia in a perfect position to realise economic and social prosperity through the mechanism of co-operative and mutual development. There are many successful examples of co-operatives and mutuals in Australia and globally, and they hold important lessons to be learned and applied in a South Australian context.

## The opportunity for social innovation and leadership in South Australia

The premise of this Report is that despite South Australia's relative prosperity, the State faces some fundamental structural challenges, including:

Being locally owned, social enterprises and CMEs add diversity in markets, with immense potential to develop South Australia into an entrepreneurial and community wealth-building State over the next 15 years. The benefits will be in creating considerable commercial value, achieving broader social impact, to the wellbeing of individuals, effective delivery of community services, and building resilient communities and thriving local economies. Social Enterprises and CMEs offer the means to improve people's lives by validating how business can be ethical, democratic and purpose-driven, whilst at the same time, commercial, efficient and highly productive.

The need to maximise profit and increase the wealth of individual and institutional shareholders is often at the expense of consumers and service quality. This has significantly contributed to the havoc in both the financial and social care sectors in Australia. Royal Commissions underway in both aged care and disability sectors, and concluding in the financial services sector, have found transparent and accountable governance has been 'conspicuous by its absence'. The dire consequences of neglect and abuse of consumers has been highlighted in the Aged Care Royal Commission (Interim Report: Neglect Volume 1 Royal Commission into Aged Care Quality and Safety, 2019). Royal Commissioners in aged care and disability will likely be appalled by the stories uncovered, and will call for greater regulation and oversight.

But what if good governance could be hard wired into the legal, financial, and organisational structures of corporations? What if consumers could have an 'enshrined say' in how a company operates, and what it does with its surplus funds? What if front-line employees were fully engaged in ownership and decision-making processes? What if an organisation's sole purpose wasn't to maximise shareholder value, but to make a significant social impact. They can! These types of organisations already exist, and they are called co-operatives.

As succinctly put by Bob Cannel (Cbc.coop, 2019), a former co-director of the UK's industrial common ownership movement and leader of the merger with consumer co-operatives to form Co-operatives UK in 2001:

*Co-operatives are democratic. The workers and other members decide what to do with all the value they create. More is distributed in the community via higher wages and local purchasing, in most cases. The far higher level of engagement of worker-owners in their businesses solves the 'productivity deficit'. Regions where co-operatives form a substantial part of the economy, such as Emilia-Romagna in Northern Italy, enjoy higher levels of community wealth.*

## The Co-operative Advantage

The CME sector has a significant number of international and national peak body organisations which both define their sectors and espouse the positive value and impact of ethical businesses on wider society, and the communities in which they are embedded.

On the international stage there are:

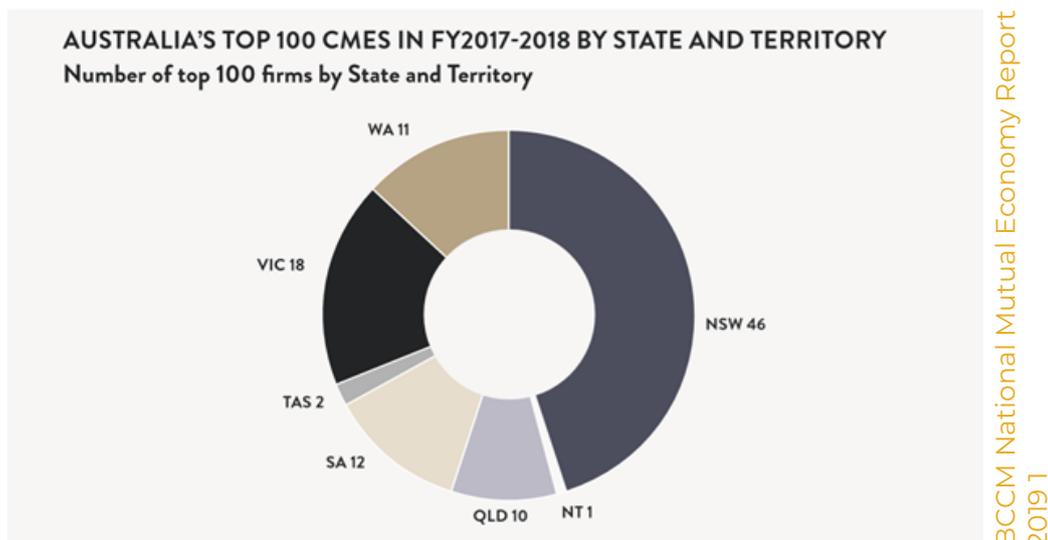
The International Co-operative Alliance (<https://www.ica.coop/en>)

The Social Enterprise World Forum <https://sewfonline.com/>

At the national level, specifically in Australia and the UK, there are peak bodies associated with the three main forms of purpose driven business, i.e. Co-operatives and Mutuals, Employee-Owned Companies, and Social Enterprises (although there is clear overlap, in that an employee-owned company can be a co-operative).

