

# Social Return on Investment of Ready for Work

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## Foreword

I would like to thank the team at Business in the Community for their excellent work in producing this evaluation of the social impact of Ready for Work. I have been involved in the Business Action on Homelessness campaign since it began and have seen first-hand the positive impact that Ready for Work has on the lives of vulnerable individuals. To see the results here set out in monetary terms is a powerful validation of the programme's impact. I would like to extend my thanks to the clients, homeless sector organisations, business volunteers and public sector stakeholders who make this programme the success it clearly is.

**John Varley, Chairman of Marie Curie and Non Executive Director to the Boards of Rio Tinto and AstraZeneca. Chair of BITC's Business Action on Homelessness Leadership Team.**

I am delighted that Freshfields have been able to support Business in the Community to undertake this SROI analysis of Ready for Work. In these financially constrained times, it is more important than ever to be able to demonstrate the results of your involvement in programmes and this is a great step forward for Ready for Work. We are delighted to be able to see how Freshfields' engagement in the programme is having an impact on broader society, as well as transforming the lives of the individuals who come through the programme.

**Philip Richards, Business Action on Homelessness Board Member.  
Partner, Freshfields Bruckhaus Deringer LLP.**

*BITC would also like to acknowledge the support of Corporate Citizenship, who provided sources for some of our proxy data as well as reviewing our progress to ensure the methodology was as robust as possible and our reporting transparent. This support was funded by Freshfields Bruckhaus Deringer LLP.*



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## Executive Summary

This report presents an evaluation of the social return created by Ready for Work, a Business in the Community (BITC) programme that engages business to support disadvantaged groups, particularly people who have experienced homelessness, into employment.

Ready for Work works with 140 businesses in 20 cities providing training, work placements and post-placement support to equip people with the skills and confidence they need to gain and sustain employment. Born out of the Business Action on Homelessness campaign, the programme has supported over 2,400 people into work since 2001 and aims to support 4,000 into work by 2016.

Business in the Community is a business-led charity with a growing membership of 850 companies, from large multinational household names to small local businesses and public sector organisations. It advises, supports and challenges its members to create a sustainable future for people and the planet and to improve business performance.

Ready for Work has a transformational impact on people's lives. We have been capturing the outcomes and following the progress of our clients since the programme began in 2001, but this report is the first time we have attempted to place a monetary value on the impacts of the programme.

Social Return on Investment (SROI) is an approach to understanding and managing the value of the social, economic and environmental outcomes created by an activity or an organisation.

In this report, we have looked at the SROI of the Ready for Work programme that ran from July 2009 – June 2010, comparing the impacts from this programme with the costs to our public and private sector investors of running the programme during this period.

We have incorporated the outcomes achieved by clients who came on the programme in that year but who achieved employment in either that year or the following year. We have also projected these outcomes forward for a further three years to reflect the ongoing benefits generated by clients that sustain their employment.

Ready for Work records the following outcomes for clients coming through the programme:

- Entry to sustained employment
- Improved employability of clients (skill development, increased confidence etc)
- Entry to volunteering
- Entry to training or further education

For the present analysis we have assessed the social value created due to the entry to employment effect only..

*“My friends and family have noticed how much happier I have been since I got back to work, I now feel much more part of society, like I am making a difference to something.”*

*Ready for Work client with unspent convictions, living in hostel accommodation*

## Headline figures

The research shows that one year's investment in Ready for Work generates a minimum of **£3.2 million** in benefit to society (as detailed below) over a five year period.

The evaluation indicates that for every **£1** invested in Ready for Work, **£3.12** of value is generated for society.

This social value is made up of the following elements:

- Reduced out of work benefits paid by the Government.
- Income Tax and National Insurance Contributions paid by clients who are working
- Reduced costs of supporting homeless people in hostels (this is called the Supporting People Grant and is commissioned by Local Authorities through money they receive from the Department for Communities and Local Government)
- Savings in National Health Service costs
- Reduced costs of re-offending

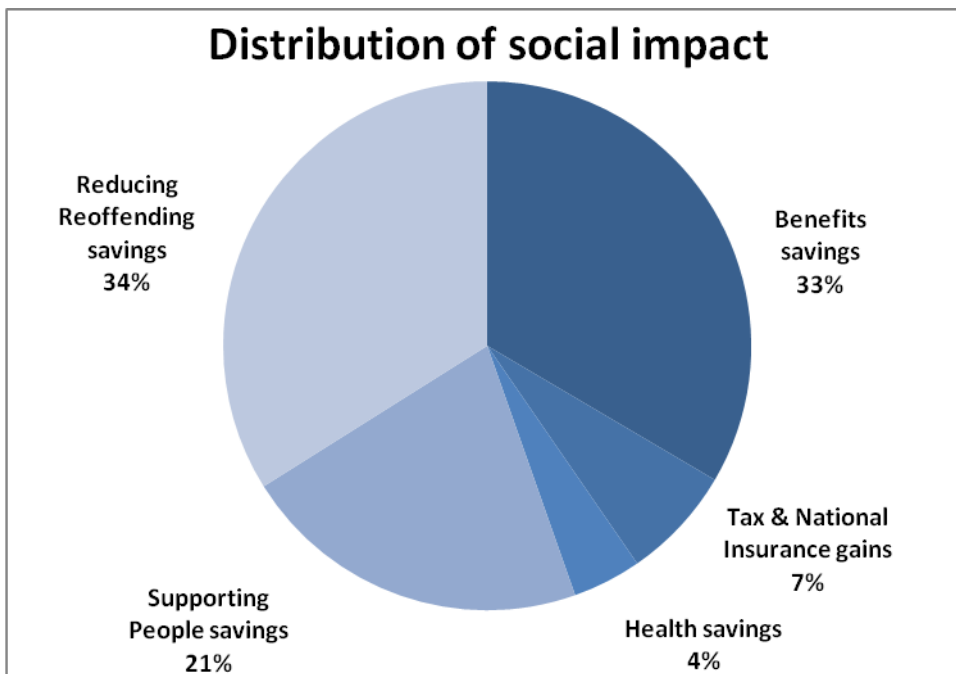


Figure 1: Distribution of social impact value across five areas

The total impact figure can be considered an understatement of the real benefit to society of the Ready for work programme as we have only focused on the impacts relating to the 302 clients who gained employment following the programme, and have not attempted to monetize the impacts relating to the remaining 456 who came on the programme but achieved different outcomes. We hope to build on the process we have started in this analysis to take account of these additional outcomes in future work.

## Our investors

During 2009/10 every **£1** invested by the public sector enabled us to obtain a further **£0.81** from the private sector. Both private and public sector investment are vital in order for us to achieve the outcomes which we achieve and the benefits experienced by both business and society. We will use this report to demonstrate to our funders and supporters the impact that they are having on society through their support of the Ready for Work programme.

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# 1. Introduction

## 1.1 Background information about Business in the Community and Ready for Work

Business in the Community (BITC) is a business-led charity focused on promoting responsible business practice. We ask our members to work together to transform communities by tackling issues where business can make a real difference. We offer our members practical support to help them to integrate responsible business practices wherever they operate.

Ready for Work is BITC's national programme that engages business to support disadvantaged groups, particularly people who have experienced homelessness, into employment.

In addition to their experiences of homelessness, the people we support through the programme face a range of challenges which can include experiences of being in care, long term unemployment, criminal convictions and a lack of qualifications, amongst others. But everyone has something in common – a strong desire to make a better life through work.

We work with 140 businesses in 20 cities providing training, work placements and post-placement support to equip people with the skills and confidence they need to gain and sustain employment. This has a transformational impact on the lives of the people we work with.

Born out of the Business Action on Homelessness campaign Ready for Work has supported over 2,600 people into work since 2001. Last year alone 292 people entered employment.

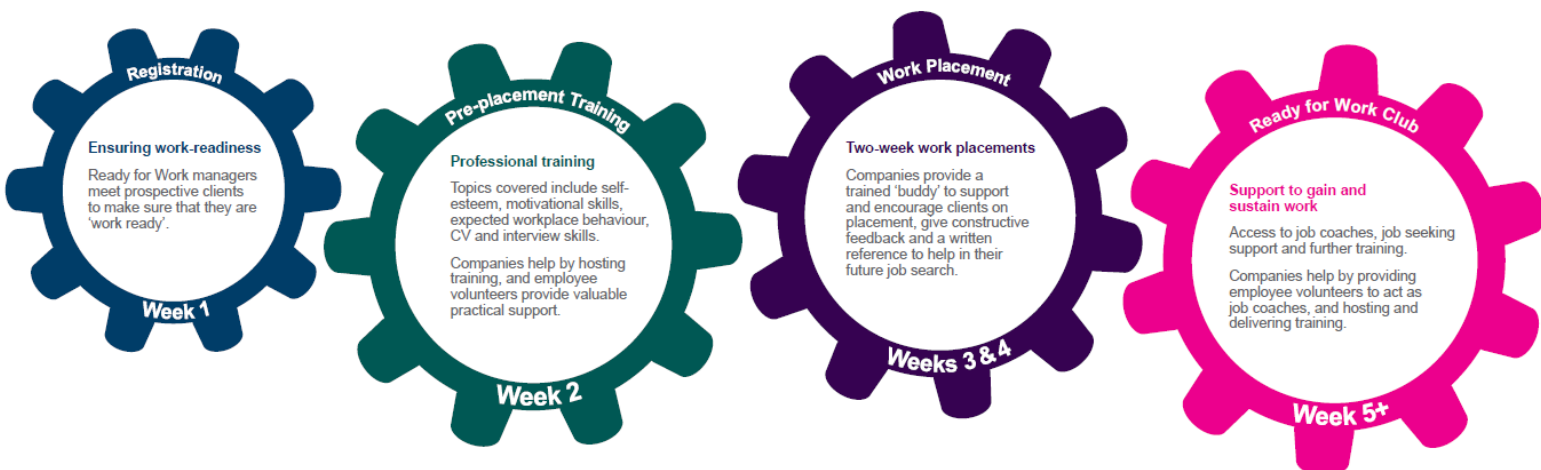
The businesses benefit too. Ready for Work provides opportunities for cost-effective recruitment, stronger links with the local community and personal and professional development for employee volunteers – 91% of volunteers reported improved relationship building skills because of their involvement.

