



Queensland Social
Enterprise Council

January 2022

New Year Check-in Survey Results

Background

Since the Queensland Social Enterprise Council conducted the Annual Member Survey in 2021, the next wave of COVID has struck across Australia and the state, leaving businesses dealing with a legacy of unresolved issues from previous restrictions and mini lockdowns.

It was noticeably quiet in the network forums and usual social media channels early in the year, which prompted a series of phone calls with members to “check-in” on conditions. After some 38 phone calls to sector leaders and key anchor businesses, it became clear that many of the social enterprise network participants had been dealing with a range of issues and trying to steer their businesses in uncharted territory, with many of the leaders and their staff struck down with Covid.

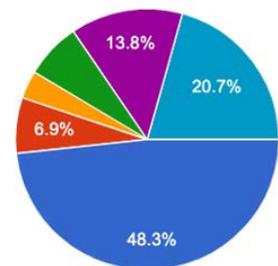
The 2022 survey was sent out to 230 QSEC members in early January 2022 and we took this snapshot two weeks later to try to capture the current sentiments and issues for social enterprises. These results will help QSEC focus on the emerging barriers and solutions for advocacy and support. 29 Members and associates responded in the timeframe, indicating a 12.6% return rate.

Organisations who responded were of various sizes, but all small to medium SMEs with fewer than 200 employees.

Micro businesses represented half of all respondents, and small enterprises represented a quarter of respondents. The remaining quarter represented medium sized organisations.

Organisation Based In

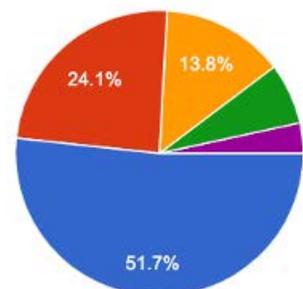
Diagram 2.1



- SEQ (Brisbane, Logan, Ipswich, Redlands, Moreton, Gold Coast)
- Wide Bay
- Darling Downs
- Central and Western Qld
- Far Nth Qld
- North Qld
- Sunshine Coast
- other

Number of Employees

Diagram 2.2



- 0-5
- 6-20
- 21-50
- 51-100
- 101 - 200
- 200+

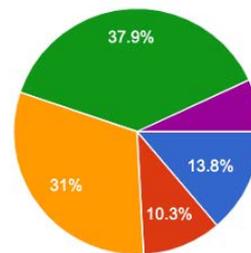
Business conditions

We asked about general business conditions in the previous quarter. The responses highlighted that the business conditions had not recovered fully from the previous pandemic conditions prior to this most recent wave. Nearly 48% of respondents suggested that conditions were either weaker or much weaker than the previous quarter. Concerningly, only 24% suggested that conditions had improved during the lead up to the Christmas period, traditionally the most productive and lucrative trading period. 31% indicated that their trading conditions had not changed from their previous position.

What was your December 2021 quarter general business conditions like?

Diagram 3.1

- Much stronger than the previous quarter
- Stronger than the previous quarter
- Same as the previous quarter
- Weaker than the previous quarter
- Much weaker than the previous quarter



When asking what specific areas had provided strengths and weaknesses, a small number (7/29) saw better turnover, compared to 13/29 who experienced much worsening turnover. Profit margins were impacted as businesses adjusted cost structures of staff leave, energy bills and waste to adapt to lower turnover during the period. Only seven reported increases in profit margins.

Half of the respondents saw no change in their staffing levels, while at least eight gained staff and the same number lost staff. Operating costs and capital costs remained about the same for about half of the respondents, while the other half battled with rising costs in wage outlays, ongoing rental issues, insurances and outlays in fixed and capital costs, pivoting to adjust to changes to the operating conditions. Disturbingly, 50% of social enterprises reported disruptions to the delivery of their impact services.

Business sentiment for the coming six months indicated half of businesses predicting a worsening of their own operations. Conversely, 50% of businesses are expecting either stronger or much stronger operations.

Variables and contributing factors for these sentiments have been expressed as follows in order of most significance to least. Additional commentary has been added to reflect the tone and contextual issues and changes in a very dynamic operating climate.

Customer Volume

Many businesses are reliant on walk-past trade or repeat online consumers. People isolating to limit the spread of the virus has decreased the customer level, with many businesses also reporting a reduction of online trade since the beginning of the last quarter. With the borders opening up, there was a general expectation that trading conditions would go back to near 'normal'. This has not been the case and subsequently has been the single biggest impact on business conditions. Without regular custom, businesses are unable to survive. There is hope in the community that as Omicron runs its course, that there may be some return to a normal trade level. It was clearly expressed that there is genuine concern that people's reluctance to spend, even online is due to their uncertainty in the future economic conditions.

