



Insights Report

The Role of Work Integration Social Enterprise (WISE)
in Employment Services Reforms:
Perspectives from the Ecosystem



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Bama Services is an Indigenous-owned social enterprise and entity of Cape York Partnership. They provide employment opportunities in construction, building, landscaping, maintenance and cleaning.

Acknowledgement of Country

The authors acknowledge the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

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More information | More information about the project can be found here: '*Activating Employment Futures Through Work Integration Social Enterprise*'



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Introduction

Australia's employment services system struggles to support disadvantaged, long-term participants into sustainable employment.

To address this, the *Select Committee Review of Workforce Australia Employment Services (Workforce Australia Review)* advocated for social enterprises to 'play a greater role', including 'bringing a greater number of WISEs [work integration social enterprises] into the system'.¹ WISEs are for-purpose businesses that create employment and pathways into employment for people and places experiencing barriers to work.

This insights report is the second in a series from the 'Activating Employment Futures Through Work Integration Social Enterprise' (LP220100323) project, which seeks to share knowledge to scale the employment outcomes of WISE in Australia. Drawing on interviews with 29 key informants from across government, employment services, social enterprise, and the wider community sector, this report focuses on the role of WISEs in active labour market policy (ALMP) and their potential contribution to the broader employment services system. Interviews were undertaken in the context of growing government interest in a stronger role for WISEs in the employment services system. Based on themes arising from the interviews, the report explores how WISEs are understood in relation to employment services, including:

- » How key stakeholders in the field understand WISEs;
- » The degree to which WISEs may contribute to supply-side and demand-side oriented ALMP measures; and
- » Complexities of applying outcomes-based funding approaches to WISEs.

Despite broad agreement on WISEs' purpose and benefits, the research finds there is ambiguity in how WISEs are defined and uncertainty around what 'embedding' WISEs in the system would involve in terms of the roles that WISEs might perform.

¹ *Workforce Australia Review (2023). Rebuilding Employment Services: Final report on Workforce Australia Employment services. Select Committee on Workforce Australia Employment Services, Commonwealth of Australia, Canberra, p. 410.*



Australian Spatial Analytics, one of Australia's leading jobs-focused social enterprises.

WISE models and roles in active labour market policy

While WISEs were broadly recognised as providing bridges to mainstream employment, differing understandings of their operational models reveal the complexity of the WISE landscape. Ambiguity remains in how WISEs are positioned by policymakers and practitioners as *supply and demand side activators*, with not all interviewee responses acknowledging that operational models can straddle this continuum (see *Figure 1*).

From a supply-side perspective, WISEs were seen as pathways providing transitional employment and support to prepare individuals for mainstream jobs or

as pre-employment training initiatives, similar to the Work for the Dole (WfD) program. From a demand-side perspective, WISEs were talked about as destination employers, creating roles for people needing more inclusive work environments. This demand-side perspective aligns WISEs with organisations like Australian Disability Enterprises (ADEs), with many interviewees unclear about the distinctions between WISEs and ADEs. Interviewees' differing perspectives about where WISEs were positioned on this spectrum raises questions about their core objectives, principles, and roles as employers, including issues such as award wages and non-segregated working environments.

