



Submission

**by the Canadian Union of Public
Employees
(CUPE)**

to the

**Human Resources and Skills
Development Canada (HRSDC)**

Introduction

In November 2012, Diane Finley, Minister of Human Resources and Skills Development Canada, announced that the Conservative government would be supporting “social finance opportunities.... unlocking new sources of capital and new ways of thinking to improve social and economic outcomes for Canadians”. The Minister also announced that the government was seeking input to support these new models of social finance and called for ideas for using private financing to address social and environmental initiatives and to move forward innovation in these sectors. Specifically, the intended goal of this initiative was to harness “private sector capital and business practices” to better “respond to social challenges such as homelessness, unemployment and poverty.”

Potential proponents of social finance projects were invited to submit concept sketches through an on-line questionnaire.

Many of CUPE’s 620,000 members across Canada are front-line workers dealing with those exact social challenges on a daily basis. Our members continually seek to engage with government to help develop innovative solutions and provide the best services possible to those in need. We are troubled with the direction the Harper government is taking with regards to both funding and development of these social programs. We find that the online consultation launched by Minister Finley is too limiting in that it does not provide the necessary constructive dialogue to address funding shortfalls for these programs. The limited nature of online consultations and the construction of the questionnaire does not allow for a critique of the social financing model to be presented.

CUPE has opted to submit our comments in this brief rather than through HRSDC’s on-line questionnaire.

We believe that it is necessary to carry out a full and public assessment of social impact bonds and the social financing model in Canada before going ahead with any part or version of those approaches. There are major issues that have been raised with this financing model throughout the world by those directly involved in the delivery of public social services. There have been substantial concerns raised about the economic sustainability, fairness and risk associated with this model. Some of the issues of concern with using social impact bonds and the social financing model are:

- profiting from social ills
- using a for-profit business model approach to providing services for those most in need
- carving-off the more suitable areas for investment return to the exclusion of the most vulnerable or most in need
- risk-averse nature of social-impact bond financed programs

- unstable financing of long-term social programs with short-term funding mechanisms with no guarantee of continuation even if the service is being provided
- misuse and misapplied impact assessments based on poorly defined measures of efficiency
- displacement of stable and professionally managed publicly funded programs with short-term initiatives

Social Impact Bonds: Funding Cuts and Privatization

The services being targeted for social financing are the very same services that have faced chronic under-funding and then public funding cuts in recent years. Social and community services for those are increasingly forced to turn to philanthropic organizations and individuals for basic levels of support. Philanthropic donations augment and replace government funding.

The privately financed social impact bond model is not a philanthropic model. Philanthropists salve their consciences and receive tax breaks. They don't get their money back. Corporations and organizations engaged in social financing and social impact bonds have a profit motive. The government pays back the money that they invest with interest. This is a method of privatization that allows the wealthy to profit from the misery of others. Regardless of whether there is some "benefit" that may come of this, it is undeniable that there would be more benefit if the amount of profit being paid to corporations and their stockholders was further invested in under-funded social programs.

Innovation, Measures of Success and Who Gets Paid

One of the reasons for supporting social impact bonds given by the private finance sector, and other supporters of the model, is that private financing supports innovation. However, this claim is not supported by the data.

Innovation in social programs generally occurs at the level of the worker or small group of workers collaborating to make the best of available resources. Opportunity for discussions, development of best practices and innovative programs are needed and are carried out in these sectors already. Investors, whether in social impact bonds or any other investment, will be looking for proven program models in order to maximize the return on their investment. The pressure to meet contractual/bond-related objectives will lead resources to the safest programs, not the innovative, untested models.

Since innovation occurs at the level of individual workers and local non-profit sector agencies, there is no reason to believe that complex private-sector financing relationships well above that level are better suited to support that innovation.

There is no shortage of new proposals for better implementation of public services in Canada – many coming from the social service workers and unions. The reality is that many of the problems faced by the provision of public services are related to under-funding, not lack of innovation in delivery.

Social Services, Profit and Fair Taxation

Social impact bonds and social financing are designed to return a profit of 8% -15% to private investors. This amount dedicated to profit is either funding redirected from direct program provision, or an additional cost for service provision. We believe that the resources should be put into services for those in need, and not into private profit. Many of these basic social problems that Minister Finley seeks to address arise out of the growing social inequality seen in Canada. Solving the problems that result out of this social inequality by further re-directing resources away from those most in need will not work.

It is commendable if many affluent and wealthy individuals want to do address inequality and there are excellent ways they can contribute, without demanding a profit to themselves in return. We have a system by which the better-off in society can contribute to allow those who have not benefited from the current economic system: the progressive income tax and public services system.

If it is the government's goal to address the issues of homelessness, unemployment and poverty, then this model is not the correct one.

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