Peak Bodies Australia	Peak Bodies United Kingdom
Business Council of Co-operatives and Mutuals ( <a href="https://bccm.coop/">https://bccm.coop/</a> )	Co-operatives UK ( <a href="https://www.uk.coop/">https://www.uk.coop/</a> )
Employee Ownership Australia ( <a href="https://employeeownership.com.au/">https://employeeownership.com.au/</a> )	Employee Ownership Association ( <a href="https://employeeownership.co.uk/">https://employeeownership.co.uk/</a> )
A range of state and interstate organisations are currently working together to develop a shared voice	Social Enterprise UK ( <a href="https://www.socialenterprise.org.uk/">https://www.socialenterprise.org.uk/</a> )

Investing in the opportunity to develop a more Co-operative State, will contribute to building a more diverse and resilient State economy. Co-operatives exist in every sector of the economy and can touch every aspect of our lives.



## The Co-operative Advantage

The CME sector has a significant number of international and national peak body organisations which both define their sectors and espouse the positive value and impact of ethical businesses on wider society, and the communities in which they are embedded.

Social Enterprises and CMEs can enable and empower existing workers into a cohesive, engaged and superior performing workforce; educate, train and bring new cohorts of enthused, highly motivated workers into the workforce – and encourage people with a disability back into the regular workforce, or through appropriate support, enable them to use their unique skills and capabilities to become an entrepreneurial employer themselves. This approach will induce a strong movement toward meeting the looming shortfall in the workforce.

For example, the health care and social assistance sector achieved the largest growth output per sector for 2018 (Deloitte, 2019). Imagine if that workforce was incentivised to be passionate and motivated, providing a valued and trusted customer experience through co-operative and mutual structures. What improvement would the sector achieve under those circumstances?

## Towards a Theory of Change

These recommendations will be more sustainable if underpinned by a theory of change that forms the basis for evaluation and research about causes and effects of particular interventions over time.

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In 2019, BCCM partnered with the Monash Business School's Department of Accounting to create an industry value framework for co-operatives and mutuals. Termed Mutual Value Measurement (MVM), the \$1.1 million project has been designed by CMEs to help them measure their positive impact on members, customers, the community and the economy.

Through community ownership, CMEs achieve valid social goals and outcomes that can be measured. These impacts will vary depending on the ownership model and include increased employment, benefits from investment in social procurement, increased income equality and higher productivity and service quality.

CASA is an employee-owned domiciliary care social enterprise that I helped found in 2004, which combined three business model features to create a co-operative advantage. This formed the basis for our theory of change. The three features were:

- Engaged employees motivated to deliver consistent quality care;
- Transparency to all members and commissioners of financial and other performance; and finally,
- Mutual member ownership being a key to innovation.

## Towards a Theory of Change

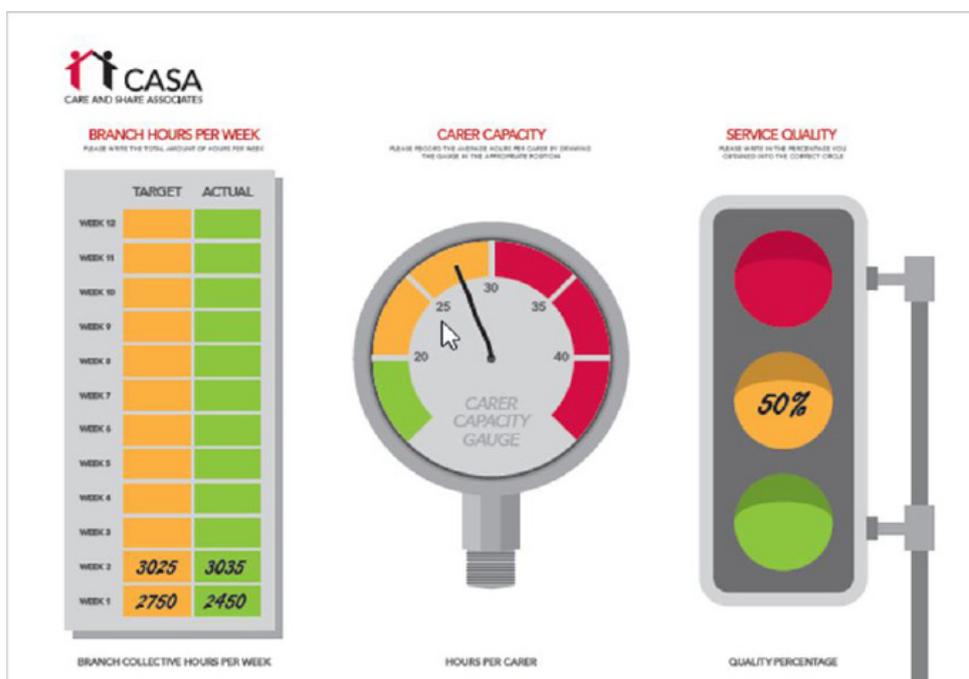
These recommendations will be more sustainable if underpinned by a theory of change that forms the basis for evaluation and research about causes and effects of particular interventions over time.

