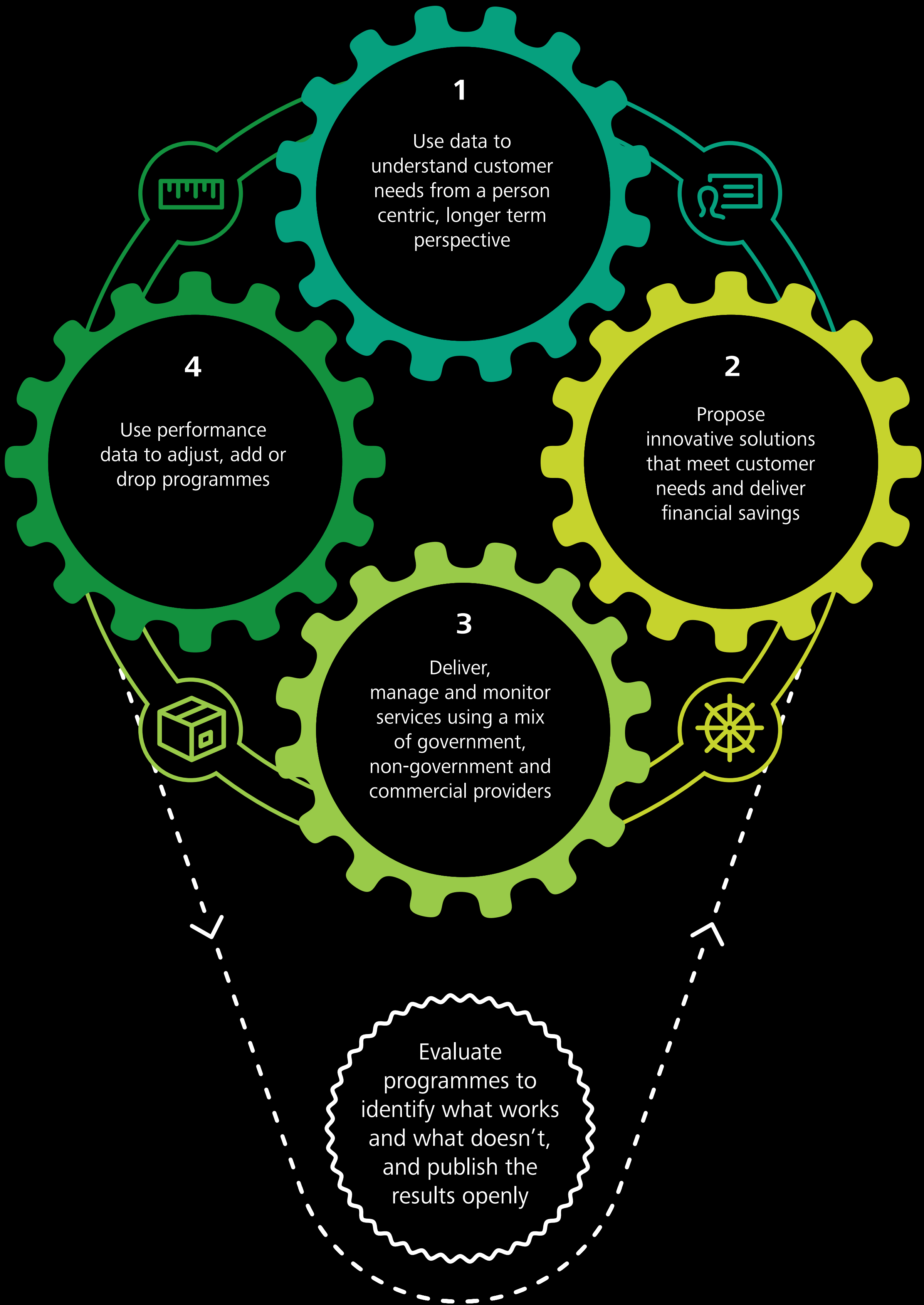
How does social investment work?



A focus on social investment

What is the social investment approach?

The investment approach can be thought of as government activity undertaken on the basis of a return-on-investment justification. Using the investment approach, funding is made available on the basis of:

a) Data quantifying the issue or challenge

b) The likelihood of the proposed interventions to address the issue or challenge

c) Measurement and reporting back to decision-makers on the outcomes achieved by the interventions to enable calculation of the benefits.

The term *social* investment relates to the application of this approach to the social sector.

If there is no change in the way we approach social spending – expenditure on things like welfare, health, education, justice and other social services – government expenditure in the social sector will continue to grow at a rate greater than revenue growth.

The current approach to social spending is largely about funding outputs like more hospital procedures or more prison beds. And previous attempts at fiscal restraint have asked agencies to deliver savings while continuing to provide the same number of, or in some cases even slightly more, of these outputs.

But a new focus on reducing *avoidable* spending asks agencies to go further. The task is not to deliver the next 100 prison beds for the same cost as the previous 50 for example; it is to remove the need for those new prison beds altogether.

The only way to meet this kind of challenge is to consider root causes and prevent the need for these services in the first place.

The evolution of social investment in New Zealand

The concept of social investment is not a new one. It was first raised in New Zealand nearly 20 years ago at the Beyond Dependency Conference. More recently, in 2011 the Welfare Working Group recommended an investment-based approach. That same year the government carried out an actuarial assessment of adopting a long-term investment approach which served as the basis of reform.

The current government appears to be throwing more weight behind social investment. Recent developments include the creation of a new Social Investment Unit charged with setting data and evaluation standards, developing methods for estimating return on investment, and enabling the safe sharing of data to support better decision-making.

More widespread use of social investment could put New Zealand back at the cutting edge of public sector reform. But more importantly, people who might otherwise be facing a life of poor outcomes and disenfranchisement may be empowered to do better for themselves and their children.

More widespread use of social investment could put New Zealand back at the cutting edge of public sector reform