

# **SOCIAL ENTERPRISES FOR EMPLOYMENT OUTCOMES**

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**QUEENSLAND MENTAL HEALTH COMMISSION**

**This paper was prepared for the  
Queensland Mental Health Commission  
by Social Outcomes.**

Its purpose is to stimulate discussion and increase understanding about the potential for social enterprises to increase the employment opportunities for people with mental illness and problematic substance use issues.

SOCIAL OUTCOMES is a team of experienced practitioners in the design and implementation of programs for social and environmental impact. We develop collaborative partnerships across the business, government, not-for-profit and philanthropic sectors, to create dynamic and financially sustainable solutions to social issues.

We work closely with those partners to identify and utilise the most appropriate mechanisms for impact including: shared value, impact investment, social innovation, social enterprise development, social procurement, payment by outcomes, impact measurement and collective impact.



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# The business case

## Developing **employment solutions** for Queenslanders experiencing mental health issues

- Mental health issues affect more Queenslanders than cancer and diabetes combined, and is the largest cause of disability
- Mental illness in Australia costs over \$30 billion a year
- A supportive workplace delivers many of the key avenues for enabling better mental health, whereas an unsupportive workplace can cause significant deterioration in mental health
- It is estimated that the lifetime costs of someone who develops mental illness is close to \$1 million in unemployment support alone
- Billions of dollars have been spent on Job Services Australia (JSA), Disability Management Service (DMS) and Employment Support Services (ESS) with very few long term employment outcomes being achieved for people with mental illness
- Social enterprises create flexible, supportive workplaces that are successfully providing long term employment as well as being a pathway for transitioning to mainstream employment
- Social enterprises need a relatively small investment to establish and scale, achieving far better outcomes than the expensive JSA, DMS and ESS schemes
- Social procurement can be leveraged to help grow and secure the financial sustainability of social enterprises, with the Queensland government procuring \$17 billion in goods and services annually

## ***Mental Health: The Facts & Figures***

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One in five Australians, or almost a million Queenslanders, will experience a mental illness in any given 12 month period. Of these, 9-12% have mild disorders, 4-6% have moderate disorders, and 2-3% have severe disorders. An additional 2-3% of people are expected to be affected, though not recorded, as dementia and less common conditions like schizophrenia are often excluded from surveys.

The prevalence of mental health disorders is significantly higher than other health conditions, such as diabetes (affecting 4% of adults) and cancer (affecting 2.5% of adults).

***Mental health is also the largest cause of disability in Australia – accounting for 11.5% of disabilities (AIHW, 2014).***

Mental illness also adversely affect younger populations— 75% of all mental health issues start before age 25, and more than one in four Australians aged between 16 and 24 are suffering a mental disorder. In 2011, suicide was the most common cause of death for those aged 15-24.

The total economic cost of mental illness has been estimated in various ways, usually incorporating direct and indirect effects.

***Globally, mental health is rapidly becoming one of the costliest disability issues we face.***

One 2010 study by Harvard University estimated that the global cost of mental illness was around US\$2.5 trillion each year, and expected to rise to US\$6 trillion by 2030. This figure is greater than heart disease, as well as the combined impact of cancer, diabetes, and respiratory disease.

In 2013, renowned economist Nicholas Gruen, estimated that the cost of mental health in Australia could be as much as A\$190 billion, or 12% of GDP. This represents 50% more than the next highest health cost, obesity.

Also in 2013, the Nous Group and Medicare, conducted an in-depth analysis of the cost of mental health. The largest impacts and costs are summarised below:

|   |                        |
|---|------------------------|
| <b>Total economic cost of mental health in Australia</b>  | <b>\$ 28.6 billion</b> |
| <b>Direct Health Costs</b>  | <b>\$ 13.8 billion</b> |
| Drug and alcohol services   | \$ 4.628 billion       |
| Public mental health services<br>(approximately half of which spent on in-patient care)                         | \$ 3.580 billion       |
| Comorbid physical conditions  | \$ 1.964 billion       |
| Medication  | \$ 1.235 billion       |
| <b>Direct Non-Health Costs</b>  | <b>\$ 14.8 billion</b> |
| Income support (including \$3.913 billion in disability support pension)  | \$ 4.661 billion       |
| Justice services  | \$ 2.918 billion       |
| Services for those with a disability  | \$ 1.843 billion       |
| Housing & homelessness  | \$ 1.650 billion       |
| Insurance payments (including \$1.045 billion in total and permanent disability and income protection payments) | \$ 1.293 billion       |

## ***The importance of employment for those suffering mental health and problematic substance use***

Evidence demonstrates a clear correlation between mental health and engagement in employment, and/or education and training opportunities. Employment provides multiple avenues to wellbeing for those with mental illness and addiction issues.