### CASA's Theory Of Change

- Engaged employees deliver higher quality care
- Financial transparency to all stake holders
- Mutuality is key to innovation



CASA built data dashboards that were visible in all offices so employee-owners could see their performance and compare across the CASA network of offices. This reinforced a sense of mutual accountability between owners, recognising the dual roles of being an employee-owner and an employee.



## Health, Disability and Aged Care Sector.

Demand for both residential and home-based health, disability, and aged care services in South Australia is not only set to expand significantly, for both economic and demographic reasons, in the coming years – it is ready for transformational change. Commentators agree that as people are living longer, coupled with the fact that informal support structures have become less prevalent (for a whole range of social, economic and cultural factors) the pressure on South Australia's health and social care sector is set to increase markedly.

Spiralling costs of both hospital and residential care, and increased pressure on public health finances, means that further demand for increasingly complex home and intermediate care services will migrate to the independent in-home support sector. The Productivity Commission projects the number of Australians receiving aged care will almost triple by 2050, to 3.5 million (Caring for Older Australians – Productivity Commission Inquiry Report Volume 2 2011).

In addition to increased demand, there are significant future labour market challenges. For example, the Aged Care Workforce Strategy Taskforce (Australian Government Department of Health 2019) identified the need to nearly triple the number of aged care staff from 366,000 to almost 1 million by 2050.

This strategy also identified the following specific challenges:

- Lack of understanding of career options in school environments.
- 'Health' lens drives student expectations.
- Lack of clarity on future skills required.
- Unstructured career development.
- Undersupply of trained workforce.
- Workforce casualisation.

Strengthening the Social Enterprise and CME sector in South Australia will provide a much needed cultural stimulus for change in Australia's aged care system, with spin-off effects in other sectors such as the NDIS and community health, with potential to:

- Deliver improved health outcomes in a more cost-efficient manner.
- Challenge existing perceptions about working in the health and social care sectors, by offering both co-operative membership and defined longer-term rewarding career pathways into primary and allied health. This will mobilise new entrants to join the workforce.
- Increase the capability of the health and social care workforce to deliver quality support, by offering a wider portfolio of working environments and training opportunities.
- Develop a place-based approach to health, aged care, and disability which enables these co-operative initiatives to support partnerships, collaboration and co-ordination between providers, participants and the communities in which they are based.
- Promote innovative provider corporate forms and models, including investing in more employee-owned providers.
- Work closely with social impact investors, the Social Investment Network South Australia (SINSA) and CMEs (through the BCCM), including insurance providers, to encourage more investment in preventative services.
- Examine the evidence base of our impact on the workforce by way of commissioning an independent impact assessment.
- Help realise opportunities identified through this Residency for the development of co-produced services involving stakeholder groups from disability, health, pharmacy, primary and allied health care.



## Health, Disability and Aged Care Sector.

These examples of potential co-operative benefits could become a key contributor as the Australian health and social care market is set for transformation in the next few years. Agility will be a key for providers if they want to succeed in the coming challenging environment, become key components for the building of a population, and have a place-based approach to health and social care, including (Ham & Alderwick 2015):

- Develop new care models that span organisational and service boundaries, supported by new approaches to commissioning and paying for care.
- Establish robust consortia governance arrangements that balance organisational autonomy and accountability with a commitment to partnership working and shared responsibility.
- Develop services that are financially and clinically sustainable through greater integration of health and care, and focus on improving population health and wellbeing.
- Provide a foundation for collaboration with a wider range of organisations from different sectors.
- Put in place the leadership required to work in this way by sharing expertise and skills in different organisations.
- Foster a can-do culture and willingness to work in partnership with the public and local communities to transform the way services are delivered.
- Enable State and Federal bodies to work differently – in a cohesive way to support providers and commissioners in finding solutions to their challenges.
- Position a mutually owned system to harvest community big data, using such access to deliver the best possible health and social care interventions.

There are also potential co-operative solutions for some of the key challenges to emerge following the roll out of the NDIS, especially in relation to helping legacy providers adapt to the new market-based system:

- Addressing legacy providers cost base
- Articulating consumer led choice and control
- Meeting the future workforce challenge
- Being able to operate sustainable business models in thin markets.

Social enterprises and CME business models have much to offer the disability sector. For example, making these sectors a career of choice through the benefits of employee ownership is one way to address workforce challenges in both the disability and aged care sectors – with better jobs, democratic control of how the organisation is governed and fairer conditions.

The potential to encourage more CMEs in NDIS can be thwarted if they remain 'under the radar', which is currently the case in most parts of Australia. Developing and evaluating some CME demonstration projects in the NDIS could be a game-changer in South Australia.



## Health, Disability and Aged Care Sector.

For example, projects that:

- Support the sharing of back office functions, thus boosting the sustainability of both large and small providers.
- Create enterprise co-operatives for a disparate workforce, such as sole NDIS providers, or peer support workers, to combine their market development efforts to reach out to NDIS participants.
- Support the development of co-operative sharing platforms, where providers can share the workforce in order to develop a more compelling workforce offer.
- Showcase new co-operative NDIS provider models owned by the workforce, consumers, or providers, as a way of stimulating the NDIS market.
- Identify, develop and test new delivery models in rural, regional and remote areas.

