

SOCIAL INVESTMENT INSIGHTS SERIES

May 2016

Investing in integration: How can social investment be used to promote integration of refugees and asylum seekers?

Note that this is a discussion paper. It represents early thoughts from studies in this areas, based on publicly available information, using our best efforts, and we welcome all comments and ideas.

Executive summary

- *There are almost 170,000 refugees and asylum seekers in the UK, which looks set to increase*
- *Refugees and asylum seekers face extraordinary challenges in fully integrating into British life, affecting their personal development, community cohesion and public services*
- *Social investment could help provide a new source of capital to support innovative approaches to addressing complex and unmet refugee and asylum seekers needs in the UK*
- *The UK should consider investing in innovative interventions for refugees and asylum seekers used in other countries, as well as develop a long-term strategy to investing in integration*



LARGE NUMBER OF REFUGEES AND ASYLUM SEEKERS ALREADY LIVE IN THE UK AND NUMBERS WILL INCREASE

The UK has a long history of welcoming a large and diverse intake of migrants. Net migration remains above **300,000**.ⁱ

Refugees and asylum seekers may represent a small proportion but still significant number of migrants. By our estimates, there are almost **170,000** refugees and asylum seekers in the UK, coming from both within and outside the EU. This represents **just under 2%** of all foreign born immigrants in the UK. It is also set to increase by **50,000 to 60,000** per year.ⁱⁱ Once legally in the UK, a number of refugees and asylum seekers are restricted from supporting themselves and become at risk of exclusion, homelessness and destitution.

Figure 1 – Breakdown of refugees and asylum seekers in the UK

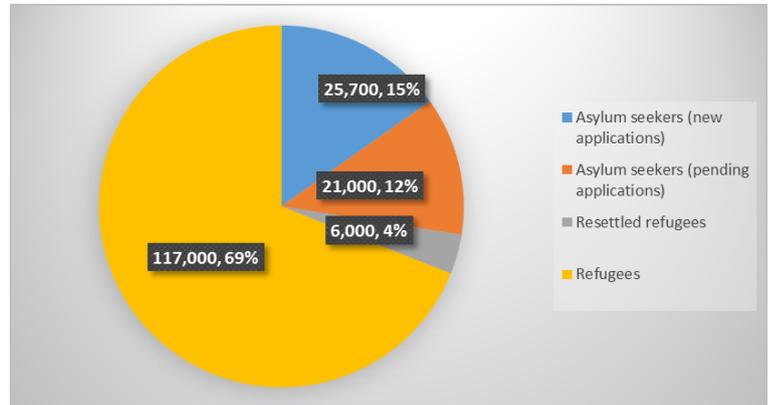


Figure 2 – Details of refugees and asylum seekers in the UK

Types of refugees and asylum seekers in UK	Total	Description
Asylum seekers (new applications)	25,700 ⁱⁱⁱ	These are people fleeing persecution, the majority applying after arrival in the UK. Majority are nationals of Eritrea, Pakistan and Syria and 67% male. They have limited right to remain, no right to work and may receive Section 98 and/or 95 support.
Asylum seekers (pending applications)	21,000 ^v	These are people whose applications date back to 2006 and are awaiting initial decision, appeal or further review. Nearly half of cases in 2014 had not received an initial decision, with assessment times taking longer in 2014 than in 2013. People have limited right to remain, no right to work and may receive Section 98 and/or 95 support.
Resettled refugees	6,000 ^{ix}	These are people who have been resettled by the UK Govt direct from UN camps. Majority have been prioritised as most vulnerable (orphaned children, disabled, etc.) Have limited right to remain and full right to work (plus 1 yr. special support for Syrians).
Refugees	117,000 ^{xiii}	These are people whose asylum applications are approved. They have (potentially limited) right to remain and full right to work.

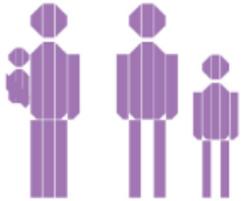
Note that other groups, such as victims of slavery and/or trafficking from inside and outside the EU, could also be considered as a focus of further targeted efforts at promoting investment in integration.^{ivv}

This isn't just a local concern. Europe is facing increasing pressure to take in refugees and asylum seekers, given the conflict in Syria, Iraq and abroad, with a million people coming to Europe in 2015 and forecast to increase in 2016. Across the world, we are seeing extraordinary movements of displaced people, with 60 million recently moving, the highest since World War 2.^{vi} Whilst the British Government already commits 0.7% of GNI on aid and conducts an established resettlement program, it has also recognised the increasing public interest in helping refugees and asylum seekers, and committed to resettle 20,000 Syrian refugees from UNHCR camps in September 2015.^{vii} The need seems set to grow.