A job creates a sense of social engagement and interaction—one of the most critical elements of mental wellbeing. Work is linked to improved physical wellbeing, community participation, self-confidence, a sense of control, and a socially valued sense of identity. By providing an income, work can provide pathways to independence, financial security, health, and safe environments (Honey et al, 2011).

The relationship between employment and mental health goes both ways. Poor working conditions can exacerbate mental health issues. Studies demonstrate that rates of depression are fourteen times higher for workers in stressful and insecure positions, compared to those who feel a sense of control, autonomy, and employment security.

***In order for employment to promote positive mental health for workers, jobs need to be regular and flexible; promote feelings of competence; and create a supportive social environment.***

## ***Social Enterprises as Supportive Environments***

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For this reason, social enterprises that create supportive environments for workers are likely to have the strongest positive impact on those individuals, as well as a greater likelihood that workers will remain employed, or transition to alternative employment options.

Studies in Scotland (Svanberg et al 2010) and Australia (Williams et al 2012) showed that social-purpose companies benefitted employees with a mental illness by providing social and vocational skills, as well as a sense of inclusion, and distraction from psychological symptoms and worry.

Other studies have shown that pleasurable and supportive environments with positive and physical and mental stimuli, combined with strong relationships, are critical to overcoming problematic substance use (Hari, 2015).

***“For recovery to occur, you need somewhere decent, stable and safe to live, you need education and rehabilitation, you need physical health and ideally you also need a job”.***

***Mental Health Commission Chair, Professor Allan Fels AO***

## ***The Cost/Benefit Analysis***

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Studies that have assessed the costs against the benefits of providing funding to social-purpose businesses to hire employees with mental health issues also show positive results.

### **United States**

A USA study found that these firms could be provided on a cost-neutral basis to government, given reductions in unemployment benefits, reduced use of health services, and increased income taxes.

### **Europe**

Another European study across six programs (Knapp et al 2013) demonstrated that costs were lower, and achieved greater social impact.

### **Canada**

One study in Quebec, Canada found that such programs could be provided at half the cost to government (Latimer et al 2011).

### **Australia**

Finally, in Australia, a study of four Individual Placement Support (IPS) providers, found that employees were 3.5 times more likely to retain work for 13 weeks, than those placed under the DES (Orygen, 2014).

## ***The cost of income and employment support services***

Mental illness is costly to governments for its direct health impacts, but also in connection to income support and disability employment services.

According to Schofield (2011), Australians with a mental health condition are four times more likely to be unemployed. In 2009, only 29.2% of people with a mental illness were employed, and for those with a psychotic illness, the figure has remained stuck at 22% over the past ten years (Waghorn, 2012).

***18.9% of people with a mental health condition are unemployed.***

We also know that the longer someone is unemployed, the less likely they are to return to work. Someone who has over 70 days off work, has only a 35% chance of returning to the workforce. Of the 700,000 Australians who are unemployed at any given time, almost a third are without work for over two years.

## ***Disability Support Pension***

In 2013, 31% of people receiving the Disability Support Pension (DSP) had a mental illness.

***This cohort is the fastest growing group claiming payments, and has now overtaken musculoskeletal conditions, as the largest DSP qualifying group.***

Few people with mental health conditions transition off the DSP, with the two most common forms of exiting the system being death and aged pensions (Department of Social Services, 2013). Given the relatively early onset of mental health conditions, it's not unusual for individuals to spend more than 40 years receiving the DSP.