### Co-operative Solution

The Northern Region Care Co-operative is a potential solution to address the market failure of the NDIS.

A co-operative that enables service providers and consumers, in a joint venture, to work together in a customer-centric transparent marketplace by sharing demand and supply data. This creates the opportunity for innovative approaches to addressing complex supply problems, including provider capacity, sustainability and workforce availability and competition.

For more information: <https://dunstan.org.au/thinkers-in-residence/initiatives/>



## Employee ownership is untapped potential for South Australia

Unlike countries such as the UK, Europe, the US and Canada, employee ownership is not mainstream in Australia. There is a strong body of evidence about the benefits of employee ownership in higher rates of consumer and employee engagement, increased productivity and greater investment in sustaining resilient and innovative cultures over time and in response to change (Pérotin 2013).

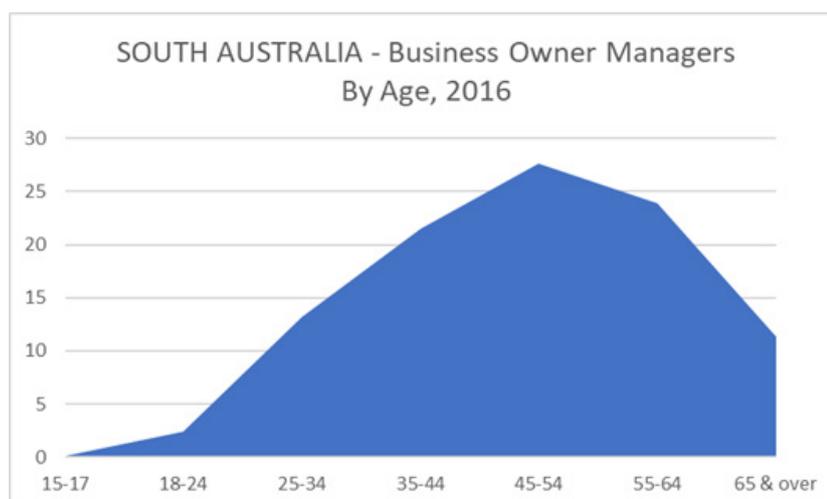
This evidence is consistent with the findings generated by research conducted by the National Centre for Employee Ownership in the US, which showed (NCEO Home | NCEO 2020):

- Employee-owned companies are 25 per cent more likely to survive economic downturns than comparable non-employee owned companies.
- Employee-owners were four times less likely to be laid off during a recession than employees who did not own shares in the business which employed them.
- Employee ownership improves business performance – productivity improves by 4-5 per cent on average in the year an employee share ownership plan (ESOP) is adopted, with the higher productivity level maintained in subsequent years.
- ESOPs increased sales, employment, and sales per employee by about 2.3–2.4 per cent per year. For example, ESOP companies had on average an 8.8 per cent higher sales per employee than their non-ESOP counterparts in the same industry and same size.
- Private company-based ESOPs had job growth of 60 per cent between 2001 and 2011 while other companies remained flat.
- Employee Ownership helps to build community wealth – employees at ESOP companies have additional retirement savings that are 2.2 times greater than at comparable, non-ESOP companies. On average, employees at employee-owned companies receive 5–12 per cent more in wages.

One way to harness the benefits of employee ownership is through business succession.

Given that 98% of all businesses in South Australia employ less than 20 people, adopting recommendations in this Report about employee ownership is critical. This is a real chance for South Australia to show national leadership.

Entrepreneurs and business starters in South Australia are predominantly aged over 45, and business succession is their number two business concern (SME research report 2017/18 (n.d.).



South Australia has an ageing business owner population.



## Employee ownership is untapped potential for South Australia

The purchase of a business by the employees as a business succession solution offers mutual benefits to the outgoing owner, the employees, the wider community and the economy such as:

- The business owner is able to exit from the business which rewards him/her and ensures the business stays alive and continues to thrive. It avoids asset stripping by competitors and retains the business and jobs in the local areas.
- Selling to the employees ensures continuity in that the people on whom the business has depended are placed in control of the company, have control over their own futures and are adequately rewarded in the future.
- Selling to employees provides continuity and gives control to those who have helped to build the business up over a number of years, and who know it best.
- A combination of employee ownership and employee participation allows companies to outperform comparable businesses in terms of profitability, productivity and growth.
- Businesses owned by their employees have achieved exemplary degrees of corporate social responsibility, including involvement in the communities in which they operate, and they have a strong commitment to sustainability.
- Managers and the employees are on the same side and together take the crucial decisions of ownership, including distribution of profits, major strategic moves, and Board representation.
- Employee, and more specifically, community, buy-outs can be viable and desirable recovery options in insolvency scenarios, especially in country areas – by retaining jobs and skills in the local community, ensuring continuity for suppliers and customers.

So, what needs to be done?