*“Doing Ready for Work has confirmed to me that I can be an excellent employee, given the right opportunity”  
Ready for Work client,  
former rough sleeper*

*“Businesses must not underestimate the power of Ready for Work. The pleasure our people get from helping someone change their life is enormous and translates into building a motivated and loyal workforce.” Barry Quatermass,  
IMS Director, Carillion*

The programme has four stages:

- Registration: Programme managers meet prospective clients, referred by agencies such as homeless hostels, probation and other charities, to ensure they are work-ready.
- Pre-placement training: Training takes place over two days to prepare clients for their placement, building confidence to succeed in the workplace. Companies host training and employee volunteers provide practical support.
- Work placements: Companies provide two week work placements, supporting clients with a trained 'buddy' and offering constructive feedback. They provide a written reference to help clients in their future job search.
- Post-placement support: The Ready for Work club offers all programme graduates access to job coaches, job seeking support and further training. Companies provide employee volunteers to act as job coaches and deliver training



Through the Business Action on Homelessness campaign, Ready for Work receives support from seven national business partners – Accenture, Bain & Company, Barclays, Carillion plc, Freshfields Bruckhaus Deringer LLP, Marks & Spencer, Royal Mail and Shire Pharmaceuticals. Our national partners provide leadership, job opportunities and strategic and programme support.

In several locations Ready for Work is delivered in partnership with local agencies – Brighton & Hove City Council, BITC Ireland, The Cyrenians (North East), Scottish Business in the Community and Shekinah Mission (Plymouth).

## 1.2 Social Return on Investment (SROI)

SROI is an approach to understanding and managing the value of the social, economic and environmental outcomes created by an activity or an organisation. This SROI report follows the seven principles identified by the SROI Network as being core to SROI and how it should be used<sup>1</sup>.

## 2. Scope and stakeholders

### 2.1 The scope of this report

This report is an evaluative SROI analysis of the Ready for Work programme and takes into account the outcomes from clients participating in the programme during the investment period July 2009 to June 2010. We have taken the data for this analysis from our project database, which was developed in early 2009 and is used to track the outcomes of all of the individuals who participate in the programme both during their engagement with the programme and afterwards on an ongoing basis.

We have looked at the real outcomes for the clients who came through the programme in the investment period, which includes both those outcomes achieved for the first time in the investment period and in year immediately following the investment period. We have projected these outcomes for an additional three years as there is a continued benefit to society from the clients who sustain their employment into the future. These projected outcomes have been discounted each year in line with recommended SROI good practice to reflect the fact that we can't assume that all clients will sustain their employment indefinitely (see Section 5 for more details).

<sup>1</sup> <http://www.thesroinetwork.org/what-is-sroi>



It should be noted that this report looks only at the impacts relating to the clients who gained employment as a result of their engagement in Ready for Work and does not seek to calculate the benefit to society of support given to those who subsequently enter training or volunteering. More information and an explanation for this can be found in section 4 – Indicators and evidence.

## 2.2 The purpose of this report

By conducting a SROI analysis, we will be able to estimate the monetary value to Government and businesses of supporting Ready for Work, taking into consideration both the intended and unintended outcomes of the programme and its broader societal impacts.

Business in the Community is very well placed to undertake a SROI analysis, having robustly tracked client outcomes using a bespoke database for the last three years. We have already run statistical analyses with our data set and supplied the results to the Department for Work and Pensions for inclusion in the Strategic Review of Employment Support for Homeless People. We also have ready access to relevant senior professionals in the corporate sector to assist with the identifying and valuing relevant impacts for business.

We will use the results of the SROI to further develop Ready for Work, focussing on activities that deliver the greatest social return. We will also use the SROI analysis to support funding bids to companies, trusts and other social investors to support the continuation of Ready for Work.

## 2.3 Stakeholders

Stakeholders are those people or organisations that experience change as a result of an activity. Through consultation with the Ready for Work project team at BITC we have identified the following stakeholders for the present analysis.

Included stakeholders	Reason for Inclusion
Ready for Work clients	Homeless people and those at risk of homelessness are the primary beneficiaries and the group most affected by the programme.
National Government (i.e. the exchequer or taxpayers)	As well as contributing financially to Ready for Work, national Government gains financially through the employment outcomes of the programme, which deliver benefit savings, cost savings in relation to crime, health and social care, and economic gains in relation to tax and national insurance.
Companies	Companies are major financial contributors to Ready for Work but also contribute pro-bono and in-kind support by way of employee volunteers. In return, businesses can benefit in the following ways – reduced staff development costs, improved retention, reduced recruitment costs, winning public sector contracts and improved reputation.
Local Government	In some cases, local authorities contribute to Ready for Work through Regeneration or Supporting People funding. This money comes from national government originally but is distributed through Local Government budgets. Benefits may accrue in terms of cost savings in relation to reductions in health/social care/housing crime spend and in relation to more money circulating in the local economy.
Homeless Agencies	Ready for Work relies primarily on homeless agencies for referrals of clients to Ready for Work. These agencies can benefit from referring clients in that they are able to count employment outcomes towards their own contract targets. We also recognise the significant contribution made by the agencies to help clients become 'work-ready' and hence eligible for Ready for Work and this has been accounted for in calculating attribution.

Table 1: Included stakeholders

We identified a number of other stakeholders who may experience change as a result of the Ready for Work programme, but these have been excluded from the analysis for the following reasons:

Excluded stakeholders	Reasons for exclusion
BITC	Benefits to BITC are likely to be through association with the programme and the opportunity to engage member and non-member companies in the wider organisational agenda. These benefits were considered too diffuse to measure in this analysis.
Families of clients	Benefits are likely to be achieved through improved relationships and increased income. However, we do not capture information relating to the families of programme participants and so could not therefore value or describe the changes in wellbeing that they experience.
Jobcentre Plus (DWP) and Welfare to Work contractors	Jobcentre Plus (part of DWP) and Welfare to Work contractors sometimes refer clients to Ready for Work. The outcomes that our clients achieve can free up their workloads, support them to hit their targets of moving people off out-of-work benefits and, in the case of the Welfare to Work contractors, possibly result in access additional finances. We have excluded these stakeholders from our analysis as we did not capture this information during the period in question either from JCP or the relevant Flexible New Deal prime contractors that held the contracts at the time.

Table 2: Excluded stakeholders

Stakeholders were involved in the following ways in this SROI research, and we would look to increase the extent and depth of stakeholder engagement in any future analysis.

Included stakeholders	Methods of engagement
Ready for Work clients	<ul style="list-style-type: none"> <li>Background data and outcomes for all clients recorded on the Ready for Work database</li> <li>All clients complete evaluation forms after their training and work placements. See Appendix 1 for the full evaluation form.</li> </ul>
Government	<ul style="list-style-type: none"> <li>DWP consulted in identifying appropriate proxies for our analysis</li> </ul>
Companies	<ul style="list-style-type: none"> <li>An online survey was sent to 432 representatives of 100 companies that have supported Ready for Work as volunteers, Steering Group members, funders or programme coordinators. 97 individuals responded, giving a response rate of 22%. See Appendix 2 for the questionnaire.</li> </ul>
Homeless Agencies	<ul style="list-style-type: none"> <li>We conducted 1:1 conversations with three key homeless sector agencies to check our approach in valuing the impact of Ready for Work on the outcomes achieved by our clients (St Mungo's, Thames Reach and The Cyrenians). Their feedback has been taken into account in determining the attribution rate for this analysis, and is documented in Section 5.2.</li> </ul>

Table 3: Methods of engagement



## 3. Inputs, outputs and outcomes

### 3.1 Inputs

In 2009/10 a total of **£1,031,916** was invested in running Ready for Work, of which 55% was public sector funding and 45% was sourced from the private sector.

Income source	Investment
Public Sector funding	£569,402
Private sector funding	£462,514
<b>Total investment in 2009/10</b>	<b>£1,031,916</b>

Table 4: Inputs in BITC financial year 1<sup>st</sup> July 2009- 30<sup>th</sup> June 2010

#### 3.1.1 Department of Communities and Local Government

From 2002 – 2010, Business Action on Homelessness received funding from the Department of Communities and Local Government (DCLG, formerly Office of the Deputy Prime Minister) to support the costs of running the Ready for Work programme. We are enormously grateful to them for this funding, as this enabled us to achieve scale and the critical mass necessary to attract substantial private sector support. For every £1 invested by the public sector, we have been able to obtain £0.81 from the private sector to support the delivery of the Ready for Work programme.

#### 3.1.2 Funding from local authorities / other public sector sources

Ready for Work operates in 20 cities across the UK, and our individual Ready for Work teams are encouraged to develop local funding sources for programme delivery wherever possible to maintain and increase the reach of the programme. The amount of money received from local government sources differs from team to team, with the majority of teams opting to raise funds wholly from corporate sources.

#### 3.1.3 Corporate Funding

The majority of the funding for the Ready for Work programme is raised from business. For every £1 that the public sector contributed to the running of Ready for Work in this investment year, we raised £0.81 cash from the private sector. The National Business Partners of Business Action on Homelessness<sup>2</sup> contribute the biggest proportion of the funding, with the remainder raised from an additional 140 businesses across the UK.

Participating companies offer placements for Ready for Work clients in return for proven business benefits – e.g. staff development for the employee volunteer buddies supporting the placements, increased staff satisfaction and engagement through supporting the programme, and cost effective recruitment for new staff, with Royal Mail, Marks & Spencer and Carillion in particular employing clients following placements. Companies are also charged for the job coach training and ongoing support provided to their employees.

### 3.2 Outputs

The Ready for Work programme is made up of four phases as described in the introduction: registration on the programme, participation in two day training, a two week work placement and post placement support (eg. attending Action Day, being matched with a job coach).

<sup>2</sup> BAOH National Business partners: Accenture, Bain & Company, Barclays, Carillion, Freshfields Bruckhaus Deringer LLP, Marks & Spencer, Royal Mail

All clients are registered onto a database at the point of referral and their progress through the Ready for Work programme and beyond is carefully recorded. The figures below refer to all outputs recorded during the 12 month period July 2009 – June 2010.

Output	Number of clients
Registration	758
Completed two day training	709
Started work placement	655
Completed work placement	549
Attended Action Day	431
Matched with a job coach	290

Table 5: Outputs 2009-10

### 3.2.1 Registration

Clients are referred by a network of homelessness agencies, and are assessed for work readiness before being accepted onto the programme. To meet our eligibility criteria, clients must either currently be homeless or at risk of homelessness, or have been homeless within the last two years. This includes clients who are currently or have recently been living in hostels, supported accommodation, or who have experienced any insecure housing arrangement (eg. staying with friends, in National Asylum Support Service accommodation or B&Bs).

