Innovation.
Imagine the possibilities.

Janssen invests in pioneering pilot social bond
21 February 2017

Janssen-Cilag Pty Ltd has become the first private sector healthcare provider to invest in a pioneering New Zealand Government initiative designed to help around 1700 people with diagnosed mental illness into work.

New Zealand’s first pilot Social Bond, announced by Finance Minister Steven Joyce and Social Investment Minister Amy Adams, became operational on 1 February 2017.

In a statement announcing the initiative Mr Joyce said the bond is an innovative approach to a long-term problem.

“Social Bonds are an innovative method of providing social services for people with complex needs – where a financial incentive is offered to a consortium of providers and investors if they can achieve a result with a service which is demonstrably better than what has been previously achieved with the old way of doing things,” Mr Joyce said.

Janssen is one of four investors in the fully subscribed bond, along with Wilberforce Foundation, a private philanthropic fund; Prospect Investment Management Ltd, an investment fund; and APM Workcare, the service provider.

Janssen Australia and New Zealand Managing Director Bruce Goodwin said Janssen had 60 years’ experience in treating mental health issues and understood how employment can assist in improving mental health outcomes.
"We wanted to support this pilot because we see it as an innovative funding model that might more successfully address some of the risks and challenges faced by people with mental health conditions who are out of work.

We know that being out of work can have highly negative psychological and social effects. The rate of suicide for a person out of work is up to six times higher than for someone working. For young men out of work for six months or more, the risk of suicide increases by 40 times.

So our greatest interest in investing in this bond is to test and discover how these kinds of social investment instruments can support better health outcomes, and also, importantly, push the further creation of better funding models and mechanisms for delivering social services,” Mr Goodwin said.

Announcing the bond, Social Investment Minister Amy Adams said Government agencies have struggled for a long time with the issue of getting more effective delivery of services to those who most need them.

"Through this social bond, we can utilise private sector skills and innovations to help participants into paid employment, so they get off welfare and improve their mental health. This leads to more independent lives, and a better outcome for them and the taxpayer," said Ms Adams.

APM Workcare, the service provider in the pilot bond, will be paid for its success in placing jobseekers with diagnosed mental health conditions into sustained employment. APM is an experienced, successful provider of vocational rehabilitation and disability services, with around 150 employees. They have assisted more than 24,000 people across the country to return to work after injury or unemployment, using a model of individualised support and wrap-around care.

The total investment in the pilot bond is $1.5 million across two classes of capital, with target returns being 7% for Class A investors, and 13% for Class B, though returns can vary between 3% and 9 % for Class A and -19% and 17% for Class B. The duration of the bond is 60 months.

The bond will gather data about the employment and health outcomes achieved to inform analysis of its cost effectiveness and allow comparisons with alternative models of service provision.

Performance expectations for the provider are set at an average of 43% placement into work, compared with 30% in other contracts in this service area.

The service is available to people living in the South Auckland suburbs of Manukau, Manuwera, Clendon, Papakura, Pukekohe and Waiuku. Participation is voluntary.

New Zealand is one of the first countries actively trialling and exploring Social Bonds, which are also known as Social Impact Bonds. They were initiated in the United Kingdom in 2010. There are now around 60 bonds operating around the world, in the United Kingdom, United States, South America, Holland, South Africa, Belgium and Australia, and are being actively explored in Canada, Ireland and Israel.