In 2014, the rates of DSP payment were as shown below (Department of Human Services, 2014):

| <b>DSP payments</b>                         | <b>Per fortnight</b> | <b>Per year</b> |
|---|----------------------|-----------------|
| Single, aged under 18 years, living at home | \$345                | \$8,970         |
| Single, aged under 18 years, independent    | \$532.60             | \$13,848        |
| Single, aged 18-20, living at home          | \$391                | \$10,166        |
| Single, aged 18-20, independent             | \$532.60             | \$13,848        |
| Single, aged over 21                        | \$751.70             | \$19,544        |
| Member of partnership                       | \$566.60             | \$14,732        |

If we take the example of a single individual aged over 21 from the figures above, government will likely spend at least \$19,544 per year on their DSP, plus a pension supplement (around \$1,661 per year) plus rental assistance (at minimum, \$3,338 per year).



This amounts to \$24,543 per year, before any other knock-on effects have been included. **Over a 40 year lifetime/claim period, this comes to \$981,720 per person (before inflation).**

Of course, the fact that those who experience mental health conditions struggle to maintain stable job security can also translate to additional costs for government, such as housing support, connected health impacts, potential costs associated with crime as well as reduced income tax collection. Likewise, of those with a mental health condition, around 51% will experience problematic alcohol use throughout their lifetime, and 56% will experience problematic drug use.

## ***Job Services Australia***

Under the previous system, Job Services Australia (JSA), which was budgeted at \$6 billion over four years from 2009, only 22.6% of Stream 4 clients (those with a disability, or facing social barriers) retained employment for three months. While data on clients with a mental health condition is not reported for the JSA, less than 20% of the most disadvantaged job seekers under JSA secured employment that lasted for six months. If someone is already diagnosed and receiving a disability support payment, they are channelled directly to the Disability Employment Services Program.

## ***Disability Employment Service***

The Disability Employment Service has two parts, the Disability Management Service (DMS), which provides transitional employment services to people with a disability who do not envision needing long-term support in the workplace, and the Employment Support Service (ESS) for those with a permanent disability who will need long term support.

Unfortunately, the rates of successful job placement under the DMS have been limited. In one study over a 10 month period in 2010, 14.2% of the 4,000 people enrolled in DMS retained a job for 13 weeks. The same figure was reflected in DES-ESS level one (which deals with mental illness).

Approximate payments to job service providers, or costs of potential employment outcomes, under the DMS and (ESS) are shown below:

| DISABILITY MANAGEMENT SERVICE   | EMPLOYMENT SUPPORT SERVICES   |
|---|---|
| Commencement: \$790<br>13 week outcome: \$ 2,000<br>26 week outcome: \$4,000 approx | Commencement: \$890<br>13 week outcome: \$4,000<br>26 week outcome: \$7,000<br><br>\$406 per month is claimable for ongoing support |

Social enterprises report that they often work with people who have exited from either the DMS or ESS systems as they have completed the full cycle and have not achieved a job outcome.

## *Jobactive*

The new Federal Government system that supports people into employment, relaunched as Jobactive on 1 July 2015, offers work readiness training, help with CV writing and interviewing, referrals to jobs in the local area, support in completing Work for the Dole activities and case management. Job seekers must agree to a mutual obligation job-seeking plan to make themselves job ready, seek employment in up to 20 jobs each month to be eligible for support. The federal government is investing \$6.8 billion over four years from 1 July 2015.

## *The Need for New Models*

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As we face growing budget restraints, as well as new models for social service provision, we need to seize the opportunity to develop more effective employment programs for individuals with mental illness or issues with problematic substance use.

Under the 2014 Federal Budget, people aged under 35, and who have been receiving the DSP prior to 2011, are required to have their capacity to work reassessed. This creates an opportunity to ensure those individuals are aligned with the right kind of work—that which improves their mental wellbeing, and keeps them employed.

As demonstrated in the case studies that follow, social enterprises that provide skills training and jobs to individuals suffering mental illness, can provide more supportive, more effective, and far more cost-efficient models.

***Social enterprises can only succeed in partnership with the business sector, government and the community.***

Scaling the reach and impact of these social enterprises can be achieved through a number of catalytic vehicles, including:

## ***Social Procurement***

Governments and businesses could choose to contract with social enterprises for the delivery of goods and services. Partnerships have been successfully trialled in a range of areas including cleaning, transport, telecommunications, and land management.

