

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

A close-up photograph of a hand holding a glowing, spherical object. The sphere is bright yellow and contains the text of the quote. The hand is dark-skinned and is positioned at the bottom of the frame, with fingers wrapped around the sphere. The background is dark, making the glowing sphere stand out.

**"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?