Institute of Policy Studies Roundtable
'Defining Social Impact' By Professor Peter Shergold, Chief Executive Officer and Macquarie Group Foundation Professor, Centre for Social Impact, Australia

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The Institute of Policy Studies organised a Roundtable titled 'Defining Social Impact' with a presentation by Professor (Prof) Peter Shergold, Chief Executive Officer and Macquarie Group Foundation Professor of the Centre for Social Impact in Australia. Participants at the meeting were representatives from the voluntary welfare and social enterprise sectors in Singapore.

2. Prof Shergold gave an overview of the trends in the Australian social sector and shared his views on the value of social impact assessment for its development. He said that any discussion on social impact assessment would be valuable in helping all necessary stakeholders in the social sector of our respective countries, begin to grapple with the increasing complexity of the way organisations delivered social purposes today. During his time in the Australian public sector, where he rose to become the Secretary of the Department of the Prime Minister and Cabinet, Prof Shergold recognised that the resolution of complex social issues today would be most effective if it were based on the model of 21st Century western liberal democracy. The model involves collaborations among various stakeholders from the private, public and people sectors.

3. The Australian Not-for-Profit (NFP) sector was significant in a few ways: at least 85% of Australians contributed to it in some way; the revenue it generated stood at an average of 8% of the country's gross domestic product (discounting the work of volunteers); and it grew at a rate of 7.7 per cent annually. Although the sector comprised 600,000 NFP organisations, most of these were volunteer rather than direct social service organisations.

4. This broad sector comprised two categories of organisations: mutual interest organisations, and public purpose organisations. Generally, mutual interest organisations comprised hobby or membership clubs and made up the majority of the sector in Australia. Public purpose organisations, which included advocacy organisations, schools, universities, research institutions, hospitals, child and aged care organisations, were on the other hand directly geared towards supporting community good. Today, most of the latter preferred to be called social purpose businesses (NPEs), as opposed to charities, with the assumption of more market-oriented activity instead of relying on the passive receipt of donations. This

change also emphasised the fact that these organisations channelled their surpluses towards social purposes. Together with another group of organisations called socially responsible businesses, there was a convergence among them around the goals of social purpose and financial sustainability.

5. In terms of those who were providing the resources that these organisations needed, there were individuals, families and private foundations making grants and donations. There were also corporate foundations, high network individuals and families that played the role of social investors. There were two main groups of social investors: "Financial First" investors, primarily interested in achieving a market-rate return, but preferred to produce social benefit as part of this process if it was possible, and the "Impact First" investors, who were more willing to assume a risk-adjusted rate of return for social and environmental benefits.

6. The role of government was crucial in the aspects of regulation, taxation, welfare support, and also in setting the tone for the relationship between the social service sector and the public. In comparison to states with less extensive social safety networks, NPEs generally had a more difficult time raising funds in welfare states. This was due to the public's belief that NPEs in welfare states should be funded by the government. However, there would increasingly be opportunities for the private sector to collaborate and invest in the sector.

7. How one measured social impact had to depend on who the target audience was, and what one was trying to measure. There was no 'one-size-fits-all' solution to this. The several ways of measuring social impact included the focus on value of the different levels within larger NFEs, and of direct and indirect impact. This process would help ensure that NFEs stayed focused on fulfilling their mission, or perhaps even highlight to their management team that they needed to clarify or refine their mission to be effective at all. Larger NFEs, such as the Salvation Army could be assessed on the programmatic (e.g. value of feeding the homeless), organisational, (e.g. value of Salvation Army), systemic (e.g. effectiveness of food redistribution process) and sectoral (e.g. impact of food redistribution programme on affordable housing strategy) bases. Social impact assessment could appraise direct (e.g. beneficiaries fare better) and indirect effect (e.g. volunteers enjoy healthier and longer lives). As every NFE would be faced with social needs which exceeded its resources, the activities undertaken or output component of NFEs should be measured in terms of outcomes (net benefit to recipients) and impact (net benefit to broader community). Also, the social assessment process should be conducted in proportion to the scale of operations.