Some countries, like the UK, have gone as far as to mandate that public bodies consider how they can use social procurement to improve the economic, social and environmental wellbeing of local regions, under the 2012 Social Value Act.

There are three ways to undertake social procurement:

1. procuring directly through a social enterprise;
2. including a clause in procurement policies that require tenders to be assessed in terms of the social impact they create; and
3. requiring successful tenders to employ a certain percentage of people from disadvantaged backgrounds, including mental illness, in their workforce.

Brisbane City Council, Gold Coast City Council, and Toowoomba City Council are leaders in social procurement innovation in Queensland. The Queensland Government procures \$17 billion of good and services annually and this could be cleverly leveraged to increase social impact.

## ***Capacity Development Funds***

Launched in 2012, the UK's £10 million [Investment and Contract Readiness Fund](#) provides grants to social-purpose organisations to help them prepare for investment. As of November 2014, the Fund had helped these organisations secure over £115 million in investment.

In Australia, NAB and Impact Investing Australia partnered to launch a similar \$1 million [Impact Investment Readiness Fund](#) in February 2015.

## ***Potential New Approaches***

The Queensland Government could enhance the outcomes for people living with mental health and addiction through the following initiatives:

- Providing small start-up grants for social enterprises with strong business plans
- Providing scaling grants for successful enterprises to either expand to other areas or deepen a place based approach
- Increasing the level of social procurement through mainstreaming the approach into procurement policy and building the capacity of procurement teams to assess social impact creation
- supporting Queensland Social Enterprise Council (QSEC) as it builds the capacity of the social enterprise sector in Queensland
- creating a Queensland Investment Readiness Grant Fund, or contributing to the existing NAB to leverage the infrastructure and require a focus on Queensland social enterprises

Whatever approaches are implemented, it will be of enormous value to track both the impact and the cost savings that result.

***Queensland Social Enterprise  
Case Studies***



### **Context**

Substation 33 works with a wide range of people who are affected by mental health issues in Logan. It provides a supportive workplace where people can make mistakes and learn, without the usual performance penalties. Logan has an unemployment rate of up to 18%, significantly higher than the state average of 6%, with youth unemployment reaching 30% in some areas. Logan has a population of 305,000 people, with an estimated 45,000 people suffering from mental health issues, some 9,150 severely.

### **Impact**

Substation now employs 7 local people who experience mental health issues. They all began doing volunteer work and due to their growing confidence and capability, were offered permanent employment. In the last 12 months, the team has supervised 22,378 hours of volunteer and work experience. 9 people have transitioned to paid employment elsewhere in Logan, having joined Substation through the Work for the Dole program. 4 young men, who started as volunteers have also now found the confidence to secure permanent employment nearby. 30 young people from Logan Youth Justice have undertaken part or all of the court ordered community placement at Substation with a 100% completion rate, unheard of in such placement as most go back to prison. There are now 6 mini Substations at 6 local special schools and 2 established in the Special Education Units of mainstream state schools. These students also do work experience in Year 11 and 12 at Substation. In addition 99,000kg of e-waste has been recycled and repurposed in the last 12 months alone.

### **Financials**

This social impact has been delivered through a combination of revenue from trading and a small amount of grant funding of under \$180,000 and the initial incubation by Youth and Family Services. No government funding has been received.

Chris left a special school in Logan 18 months ago and has been volunteering with Substation ever since. For many years, Chris was non-verbal. He has come a long way, learning to speak as his words have value, going next door and buying his own lunch, catching public transport to work. But even more incredibly, when the 'YFS - Community connections' disability support group come to Substation 33 to do their staff supervised recycling activity - this young man runs the table and group. It was an inspirational moment when this young man received the 'Logan people with a disability' volunteer of the year award.



Toowoomba Clubhouse works with more than 700 people in the Toowoomba region with a mental illness to gain the confidence and skills needed to combat homelessness, unemployment and social exclusion. The Clubhouse also acts as an incubator for numerous social enterprises, including Ability Enterprises and Bounce Cafe. It has negotiated opportunities with a range of local businesses through championing social procurement, and through this, is now establishing one of Queensland's most ambitious new social enterprises, Vanguard Laundry Services, in collaboration with St Vincent's Hospital.