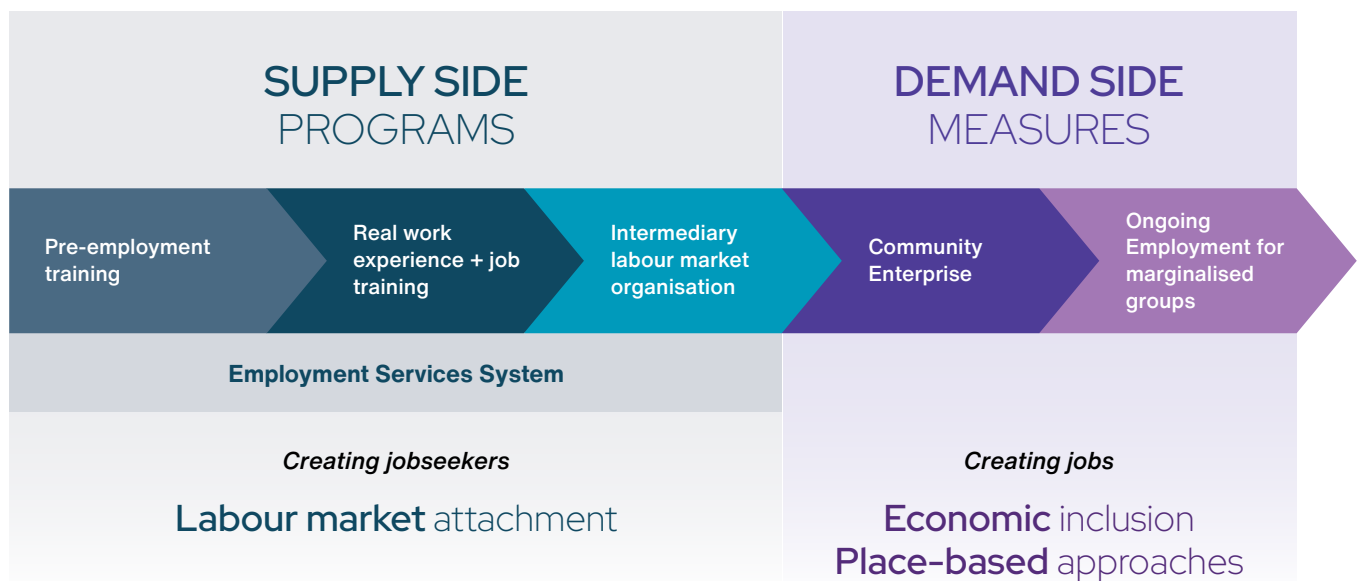


Figure 1. Positioning WISEs on the spectrum between supply-side programs and demand-side ALMP measures.

Providing transitional pathways

The transitional model of WISEs was favoured by many interviewees, especially policymakers. This perspective frames WISEs as a pathway through which people gain experience before moving into mainstream employment. This perspective also focuses less on job creation and the social economy and more on increasing labour supply through remediating individual employment 'barriers'.

From this perspective, WISEs were viewed as part of 'a kitbag of solutions' to provide 'skills, knowledge, experience, practice, when someone's not particularly job ready' (ESP10). This approach allows people to 'spend some time there, and then they can move out... more people can kind of come through' (PO2). This flow-through approach potentially maximises government return. However, concerns were raised that certain initiatives classified as WISEs could resemble pre-employment training programs rather than genuine intermediate labour market pathways, especially if participants are not adequately

remunerated. Here, comparisons to the WfD program were sometimes raised. Some interviewees perceived 'nothing different about a well-constructed Work for the Dole program versus a well-constructed social enterprise' if designed to promote progression rather than punishment. They warned, however, that without careful structuring, the integration of WISEs into employment services risk becoming 'the same thing but just a different label' (ESP10).

Organisations representing jobseekers expressed concern that WISEs might become embedded primarily as an alternative form of WfD, which they regarded as 'the antithesis' of what they hoped WISEs would be (CO2). WfD was criticised for its compulsory nature, lack of choice, absence of payment, and limited pathways to employment (CO11), attributes antithetical to WISEs as many understood them. This prompted concerns about potential harm that might occur if there is not appropriate differentiation between WfD and WISEs (SE15).



Bridget, Junior Data Analyst,
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WISE as ongoing employers

Some saw the role of WISEs as providing direct employment to people from cohorts experiencing compounding barriers to employment. For instance, an employment service provider that also operated WISEs gave the example of social enterprise employees *‘that have been there for 15 years and that is their community, that is their friends, that’s their family, that’s the way they refer to it. They don’t have any goals of going anywhere else’* (ESP4). A WISE intermediary similarly gave the example of WISEs that had been created for the needs of a particular cohort, serving as *‘...landing places for people that don’t want to transition’* (SE12). The focus is not on labour market transition but the *‘wellbeing of work, the social aspect... the self-confidence driver of work’* (SE12) in what might be described as a social well-being approach rather than enterprise orientation towards WISEs. Critical to this view was the freedom for WISEs to offer employment based on how people will *‘fit into the organisation’* (SE14). The relationship between the individual and WISE is employer/employee, whereby mandating referral of jobseekers to WISEs through Mutual Obligation requirements becomes inherently problematic.