In the UK, the economic and social benefits of employee ownership was recognised by HM Government's Nuttall Review (Nuttall 2012). This major policy initiative had senior support within the UK Government and resulted in significant changes to company and tax law to incentivise the growth of employee ownership.

In Australia, the cost and complexity of current company and tax legislation can act as a barrier to employee ownership through business succession.

The Nuttall Review also increased awareness about employee ownership and the legislative foundations and the support needed to meet the cultural differences of this ownership form. Employee ownership, as a viable and alternative business option, is poorly understood by governments, business owners, professional advisers, and employees.

So, how do we create the right environment in South Australia to support employee ownership?

There is much to do, but as a start:

- Business SA has programs available to illustrate the importance of business succession and to educate SME owners in the options available to them.
- Educate accountants/legal firms/company directors/industry peak bodies to have the information required to understand the way in which employee ownership can assist family-owned businesses with transition planning.



## Social Care Mutuals

Employee ownership in the UK has also been successful in social care spin-outs where after a decade of investment by successive UK governments, there are now 125 employee-owned social care mutuals.

In the face of financial stringency and severe financial fall-out from the GFC, rather than reduce the number of public servants, legislation and a mutuals support program was put in place to enable public servants, under certain conditions, to take the function from the government and operate it as an employee mutual. Appropriate asset and mission locks were put in place, with start-up capital coming by way of secured time-limited contracts back to government.

The UK Mutuals program has been evaluated (Department for Digital, Culture, Media & Sport 2017a) with very encouraging results – demonstrating increased quality and productivity, higher levels of customer and consumer engagement, without any failures attributable to the mutual model. Significantly, it has been the reduction in bureaucracy, by empowering employees as owners that has contributed greatly to this increased performance. The Mutuals Program has developed through successive UK Governments over the last decade.

Having a supportive policy in place and funding for the Mutuals Support Program, guided by a Mutuals Task Force – which funded pathfinder case studies – has been critical to the support of the Mutuals Program.

South Australia created an Australian first in supporting the formation of Kudos Services and providing the support and capital required to enable over 100 public servants to spin-out from government and form an employee-owned enterprise operating in the NDIS. This is an alternative to privatising public services or transferring ownership to the non-government sector. Importantly, the formation of Kudos Services enabled 100+ jobs to be retained in South Australia.

In 2014, the BCCM undertook an extensive consultation process, producing a green paper followed by a white paper, introducing the concept of Public Service Mutuals in Australia. (Public Service Mutuals: A third way for delivering public services in Australia WHITE PAPER 2014).

This Thinker's Report wishes to echo the sentiments of BCCM's White Paper, but to also communicate both a sense of urgency to government, and to highlight that since publication, only one employee-owned mutual in community services has been formed in Australia – and it is here, in South Australia.



## Social Care Mutuals

### Co-operative Solution

Significant benefits accrue to members in the form of member-benefits which vary depending on who the members are, e.g. consumers, employees and small businesses. As the challenges of contemporary times encroach on business operations, sole traders and micro enterprises are increasingly turning to collaboration to maximise productivity, efficacy and efficiency to enable improved competitive options with market incumbents and other larger organisations. Strategies of this nature enable co-operatives to address unequal bargaining power and enhance competition, including within regional areas.

Flexibility of qualifications – Care Passport and a Care Worker Bank

- Establish a Care Passport to enable care workers to take their qualifications between different organisations and sectors at the same time. This will resolve the issue of providers initially not being able to provide enough hours. They can share the workforce and use a mutually-owned care worker bank (care worker agency, but owned by providers).
- Business ownership
- Phased time issues
- Priorities now and priorities later
- Support a care worker bank – a provider owned co-operative supporting an agency care worker model.

Peer Support workforce

- Peer support workforce needs to be considered. This can be trialled in the mental health space, but could also be used for music teachers, the creative sector – anywhere where there is 'desperation' in relation to underservicing or under-employment issues.
- Build flagship projects to demonstrate the benefit of co-operatives for business succession. Use university business schools' curriculums as a communication mechanism and government-run business support to facilitate initiation.

Community ownership of data and creating big data

- To deal with the approaching demographic bomb, the time is right to move away from time and task efficiencies and make social care more interesting, rather than just cheaper. Place-based assistive care and identification of resources required to provide care to a whole community increases production, and delivery quality and efficiencies.
- Using co-operatives to capture the value of big data that will in time hold substantial value. It is important to understand the community demographics. Creating (big) data to understand demographics, behaviours and attitudes provides a more comprehensive picture of care service requirements, enabling an ability to understand how much money is required by a specific community. Once the money is acquired it is used to look after that community based on patterns derived from analysis of data obtained/provided. This is the jump Australia needs to make so 20 years further on communities will self-manage with appropriate government and allied agency support services.



## The Right People

*Co-operation from the right people doing the right things in the right places is needed to translate the insights and opportunities that have surfaced from this Thinker in Residence.*

### Leadership

Innovation and business development requires leadership and commitment from a range of stakeholders, including communities, citizens, business, industry bodies, state and local governments. We know from other places in the world, and from history, that building a vibrant Social Enterprise and CME sector is contingent upon a supportive legislative and policy environment. This is the primary role of government.