*“Being back at work and getting up in the morning is great – I look forward to the day ahead.”*

*Ready for Work\* client, former rough sleeper, unemployed for two years*

Agencies must have known the client for at least three months to accurately assess their suitability for the Ready for Work programme. Clients must be eligible to work in the UK or have approved refugee status or leave to remain. They must also be able to demonstrate basic skills including the ability to read and write in English. Any client with an unspent conviction will be assessed on a case-by-case basis. We do not accept clients with current alcohol, substance abuse or mental health issues unless they have been ‘under control’ for at least six months prior to clients entering the programme and they’re on a recognised treatment programme. This is primarily to maximise the likelihood of clients having a successful work placement and gaining employment but also helps us to manage any potential risk for the host companies.

### 3.2.2 Two day training

This is delivered immediately before clients embark on their work placement. The training is designed to prepare clients for their work placement and employment by covering topics including what to expect in the workplace, appropriate workplace behaviour, hopes and fears about work, positive thinking techniques, CV preparation, job search skills and interview techniques. 94% of clients who registered on the programme in this period went on to complete the two-day training. We would endeavour to work with any clients who didn’t complete the training to take them through it at a later date if they are interested.

### 3.2.3 Work placement

These take place in local employers from a wide range of sectors. Whilst clients are on their placement they are matched with an employee volunteer ‘buddy’ from the host company, who supports them throughout the placement to make sure they have the best experience. The role of the buddy is key in helping the client settle into their placement, as well as giving feedback and support whilst they are there. We train all buddies so that they are aware of some of the challenges clients may be facing and how best to support them on the placement. 92% of clients who complete their training went on to start a work placement and 84% of those clients successfully completed their placements.

We also work with the companies hosting the placement to ensure that they are genuine placements where the clients are actively engaged in specific activities that develop their skills rather than simply shadowing employees.

### **3.2.4 Post placement support (Action Day & Job Coaching)**

The post-placement support we provide to clients is a key part of the Ready for Work programme and is critical to the successful attainment and sustainment of work. Once clients complete their placements they are invited to attend an Action Day which allows them to come together as a group, reflect on their experiences at the work placement and make an action plan to help them move towards achieving employment. They then graduate to the 'Ready for Work' club, through which they can access further training and peer support opportunities through client support network sessions, additional job search support and job coaching.

Job coaches are offered to all clients and are heavily promoted at all stages of the programme to encourage wide take up. Job coaches are employee volunteers from supporting companies, who are provided with a full day's training delivered by an independent trainer to prepare them for their role, which is primarily to keep clients motivated and organised as they search for work, to help prepare them for interviews and crucially, to support them when they start work.

We stipulate that all job coaches must meet initially with their clients once a week for an hour, for at least 12 weeks to establish a fruitful and trusting relationship. Support is encouraged beyond this point, and typically lasts around 6 months depending on the ongoing needs of the client. 67% of clients who attended Action Day in this period were subsequently matched with a Job Coach.

## **3.3 Outcomes**

Ready for Work records the following primary outcomes for the 758 clients who registered to take part in the programme in the BITC financial year 1<sup>st</sup> July 2009 to 30<sup>th</sup> June 2010.

<b>Outcome</b>	<b>Number of clients</b>	<b>% of total who registered on the programme</b>
Entry to employment	302	40%
Entry to volunteering	65	9%
Entry to training or further education	112	15%
Improved employability of clients (skill development, increased confidence etc)	54% - 95% (See Table 8)	

**Table 6: Outcomes 2009-10**

These primary outcomes are distinct from the secondary outcomes, which can be defined as the changes that occur as a result of clients having achieved the primary outcomes. These are dealt with in point 4 – Monetising the Impacts.

### **3.3.1 Entry to employment**

The most tangible economic and social outcomes for Ready for Work relate to clients gaining and sustaining employment. Acceptance onto Ready for Work is predicated on clients declaring themselves 'ready and willing to work' and getting and keeping a job is the primary goal of most clients.

We included in our analysis those clients who came on the programme between July 2009 and June 2010 and went on to gain employment either in that year or the following year.

As Table 7 shows, a total of 210 clients entered employment during July 2009 – June 2010. A further 92 clients who had come on the programme in this year went on to gain employment in the following year.

Our database captures employer names, hours worked, start dates and, where relevant, end dates of employment and reasons for end of employment. We follow up with our clients at 3, 6 and 12 month intervals to monitor their outcomes and find out whether they have sustained their employment. This means that the data we hold on our database can be considered a fair reflection of the actual situation our clients are in, and we have therefore assumed that those clients who do not have a recorded end date of employment on our database have sustained their employment into future years. In Section 5.3 we explain how we have accounted for drop-off of these outcomes as we project them into years 3, 4 and 5.

Total entering employment after participation in 2009-10 programme					
302					
Total entering employment in Year 1 (2009/10)			Total entering employment in Year 2 (2010/11)		
210			92		
Start and end in Yr 1	Start in Yr 1, end in Yr 2	Start in Yr 1, no end date	Start and end in Yr 2	Start in Yr 2, end in Yr 3	Start in Yr 2, no end date
48	28	134	24	1	67

Table 7: Breakdown of employment outcomes by start and end dates

### 3.3.2 Entry to volunteering

It is sometimes the case that completing the Ready for Work programme leads clients to realise that they need to undertake further work experience or training in order to get the job they want, or else they are not yet ready for paid employment. In such instances, clients are supported by the key worker at their referral organisation, a BITC Ready for Work Manager and/or their Job Coach to identify and access other opportunities for them to develop. We recorded that 65 individuals who came through the programme in 2009-10 went on to access voluntary work.

### 3.3.3 Entry to further training or education

As with volunteering, some clients identify that they would benefit from further training or education before entering employment. We recorded 112 individuals who came through the programme in 2009-10 subsequently going on to access further training or education.

### 3.3.4 Improved employability skills

To assess the impact of Ready for Work on perceived employability skills, we ask clients to complete a short questionnaire at the end of each programme. The completion rate for the surveys differs across the UK, but we have sufficient data to be confident of the results.

The results of surveys conducted between January and May 2011 in Bradford, Birmingham, Bristol, London, Manchester, Newcastle, Nottingham and Sheffield are shown in the table below. We asked 152 clients to complete the survey and 129 responded (an 85% response rate). They show that the Ready for Work programme makes a significant impact on the skills that are most likely to help clients gain and sustain work, such as listening and organisation skills, customer service and IT skills. Importantly, the significant majority (85%) report that the programme has helped them to develop skills to help them find work.

Skills developed	% clients stating they have achieved this outcome
Improved listening skills	95%
Improved organisation skills	91%
Improved asking question skills	91%
Development of skills to help them find work	85%
Improved customer service skills	65%
Improved English language skills	62%
Improved IT and computer skills	54%*

(\*37% reported that these skills weren't relevant to their placement)

**Table 8: Outcomes - employability skills**

A total of 153 responses were analysed. The top 3 placements completed by clients completing the survey were administrative/office-based (29%), retail/customer service (18%) and delivery/sorting (10%). Other placements completed by respondents included facilities, post room, warehouse work, construction, catering, maintenance, hospitality, security and landscaping/gardening.

## 4. Monetising the impacts - indicators and evidence

It should be noted that in this report we have only monetised the impacts relating to the 302 clients entering employment as we found a lack of robust proxy data to enable us to place a financial value on the outcomes relating to improved employability or entry to volunteering, training or education of the remaining 457 clients who came through the programme.

With this in mind, this SROI evaluation should be considered an understatement of the total benefit to society of the Ready for work programme.

However, we know that these additional outcomes have a significant positive impact on clients' likelihood of attaining employment in the future. We will aim to develop a more comprehensive SROI analysis at a later date to take account of these additional outcomes and build on what we have learnt through this analysis.

To help us find the appropriate indicators to monetise the impacts of these outcomes we identified the key changes that result from clients achieving employment.

What changes for clients who gain employment?	What are the financial benefits for Government?
Clients claim less in benefits payments	DWP has to pay less in benefits payments to clients once they gain employment
Clients pay Income Tax and National Insurance Contributions	HMRC receive Tax and National Insurance contributions from clients during their period of employment
Clients move into independent accommodation	The Government pays less in Supporting People costs
Clients experience improvements in health	Reduced cost to the NHS
Clients with previous convictions are less likely to offend	Reduced costs to society of re-offending

**Table 9: Key changes from clients gaining employment**

In order to articulate the financial impact of these changes we identified a number of different ways of monetising the indicators, which included a combination of actual data and proxy data. The data and sources for each of the five areas are outlined below.

#### 4.1 Reduced cost of out of work benefits paid by the Government (DWP).

To calculate the saving to Government from moving our clients into employment we compared the amount of actual in-work benefits paid to our clients during their period of employment with the amount of out-of-work benefits they would otherwise have been claiming to calculate the saving to Government from moving our clients into employment.

##### 4.1.1 The cost of paying out of work benefits

When clients register to take part in Ready for Work, we ask them to tell us if they are claiming any of the following benefits.

- Job Seekers Allowance
- Incapacity Benefit
- Employment and Support Allowance
- Income Support

We do not ask clients if they are claiming housing benefit, but we do know what type of accommodation clients are living in at the time of registration. From this information, we assumed that all those reporting living in a hostel, supported accommodation, the private rented sector or as having been re-housed, were claiming housing benefit.

A number of our clients have their housing status recorded as 'other' on our database. For these records we analysed the anecdotal information on our database which describes housing situations in more detail and, from this information, we have assumed that approximately 40% of clients reporting their housing situation as 'other' were eligible for housing benefit. The types of accommodation referenced by this group of clients included temporary housing, shared housing, supported housing, floating support, council housing and private rented sector. We have assumed that all those in receipt of housing benefit are also receiving council tax benefit as these benefits are typically claimed in tandem.

The table below shows the proportion of clients claiming each benefit type, based on analysis of a sample group of 305 clients' records on our database in 2009/10. We would have expected all clients to be claiming either Job Seekers Allowance, Incapacity Benefit or Employment and Support Allowance, in addition to Housing and Council Tax Benefit. However, our database showed this to not be the case with only 91% of the clients registered as claiming specific benefits. This is surprisingly low given the profile of our clients though may be partly attributable to incomplete data captured at the point of registration.