COVID restrictions

Changes to vaccination requirements, check-in/vaccination monitoring and isolation requirements all impact operation costs and staff engagement. Minimising the impact on business and finding streamlined approaches to manage the impost is critical. Some businesses are still reporting consumer resistance to the covid restrictions in store. This is adding a significant burden to staff members.

Accessing adequate tests as a prophylactic is impossible to source, and expensive to supply (both for employees and employers). There has also been a level of concern expressed at the increasing scale and lack of safe waste disposal of used testing materials.

There was recent concern that a third or fourth booster could be mandated and how that would be managed on top of the current restrictions, with further questions on management of potential ongoing demand for vaccination at regular intervals into the future. There are ongoing concerns for the consequences of increasing viral exposure and managing vulnerable staff members under increasing workplace health and safety loads.

Health Issues

Many members have flagged that health issues of staff and founders continue to be a major issue. Employees having extended leave due to rolling infections in the workplace, families and close contacts, have created a huge disruption, with some not be able to access testing to be able to be cleared to come back to work. Coming back to work too early has caused some to have relapses, waining support mechanisms and inadequate pandemic leave and annual sick leave balances have left employees and employers exposed. There was a genuine surprise at the small levels of hospitalisation being required for cases and the lower than expected levels of high-need intervention for a majority of cases.

Some have questioned if a sunset clause on unvaccinated workforce members returning to some workplaces could be warranted, given the shortage of labour in some markets provided adequate testing regimes can be secured.

Demand changes

Many businesses are trying to “pivot” once again to address demand changes. Peak times, days, products and services have all changed. Adjusting to the supply of products and services is making forecasting, supply chain predicability and staffing levels all very challenging.

Turn over and profit margins

Understandably, cash flow predictability remains high on the list of challenges for business. Increased profit margins represent a mechanism to balance shortcomings in other areas of operations. Striking a balance between profit margins and service delivery remain a very reasonable concern for social enterprises, who use their profits to deliver impact.

If there was a difference in your Dec 2021 situation and the forecast for the next Quarter, what are the major contributing factors?

Diagram 5.1

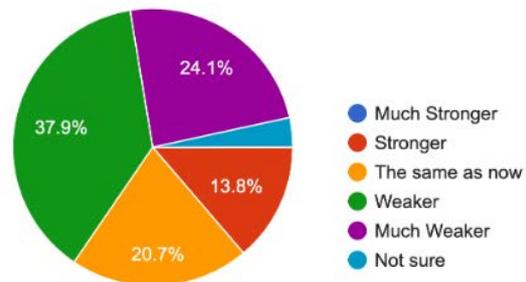


Qld Economic Outlook

The expectation of business recovery generally in the Queensland economy in the next 6 - 12 months doesn't provide much comfort. Over 60% of businesses think that the next six months will be weaker to much weaker, with 20% expecting that things will stay about the same over the full 12-month period. There is hope with 34% believe that things will improve in the general economic conditions in the next 12 months as compared with just 14% over the next six months.

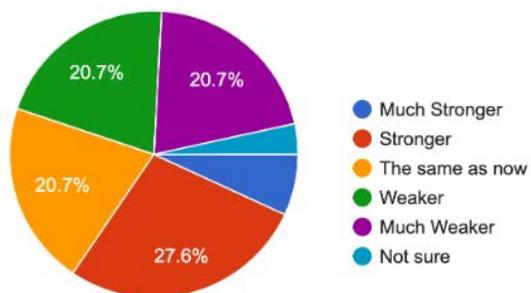
What is your expectation for the health of the Qld economy in the next 6 months?

Diagram 6.1



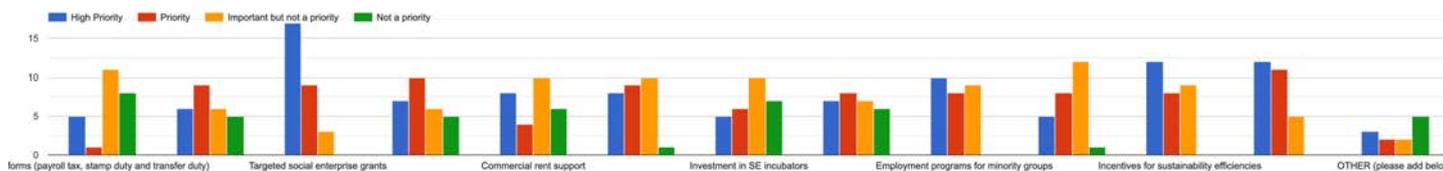
What is your expectation for the health of the Qld economy in the next 12 months?