However, business development, whether purpose driven or not, is all about people. To develop innovative and sustainable solutions to the most significant social issues raised in this Report requires entrepreneurial leadership from people and communities. This is vital to the success of co-operatives and mutuals because their DNA is all about communities, bound by regional, social or economic interests, co-operating, agreeing to share benefits in order to build resilience for mutual benefit.

To signal its commitment to broadening the diversity of corporate forms contributing to the South Australian economy, the first step is for the South Australian Government, with the support of other Thinker Partners and local communities, committing to prepare a Social Enterprise and CME Strategy and Action Plan.

Clear roles and responsibilities are needed to harness the ecosystem of other stakeholders who collectively also have a role to support the change. The history of co-operatives and mutuals shows they form in response to a community need being identified in local communities, usually a gap in the market or an environmental challenge. People in affected communities, need to come together and co-operate with each other to find a solution to meeting that need.

### Leadership for the development of co-operatives

South Australia has the knowledge and experience base that is needed, with people and institutions who understand co-operatives and mutuals. Industry bodies such as the BCCM, large and small CMEs in multiple sectors, and universities that have demonstrated an interest and capability in this area. This existing knowledge must be leveraged to underpin and successfully grow co-operative enterprise development.

Establishment and development of a Purpose Council that could advise on business leadership and drive recommendations contained in the Thinkers' Reports will also be an important first step.

Working with the existing business development community in South Australia, informed support is needed, delivered by qualified people, with experience in social enterprise and the CME sector. For co-operation to thrive ethics, integrity, empathy and passion is what will make a positive impact and establish strong support systems in nurturing new leaders.

There is an important role for university programs to highlight the role of leadership in the Social Enterprise and CME sector and to support research and evaluation.



## Empowerment and self-employment for the people with disability

Empowering people with disability as citizens and consumers must be a foundation on which this change happens.

Well-designed co-operatives can bring together entrepreneurship and disability solutions to create an entirely new cohort of entrepreneurs in South Australia. This will support a whole new group of people to participate in the economy.

While a key focus of disability support should continue to be creation of mainstream employment opportunities, there must be increased and simplified access to information and participation through workshops on such matters as co-operative development, business planning, CME governance, what it means to be an owner. Recognising that most new CMEs and social enterprises will be start-ups, support is also needed to facilitate creation of micro/small enterprises that create purpose, self-employment and potential for extended employment opportunities with people with disabilities.

### Case Example

Companies use unique talents of individuals with disabilities to create business value.

Discovering Hands trains blind women in standardised diagnostic breast exam techniques, then arranges employment in clinics or physicians' offices. In these cases, blindness has proven to be an advantage; helping to identify breast cancer as early as possible. German data confirms that Discovering Hands' visually impaired examiners find irregularities in breast tissue that on average are 30% smaller than those doctors find during a regular exam. In addition, they find 50% more irregularities than sighted colleagues do. An increasing number of insurance providers/payor organisations are contracting with Discovering Hands to reimburse the fee for service.

Though not every disabled individual can bring a special skill to the workforce, many can. If only a small percentage of such uniquely skilled individuals find occupations, it creates meaningful employment opportunities for thousands, produces significant value for the business entities, and helps to integrate disadvantaged members of society into the workforce.



## Raise awareness of co-operatives through communication, education and training

More targeted information from trusted sources is needed to raise awareness of the strong potential in how co-operatives can mutually benefit community owners, wider society and the economy.

Universities could assume a role to embed co-operative and mutual content into relevant education and training programs, entrepreneurship and innovation programs, and ensure their support networks, such as the University of Adelaide's ThincLab and Flinders University's New Venture Institute are adequately informed to offer knowledge, guidance and financing options regarding Social Enterprises and CMEs.

Business Schools are in a position to develop courses that facilitate the governance and management aspects of co-operatives. Industry bodies, in a range of areas including corporate governance (e.g. AICD and Governance Institute of Australia), and the social enterprise and CME sectors all have a vital role to play.

Government should raise awareness in its business development programs, support centres and through industry leadership organisations such as the NDS, Business South Australia, and Committee for Adelaide.

## Social Procurement and Market Making

Economic development is always geographically uneven. As new layers of investment combine with the pre-existing economic and social structures left by past waves of industrialisation, it is impossible to maintain evenness. For example, CBDs shift over time as money or technological advances free up more commercially advantageous parts of a city. The former industrial heartlands of the UK in the industrial revolution became the economic wastelands of the 1980s.

The same is true of South Australia, where particular localities and communities appear to have been partly bypassed by current development and prosperity. Northern Adelaide is just one example of this. Here a Social Enterprise Action Plan is currently being developed to address the following challenges currently facing Northern Adelaide:

- Erosion of manufacturing base
- High levels of unemployment and under employment
- Below average educational qualifications
- Economic exclusion
- Retention of the significant net in-migration of young people.

