CAN SOCIAL IMPACT BONDS HELP PREVENT CRIME AMONG YOUNG PEOPLE?

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Abstract - After the 2008 financial crisis, the contraction of public money to be allocated to welfare and the increased need for financial funds to deal with situations of risk and social vulnerability, Social Impact Bonds (SIBs) appeared as an opportunity to involve private investors and introduce elements of efficiency, efficacy and competition to solve old, new and chronic social and economic problems traditionally faced by the public sector. The article begins by introducing Social Impact Bonds and examining the first experiences to which they have been applied, then examines the pros and cons that emerged in the first ten years of their introduction and finally considers some critical elements highlighted in recent research work. This first part is followed by a reflection on their application for the prevention of crime in the younger population, coming to glimpse elements of optimism and potential in their introduction in this area of social risk.

Keywords - Social Impact Bonds, Crime Prevention, Social Finance

I. INTRODUCTION

Social Impact Bonds (SIBs) have emerged as a new innovative model that can be applied to addressing social problems in society. Ideally, social problems have the effect of increasing the risk of crime. Therefore, if these problems are addressed, there is a higher chance the possibility of crime will also reduce, and this will subsequently reduce the cost of incarceration and the rising number of people in prisons.

SIBs: Birth, Evolution, and Current Situation

Williams and Treffers (2021) used a fictional story that was published in Public Safety Canada in 2016 to illustrate how people get into crime and how these instances could be prevented. The story is about Tyler, a man aged 30 who grew up in a difficult environment. As a result of the environment that he was raised in, he took the path of crime which made him end up in federal prison. Drawing from this story,it is notable that social factors such as family situations are essential in influencing crime (Doganova&Muniesa, 2015). As such, families have an important role to play in dealing with crime (Williams, 2019). It implies that if families facing difficult situations are given an alternative in social programs, there is a chance that they will not choose the path of crime.

The authors present crime in terms of economic costs. In the example of Tyler, about CAD 1.4mn could have been saved if he was prevented from getting into crime (Williams & Treffers, 2021). It justifies the use of SIBs as a way of preventing crime. Through SIBs, the government uses funds from private investors to fund a social program. People who could potentially get into crime (such as poor families) are engaged to work in these programs. The investors benefit economically and reduced crime at the same time (Albertson et al., 2020).

As a way of dealing with the increasing costs of incarceration Williams and Treffers (2021) introduced the concept of SIBs and describe how it started. SIB was born in the United Kingdom in the year 2010 when the Ministry of Justice pronounced its intention to pilot a new model that would involve funding social programs (Williams & Treffers, 2021). The government would work on the program with short-term offenders who were released from Peterborough prison. If the program succeeded in reducing reoffending, the government will repay the principal plus a return to the investor. The return would be based on the costs saved from reduced crime.

The evolution of SIBs started when the government officially launched the program. 17 investors contributed £5 million. Moving forward, investors started gaining interest in this program as it promised them good returns, and, at the same time, they earned them social benefits in reduced crime. From an investor's perspective, a program that helps them achieve a double bottom line would be welcome (García et al., 2019). This could also be viewed as a way of the investors' social responsibility, which also gives them financial benefits (Heinrich &Kabourek, 2019). Currently, the use of SIBs has been embraced beyond the UK and is being applied not only in criminal justice, but in other sectors, such as funding health, too (Burke & Collett, 2016; Fraser et al., 2018). Its application has further been embraced by other countries, such as the U.S., Australia, Canada, Belgium, the Netherlands, and Germany (Arena et al., 2016; G8 Social Impact Investment Taskforce, 2014; Social Finance, 2014). It has become regarded as a new way that is used to finance social services. As stated by Williams and Treffers (2021), the initial idea of SIBs was not explicitly for crime prevention, but it was later viewed as an ideal policy owing to the rising costs of incarceration.