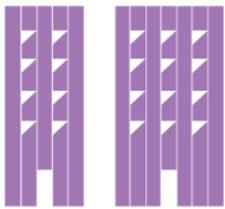


REFUGEES AND ASYLUM SEEKERS FACE CHALLENGES OF INTEGRATION NOT BEING ADEQUATELY ADDRESSED

Refugees and asylum seekers face many of the challenges that other vulnerable groups in the UK do, particularly finding appropriate employment and affordable housing. However, these challenges are often exacerbated because of language difficulties, cultural barriers and lack of understanding of the UK system. In addition, refugees and asylum seekers face a whole host of additional particularly acute challenges severely limiting their quality of life:



Mental well-being: People seeking refuge in the UK may have experienced torture, imprisonment, or suffering through watching friends and family die or during perilous journeys to the UK. These experiences may be compounded by hostile attitudes towards migrants after their arrival in the UK and local studies in the UK point to higher rates of depression and anxiety among asylum seekers and refugees, compared to nationals or other migrants.^{viiiix}



Housing: Asylum seekers applying for government accommodation have no choice where they are accommodated – housing is determined by availability and may be disconnected from friends, family or informal support networks. Other migrants fortunate to have these networks may be ‘sofa surfing’ or may be forced to accept difficult conditions, with one destitute migrant citing how he was “renting space” using bottles of cider for payment.^x



Employment: Asylum seekers have no right to work and may have to endure lengthy waits before obtaining refugee status – there is currently a backlog of cases dating back to 2001. Those granted refugee status may face challenges in finding a job after potentially long periods of forced unemployment, particularly if they are higher skilled.^{xi}

The environment available to support refugees and asylum seekers is also under strain. Whilst there are a number of committed voluntary migrant charities and social enterprises, they face a lack of resources to deliver services and coordinate to meet the interrelated migrant needs. Public grant funding is not expected to increase in the current fiscal environment. Local authorities are getting increasing responsibility for delivering services for migrants, however with less funding and often little experience in these issues. Innovation has focused on improving the migrant journey, with less focus on improving migrant experience once in country, particularly integration.

This has broader negative social impacts too. There is a loss of human capital, as many highly skilled migrants can't live up to their full potential. There is a loss of social capital, in that migrants may feel segregated and create distrust amongst communities. There is also a loss of economic capital, which could see a greater shift of resources to the informal economy, which supports migrants' self-reliance and yet may leave some open to exploitation.^{xii} A longer-term preventative approach that can target migrants' needs and promote their integration into mainstream civil life is needed.



WHY MIGHT SOCIAL INVESTMENT BE ABLE TO HELP PROMOTE THE INTEGRATION OF VULNERABLE MIGRANTS?

Social investment may be able to help finance some additional interventions targeting this vulnerable group. Providing independent third party finance for social causes can provide an additional source of capital in a funding-constrained environment (which can be recycled), provide the scope to address multiple related complex needs and enable greater coordination amongst various social sector providers to enable them to take a long-term view. Successful deployment of social investment can help complement existing grant programmes targeted at this cohort, and provide finance to stimulate innovation. Investment can also empower local communities who need to be at the heart of any integration effort.

The role of investment in helping countries affected by migration has been endorsed by World Bank President Jim Yong Kim: “*Strong global partnerships and innovative financing are essential to meet the scale of the need in these hard-hit countries,*” as well as UN Secretary-General Ban Ki Moon.^{xiii} Whilst the approach to investment applies to conflict-states, it could also be applied to the states resettling people from them.



SOCIAL INVESTMENT OFFERS SOME PRACTICAL APPROACHES TO PROMOTING INTEGRATION

The UK can learn from international experience and build on its own innovative capacity to provide new solutions to promote healthy integrated migrant communities. At present, there are a range of possible approaches that can address individual specific needs, needing a combination of Government, social investors (including foundations) and social entrepreneurs.