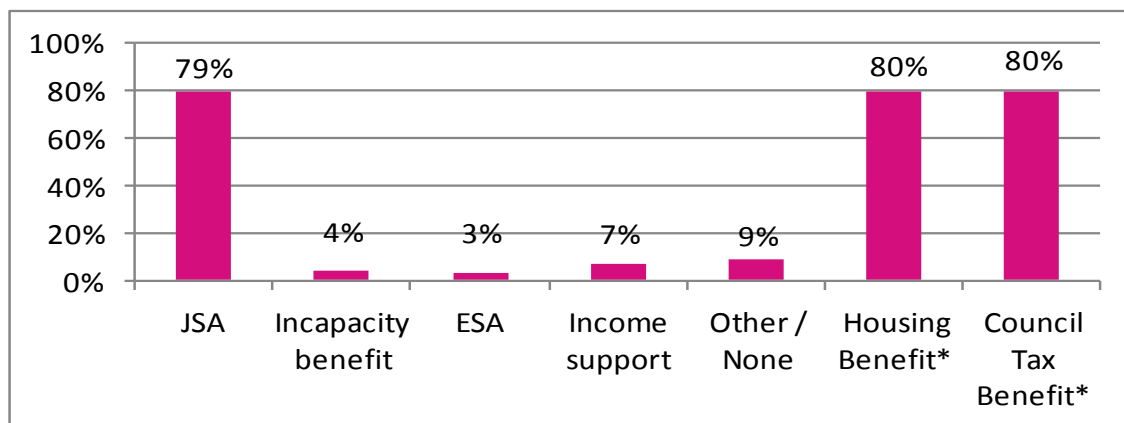


Table 10: Proportion of clients claiming each benefit type



In order to determine the average amount of out of work benefit entitlements for our clients we used the DWP Tax Benefit Model<sup>3</sup> to identify actual benefit rates during each year and calculated the average entitlement based on the percentages of clients claiming each benefit and the total number of clients in employment in the reporting period.

We estimated that our clients would have been claiming an average of **£174.74** per week in benefits if they were not in work in 2009/10 and **£173.42** per week in 2010/11 (see Table 11 which demonstrates how we calculated the benefits figure averaged per client). This should be considered an underestimation of the actual total weekly amount paid by Government as we have used the actual data from our database that shows only 91% of clients on our programme registered as claiming benefits despite the fact that it is highly likely that all or almost all of our clients were indeed claiming benefits.

Benefit type	No. of clients who would otherwise be claiming each benefit*		Benefit rate		Total weekly amount for all clients if they were not working	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
<b>Job Seekers Allowance</b>	167	202	£64.30	£65.45	£10,714	£13,190
<b>Incapacity Benefit</b> (short-term higher rate)	0	0	£80.15	£81.60	£0	£0
<b>Incapacity Benefit</b> (short-term lower rate)	8	10	£67.75	£68.95	£560	£689
<b>Employment Support Allowance</b>	6	7	£64.30	£65.45	£354	£436
<b>Income Support</b>	15	18	£64.30	£65.45	£974	£1,199
<b>Housing Benefit</b>	167	202	£130	£127	£21,750	£25,701
<b>Council Tax Benefit</b>	167	202	£14	£14	£2,342	£2,833
Total weekly amount for all clients					£36,695	£44,048
No. of clients in work during each year					210	254
<b>Average weekly amount per client</b>					<b>£174.74</b>	<b>£173.42</b>

\* % of clients claiming each benefit multiplied by no. of clients in employment in each year

**Table 11: Breakdown of benefits to calculate the average out of work benefits entitlements**

#### **4.1.2 The cost of paying in work benefits**

In order to estimate the cost of paying in-work benefits to our clients during their periods of employment we used a combination of hours worked, gross weekly earnings and length of time in employment to calculate the annual in-work benefit entitlement for each individual. Benefit rates were taken from the DWP Tax Benefit Model<sup>4</sup> as before.

The information in our database was sufficient to allow us to categorise clients into the following hourly groups: <16 hours per week, 16 – 29 hours per week and 30+ hours per week. For ease of calculation,

<sup>3</sup> DWP Tax Benefit Model 2010, <http://statistics.dwp.gov.uk>

<sup>4</sup> DWP Tax Benefit Model 2010, <http://statistics.dwp.gov.uk>

we then used mid-point percentiles from ONS's report 'Annual Survey of Hours and Earnings Results 2009<sup>5</sup>' to identify the average hours that people in each group would have worked each week.

Part time / Full time category	Assumed hours worked per week <sup>6</sup>
<16 hours	10 hours
16 – 29 hours	23.5 hours
30+ hours	38.2 hours

Table 12: Estimated hours worked

In the absence of wage data, we have made a conservative assumption that clients in employment were earning the National Minimum Wage. This was £5.80 in Year 1 and £5.95 in Year 2<sup>7</sup> and, for the purposes of this calculation, we have assumed that all clients were 21 years old or over (our all-time data shows that this is true for more than 90% of our clients. We have included some sensitivity analysis on wage levels in Section 5.

We then used DWP's Tax Benefit model<sup>8</sup> to work out the weekly eligible benefits each client would receive during their period of work. These figures are given below. For those working 10 hours per week, we have assumed that benefits are still being paid at the out of work rate. This is a conservative assumption, partly to take account of the varying hours worked by clients at this level and also the fact that their weekly income on National Minimum Wage would likely have been low enough to make them eligible for full Housing Benefit and Council Tax Benefit as a minimum. They are also working fewer hours than the 16 hour threshold at which entitlement to out of work benefits ceases and entitlement to in work benefits is triggered.

Hours worked	Estimated out of work benefit level		Working Tax Credit		In-work housing Benefit		In-work Council Tax Benefit	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
10 hours	£174.74	£173.42	n/a	n/a	n/a	n/a	n/a	n/a
23.5 hours	n/a	n/a	£0.00	£0.00	£90.45	£86.44	£1.83	£1.52
38.2 hours	n/a	n/a	£13.39	£11.85	£54.57	£50.84	£0.00	£0.00

Table 13: In work benefit entitlement per week

By working out the number of weeks that each client was in employment during each of the years, we were able to work out the total amount of in-work benefits received during their period of employment. In order to determine the number of weeks our clients were in work we used actual employment start and end dates from our database.

For those clients who gained employment in Year 1 but have no recorded employment end date on our database, we have assumed that they sustained employment throughout Year 2. Similarly, for those clients who gained employment in Year 2 but have no recorded end date, we have assumed that they sustained employment until the end of Year 2 as a minimum. This is because our Ready for Work Managers maintain contact with clients to check their progress and update our database with an

<sup>5</sup> Annual Survey of Hours and Earnings Results 2009, <http://www.ons.gov.uk/ons/publications>

<sup>6</sup> Table 1.9a, Ibid

<sup>7</sup> Low Pay Commission <http://www.lowpay.gov.uk/>

<sup>8</sup> DWP Tax Benefit Model 2010, <http://statistics.dwp.gov.uk>

employment end date if they were informed by the client that their employment had ended. Please see Section 5.3: Drop-Off for more information about how we have treated these clients in future years.

Hours worked per week	No. of clients in work during year		Maximum possible working weeks per year = no. of clients x 52 weeks		Total no. of weeks these clients actually spend in work (or out of work) each year Calculated from individual records of employment duration		Total in work (or out of work) benefits paid each year = total no. weeks in work (or out of work) * relevant benefit entitlement	
	Yr 1	Yr 2	Yr1	Yr2	Yr 1	Yr 2	Yr 1	Yr 2
10	34	50	1,768	2,600	517 (1,251)	531 (2,069)	£90,364 (£218,570)	£358,804 (£92,086)
23.5	82	92	4,264	4,784	1,443 (2,821)	1,081 (3,703)	£133,147 (£492,956)	£325,728 (£187,441)
38.2	94	112	4,888	5,824	1,610 (3,278)	1,360 (4,464)	£109,425 (£572,761)	£279,857 (£235,825)
<b>Total</b>	<b>210</b>	<b>254</b>	<b>10,920</b>	<b>13,208</b>	<b>3,570 (7,350)</b>	<b>2,972 (10,236)</b>	<b>£332,936 (£1,284,287)</b>	<b>£964,389 (£515,352)</b>

Table 14: Breakdown of hours worked and benefits entitlements

#### 4.1.3 Gross benefit savings to Government from clients in employment

Benefit cost / saving	Year 1	Year 2
Average weekly out of work benefit cost per client	£174.74	£173.42
<b>Estimated total annual out of work benefit cost if none of the clients were in employment during the period</b> <i>(No. of weeks in year * average weekly out of work benefit cost per client) * no. of clients in cohort in each year</i>	<b>£1,908,121</b>	<b>£2,290,518</b>
Actual in work benefit cost to Government <i>Calculation based on no. of clients in cohort, % of year worked and in-work benefit entitlement</i>	£332,936	£964,390
Actual out of work benefit cost to Government <i>Calculation based on no. of clients in cohort, % of year out of work and estimated out-of-work benefit entitlement</i>	£1,284,288	£515,352
<b>Total actual cost of benefit payments for all clients</b> <i>Actual in work benefit cost + Actual out of work benefit cost</i>	<b>£1,617,224</b>	<b>£1,479,742</b>
<b>Gross benefit savings to Government</b> <i>(Estimated total annual out of work benefit cost – Total actual cost of benefit payments)</i>	<b>£290,897</b>	<b>£810,776</b>

Table 15: Reduced cost of out of work benefits paid by the Government (DWP)

#### 4.2 Income Tax and National Insurance Contributions (HMRC).

We used the DWP Tax Benefit Model<sup>9</sup> to calculate the Income Tax and National Insurance Contributions that clients in employment would have paid during their actual period of employment in years 1 & 2.

<sup>9</sup> DWP Tax Benefit Model 2010, <http://statistics.dwp.gov.uk/asd/index.php?page=tbmt>

These contributions have been calculated for each client individually based on their hours worked, length of time in employment and assumption that they are earning the National Minimum Wage.