SIBs model has developed into an effective way of reducing crime at a low cost. From the moment the Peterborough project was announced, it attracted a lot of investors both from the UK and internationally (Williams & Treffers, 2021). It means that the program attracted a lot of funding which subsequently helped the government to save. It offers a new source of capital for funding social programs. Social officials only pay for successful outcomes and hence the risk is shifted from the government to the private investors (Dowling & Harvie, 2014). The ability to turn reoffending into a financial asset is arguably one of the most significant achievements of SIBs model. It is argued that social programs that are meant to prevent crime turn into an investment that generates returns for investors (Pinakiewicz, 2014; Neyland, 2018). The program has developed to become effective in the reduction of crime. One of the major shortcomings experienced by the program is that it does not guarantee the reduction of recidivism and therefore there is a chance that the investors could lose their money, since the government would not pay for unsuccessful projects (Tomczak, 2017). To some extent, it puts the burden of ensuring the success of the project on the investor, which is a great challenge.

Williams and Treffers (2021) adduced that SIBs model has evolved to become a model that can effectively be applied in the prevention of crime. It demonstrates this through the story of Tyler, who according to the authors would not have gotten into crime if he and his family be involved in a social program (Williams & Treffers, 2021). The difficult family situation presented a risk to Tyler. In this light, it would be correct to conclude that the program can successfully be used to prevent crime (Public Safety Canada, 2016). According to Bolton and Savell (2010), the risk factors should properly be assessed to pre-determine the effectiveness of SIBs in the prevention of crime. It implies that the successful application of SIBs as a model to prevent crime is dependent on the level of risk (Williams, 2020). Nevertheless, SIBs have proven to be an effective strategy that can be used as a method of crime prevention. It can therefore be applied to preventing crime.

SIBs: Pros and Cons

Although SIBs have developed over time as a model that can be used to address social problems, their rate of adoption is regarded to be modest. According to Arena et al. (2016), there has been a mismatch between widespread adoption and actual adoption. It has raised questions on whether the mismatch is because the model is still in its early adoption stage or whether a marginal phenomenon is being observed. In the bid to understand the situation, the paper reviews several cases in which the model has been applied to identify the configuration of patterns as well as the deviation from the prototypical structure (Arena et al., 2016). This is expected to help in determining the challenges that have been faced in the adoption process and hence develop ways of increasing the rate of adoption. There are some pros and cons that have been associated with the adoption. These could further help in understanding the reason for the slow rate of adoption that has been witnessed, since the inception of the model in 2010.

SIBs are financing mechanisms that have been used by governments to fund social problems preventive interventions. Investors contribute capital that is used to finance a social service that is of interest to the government with a promise that they will receive a return based on the success of the program. For instance, they could be required to finance social programs that aid in the prevention of crime. One of the major advantages of SIBs, therefore, is that it is a source of income for investors (Birch &Muniesa, 2020). It leads to the achievement of double benefits, such as financial and social. Even though this is viewed as an advantage to the program, there is a downside to it in that the investor only receives a return if the program achieves the desired objective (Arena et al., 2016). As stated in the article by Arena et al. (2016), if the outcomes of the program are not reached, the investor does not recover their investment. It could arguably be a factor that has contributed to the low rate of adoption (Liebman & Sellman, 2013). The fact that there is no guarantee that the program will achieve the desired outcomes means that an investor is likely to be coy about committing their money. It is in consideration of the fact that the programs are not in the control of investors but rather they are fully in the hands of the government (Warner, 2013). The risk of the programs is bore by the investor, and this instance could be a limiting factor.

Another advantage concerning the implementation of SIBs is that the model does not rely on the government or contractors to cover up-front costs of service provision (Arena et al., 2016). The role of raising funds is on the financial intermediaries, and this partially lifts the burden from service providers as well as overcomes the problem of constraints of public funding (Fox & Albertson, 2011). It means that the service providers can focus on offering services rather than engaging in fundraising activities. The model also has the advantage of redesigning the relationship that exists between partners, who are involved in the commissioning of social services (Nicholls & Tomkinson, 2013). Among these partners include government commissioners, private organizations, investors, and financial intermediaries (Palandijan& Hughes, 2014). The advantage of bringing these partners together is that they have diverse backgrounds and hence can contribute their knowledge and skills to ensure the better success of the programs. In their article, Arena et al. (2016) argue that this is a factor that could foster innovation in SIBs as service providers are given the freedom to

focus on designing new initiatives that are aimed at achieving the desired social outcomes.