### **Context**

Toowoomba has a population of 130,000 and a workforce of 78,000. The area experiences 6.3% unemployment, or 4,900 people looking for work. It is estimated that 19,500 people living in Toowoomba experience mental health issues and of those 3,900 people's experience is severe and debilitating.

### **Impact**

Toowoomba Clubhouse has built strong relationships with local businesses and the local council, and as such, has been placing approximately 30 people a year for 5 years into employment in the community. They have also led the establishment a local Social Procurement Group, which is further engaging local business and resulted in the relationship with St Vincent's and identification of the laundry opportunity. In addition, through the establishment of Ability Enterprises, 40 jobs have been created and a further 15 through Bounce Cafe. It is anticipated that 30 jobs will be created through Vanguard Laundry. Each of these enterprises create a flexible, supportive work environment, allowing people to engage how and as they are able. The Clubhouse then provides additional support to enable people to be in the workplace long term.

### **Financials**

To create this impact, Toowoomba Clubhouse leveraged a broad network of local business partnerships, \$55,000 in government grants, a \$10,000 philanthropic grant and a \$167,000 social finance loan. As the laundry is a multi-million enterprise, higher levels of grants and loans are currently being secured, with the first grant of \$100,000 being provided by the Westpac Foundation.

Hayley, a single mum, started with Toowoomba Clubhouse in 2011, brushing up her confidence on the coffee machine. In late 2012 Hayley joined the Bounce social enterprise program for eight hours per week and slowly worked her hours up to thirty hours per week. Clubhouse staff provided a series of support mechanisms in the background. In May 2014 Hayley with a business partner purchased her own espresso bar in central Toowoomba. She is now looking forward to training up other people with a lived experience of mental illness.



## **Nundah Community Enterprise Co-Operative**

Established in 1998, NCEC provides meaningful employment for people with mental health issues and intellectual disabilities in the Nundah area, north of Brisbane. It was established as a majority employee-owned cooperative after people were frustrated in their attempts to find work, given the challenges they face. It has grown slowly over time, in step with the members needs and capability. They now have two established enterprises, Espresso Train is a cafe and catering business adjacent to Nundah train station and NCEC Parks that maintains 30 local parks and public spaces for Brisbane City Council and the Queensland Government. 80% of its original worker members are still working there today.

### ***Context***

Nundah has a population of just over 6,000 people, with an unemployment rate of 5.1%. Of those residents, it is estimated that over 900 people experience a mental health issue and for 180 people, this is severe and debilitating.

### ***Impact***

NCEC's two social enterprises employ 31 people currently, 21 of whom live with mental health issues. Local people who experience such issues are keen to work, but given the pace at which they learn, NCEC finds that mainstream employers are not keen to employ them. The two social enterprises are flexible with both working hours and work practices, allowing people to fully participate in the workplace and in the community it creates. Member workers are less dependent on family support and say they are less likely to use drugs and alcohol.

### ***Financials***

NCEC sources the majority of its revenue from trading and social procurement initiatives. Over the last two years, it has received philanthropic grants of \$82,900 as well as a few public donations. A solar system has been installed on both premises and that contributes an additional \$5,500 annually. In the 2013/14 financial year, NCEC's enterprises created a profit of \$28,000. Worker members report a reduction in payments for mental health support and welfare as a result of their increased financial independence.

Peter is a 45 yr old man with intellectual disabilities and schizophrenia. He was an original member of the workers cooperative in 1998 and through hard work in the parks and maintenance team he increased his work capacity to 4 days a week. In 2012 Peter was diagnosed with spinal tumours and spent the following two years undergoing surgery and rehabilitation. He has been left reliant on a wheelchair and was initially devastated that he could not return to work in the parks and maintenance division. NCEC succeeded in winning a grant to modify a section of the Espresso Train Café in order to meet P's requirements. He now works in Espresso Train twice a week and has developed a micro-business growing herbs then selling them in the cafe



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