Hours worked	Income Tax per week		National Insurance per week	
	Year 1	Year 2	Year 1	Year 2
10 hours	n/a	n/a	n/a	n/a
23.5 hours	£2.10	£2.96	£2.75	£3.19
38.2 hours	£19.10	£20.36	£12.10	£12.76

Table 16: Income Tax and National Insurance liability of clients in work

Hours worked per week	No. of clients in work		Total no. of weeks worked		Total Income Tax paid		Total National Insurance paid	
	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2
10	34	50	517	531	n/a	n/a	n/a	n/a
23.5	82	92	1,443	1,081	£3,030	£10,961	£3,968	£11,813
38.2	94	112	1,610	1,360	£30,754	£90,890	£19,483	£56,962
<b>Total</b>	<b>210</b>	<b>254</b>	<b>3570</b>	<b>2972</b>	<b>£33,784</b>	<b>£101,851</b>	<b>£23,451</b>	<b>£68,775</b>

Table 17: Breakdown of Income Tax and National Insurance payments by clients in work

Income Tax & National Insurance contributions	Year 1	Year 2
Total Income Tax paid by clients during working period <i>Calculation based on no. of clients in cohort, % of year worked and Income Tax liability</i>	£33,784	£101,851
Total National Insurance contributions paid by clients during working period <i>Calculation based on no. of clients in cohort, % of year worked and National Insurance liability</i>	£23,451	£68,775
<b>Gross Income Tax &amp; National Insurance contributions paid by clients during working period</b>	<b>£57,235</b>	<b>£170,626</b>

Table 18: Gross Income Tax and National Insurance contributions

#### 4.3 Reduced Supporting People costs (DCLG & Local Government).

The Supporting People programme provides housing-related services to a wide range of vulnerable client groups, including homeless people living in hostels. The programme is commissioned and administered by local authorities and DCLG estimates that the annual cost of supporting a homeless person living in a hostel through the programme is £8,283<sup>10</sup> per person.

Analysis of a sample of 305 clients showed that 26% were living in hostels (see Table 12). For the purposes of this calculation, we have assumed that all clients living in hostels attract Supporting People funding. We have also assumed that when clients enter work they move out of hostels and do not return when period of employment ends. This is based on discussions with clients and our Ready for Work

<sup>10</sup> 2009 Supporting People levels: <http://www.communities.gov.uk/documents/housing/pdf/1274439>

Managers and is because the rents charged to clients living in hostels increase dramatically when they move into employment and come off benefits which mean that clients normally find it very difficult to remain in hostel accommodation once they have started work.

We have not assumed that the clients living in a Supported Housing Scheme are attracting Supporting People funding, as this depends on the nature of the scheme and the support provided. Nor have we evaluated whether clients reporting as 're-housed' are receiving floating support that could also be funded by Supporting People budgets. These could be areas of potential understatement. We have revised our accommodation classification in our database since this data was collected, to be more precise about the types of accommodation our clients are living in. However, for the purposes of this report, we have retained the classification that was in use at the time in order to most accurately reflect the situation of the specific client group in question.

Housing situation type	% of clients in sample reporting living in housing type
Bed & Breakfast	1%
Hostel	26%
Other (inc. LA / Council-owned)	20%
Private rented sector	1%
Re-housed	24%
Supported housing scheme	21%
With friends / sofa surfing	8%

Table 19: Housing situation of Ready for Work clients

We have applied an additional deadweight reduction to the Supporting People savings to reflect the fact that some clients will move into independent accommodation regardless of their employment outcomes achieved as a result of Ready for Work. We have identified a relatively conservative 30% deadweight to reflect this.

In calculating the net Supporting People cost saving we have applied the percentage of clients living in hostels (26%) to the number of clients in employment in each year to identify the number of clients who would have attracted Supporting People funding in their accommodation if they were not in employment.

We have multiplied these figures by the Supporting People cost per head for each year, and reduced this by the 30% deadweight figure to reach the net Supporting People cost saving for each year. It should be noted that, for the purposes of this calculation, we have assumed that clients are in employment for the full year (see Appendix 1 for full list of potential overstatements and understatements).

	Year 1	Year 2
Number of clients living in hostel <i>No. of clients in employment in each year * 26%</i>	55	66
Supporting People cost per year, per client	£8,283	£8,665 *
Gross Supporting People cost per year	£455,565	£571,904
Deadweight to be deducted	30%	30%
<b>Net Supporting People cost saving</b>	<b>£318,896</b>	<b>£400,333</b>

(\*2009 figure updated to 2010 levels using Bank of England inflation calculator<sup>11</sup>)

Table 20: Supporting People cost savings

<sup>11</sup> [www.bankofengland.co.uk/education/inflation/calculator/flash/index.htm](http://www.bankofengland.co.uk/education/inflation/calculator/flash/index.htm)

#### 4.4 Savings in health costs (NHS).

Evidence suggests that movements into employment reduce NHS costs, due to the benefits that work has on physical health and well-being<sup>12</sup>. While we do not measure the health impacts of Ready for Work, we used the DWP's cost benefit analysis framework to place a value on NHS savings through supporting clients into work.

This source states that an unemployed person claiming JSA moving into work costs the NHS in 2008 £508 less per annum<sup>13</sup>, and that when an unemployed person with a health issue or disability moves into work they incur £1,016 less in NHS costs per annum<sup>14</sup>. We have uprated these 2008 figures to £505 and £1,011 in 2009 (£529 and £1,057 in 2010) using the Bank of England inflation calculator<sup>15</sup>.

To calculate the overall cost savings for our clients in each of the two years, we worked out the average number of weeks clients spent working during each year as a percentage of the year, and worked out the proportions that were previously claiming JSA and the proportions previously claiming Incapacity Benefit or Employment Support Allowance. Analysis of a sample group of our clients showed that 86% were claiming Job Seekers Allowance or Income Support when they registered on the programme, and 7% were claiming either Incapacity Benefit or Employment Support Allowance.

We then multiplied the proportion of the year spent working by the appropriate cost saving and number of clients to reach the total cost saving for each year.

	Year 1	Year 2
Number of clients in work	210	254
Total number of weeks working in the year	3,570	10,236
Average no weeks worked per client as a % of the year	33%	78%
Cost saving proxy for ex-JSA/IS client (pa)	£505*	£529*
Cost saving proxy for ex-ESA/ICB client (pa)	£1,011*	£1,057*
Saving for ex-JSA/IS client based on % of year worked	£165	£410
Saving for ex-ESA/ICB client based on % of year worked	£330	£819
Number of clients in work previously claiming JSA/IS	181	218
Number of clients in work previously claiming ESA/ICB	15	18
Gross saving ex-JSA/IS clients	£29,835	£89,490
Gross saving ex-ESA/ICB clients	£4,857	£14,568
<b>Gross saving all clients in each year</b>	<b>£34,692</b>	<b>£104,058</b>

\*2008 figures uprated to 2009 & 2010 levels using Bank of England inflation calculator<sup>16</sup>

Table 21: Gross savings to NHS

#### 4.5 Reduced costs of reoffending (MoJ).

We know from our database that, on average, 28% of Ready for Work clients have an unspent criminal conviction and anecdotal evidence suggests that this can be their biggest barrier to work. Employment

<sup>12</sup> DWP Social Cost-Benefit Analysis framework, pg 38-39 <http://research.dwp.gov.uk/asd/asd5/WP86.pdf>

<sup>13</sup> DWP Social Cost-Benefit Analysis framework <http://research.dwp.gov.uk/asd/asd5/WP86.pdf>

<sup>14</sup> Ibid

<sup>15</sup> [www.bankofengland.co.uk/education/inflation/calculator/flash/index.htm](http://www.bankofengland.co.uk/education/inflation/calculator/flash/index.htm)

<sup>16</sup> Ibid



has been shown to reduce reoffending by 33-50%<sup>17</sup> and therefore we can assume that Ready for Work is likely to help reduce the amount that government spends on criminal justice.

Calculating the cost of re-offending is extremely difficult, and data on the subject is lacking. However, a report by the Social Exclusion Task Force published in 2002 attempted to put some figures on the costs of re-offending by ex-prisoners and estimated an annual saving of £65,000 per person. In the absence of more up to date research quantifying the cost of reoffending, this is the figure that is widely used within the sector<sup>18</sup>.

To work out the value of the impact of Ready for Work on reducing reoffending, we took the following steps:

**Step 1:** Up-rate the 2002 cost saving of £65,000 to 2009 and 2010 values using the Bank of England inflation calculator<sup>19</sup>

**Step 2:** Multiply the annual cost savings by the number of ex-offenders within the cohort (based on 28% of clients being ex-offenders)

**Step 3:** Multiply these figures by the % of year in employment. We are assuming that the benefits of employment on reducing re-offending only last for the period in which the individual is actually in employment. Determine the average number of weeks worked in each year per client and express this figure as a percentage of each year worked (33% in Year 1 and 78% in Year 2)

**Step 4:** Multiply this final figure by the % contribution that employment makes to reducing re-offending as per Social Exclusion report. The report states that employment reduces the likelihood of reoffending by 33% - 50% and we have taken the median figure of 42% to use in this instance.

	Year 1	Year 2
<b>Cost of reoffending per person, per annum<sup>20</sup></b>	<b>£78,830</b>	<b>£82,468</b>
<b>Number of clients working during report period with criminal conviction</b> <i>Calculation = no. clients working each year * 28% (proportion of clients with a criminal conviction)</i> <i>Year 1: 210 * 0.28, Year 2: 254 * 0.28</i>	<b>59</b>	<b>71</b>
<b>Average no. weeks worked expressed as a % of the year</b> <i>Calculation = (Total no. weeks working in year / no. of clients in work) / 0.52</i> <i>Year 1: (3,570 / 210) / 0.52, Year 2: (10,236 / 254) / 0.52</i>	<b>33%</b>	<b>78%</b>
<b>% by which employment reduces re-offending</b>	<b>42%</b>	<b>42%</b>
<b>Gross cost savings</b>	<b>£636,477</b>	<b>£1,909,114</b>

**Table 22: Gross cost savings of reduced re-offending**

However, it would be wrong to assume that all clients with a criminal conviction would have reoffended if it were not for Ready for Work. To establish the proportion who would not have offended anyway, we used data published by the Prison Reform Trust in 2010 which stated that 49% of adults are reconvicted within one year of being released and that for those serving sentences of less than 12 months this

<sup>17</sup> Reducing re-offending by ex-prisoners, Social Exclusion Unit, 2002

<sup>18</sup> This figure forms the basis for the 2010 report by Pro Bono Economics on the SROI of St Giles Trust's 'Through the Gates' programme

<sup>19</sup> [www.bankofengland.co.uk/education/inflation/calculator/flash/index.htm](http://www.bankofengland.co.uk/education/inflation/calculator/flash/index.htm)

<sup>20</sup> Reducing re-offending by ex-prisoners, Social Exclusion Unit, 2002 (values uprated with Bank of England calculator for each year)

increases to 61%.<sup>21</sup> If we take the average of these figures we have an average reconviction rate of 55%, which means that 45% are not reconvicted. This figure refers only to the percentage of ex-prisoners who are re-convicted, and does not reflect the number of further offences and corresponding costs and therefore can be considered a conservative deadweight figure to apply in this context.