Figure 3 – Social investment recommendations

Idea	Need	Model examples	Investment needed	Who should consider?
Housing plus for resettled migrants	Refugees and asylum seekers need housing, employment and language services together delivered in community, and more effective and cost efficient if delivered together.	Cheyne Capital launched a property fund that owns and leases affordable and bespoke housing for vulnerable communities. Commonweal aims to accommodate 210 vulnerable migrant families and 126 individuals.	Equity for housing property fund, working capital	Home Office, DFID, institutional investors
Support migrant entrepreneurship	Migrant entrepreneurs need investment to start or accelerate their own business.	Metropolitan, OLMEC and the Young Foundation developed a 12 month programme of business support for migrant entrepreneurs.	Early stage risk capital, some donations	Migrant investors, venture funds
Immigrant access fund	Many refugees and asylum seekers are highly qualified (e.g. architects, lawyers) in their home countries, but are not recognised in new country. They need access to training to obtain qualifications to fulfil their career and earning potential.	Canada launched IAF – has already provided \$13m to thousands of migrants, with a 98% repayment rate.	Guarantees, 2-3 year loans	High Net Worth Individuals, mainstream banks
Employment social impact bond	Refugees and asylum seekers need stable employment but lack the contacts to be able to access the informal opportunities. Older people can provide this in partnership.	Belgium has developed a Social Impact Bond that has raised €234,000 to fund matching between retirees and 18-30 year old migrants, to help them obtain employment. The project aims to help 35% of cohort into job for saving of €2m.	Outcomes-based finance	DWP, foundations
Justice advice fund	High quality legal advice needed for immigration advice by migrants ineligible for legal aid, as availability currently poor.	None exist as yet for migrants, however, Justice Investor is developing a model of crowdfunding for social justice cases.	Short-term capital	Law firms, institutional investors
Community-led resettlement/private sponsorship	New migrants need a range of services, including housing, employment, and healthcare. Community often has reserves of volunteer support ready to assist individual families.	Canada has developed a community resettlement model that engage ‘teams’ of volunteers that each support a need of newly arrived Syrian refugee family. Each team commits to raise C\$30,000 to be able to support over the first year.	Grant and loan mix, potentially include SITR, coupled with volunteer time	HNWIs, Home Office,

There are clearly a range of possible new initiatives that could support vulnerable migrants, and there may be roles for support of social investment. However, we are likely scratching the surface of the possible opportunities. We therefore also offer two final broader recommendations:

1. **Establish an integration finance lab:** Bring together think tanks, independent foundations (e.g. NESTA), interested corporates, social enterprises and social investors work together to encourage new ideas of how investment could promote integration.^{xiv}
2. **Government strategy on integration finance:** Home Office and DfID could conduct a joint strategic review of the opportunities to deploy investment to sustainably address refugees and asylum seekers needs within UK and abroad, potentially financed through Government sponsored issue of migrant development bonds as part of blended grant/investment package.



CONTACT US

This is a discussion paper. We are very interested hearing your views on if and how social investment could help finance new ways of helping migrants integrate in the UK. We'd also be keen on hearing thoughts on if and how Big Society Capital could play a helpful role. Please let us know your views and ideas, by getting in touch with:

Simon Rowell, Senior Strategy & Market Development Director: srowell@big societycapital.com

Pasha Michaelsen, former Associate at Big Society Capital, Trustee at Praxis, pasha@praxis.org.uk

The information and opinions in this report were prepared by Simon Rowell, Senior Strategy & Market Development Director, on behalf of Big Society Capital. Please contact him with any corrections or amendments.

Titles available in the Social Investment Insights Series

2014

Growing Social Enterprise Through the Holding Company Model: Groupe SOS (June 2014)

Social Impact Bonds: Lessons Learned (June 2014)

Growing the Market for Charity Bonds (July 2014)

Housing and Social Investment (August 2014)

Health and Social Care (December 2014)

Financial Inclusion and Social Investment (December 2014)

Long-Term Unemployment and Social Investment (December 2014)

2015

The Criminal Justice System, Those It Affects and Social Investment (January 2015)

Social Investment in Education (February 2015)

Communities and Social Investment (March 2015)

Social Investment for Families, Friends and Relationships (March 2015)

Arts, Heritage and Sports and Social Investment (April 2015)

Conservation of the Natural Environment and Social Investment (April 2015)

What next? Future Opportunities for Social Investment (May 2015)

2016

Retail social investment across the world (February 2016)

The size and composition of social investment in the UK (March 2016)