Diagram 6.2



QSEC is in regular dialogue with the Dept for Small Business and Ministerial Staff. What are the areas of priority for advocacy or support for your business?

Diagram 7.1



Priority areas for support

Members have indicated the highest areas for support in the coming months, which have been represented below in order of importance.

Grants

Targeted social enterprise grant support has been the most commonly requested, and with the success of the recent grant pools, there is a growing requirement for this specialised level of support.

Particular comments from members have included grants for emerging small businesses, who are addressing areas of community need. Responses included a demand for improved responsiveness to the grant application process and roll out of funds for the targeted areas. Matching funds to areas of need are critical and should be considered an investment in community assets, regardless of the business structure providing the support.

Additional grants and payments mentioned were for small businesses significantly affected by Covid related to the downturn of trade, workplace health and safety adjustments, clarity about management of testing requirements. There was also an acknowledgement of the lack of support for workers to access leave for covid related illness (them or their families) particularly in cases of extended leave being required for relapses or rolling infections in family or close contact settings.

Marketing and Promotion

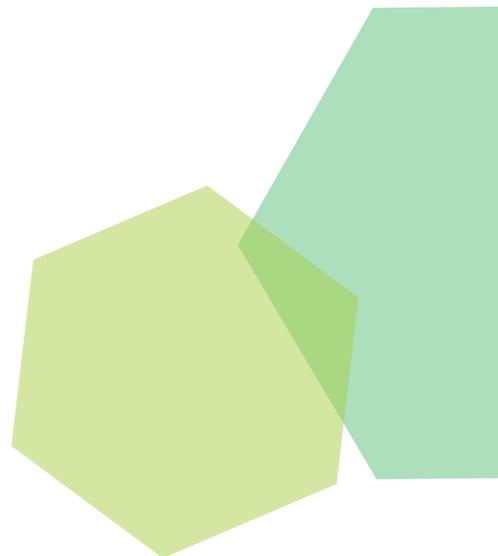
Utilising funds for promotion of the sector and to raise awareness of the variety and diversity of social enterprises products and services, linkages to opportunities for government, corporate and industry buy-in.

Sustainability efficiencies

Increased access to incentives to improve energy and environmental efficiencies.

Employment programs

More flexibility for businesses to access programs to employ minority and marginalised groups for better, longer term employment outcomes.





Priority areas for support continued

Procurement

Better linkages, access and promotion for social procurement and readiness programs. Commentary has suggested that access to procurement sources will increase reliability of income, and also enable businesses to secure investment to scale operations, and in turn increase impact delivery. Some social enterprises have reported difficulty in managing large scale project requirements, and frustration at not being able to build capacity to address this, especially when there is no requirement for the tender body to adopt social procurement attributes.

Affordable spaces

Access to affordable, commercially viable spaces for impact delivery.

Training & reskilling workforce

Incentives to engage training and reskilling existing and new employees.

Business coaching & Mentoring

Longer term access to mentors and business coaches.

Incubators & start up accelerators

Incubators and hubs provide spaces for social enterprises to build collaborative approaches to project work. Start Up accelerators help to grow the pipeline for the social enterprise eco-system. This is particularly relevant in regional areas that have limited access to these kinds of opportunities commercially.

Tax reform

Reforms such as reductions or pausing of payroll tax, stamp duty and transfer duty can all play a role in alleviating the burden for businesses and social enterprise.

Other

Businesses are asking for clarity on the status of vaccination regimes, workplace health and safety frameworks on return to work and wellbeing management for employees and clients/customers.

Summary

Businesses in general have all been impacted by the recent increase in Covid numbers, which have been felt through health and wellbeing of staff, labour levels, reduced turnover, supply chain issues and for social enterprises, in the delivery of their impact services.

With the current uncertain outlook for business, and trade in flux over the next six to twelve months, social enterprises are uniquely placed in communities to address the growing demand for impact service delivery through gaps in market delivery.

The social enterprise sector is requiring support through a continuation of:

1. state government specific funding,
2. promotional levers for the sector differentiation,
3. an increase in access to social procurement levers,
4. advocacy support (including policy change to access to work-force programs for training development, access to affordable spaces, longer term mentoring support),
5. regional and place-based development for collaborative opportunities.

Businesses generally are looking for support through:

1. alleviation of costs through reforms for taxes and duties, incentives for increased sustainability efficiencies, health and wellbeing incentives,
2. clarity on status of vaccination regimes and policies, safe return to work policies, isolation periods, and close contact status,
3. staged workplace health and safety changes as a result of the pandemic as it moves to endemic,
4. updates on economic forecasts and longer-term outlooks.