To take this calculation one step further, we have also assumed that our clients with unspent convictions might also be interacting with other agencies who might also have an impact on their likelihood of reoffending and therefore it would be reasonable to apply an attribution rate to this figure. With this in mind, we have applied a conservative reducing re-offending attribution rate of 80% to reflect the proportion of the reduced re-offending outcome that could be attributed to the our interventions as opposed to the contribution of other agencies. This is in line with the overall attribution figure for the total SROI calculation as set out in Section 5.2.

	Year 1	Year 2
<b>Gross cost savings</b>	<b>£636,477</b>	<b>£1,909,114</b>
Deadweight	45%	45%
Attribution	80%	80%
<b>Net cost savings</b>	<b>£280,050</b>	<b>£840,010</b>

Table 23: Net cost savings of reduced re-offending (including deadweight & attribution)

## 5. Impact

### 5.1 Deadweight and displacement

Deadweight is a measure of the amount of outcome that would have happened even if the activity had not taken place. It is calculated as a percentage.

So far, we have estimated the gross savings to Government as a result of Ready for Work clients moving into work. However, we cannot assume that all clients would only have got into work because of Ready for Work; it is possible that a proportion would have found work anyway without our intervention.

Working out an accurate deadweight figure would mean comparing Ready for Work clients with a similar group of clients who did not complete the programme. This was not possible to do so we looked to relevant sources to determine what the level should be. However, little data exists in relation to homeless people and so we used the following sources to arrive at our deadweight.

We looked at the JSA off-flow data from the Office of National Statistics, which shows the % of people in each month that stop claiming JSA. The data for July 2009 – June 2010 showed an approximate 21% flow off JSA for unemployed people each month<sup>22</sup> (although it should be noted that not all off-flows were to employment, but some to inactivity). However, as this figure applies to the general population, we felt that using 21% for our client group would be too conservative. The nearest proxy to our client group we could find was data for long-term unemployed people. DWP data from 2010 shows that those who are long-term unemployed (unemployed for 13 – 18 months) are 27.2 percentage points less likely to find work than those who have been unemployed for 6 months or less.<sup>23</sup>

<sup>21</sup> 2010 Bromley Briefings Prison Factfile, Prison Reform Trust

<sup>22</sup> JSA Claimant off flows <https://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp>

<sup>23</sup> Office for National Statistics 'Economic & Labour Market Review: Explaining exits from unemployment in the UK' 2006–09, Table 6, pg. 41

We therefore reduced the 21% JSA off-flow figure by 27.2% (giving 15.28%) and rounded it down to reach a more realistic deadweight figure for Ready for Work of **15%**.

We have not accounted for displaced employment outcomes in this study (i.e. the extent to which positive outcomes generated for our clients are offset by negative outcomes for other job seekers in society), but would look to consider this in any future analysis.

## 5.2 Attribution

Attribution is an assessment of how much of the outcome was caused by Ready for Work as opposed to the contribution of other organisations or people. It is expressed as a percentage and applied once deadweight has been deducted. So in this instance, we needed to make a decision as to how much the intervention of other agencies contributed to Ready for Work clients gaining work.

We do not follow up with clients who are working to find out how much they think Ready for Work helped them to find the job. However, Ready for Work was developed in response to an identified gap in homelessness provision and agencies refer clients to Ready for Work because they view that we can help where they, or mainstream provision, cannot.

We asked senior staff in three referral agencies to estimate how much of the job outcome can be attributable to Ready for Work and how much to their own agency. On average, respondents replied that they felt Ready for Work was 80% responsible for the job outcome. This is supported by findings from our Client Skills Survey, which shows that 85% of clients felt they had gained skills to help them find work.

With this in mind, we have applied an attribution figure of **80%**.

However, as we have previously identified, not all of the clients who came through the programme in 2009/10 gained employment in that year, and 30% of them gained employment for the first time in the following year. It would be appropriate to assume that the longer it took clients to gain employment following completion of Ready for Work, the greater the likelihood that other organisations or individuals played a role in helping them achieve that outcome.

We have therefore decreased the level of attribution that we apply to the outcomes relating to the group of clients who were in employment in Year 2 (2010/11) to **70%**.

	Year 1	Year 2	
		Sustaining employment from Year 1	Gaining employment in Year 2
<b>Gross savings</b> <i>(Benefits savings + Tax &amp; NI contributions + Supporting People savings + Health savings)</i>	£975,972	£1,567,489	£748,886
<b>Net deadweight</b> (15%)	£829,576	£1,332,365	£636,553
<b>Net attribution</b> <i>(80% for outcomes from clients employed in Year 1 and 70% for clients employed in Year 2)</i>	£663,661	£1,065,892	£477,415

Table 24: Attribution rates

### 5.3 Drop-off

Up until this stage we have valued the outcomes relating to the time Ready for Work clients actually spent in employment in the year they came on the programme and the year immediately after. We know from our records that a number of these clients did not sustain employment beyond this period as we have end dates for their employment. There are also a number of clients for whom we do not have employment end dates and we have assumed that they have sustained their employment.

For these clients, it is reasonable to assume that the ongoing impacts on society can still be attributed to the Ready for Work programme. However, in future years the amount of outcome is likely to be less or, if the same, will be more likely to be influenced by other factors, so the amount that can be attributed to Ready for Work is lower. This is called the 'drop-off'. For those clients with no recorded employment end date, we have projected the outcomes forward for a further three years after the second year of the reporting period (2010/11) and have applied a drop-off rate of 50% to each year's impacts.

To identify the drop-off rate we looked at the percentage of clients who did not sustain their employment beyond one year and found that 36% of those who gained employment in Year 1 did not sustain it beyond the second year (but 64% did). We compared this with the figures from our 'all-time' database which show that 37% of our clients sustained work for longer than 12 months<sup>24</sup> and took the average of these two figures to reach a drop-off rate of **50%**.

### 5.4 Discount Rate

The Present Value (PV) of a cash-flow is its equivalent value in cash today. To calculate the PV, the cash-flow is discounted, reflecting the fact that cash today could be invested and generate interest, and also to reflect investment risk. Thus money gained a year from now is not worth as much as money now, and money gained two years from now is worth even less. We have discounted using the rate recommended in HM Treasury's Green Book of 3.5%<sup>25</sup>.

### 5.5 Total impact

To determine the total impact of Ready for Work we have calculated the value of impacts in each of years 1 and 2 and applied the deadweight and attribution deductions for each year. We have then carried the Year 2 impacts forward for a further three years and applied a 50% drop-off and 3.5% discount rate.

We have estimated that **one year's investment in Ready for Work results in a minimum of £3.2 million worth of impact on society** just from those clients who gain employment.

Please see Table 25 for a full breakdown of this calculation and the values for each year. The next step is to calculate the SROI figure and this is dealt with in the next section.

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<sup>24</sup> The all-time data shows a drop in employment sustainment rates over 12 months which is largely attributable to the increase in clients moving into temporary and seasonal work rather than permanent contracts.

<sup>25</sup> HM Treasury Green Book ([http://www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf))

<b>Total impact split by Year and Start and End dates of employment</b>						
<b>YEAR 1</b>	<b>Start Y1 end Y1</b>	<b>Start Y1 end Y2</b>	<b>Start YR 1 no end</b>			
<b>Gross impact*</b>	£189,584	£121,323	£665,065			
<b>Net 15% deadweight</b>	£161,147	£103,124	£565,305			
<b>Net 80% attribution</b>	£128,917	£82,500	£452,244			
<b>YEAR 2</b>				<b>Start YR 2 end Y2</b>	<b>Start Y2 end Y3</b>	<b>Start Y2 no end</b>
<b>Gross impact*</b>		£182,391	£1,385,098	£162,530	£352	£586,004
<b>Net 15% deadweight</b>		£155,032	£1,177,333	£138,150	£299	£498,103
<b>Net 80% attribution for Y1 outcomes 70% for Y2</b>		£124,026	£941,867	£96,705	£210	£348,672
<b>YEAR 3</b>						
<b>Total from previous year x 50% drop-off</b>			£470,933		£105	£174,336
<b>3.5% discount rate</b>			£455,008		£101	£168,441
<b>YEAR 4</b>						
<b>Total from previous year x 50% drop-off</b>			£227,504			£84,220
<b>3.5% discount rate</b>			£212,377			£78,621
<b>YEAR 5</b>						
<b>Total from previous year x 50% drop-off</b>			£106,189			£39,310
<b>3.5% discount rate</b>			£95,776			£35,456
<b>TOTAL IMPACT OVER 5 YEARS</b>						<b>£3,220,920</b>

Table 25: Total impact by Year

\* Gross impact = Benefits savings + Tax & NI contributions + Supporting People savings + Health savings + Reducing re-offending savings for clients in employment in each respective Year.