Despite WISE commitments for, in some cases, *‘living wages’* (SE15) to be paid to WISE workers, a common association many interviewees made was

with ADEs, which can pay productivity-based wages through the Supported Wage System and Supported Employment Services Award.² This supported wage is then supplemented by the Disability Support Pension, which workers continue to receive. When asked to reflect on the differences between WISEs and ADEs, a common response was that *‘there’s shades of grey and there’s overlap’* (ESP10), making it difficult to draw categorical distinctions:

“[R]eally we just need to come up with categories of WISEs if we’re going to use one generic term. I think [ADEs] are one category of WISEs, because they’ve got a supported wage and they’re a little bit different in that sense.

(SE14)



Creating jobs in regional communities

A related demand-side perspective sees WISEs as essential job creators, particularly in regional areas with limited employment opportunities. In remote regions of Australia, interviewees noted a potential role for WISEs’ to support economic development by capturing local contracts and providing employment options that might otherwise be unavailable. WISEs were also seen as using place-based approaches that could address specific community needs, such as youth employment or support for people escaping domestic violence, making them uniquely suited to respond to local challenges. This perspective resonates with the *Workforce Australia Review*, which associated WISEs as having strong local understandings of *‘thin labour markets’*, and growing interest in community-led place-based approaches to addressing geographically concentrated disadvantage.³

Other interviewees highlighted that care was required when positioning WISEs as part of place-based approaches to community needs. For instance, the term *‘scaling’* might be inappropriate in relation to initiatives for First Nations people, with interviewees questioning the implied *‘equivalence’* (SE3) between the intent and outcomes of place-based initiatives for remote communities and those in urban locations. These responses highlight the importance of better understanding the types of deliberation and collaboration in Australian Government place-based policies⁴, which may enable or constrain WISEs’ capacities to appropriately respond to community needs.

² Fair Work Ombudsman (2024) Supported Employment Services Award pay rates. <https://www.fairwork.gov.au/pay-and-wages/minimum-wages/supported-employment-services-award-pay-rates>

³ Geatches, L., Preston, C., and Putnis, A. (2023). *Where are we? Place-based approaches to tackling community challenges in Australia*. Prepared for the Paul Ramsay Foundation. *Equity Economics*.

⁴ Hart, A. and Connolly, J. (2022). *Commonwealth place-based policies for addressing geographically concentrated disadvantage: A typology and critical analysis*. *Australian Journal of Public Administration*, 81(1), 145–162. <https://doi.org/10.1111/1467-8500.12498>

Measuring impact and rewarding outcomes

Despite the uncertainty surrounding WISE models, one aspect of operating them was universally agreed: the significant financial burden carried by operators, requiring additional sources of funding to sustain operations.

This additional need for funding emanates from the impact costs of employing those who are more distant from the labour market. As one official put it, *'you're competing with other commercial businesses but by definition you're not employing the most productive person, you're actually employing the person who needs a job the most'* (PO 3). Recognising these additional impact costs, some interviewees cautioned against WISEs becoming too reliant on government funding and also raised concerns about proposals to leverage outcomes-based funding mechanisms to scale WISEs.

Outcomes-based funding

The Payment by Outcome 3 (PBO3) trial, based on a hybrid social impact bond (SIB) run by the Department of Social Security, was raised in many interviews. Some interviewees from the social enterprise sector considered outcomes-based payments to be a promising avenue for funding WISEs, stating that such payment models provide an additional revenue stream while *'incentiv[ising] organisations to work in creative ways towards helping move people into work who are otherwise excluded'* (SE15). There was a view in the sector that outcomes-based funding could both establish the evidence-base for the effectiveness of WISEs while providing a potential revenue stream to attract social investors: *'...you can get metrics that it works, that it provides value for money. Then, we've got safety in that longevity. It can't sit outside the employment system. It has to be embedded ...'* (SE12).