The Social Enterprise and CME sectors have a key role to play in addressing these challenges by generating social capital – by building a 'Co-operative State'. Social procurement will be a central plank to this strategy.

Drawing on the Barossa Co-operative as a case study, to demonstrate the total value creation of co-operatives and mutuals, a Report prepared by EY in 2014 concluded:

*Australian co-operatives and mutuals can create substantial commercial value. They can also create broader value which is often not captured in financial disclosures, such as contributing to the wellbeing of individuals, the delivery of public services, building resilient communities, and thriving local economies (2014).*



## Social Procurement and Market Making

A common denominator of success in these areas is the existence of a clear multi-agency procurement strategy which:

- Recognises the value of social procurement as a crucial lever for government in delivering improvements to the economic and social wellbeing of particular communities
- Goes further than simply attempting to 'level the procurement playing field' between large corporates and social enterprises by measuring and demonstrating impact.

There are a number of good examples of social procurement success with State Government. For example, the Renewal SA Works Program has been in place for over 10 years, delivering significant direct entry level employment, training and work experience outcomes for people who might otherwise experience challenges studying, entering or re-entering the workforce. In 2016-17 (Renewal SA 2017), this included:

- 199 employment outcomes
- 420 training outcomes
- 506 work experience outcomes
- 86 Renewal SA contracts included some form of social procurement outcomes
- Over \$3 million in funding was secured through partnerships with other stakeholders to contribute towards employment, training or work experience programs
- 7,800 employment, training or work experience outcomes created over the last 10 years.

The South Australian Purpose Business Network – North is currently developing a social enterprise strategy and action plan for Adelaide's Northern Suburbs to address under-employment. A key strand of this plan is to develop a social procurement hub to support the co-design of a compact between public sector buyers and social enterprise suppliers.

Nundah Community Enterprises Co-operative, (Nundah Co-op) is another Australian example of how government agencies can use social procurement to create jobs and self-employment for people who are challenged by accessing education, and training and work. Formed in 1998 to create sustainable employment and training opportunities for people with mental illness, psycho-social disability, learning difficulties or intellectual disability, Nundah Co-op has offered long-term training and sustainable employment, largely enabled by the social procurement strategy of the Brisbane City Council and more recently from Mirvac-owned shopping centres, and the Queensland Department of Main Roads. The Nundah Café Train and Parks and Garden maintenance services are the core training and employment programs which have been able to provide sustainable work for most of the Nundah Co-op members for over a decade. In 2019, a case study on Nundah Co-op was published by the Commonwealth Department of Social Services (Nundah Community Enterprises Co-operative | [engage.dss.gov.au](https://engage.dss.gov.au) 2020).

There are also very successful UK examples, notably the Preston Model which is an approach 'at scale' to achieving community wealth-building pioneered by the Preston City Council in Lancashire, England (CLES – The national organisation for local economies 2020).



## The Right Support

In order for South Australia's Social Enterprise and CMEs movement to grow and thrive, the movement needs:

A central voice

- Connections to the global movement
- Access to appropriate social investment finance plus bespoke business advice and support
- A supportive legislative environment

Despite some important initiatives, putting it bluntly, the right support ecosystem simply doesn't currently exist in any meaningful, joined up way. Three key strands need to be pursued:

### Money

First, and chiefly, lack of access to appropriate capital is the main barrier to establishing new, and growing existing Social Enterprises and CMEs. In common with the rest of Australia, South Australia's social investment market is under-developed. Although there are a few national providers of social investment (Social Ventures Australia, Social Enterprise Finance Australia, for example), it is difficult for early stage social, co-operative and mutual enterprises to access any form of risk capital.

The South Australian Government will need to 'grasp the nettle', provide leadership, and seed the creation of a 'for purpose investment fund', to lever in further capital from Trusts, Banks, and other financial institutions. Social Impact Investment Network SA (SIINSA) could be commissioned to review a range of successful investment funds, and make recommendations on governance arrangements, and the portfolio of financial products required to kick start South Australia's Social Enterprise sector.

Access to risk capital is a key challenge for all start-ups, including social, co-operative and mutual enterprises. Co-ops are the original 'crowd-funding' vehicle, but the flexibility they offer for raising capital from members and external investors is not well understood.

Social investors looking to address the challenge should leverage the existing mechanisms available for co-operatives and mutuals to raise capital from members and the public.

A range of investment sources and structures can be used to start co-ops, including:

- **Share offers to members.** Co-ops can have multiple classes of members and multiple classes of shares with varying terms of issues, provided this is in line with co-operative principles
- **Co-operative Capital Units** and **debentures** for equity and debt investment from members, and non-members such as institutions and impact investors
- **Government Loans** with tax deductions are available for qualifying SA-based producer co-operatives.

Mutual enterprises can now issue a new and unique form of capital as a result of reforms to the Corporations Act, the Treasury Laws Amendment (Mutual Reforms) Act 2019. Called Mutual Capital Instruments (MCIs), this specialised capital instrument for mutual entities, will support South Australian Mutuals to make investments for the future of their business.