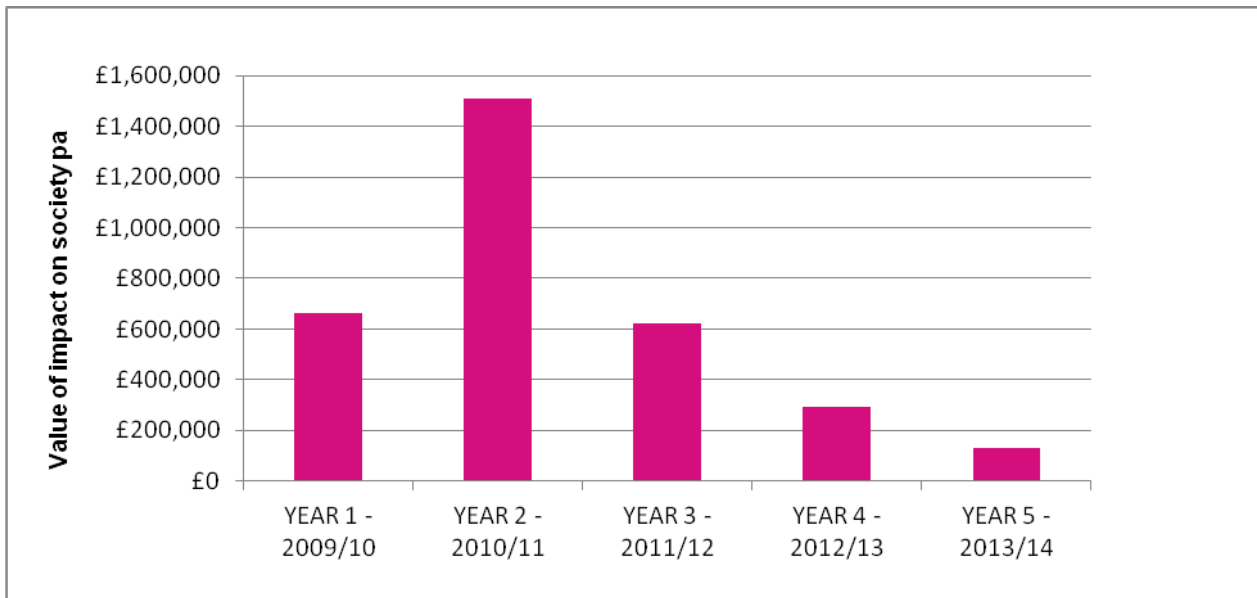


Table 26: Distribution of impact over five years

This chart shows that the value of the impact on society peaks in the year after the programme, as 77% of the 210 who gained employment in Year 1 sustained it into Year 2 and a further 92 clients gained employment for the first time following the programme in Year 2. The impact then drops off exponentially in years 3, 4 and 5 as we have applied the 50% drop-off rate and 3.5% discount rate.

## 6. SROI calculation

### 6.1 The SROI ratio

The SROI ratio is determined by dividing the present value of the total impacts by the total inputs.

Total value of impact on society <b>£3,220,920</b>		Total investment <b>£1,031,916</b>		Social Return on Investment <b>£3.12 per £1 invested</b>
---	--	---------------------------------------	--	---

We have calculated that one year's investment into the Ready for Work programme generates at least £3.2m of value to society.

**Ready for Work's SROI ratio suggests that, for every £1 invested in the programme at least £3.12 worth of value is generated for society. In other words, the value of the investment is more than tripled.**

This value is broken down into five areas of monetized benefits to society, with savings from reduced re-offending (34%) and reduced benefits payments (33%) representing 2/3 of the overall impact of the programme. The remaining areas of impact are savings in supported housing costs (22%), Income Tax and National Insurance payments (7%) and savings in health costs (4%).



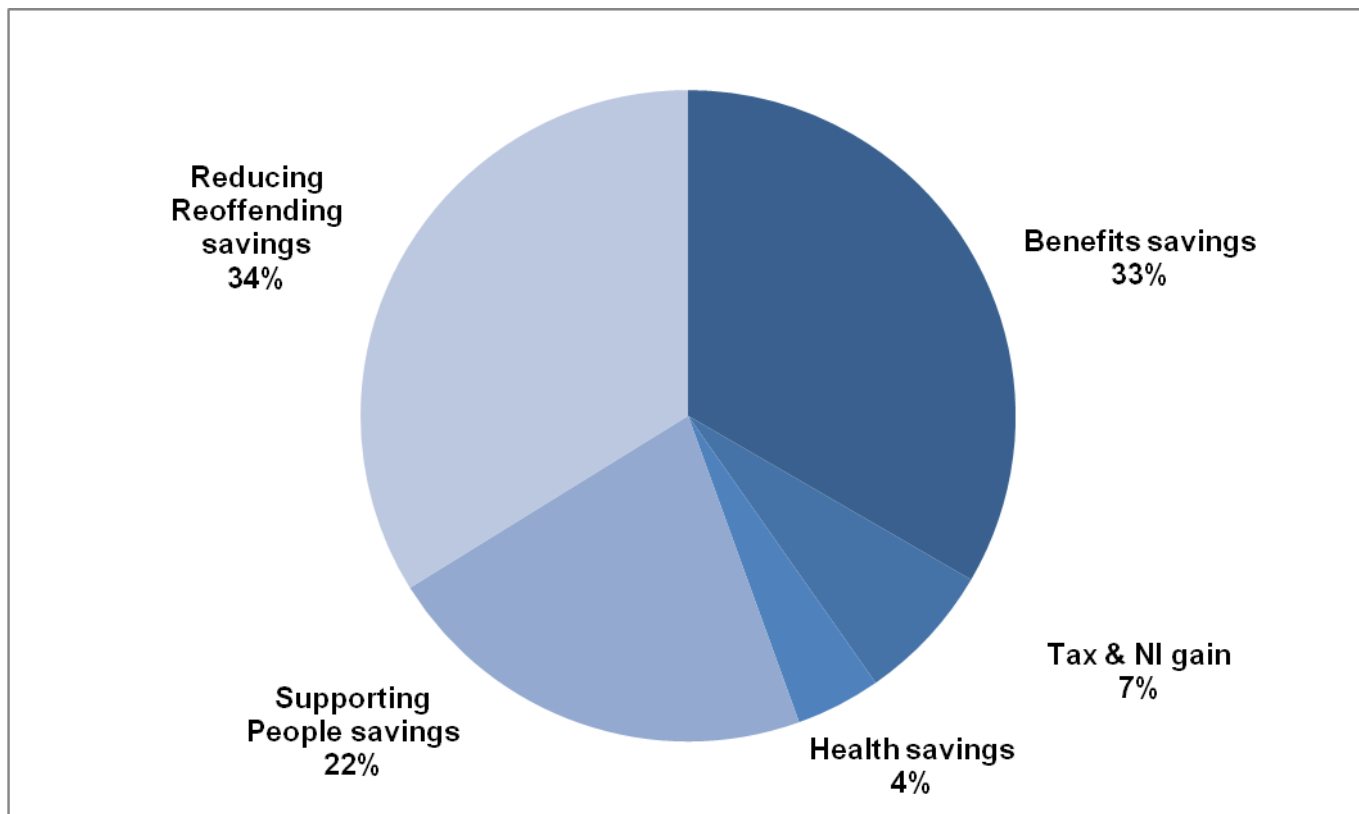


Table 27: Distribution of impact by percentage of total

For the reasons outlined in Section 2.1: Scope, this SROI ratio can be considered an underestimate of the true value of the impact of Ready for Work on society, as it concentrates only on the value created by clients gaining employment and does not attempt to value the other outcomes from the programme such as improved employability skills or entry to education, training or volunteering.

## 6.2 Sensitivity Analysis

To calculate the SROI ratio we used actual data wherever possible, but it was necessary to make a series of assumptions and estimations as well. Where assumptions have been made the rationale has been explained at each point in the analysis. Undertaking a sensitivity analysis provides the opportunity to challenge these assumptions and estimations to see what effect changing their values would have on the calculated SROI ratio. For example, what if our assumptions are wrong and the Ready for Work programme makes a smaller contribution to the outcomes our clients achieve.

Encouragingly, the results, in Table 28 below, show that even if we vary our assumptions the SROI ratio for Ready for Work still shows more than a two-fold return on investment (the full range is between £2.50 and £4.08 for every £1 invested).

The other benefit of undertaking a Sensitivity Analysis is to enable us to focus our programme development on the areas which will have the greatest impact in increasing the value of our social outcomes.

We have made the following adjustments as part of our sensitivity analysis.

### 6.2.1 Wage level

In the absence of accurate salary information on our database we assumed that all our clients were earning the National Minimum Wage when they were in employment. It is likely that there is considerable variation in the earnings of clients dependent not just on the type of work that they move

into but also where they live. We therefore identified a need to test the data with a higher wage level and selected the London Living Wage as a reasonable alternative proxy in this situation that is sufficiently different from the National Minimum Wage to enable us to see how the overall SROI picture would change if clients earned markedly higher wages.

This was £7.60 in 2009/10<sup>26</sup> and £7.85 in 2010/11<sup>27</sup>.

The main areas where this had an impact were as follows:

- Entitlement to Working Tax Credit for people working more than 30 hours per week ceases
- Eligible Housing Benefit levels drop and Council Tax benefit eligibility ends
- Income Tax and NI contributions increase

This led to the overall SROI ratio increasing to 3.66:1, which is a 17% increase and shows that by increasing the earning potential of clients we would be able to leverage a greater return in social value.

### **6.2.2 Impact of Ready for Work on reducing re-offending**

In calculating the savings from reducing the re-offending rates of our clients, we had used the mid-point figure from the Social Exclusion Taskforce's estimated percentage by which employment reduces re-offending (42%). However, the Taskforce estimated that the range of contribution is from 33% - 50% and we therefore recalculated our SROI using the lower and upper bands to see what impact this would have. This resulted in a difference of -6% and +5% to the final SROI ratio respectively, generating new SROI ratios of 2.94:1 and 3.29:1.

We also looked at the attribution rates that we had applied to the reducing re-offending calculation, to account for the extent to which other organisations or individuals had an impact on the likelihood of our clients re-offending. We reduced the attribution rate to 60% to see what impact this would have on our figures and this reduced the SROI ratio by 7% to 2.90:1.

### **6.2.3 Variable deadweight figures**

For the main SROI calculation we have used a deadweight figure of 15%, which is a conservative figure based on the JSA/Labour Market Flow data and adjusted down to reflect that our clients are harder to reach than the general JSA population and experience multiple barriers to work. The JSA/LMF data shows a 20% off-flow and in this sensitivity analysis we have applied this as the deadweight figure to explore the impact on the final SROI figure of using the most conservative deadweight figure reasonable.

We have also tested the impact on the SROI ratio of applying a lower deadweight of 10% as well. The increased and decreased deadweight values had an impact of +/-6% on the final SROI ratio (3.30:1 and 2.94:1 respectively).

### **6.2.4 Variable attribution figures**

Following consultation with our stakeholders we had assumed an attribution rate of 80% for Year 1 outcomes and 70% for Year 2 outcomes and we reduced this to 70% and 60% respectively in the sensitivity analysis to see what impact this would have. The final SROI ratio was 2.72:1, which shows a decrease of 13%.