Despite interest in PBO3 as a potential funding model, payment by outcomes is not a new concept for employment services providers, with the Department of Employment and Workplace Relations (DEWR) contracting providers under such arrangements for over 20 years. Accordingly, DEWR considers itself well situated to contract for, and administer, such a model in the context of WISEs. However, interviewees emphasised the need for government *'to get smarter about how do we measure the outcomes that are not that "off income support"'*; *how do we measure those steps to it'* (PO2).

This observation speaks to a core challenge of outcomes-based funding models: what to *'count'* and *'how do you get the definition of the right outcome, and how do you measure those outcomes?'* (ESP10). There were divergent views about what constitutes an outcome for WISEs. Perspectives ranged from person-centred approaches, which recognise individual progress along their journey and measures of personal well-being, to those more recognisable in the employment services system focused on rigid and often binary indicators: *'They're either employed or they're not'* (PEAK4) and *'when you've transitioned them into the next job, that's the outcome'* (PEAK8). This raises the question of whether demand-side models of WISEs would be eligible for outcomes payments in this understanding.

Familiarity with outcomes payments is likely to explain why many interviewees were relatively unsurprised by the PBO3 outcomes-based funding model for WISEs. However, concerns were expressed about what it would mean for WISEs to operate under funding arrangements similar to those currently used to procure employment services. The transaction costs and administrative burden associated with claiming outcomes payments has been a perennial issue for providers. Interviewees felt *'it'd be a nightmare to run a WISE' if they were burdened with the red tape that employment services have'* (PEAK4).



Competition and perverse effects

One emerging issue is whether WISEs and employment services providers would be in a competitive relationship were outcomes-based contracting to become a key mechanism for scaling WISEs within the employment services system. There was frustration among some WISE organisations that *'We've been getting great employment outcomes for the hardest-to-place, but someone else gets paid for that every time ...'* (SE14). Ultimately, for this interviewee, if a provider has been unable to place a jobseeker then *'the money has to stop somewhere with the employment services provider and start for the social enterprise at that point'* (SE14). However, others were more cautious about introducing competition for outcomes payments, arguing that government *'need to recognise what the provider is doing, as well as the social enterprise, so that we're not creating that tension about, "I developed the jobseeker up ... and then they just get pulled off my caseload"'* (PO2).

Reallocating payments from providers to WISEs might unintentionally undermine cooperation within the ecosystem, creating a disincentive to refer to WISEs if providers only receive outcome payments for placements into open employment. Some interviewees argued that policymakers should avoid viewing government funding for both providers and WISEs as *'paying twice'* (PEAK4) and that investing in both could reduce downstream costs, such as health and other support services. One proposal, already being applied in some settings, was a partnership approach. Providers and WISEs would share outcome payments when the skills developed in a WISE were valuable to employers, and when providers brought *'employers to the table to partner with [WISEs]'* (ESP10).

Insights Report



Alani and Kirra, Steps social enterprise trainees working in the ShoreTrack metal fabrication space building their work preparation skills while creating products for our community.

Conclusion

The findings highlight the considerable divergence in how WISEs are understood.

While there is broad agreement about their supporting people disadvantaged in the labour market, interviewees presented varying perspectives on the role of WISEs in the employment services system and their operational models. This variability extends from their positioning as transitional employment pathways to permanent employers and community job-creators.

This lack of clarity raises critical questions about the specific role(s) of WISEs in the employment services system and the funding mechanisms that best enable a dynamic and inclusive labour market. These questions include:

- » Should WISE funding models be tailored to operational models that primarily support transitions to mainstream employment or more stable, long-term roles?
- » Does a one-size-fits-all approach to funding risk constraining WISEs, limiting their ability to design approaches responsive to diverse community and participant needs?
- » If policy narrowly shapes the role of WISEs, are WISEs restricted to fulfilling externally driven priorities rather than those emerging directly from communities?

Community-led deliberation and cross-sector collaboration to clarify these questions will be essential to designing flexible, responsive funding mechanisms and placed-based policies that best support WISEs in balancing social impact, innovation and economic viability.

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