Overview

Fall Institute 2012 – October 14-16 – Saint John, NB

Social Finance and Innovation for Adult Basic Learning: Opportunities and Challenges

About the Institute

The Institute explored a range of social finance and other innovative funding models including those currently being proposed by many governments in Canada and around the world, focusing on how these models might apply to literacy and essential skills programs in the community and workplace. Participants included representatives from organizations that have actually implemented some of these models, researchers who have investigated them, policy-makers who are pondering how these models can make government investments more efficient and produce better outcomes, and potential private investors interested in generating social benefits and revenues. Most participants came from literacy and essential skills' organizations that are anticipating major changes in the way they are funded and are trying to understand what those changes are likely to be, how they will affect the way they function and serve learners, and how various models of social finance or alternative funding might replace existing financial arrangements.

At the end of the Institute, participants widely agreed that, as interesting as these models appear, we are still at an early stage and have much to learn before we are in a position to know how and when these models might be implemented with reasonable expectations that they can help us achieve better results for adult learners.

Day One: Defining the Context, Framing the Issues

Before every Institute, The Centre for Literacy asks participants to identify ahead of time their concerns and what they are hoping to learn and achieve at the Institute. In this instance, the list of issues compiled by The Centre revealed that there was some confusion about the notions that are typically associated with social financing, as well as strong concerns about the implications of moving in that direction. Here is a selection of those concerns:

- How to resolve potential conflicts between pursuing a social mission and producing more revenues from activities?
- How will performance indicators be chosen and who will choose them?
- What are the conditions for a successful implementation of these models?
- How do they apply to organizations that do not provide direct services to learners?
- If one of the goals is to reduce the risks for governments, will LES organizations share a greater share of the risks?

On the morning of the first day, participants had a chance to revisit these issues and discuss them with peers. They were able to state their expectations for the Fall Institute more precisely. Many participants shared similar expectations for the event, namely:

- A desire to learn more about concrete examples of successful implementations of social finance in the LES sector;
- A need to get a better sense of what would be required from their organization if it had to implement a social finance model;
- Reassurances from governments that there would be real negotiations, not a top-down decision.

In the afternoon, participants heard the stories of two community-based programs that have integrated elements of social finance and/or performance-based funding.

Luanne Teller, who is currently the Director of the Central Resource Center (CRC) at the System for Adult Basic Education Support (SABES) in Boston, Massachusetts (MA), outlined how, in a previous position as Program Director, she and her colleagues had implemented a pay-for-performance program whose objective was to upgrade the skills of women with little or no previous work experience to lead them to a job placement at the end of thirty weeks. The program which ran for almost a decade was successful because it had a clear mission, a shared vision and strong leadership. Everything they did was focused on helping the learner gain the skills and the confidence needed to get a decent job. In that context, performance-based funding was a good fit. A percentage was paid upon enrolment and students were considered enrolled after two weeks. The second payment was based on job placement and placement was considered "successful" by the funder if it was full time. The last payment was made upon retention in the job for 90 days. There was very little paperwork, yet the program was held truly accountable for what really mattered: the success of the students. Despite its success, a government policy change forced the program to reduce training time to ten weeks; the program was terminated within a year.

The example of Stella's Circle, presented by Christina Tobin, Program Coordinator-Social Enterprise Training from the Stella Burry Community Services, encompasses a broad array of services provided by Stella Burry Community Services (SBCS) in Newfoundland. It provided a counterpoint to the Massachusetts example. Stella's Circle is a social enterprise that aims to serve people who have experienced personal and health-related challenges that have prevented them from full and active participation in our community. The organization provides a range of services that meet the needs of program participants, wherever they may be in their journey. This is where the notion of the circle comes from. Among these services, SBCS has developed businesses (including a café and "outside cleaning services") where learners can acquire real work experience. The businesses are meant to be profitable, which prepares learners for the labour force outside the Circle and provides an additional funding stream for SBCS. They also receive funding from the Government of Labrador and Newfoundland and from charitable donations to the Stella Burry Foundation. In addition to these sources of funding, Stella's Circle relies on a network of partnerships forged over the years with other community organizations..

At the end of the first day, participants reflected on what they had heard. The emphasis on putting "the mission" first was well-received, but many people noted that this kind of social innovation was not easy to achieve and often required a blending of cultures that sometimes seem at odds (social activism versus business outlook, a narrative perspective versus data gathering and research, etc.). Others also pointed out that governments still played an important role, a theme that was revisited the next day.

Day Two: Social Finance from an International Perspective, Social Finance through a Research Lens

The second day began with presentations by video link from representatives of the Government of Canada (Siobhan Harty, Director General of Social Policy, Human Resources and Skills Development Canada), the UK government (Susan Pember, UK Department for Business Innovation & Skills), and the US federal government (Johan E. Uvin, Deputy Assistant Secretary of Policy and Strategic Initiatives). This panel session focussed on the growing interest that governments have for Social Finance approaches, including Social Impact Bonds. The panellists expressed cautious optimism about the possibility that these approaches might lead to better outcomes and savings for their government, but they also noted repeatedly that they were just beginning to explore these approaches and it would take some time before policy decisions were made about them.