Arena et al. (2016) further addressed some of the challenges that are associated with the implementation of SIBs. For instance, the mechanism that is used in the measurement of results raises concerns. It is because delivery organizations might focus more on the services that determine their payments as they could be easier to measure. The effect of this situation is that it could divert the focus from offering social support to investors' achievement of financial benefits (Disley & Rubin, 2014). Another challenge is that it is difficult to establish a link between the expected outcome and the intervention. This could be discouraging to stakeholders, and they could subsequently be incentivized to manipulate results (Jackson, 2013). The model only favors large organizations, and this has become a factor of opposition (Dominey, 2012). Due to their financial abilities, large entities can influence social returns and limit the risk for investors (Dagher, 2013). While this could be perceived as a positive, the contention is on its limitation of small firms that if given a chance can also be equally effective.

SIBs: Crime Prevention among Children at Risk

The social factors that are likely to lead people into crime are the major reason the SIBs were initiated in the year 2010. Following the financial crisis of 2008, acute social needs arose, the income levels of families decreased significantly, and the levels of unemployment increased. It meant that most families found themselves in difficult financial situations (Dey et al., 2016). As it has been stated earlier, family situations are an important factor that is likely to influence crime (Disley & Rubin, 2014). For instance, owing to loss of employment and decreased income, individuals are likely to result to crime as a way of finding a livelihood. Ideally, children in such families are at a higher risk of taking the crime path (Dermine, 2014; Carlos & Lewis, 2018). In this regard, there is a need for the government to take measures that can prevent children at risk from getting into crime. The use of SIBs model has been proposed as one of the interventions that can effectively be applied to this effect. In her article, Riot (2020) focused on the effects of SIBs in relation to preventing children from getting into crime. According to the article, Social Impact Bonds promoters are advocating for this model as a new solution to social problems in France. They argue that SIBs model can deal with social risks better than Welfare alone since it pools together public and private resources and hence has better support (Lindebaum et al., 2019). Despite this claim, there are arguments that SIBs cannot offer a solution to social risks due to their nature. For instance, opponents argue that it is difficult to measure risk-profit ratios and how these can be translated into investors' value (Kish & Leroy, 2015). In their opinion, therefore, the claim that SIB pays the returns to the investor based on the risk reduction by the social programs funded by them is inconsistent as there is no standard way to measure the actual value of risk in terms of profits (Floyd, 2017). Notably, opponents do not refute the effectiveness of SIBs in addressing social problems. Rather, their contention is on the measure of risk value.

From the existing literature, Riot (2020) identified four sets of promises that are offered by SIBs: economies, family care, innovation, and the transformation of the field. There are three groups of actors who are involved in the implementation of SIBS and who play a major role in determining the model's success as a method of preventing crime in children at risk (Banerjee & Duflo, 2011; Esping-Andersen, 2013). They include institution actors and investors, social workers, and beneficiaries as well as social entrepreneurs. The success of SIBs depends on the extent to which the interests of each of these groups are met (Ogman, 2016). In the case of institutions and investors, they focus on how much financial benefits they can accrue from the social programs. Social workers and beneficiaries on the other hand are interested in achieving a reduction in social problems (Silverman, 2013). This misalignment of interests has been the main challenge to the success of SIBs. However, with the willingness of the actors to reduce social risk and attain financial gains, SIBs have the potential to perform better as compared to welfare. In this view, Riot (2018) argued that with proper support from all the stakeholders, SIBs model can effectively be applied in preventing crime in children at risk.

II. CONCLUSION

The high costs involved in incarceration have become a concern for criminal justice. The high number of people who are imprisoned has had the effect of increasing the costs even further. In this regard, there has been a need to develop cost-effective strategies that can be applied to address these issues. SIBs, have been viewed as a model that can achieve the objective of preventing crime, hence eliminating the need for incarceration. The program requires the government to get private investors who will fund social programs, and then they are paid returns based on the cost of crime saved. One of the reasons that lead people into crime is the risk factors such as family situation. SIBs model can address some of these social problems. Therefore, it can successfully be used in the prevention of crime. There is a need for willingness from stakeholders and interest groups in order to achieve the desired outcomes of SIBs. If properly implemented, SIBs will have a major impact in reducing the cost of incarceration and at the same time addressing many social problems that affect people across the world.

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