References

- ⁱ Office for National Statistics, Migration Statistics Quarterly Report. February 2016.
- ⁱⁱ Office for National Statistics, Population by Country of Birth and Nationality Report. August 2015
- ⁱⁱⁱ National Crime Agency, *National Referral Mechanism Statistics – End of Year Summary 2015*.
- ⁱⁱⁱ Anti-slavery International, *Slavery in the UK*.
- ⁱⁱⁱ Home Office, *Immigration Statistics*. August 2015.
- ^{iv} Refugee Council Information, *Asylum Support*. November 2013. These are people who are forced to work under force of threat, physical or mental abuse or physical constraint. Primarily woman and girls from Nigeria and Vietnam. They may have limited right to remain and right to work (Overseas Domestic Worker visa or EU) or have been smuggled into the UK.
- ^v House of Commons Library, *‘Asylum support’: accommodation and support for asylum seekers*. October 2015
- ^{vi} UNHCR, *Worldwide displacement hits all-time high as war and persecution increase*. June 2015
- ^{vii} Home Office and Department for Communities and Local Government, *Syrian refugees: what you can do to help*. November 2015
- ^{viii} MIND, *A civilised society: Mental health provision for refugees and asylum-seekers in England and Wales*. 2009
- ^{ix} Jayaweera, Hiranthi, *Health of Migrants in the UK: What Do We Know?*," Migration Observatory Briefing, COMPAS, University of Oxford. September 2014
- ^x Hutton, Ceri and Lukes, Sue, *Models of accommodation and support for migrants with no recourse to public funds (NRPF)*. April 2015
- ^{xi} Green, Anne, *Routes into Employment for Refugees: A Review of Local Approaches in London*, From Immigration to Integration: Local solutions to a global challenge. 2006
- ^{xii} Samers, Michael E., *The Underground Economy: Immigration and Economic Development in the European Union: An Agnostic-Skeptic Perspective*. 2004
- ^{xiii} The World Bank, *New Joint Initiative to Mobilize Additional Support for Refugees, Recovery and Reconstruction in the Middle East and North Africa*. October 2015
- ^{xiii} Big Society Capital, *Commonweal Housing get investment boost to help vulnerable families*. October
- ^{xiii} The Young Foundation, *Roots and shoots: Connecting Housing Associations to its communities through migrant-led social enterprise*. 2014
- ^{xiii} Immigrant Access Fund website,
- ^{xiii} Centre for Social Impact Bonds website
- ^{xiii} JusticeInvestor website
- ^{xiii} Government of Canada, Groups of Five
- ^{xiv} Note that Social Finance is already investigating how social investment may be able to support efforts in UK refugees and asylum seekers through its Impact Incubator programme, which is a welcome development.

The Social Investment Insights Series are occasional papers drafted by members of Big Society Capital's team on areas of interest to the social investment market.

Big Society Capital is a financial institution with a social mission, set up to build the social investment market in the UK, so that charities and social enterprises can access appropriate repayable finance to enable them to grow, become more sustainable and increase their impact on society. It is doing this by building a diverse social investment market: encouraging investors to lend or invest money to achieve a social as well as a financial return. Since it was set up as an independent organisation in 2012, Big Society Capital has signed more than £260 million in investments to specialist organisations who lend to charities and social enterprises. Over five years Big Society Capital will be capitalised with approximately £600 million, from a combination of English dormant bank accounts and the four main UK high street banks.

This research is for information purposes only and has been produced by Big Society Capital in its capacity as champion for the social investment market. It is not investment research or a research recommendation and has not been prepared in accordance with legal requirements designed to promote investment research independence. This research does not constitute an offer or an invitation to buy or sell or a solicitation of an offer or invitation to buy or sell or enter into any agreement with respect to any security, product, service or investment. Any opinions expressed do not constitute investment advice and independent advice should be sought where appropriate. All information is current as of the date of publication, subject to change without notice, and may become outdated over time. Links to third party sites or pages are for information purposes only and such sites and pages are not the responsibility of Big Society Capital Limited and have not have been reviewed or verified by Big Society Capital Limited. Following links to or from any other sites or pages shall be at your own risk.

www.bigsocietycapital.com

Big Society Capital Limited is registered in England and Wales at Companies House number 07599565. Our registered office is New Fetter Place, 8-10 New Fetter Lane, London EC4A 1AZ. Big Society Capital is authorised and regulated by Financial Conduct Authority number 568940.