In the ensuing discussion, many participants noted that they had been pleased to hear that governments were not looking at social finance as a panacea. Others felt that the caution expressed was appropriate, since there is not yet a lot of empirical evidence to support the view that social finance approaches are the next frontier in social policy in general, and the LES field in particular. A number of participants expressed scepticism regarding the ability of LES to attract outside investors, especially when the work involves the most vulnerable populations. Taking into account the emphasis on metrics and measurable outcomes that is typically linked to social finance, there is a great risk that LES organizations may be tempted to select learners who have a good chance to show progress. Others felt that they were not in a position to even guess how the field would be affected, since they were still struggling with the concepts and the jargon of social finance.

In the first presentation of the afternoon, Karen Myers, Research Associate with the Social Research and Demonstration Corporation (SRDC), helped to clarify the various strands encompassed by the concept of social finance. She reviewed the policy context as well as ongoing social finance projects in several countries and outlined differences and similarities between the various approaches. She insisted that, while these approaches may share commonalities, they also differ in some respects, particularly regarding the role of governments in setting them up and the degree of priority given to the profit motive. In response to a question from a participant, she said that she could not see how the implementation of social finance approaches could replace the central role that governments currently play in funding social programs. In her opinion, the marketplace for social finance is in its infancy and it will take many years before it becomes mature. However, she was hopeful that these models would eventually contribute to a shift to a more demand-led approach to employment and training.

The issue of metrics was a recurring theme throughout the Institute and UK researcher Penny Lamb, Head of Policy Development, National Institute of Adult Continuing Education (NIACE), left no doubt that social return on investments (SROI) is a complex undertaking in the best of cases. Penny explained that many policy shifts are taking place in England to reform public services and find new solutions and ways of working to solve long term ingrained social issues. These are much wider than the learning and skills agenda highlighted in the strategy from the Department of Business Innovation and Skills (BIS). Social financing and moving to outcomes based approaches are critical to this agenda. It is in this context that NIACE was asked to complete Social Return on Investment (SROI) analyses on a sample of Adult and Community Learning Fund (ACLF) projects. Eleven of the projects funded under the ACLF were trained to use the specific SROI model sponsored by the Cabinet Office. Each project received mentoring support through the process.

The SROI methodology enables the capture of value of wider social, economic and environmental outcome created by an activity or project. It aims to show all the values created by the project, including those that often do not have a market value. These are expressed in monetary terms to enable the full value of the project to be included. This lends itself well to thinking about adult learning and skills and to enable the full voice of the learners to be heard. According to Penny Lamb, it is clear that for the local projects the methodology is useful as a quality improvement tool. It enables projects to focus on one area of activity and consider it in a detailed and wide ranging basis. For some projects this meant putting in place ways of capturing data for things that they had not previously considered. For other projects, the process provided some stunning conclusions on what was important to the learners. For still others, it was a sharp reminder not to speak of outcomes in the language of project management or funding bids but to truly listen to the learners for what is important. She stressed that the final ratio of funding input to social return on investment cannot be compared: it is context specific and based on local judgments to inform local decision-making. On its own the methodology is not sufficient to make the case for adult learning, but as part of a range of evidence it provides a unique insight into the wider outcomes of learning and what learners really value. It also provides a new discourse for learning providers.

Institute participants were given sample evaluation sheets used in the UK and asked to perform a quick analysis of relevant inputs, impacts and outcomes based on short program descriptions. The exercise left little doubt that a shift to SROIs would entail major human resource investments to prepare LES workers to apply these evaluation protocols adequately.

Even programs that function as social enterprises and are making a difference recognize that getting metrics right and making them part of the organizational culture is difficult to achieve. Both Barb McFater, Executive Director of PTP Adult learning and Employment Programs, and Christina Fowler, Executive Director of the Saint-John Learning Exchange, made it clear that their decision to function as social enterprises was motivated by the need to survive financially and serve adult learners better. In both their cases, the social mission remains at the core of the organization, even as they strive to make it profitable and therefore sustainable. They devoted much of their presentation to this dynamic tension between balancing social ideals with the need for revenue. While acknowledging that it was not easy, they both felt that it was the right decision. They also admitted that they still struggled with metrics, although it has become clear to them that gathering and analyzing data would undoubtedly serve their organizations in the future. In closing, the presenters offered a number of discussion points. We have selected two of them:

1. A philosophical shift is required: from receiving funding to deliver programs – to assessing profit margins, managing debt and attracting or retaining customers

    - How do we acquire or develop the skills needed for success?
    - How do we help stakeholders, staff and Board make the shift with us?

2. Once you have a social enterprise up and running, the range of skills needed starts to change and evolve

    - How do we balance project management skills with new business development skills?

