SOCIAL INVESTMENT FROM A UK ... AND AN ECONOMIC PERSPECTIVE (Not necessarily the same thing!)

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SOME KEY ECONOMIC ISSUES

• Identifying main benefits and costs
  • ...and when they will arise

• Most costs are incurred today
  • Pre-distributive; human capital enhancement

• Most benefits arise considerably later as in:
  • Unemployment avoided/higher activity rate
  • Ex-ante prevention of exclusion
  • ...but not all

• SI as a complete package or a menu
  – Implies thinking about the budget constraint
“Look to the future, because that is where you'll spend the rest of your life.”

- George Burns
FINANCE MINISTER QUESTIONS

• Why is the investment worth making?
  – The projected return
  – The opportunity cost of alternatives foregone

• Timing and how to deal with distant outcomes
  • The most appropriate discount rate
  • Taking account of uncertainty
  – The parallels (or not?) with climate change

• Who pays and how is the revenue collected?
  • Clients of the investment; indirect beneficiaries; tax-payers
RELEVANT UK EXPERIENCE (I)

• Prominent on government web-site
  – Promotion of social enterprise
  – ‘Big Society Capital’: world’s first SI bank
  – *Social Value Act* to foster social-friendly procurement
  – Social impact bonds to finance social organisations
    • Facilitated by dedicated unit in Cabinet Office

• Placing social investment on G20 agenda
“Social investment provides capital that enables social organisations to deliver both social and financial returns”

_Cabinet Office_ explanatory memorandum on social investment
RELEVANT UK EXPERIENCE (II)

• Some public debate on
  – At the political level, ‘pre-distribution’ /capabilities
  – But no real sense of a social investment welfare state
    • Though a term used by the likes of Colin Crouch, but...

• Yet if we probe beneath the surface
  – Several elements of an SI approach can be discerned
    • Often with a quite distinctive British
  – Extent of evolution from unhelpful A-S stereotype
    • It is now 25 years since SHE was deposed
CORE APPROACHES IN UK

• Brown (more than Blair): ‘welfare to work’
  – An activation agenda: hard(er) to reach groups
    • Fair amount of conditionality of benefits
    • Strong emphasis on placement; less on funding training

• Cameron’s ‘Big Society’ rather amorphous
  • Accompanied by benefit rationalisation
  • Though far from just as an austerity measure

• Inclusion and integration policies
  – Ambitious decentralisation agenda now launched

• ‘Living wage’ strategy – shifts burden to employers
SO....

• Clarify what ‘social investment’ invests in
  – Human capital .... risk of being too utilitarian
    • Parallels needed on depreciation as investment principle

• What sort of return can we:
  • Realistically expect? Measure as outcomes of the investment?
    – Needs answers on opportunity costs and discount rates

• The economic logic starts with efficiency
  – But could include broader aims (externalities?) such as:
    • Poverty alleviation; gender or other equality objectives
IMPLICATIONS FROM UK ‘MODEL’

• More to it than new social protection measures
  – Part of a wider narrative on welfare/societal reform
  – Making work pay a recurrent theme
• Perhaps overtly an allocative orientation in UK
  – But still has distributive consequences
• SI often more present than is immediately obvious
  • Yet not as coherent as in Nordic countries
  – Could even also be true in France?