## Intermediary Supports

Government is calling for South Australia's Social Enterprise and CMEs sectors to have a single voice. They want to simplify consultation and are looking to these sectors to speak, with a unified voice, a plan that clarifies the role of government and other stakeholders. If this could be done, it may remove some of the road-blocks in raising issues in this Report with government agencies. Government has an important role to play to support the development of these sectors as a vibrant piece of the entrepreneurial landscape, and by doing so, contribute to the economy and to provide jobs in communities where they are needed.

Those interested in developing Social Enterprise and CMEs need a place to go to where they can get information, advice and guidance. A place where they can develop knowledge, access data, build pathways for investment that will influence and shape the direction of the industry in a way that respects diversity of ideas and models for investment, governance, services and products.

There are a range of South Australian and national bodies that also provide this advice:

- Business Council of Co-operatives and Mutuals
- Employee Ownership Australia'

Despite good progress, the social enterprise networks are immature in South Australia.

### Emerging Leadership Networks in South Australia

- The Adelaide Social Enterprise Meet-up
- The Purpose Council of South Australia
- NVI Flinders Social Enterprise Support
- Social Impact Investment Network of South Australia
- Purpose Business Network North
- Yunus Social Business Centres
- The Social Change headquarters
- Fourth Sector Solutions
- Hen House Co-op and Chooks SA

What is needed is a mechanism that has the support of government and the business community to bring these sectors together in a connected way with the established national peak bodies.

The establishment of a peak body is an old paradigm and is not recommended. Instead, the development of a co-operative partnership or coalition of organisations that can both contribute to, and support the key objective of building a Co-operative State is needed to act as a voice for the sector. It is important for us to 'Act not Map'. Government needs an efficient way to consult with the social enterprises and the CME sectors. Funding is needed for a light touch network to act as a sounding board for policy development.



## An Enabling Legislative Environment

A key challenge for Social Enterprise and CMEs in Australia is the range of organisational forms based on either company or state-based, uniform national co-operative law. There is more pain and time involved in registering a co-operative under the Co-operatives National Law, than registering a company under the Corporations Act.

In recognition of the viability and utility of the co-operative business model, state government should also ensure the proper resourcing of the state registrar, and working with the Commonwealth, to ensure consistent regulation and administration of South Australian co-operatives nationally.

The cost and complexity of current company and tax legislation can act as a barrier to the establishment of employee-owned companies especially when Employee Share Ownership Plans (ESOPs) are used. This may well be part of the reason why employee ownership, especially in health and social care sectors is virtually non-existent in Australia.

For Social Enterprise and CMEs to thrive, in the short term, some of these 'pain points' need to be reduced or removed.

# Closing Remarks

The key purpose of this Report has been to highlight the significant impact of the Social Enterprise and CMEs sectors and their immense potential to do more to address some significant social and economic challenges facing South Australia.

Royal Commissions into banking and finance, aged care and disability are showing how much reform is needed in these sectors, and the importance of having a purpose-led culture and investing in the diversity of corporate forms. Consumers need and deserve choices in who and where they get services. Nowhere can this be more important than in finance and banking, health, aged care and disability services.

Early on in my co-operative career, I heard a seasoned co-operator say 'Co-operatives exist where they are needed.'

It is indeed true that, when supported by local communities to address a need, social enterprises, co-operatives and mutuals can have the advantage of creating new marketplaces for people to get those needs met. By being locally-owned, communities have more say in how these enterprises develop and how they are governed. Done well, and at scale, this could put South Australia in a good place to grow the social sectors of the economy and address significant challenges faced by citizens. This is especially relevant in the context of an ageing population, and the opportunity of the NDIS.

But sometimes the development of co-operatives and social enterprise, at scale, need a 'nudge', a supportive, enabling environment.

The Don Dunstan Foundation and the partners supporting this Residency hope this Report contributes to that 'nudge' by making a strong case for increasing the diversity of corporate forms in the South Australian economy – by putting enabling policy and supports in place to facilitate the formation of new, and the growth of existing social enterprises, co-operatives and mutuals.

It is essential for this policy support to prioritise the benefits of having different models of community ownership. This includes by consumers, employees and multi-stakeholders, taking account of the needs of local communities.

An effective policy response will be one that provides answers to these questions:

- How citizens, as consumers can voice their opinions and be heard in the operational aspects of an organisation, including the manner in which profits can be invested and shared.
- How corporate diversity between organisations can change mindsets and give citizens greater choice, and deliver significant social impact.
- How good governance is a way of life, reflecting the purpose and culture of organisations, as well as being part of the legal, financial and organisational structure of a corporation, and
- How with good governance, front line employees can be empowered by being fully engaged in the processes of ownership and decision-making in corporations by having ownership as well as being an employee.

The consistent theme and underlying message from this Residency is that now is the Right Time to deliver public investment into the social infrastructure and support needed to build a more Co-operative State in South Australia.

South Australia has the **Right Ideas**, and the **Right People** to build a more Co-operative State. The **Right Support** is now required to make it happen.

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