Day Three: Making Small Steps and Planning for the Future

Participants heard from people and organizations they seldom have a chance to hear and meet: employers and potential investors. Tim Masson, Chief Executive officer of the Ian Martin Group (IMG), Mike Murphy, Relationship Manager for the BMO Harris Private Bank, and a member of the Board of Directors at The Greater Saint John Community Foundation, and Linda I. Gibbs, Deputy Mayor for Health and Human Services in New York city contributed stories that illustrated the full spectrum of involvement of the private sector in producing social benefits, from exploration to full engagement.

Tim Masson shared the story of choosing to make IMG a "B" (Benefit) Corporation, one of the many ways available to businesses wanting to enlarge their mission to include social and/or environmental benefits and add a stakeholder's perspective to the bottom line of their company. He admitted that he was still trying to think through the implications of doing so and that he did not have all the answers, but was clear about the need to find new ways of doing business and he felt that the private sector could make a contribution. He also believed that businesses have a good chance of making an enduring contribution when the social mission of the company becomes an integral part of its business strategy. He cited Better World Books as an example of a B Corporation because the many libraries that had benefitted financially from the donations made by BWB had also become key suppliers of used books and thus an important part of the business.

But it is not always easy for private investors to plunge ahead and find an approach that suits their needs and their mission. Mike Murphy noted that the Greater Saint John Community Foundation was still looking for the right way to become involved. He explained how the need for profitable and low-risk investments was a key element in allowing private foundations to pursue their social mission. Potential donors have to be confident that their financial contributions will not be squandered and the foundation's capital will be protected and grow. In his case, the goal was to find social investments that met these criteria while continuing to provide grants to local organizations. He insisted that the return on investment did not have to be great, but that models that provided reasonable protection of the initial capital held more interest for his organization. He mentioned that community foundations across Canada are exploring how they can become involved and that a few had already made a commitment to dedicate a portion of their investments in local social enterprises.

By contrast, the City of New York has already launched a social impact bond aimed at reducing youth recidivism at Rikers Island prison. Linda Gibbs described some of the intricacies of the plan, which is being partly funded by Goldman Sachs and the Bloomberg Foundation. In response to questions from the participants, she expressed the opinion that not all social programs were amenable to this type of financing. She also felt that social impact bonds were useful to attract start-up investments, rather than for long-term funding.

Silvano Tocchi, the Director General of the Workplace Partnerships Directorate at HRSDC, provided additional details on some of the social finance models that will be tested in Canada in the coming months. Responding to a comment about the stringent accountability requirements that OLES already imposes, Silvano acknowledged that this was a frequent complaint, but added that current accountability requirements were a direct function of current funding mechanisms, and he expressed his interest in exploring other accountability models, perhaps less detailed ones, as part of the overall exploration of new approaches to funding.

The discussion that followed these presentations was the final one of the Institute. From the comments, it was obvious that participants had learned much, even if the complex nature of social financing models remains daunting for LES practioners. A number of participants said they understood the need to try other approaches and to innovate in order to better serve learners. Others were relieved to learn that these models were not necessarily considered as "the next big thing", but rather as an interesting set of tools that would be piloted to determine their usefulness and validity. Others cautioned that provisions would have to be made to ensure a successful transition to the new approaches if and when a decision was made to implement some of them for LES. The issue of trust was also raised, since uncertainty often breeds distrust, which is something the LES sector needs to avoid if it wants to strengthen its focus on the needs of learners.

Not surprisingly, what the participants heard raised as many questions as were answered during the Institute. Here is a selection of questions collated from the final discussion at the tables:

Ethical Concerns

- How do we get balance on risk and responsibility elements?
- We heard a lot about the fact that "Government cannot drive change/innovation". That was not always true. Government used to be more innovative, bolder, and open to taking more risks. Could we get back to that time/those principles?
- Have the accountability frameworks created and perpetuated a self-sustaining bureaucracy?
- What does this mean for minority groups?
- Do we sell some of our soul to be able to follow our passion? (mix is a good thing)

Practical Concerns

- What are the next steps?
    - Be more self-sustaining.
    - Stay partners with government
    - More conversations needed. Need to explore or philosophies.

- How will organizations get into exploring/developing these models and satisfy these activities within existing agreements and funding? – supports during transition
- Can federal/provincial restrictions lessen for coalitions/nationals where social innovation takes place, for example, communication skills developed and taught by coalitions?
- How do we protect the long-term investments from the "bureaucratic" hiccups along the way?
- Will these models be the flavor of the month, a one-shot deal, or will they be in place for the long-term?
- How do we continue to engage in this discussion?

In response to the last question, The Centre for Literacy is committed to follow up on the discussions at the Institute by maintaining and enriching its web resources on social finance, by publishing the Primer drafted for the Institute, and by organizing webinars devoted to issues raised. We will also continue to investigate ongoing attempts to implement and evaluate social finance approaches and share what we have learned. The issues and challenges related to social finance and social innovation in the not-for-profit world will be with us for a long time, and all LES stakeholders will need to consider whether or how they will engage with and contribute to the growing base of knowledge and experience.