8. In concluding his presentation, Prof Shergold provided several qualifications on social impact assessment. First, there was a need to be sensitive to givers who did not want to be investors and preferred to "give from the heart", as social impact measurement could diminish their act of giving. Second, there was a need to adequately balance the trade-off in the resources that went into social impact investment which could be used for other social

purposes. There was room for larger organisations to pool funds to help conduct social impact assessments on behalf of smaller organisations. Third, social impact assessment could potentially be misused, for instance, by agencies conducting the social impact assessment that assumed that a greater rate of return entailed greater social impact and limit funding resources to organisations that did not meet those measures. Fourth, it was essential to be clear about the purpose of social impact assessment by defining what it was that one wanted to measure, as there was the danger that there could be an over focus on methodology.

Discussion

9. A participant commented that social impact assessment did not create a common language between various stakeholders of the NFP industry as there was a need to use a financial proxy for value assessment. Prof Shergold said that there were two divergent schools of thought on social impact assessment. The first, of Social Return of Investment, originating from the New Economics Foundation, was more focused on the assessment of value by means of conversion to monetary value. This approach was controversial because social impact was not directly convertible to monetary value. The second, of the stakeholder value management analysis, used by The Smith Family, measured value according to the expectations of stakeholders of the organisation in question.

10. Another participant asked if the cost of not running a programme, the ‘opportunity cost’ or cost of non-intervention should be factored into the value assessment of the programme. Prof Shergold responded that the assessment of the counterfactual should be carried out to allow the full measurement of the benefit. A member of the IPS team related the suggestion from an earlier roundtable of using randomised measurements, in which a control group that did not enjoy the services could be used to establish the value of not conducting the programme. This would however entail the commitment of more resources to the assessment process.

11. If conducting social impact assessment to the gold standard was expensive, would smaller NFEs without the finances be disadvantaged? Would it be better if the government were to undertake such assessments especially if it would be collecting data at a systemic level anyway? In response to these two questions, Prof Shergold commented that governments on a whole did not understand social impact holistically as

government departments tended to have their specific agenda. For instance, the social issue of homelessness was not simply about getting people off the streets, but could also be associated with untreated mental illnesses, family, and employment. The difficulty with social impact measurement was also in deciding on the points of measurement.

12. The discussion also revolved around what was the appropriate organisation that should be conducting impact assessment at a systemic level A participant suggested that various stakeholders should come together to decide on what they collectively wanted to achieve with a social programme, and that this would provide the basis for social impact assessment. A member of the IPS team asked if it should be an umbrella social service organisation that should be tasked to do it for the sector, rather than a government agency that tended to have compartmentalised views of issues. Prof Shergold said that this model would be similar to what Social Ventures Australia provided with its consultancy services. Social Ventures Australia offers this service at a much reduced rate so as to be able to work with organisations in conducting social impact assessment. A participant agreed that a neutral intermediary may be better placed to conduct the social impact assessment.

13. A member of the IPS team also asked if there was an inherent tension in the contractual nature of social procurement between government agencies and social organisations. Another participant asked if social procurement had affected the level of donations to NFPs. In response, Prof Shergold said that the danger with such a contractual relationship was the loss of independence and the possibility of the receiving NFP drifting from its mission, as the receipt of funds from the public sector was likely to come with bureaucratic regulatory constraints. The Australian government had been endeavouring to reverse this trend with the establishment of a national compact with the NFP sector, to create a relationship of negotiation and partnership, as opposed to contractual management.

14. Prof Shergold said that social impact assessment processes would take years to define. A participant from the social enterprise sector suggested that perhaps the way forward was to keep the application of social impact assessment simple, and for those who were interested to take it further in a way that was relevant to them, rather than take a national approach. Prof Shergold said that his view was that any social impact assessment had to be tied to what one sought to achieve through it. While it may be more of an imperative for social enterprises to conduct this and attract investment, the road ahead for the rest of the sector was less clear.

15. In closing, participants debated the implementation of social impact assessment against the backdrop of the efficiency fetish in Singapore. The concern was that some of the smaller organisations which might be doing good work without being 'efficient' might be left behind with generalised measures of social impact. Taking this into account, it was agreed that it was important to proceed with caution.

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Notes taken by the Politics and Governance cluster.

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