### **6.2.5 Variable drop-off rates**

In our final sensitivity analysis we looked at the impact on the SROI ratio of variable drop-off rates to test how sensitive the figure was to our clients sustaining employment for future years. With an increased

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<sup>26</sup> <http://www.london.gov.uk/publication/fairer-london-2009-living-wage-london>

<sup>27</sup> <http://www.london.gov.uk/who-runs-london/mayor/publications/business-and-economy/2010-living-wage-london>

drop-off rate of 75% we saw our SROI ratio decrease by 20% to 2.5:1 and with a reduced drop-off rate of 25% our SROI ratio increased by 31% to 4.08:1.

Area of impact on final figure	Variable adjusted	Previous level	Adjusted level	Final SROI figure	% impact on SROI figure
<b>Benefits savings &amp; Tax / NI payments</b>	Wage level adjusted from National Minimum Wage to London Living Wage for all clients	Y1: £5.80, Y2: £5.95	Y1: £7.60, Y2: £7.85	3.66	+17%
<b>Reducing re-offending</b>	Applying upper and lower figures for the % contribution that employment makes to reduced re-offending (band 33-50%)	Median level of band 42%	Lower: 33%	2.94	-6%
			Upper: 50%	3.29	+5%
	Reducing the attribution level for reducing re-offending	80%	60%	2.90	-7%
<b>Deadweight</b>	Varying the deadweight figure to show differing levels of impact of the programme in relation to the outcomes that would have happened without Ready for Work	15%	10%	3.30	+6%
			20%	2.94	-6%
<b>Attribution</b>	Varying the attribution level to account for differing levels of contribution to the outcome from other agencies / individuals	Y1 – 80% Y2 – 70%	Y1 – 70% Y2 – 60%	2.72	-13%
<b>Drop-off</b>	Changing the drop-off rates to see what the impact would be if more, or fewer clients sustained their employment following their participation on the programme	50%	25%	4.08	+31%
			75%	2.50	-20%

Table 28: Sensitivity Analysis

### 6.3 Conclusions and recommendations

As mentioned earlier, the sensitivity analysis is aimed at understanding the changes that might result if different assumptions were used. It is important to note that, through all of the sensitivity analyses, the resultant SROI ranged from £2.50 to £4.08, with an overall estimate of £3.12. The sensitivity analyses indicate that even with the most stringent of assumptions, the RfW programme represents a good return on investment.

This should also be taken into account alongside the consideration that the calculated outcomes are considered to be conservative, as they do not take into account the benefits associated with those entering education or voluntary work.

As we have highlighted in Section 5, our impact calculation includes three years of projected employment outcomes for those clients who have no recorded employment end date on our database. We have discounted these projected outcomes each year by applying a Drop-Off rate and a Discount Rate. Our final SROI figure was most sensitive to changes in the drop-off rate. From this analysis we have understood that, in order to have the greatest positive impact on society, we need to focus on

ensuring that our clients sustain their employment for as long as possible. This is a key target for the Ready for Work programme and we have a number of measures in place to support clients to sustain their employment such as Job Coaches and ongoing support provided by Ready for Work clubs. However, we will look at how we can improve the support we provide to clients to enable them to sustain their positive job outcomes in light of this analysis.

The other key area of sensitivity was around attribution, and the extent to which we can claim that Ready for Work is responsible for the outcomes achieved by our clients. The very nature of attribution is that it will always be an assumption, and we are comfortable that we have verified our assumptions in this area with stakeholders and therefore the rate is founded on a credible basis. We would not seek to allocate significant resource to further verifying this assumption, but would consider whether it can be strengthened through easy integration within our current data capture systems (e.g. through the addition of a survey question to participants).

The third area of sensitivity was related to the wage levels of our clients. We currently don't systematically record wage information of our clients when they move into employment, and so are not able to make wholly accurate claims about the impact that their employment has on their benefits entitlements or tax and National Insurance contributions. We will look to see whether it would be appropriate or possible for us to start capturing this information from our clients and how we might be able to incorporate more real data into similar evaluations in future.

# APPENDICES

## Appendix 1: Possible areas of understatements and overstatements

At certain points through this analysis we have had to make certain assumptions in order for us to calculate the social value at each stage. These have been detailed at each point and we have chosen the more conservative option in most cases. With all assumptions there is the possibility that we have understated or overstated our impact and, for the purposes of transparency, we have explained these in more detail below.

### Our potential understatements

Area of report	Potential understatements
<b>Selection of client group and outcomes</b>	<p>We are only looking at the 302 clients who gained employment following their participation in the 2009/10 programme. We haven't factored in the experiences of the remaining 457 clients who came on the programme but didn't gain employment, despite the fact that we know they have experienced other positive outcomes such as:</p> <ul style="list-style-type: none"> <li>○ entering volunteering</li> <li>○ entering further education / training</li> <li>○ improved employability skills</li> </ul> <p>Other studies we have seen ascribe a financial value to clients participating in employability training or workshops, as well as engaging with support staff to identify positive outcomes. We did not feel that the available proxies in this area were robust enough to warrant inclusion in this analysis.</p>
<b>Benefits savings: Out of work benefits</b>	Assume clients with no declared benefit type on our records aren't claiming benefits
	Assume National Minimum Wage for all clients Note: this has been addressed in the Sensitivity Analysis
	Assume short term lower rate for Incapacity Benefit in average benefit calculation (rather than higher rate)
	Assume all clients are single & therefore not eligible for child benefit / child tax credit
<b>Benefits savings: Housing / Council Tax Benefit</b>	Assume that clients not reporting housing status aren't claiming, or eligible for, Housing Benefit or Council Tax Benefit
	Assume people living with friends, family or sofa surfing aren't claiming Housing Benefit or Council Tax Benefit
<b>Supporting People savings</b>	We have only applied the cost savings to the proportion of clients reported as living in hostels and not to those reported as living in supported accommodation, who could potentially also be assumed to be attracting Supporting People funded support.
<b>Health benefits</b>	We have not attempted to monetise the improved wellbeing / happiness of the clients that come through the programme due to lack of available robust proxy data
	We have potentially understated the percentage of clients moving off each benefit because we have assumed that clients in the sample group with no declared benefit type aren't claiming benefits
<b>Reducing Re-offending</b>	We haven't included the costs to society of homeless people being a victim of crime as we do not capture this data on our database (although

	homeless people are 47 times more likely to be victims of theft and 13 times more likely to be victims of violence <sup>28</sup> ).
	We have applied a double attribution rate to account for the fact that whilst our overall attribution rate looks at the impact of other organisation in securing employment outcomes for clients, we could also assume that clients are simultaneously working with other agencies to reduce the likelihood of reoffending.
	We have applied a deadweight for reducing re-offending which is based on the average of the upper and lower proxy figures (average reconviction rate of 55%) which means that 45% are not reconvicted. This figure refers only to the percentage of ex-prisoners who are re-convicted, and does not reflect the volume or severity of re-offences and corresponding costs and therefore can be considered a conservative deadweight figure to apply in this context

### Our potential overstatements

Area of report	Potential overstatement
<b>Supporting People savings</b>	We have assumed that all clients living in hostels move out when they gain employment and do not return if / when their period of employment ends.
<b>National Minimum Wage</b>	Assume all clients are over 21 in identifying rates for National Minimum Wage
<b>Reducing Reoffending</b>	Assume that all clients do not re-offend for the duration of their employment
	Our proxy data for reoffending rates refers to reoffending in the first year out of prison. We don't record the date when our clients actually offended and therefore it's likely that for some of them this was over 1 year ago and the likelihood of reoffending is therefore diminished.

### General assumptions which could be understatements or overstatements

Area of report	Assumption
<b>Benefits savings: In work / out of work</b>	Where no hours are specified we have assumed part time 16-29 hours
<b>Reducing Re-offending</b>	Have assumed the mid-point figure of 42% (of 33-50% range) Note: the upper and lower figures have been considered in the sensitivity analysis
<b>Attribution</b>	Have assumed a decreased attribution rate of 70% for outcomes achieved for the first time in Year 2 to reflect that increased potential for contribution of other agencies to the client achieving employment the longer the gap between programme participation and achieving employment. However, some of these clients may have come on the programme late in Year 1 and therefore the gap between programme participation and employment outcome may not be as great. Similarly, they may have come on the programme early in Year 1 and gained employment late in Year 2, in which case the gap between programme participation and employment would have been even larger.

<sup>28</sup> Oxford Economic Crisis Skylight Report, Oct 2009



## Appendix 2: Post placement evaluation form – client skills survey

Now you have completed your Ready for Work placement, we would like to know what you thought of the experience. Please can you complete all the questions below by placing a tick in the box or writing a short comment.

### 1. In which city did you complete your placement?

--

### 2. When did you complete your placement?

Month		Year	
-------	--	------	--

### 3. What type of placement did you have?

Retail / Customer Service		Construction / Labouring		Admin / office	
Catering		Maintenance		Facilities / Post Room	
Delivery / Sorting		Hospitality / Customer Service		Warehouse	
Production / Manufacturing		Other - please state			

### 4. Where are you currently living?

Hostel		Private Rented		Housing Association	
With friends / family		Other - please state			

### 5. Thinking about your placements, did it help you improve your.....

	Agree	Disagree	Not sure	Not relevant to placement
Customer Service skills				
IT / Computer skills				
English Language skills				
Organisation skills				
Listening skills				
Asking question skills				
Skills to help me find work				

Are there any other skills that you feel you have improved during your placement?

**6. Through completing your Ready for Work placement...**

	Agree	Disagree	No change
I understand how to make good eye contact, be smart, and speak clearly so I can make a good first impression in the workplace.			
I understand the importance of good time keeping and being reliable. <i>For example: Phoning if you are going to be late for work</i>			
I understand more about what is expected behaviour in the workplace. <i>For example: keeping your phone on silent, knowing where and when to take a cigarette break</i>			
I feel more able to suggest ideas to other team members and I worked well with my team to get a job done.			
I understand that the way I feel about things can affect what I do. <i>For example: I know I still need to make the effort to go to work and try my best even when I don't feel like it</i>			
I feel I could give good answers to interview questions about my skills and experience.			
My placement helped me think more about the type of work I could do in the future.			
I now feel more able and ready to get a job.			
<b>Are there any other things that you found enjoyable on your placement? Please write them here:</b>			
<b>Are there any skills that you would still like to improve on? Please write them here:</b>			
<b>Is there anything that we can improve on to make your experience easier or better? Please write them here:</b>			

**7. Are there any other comments you would like to make about your Ready for Work placement?**

**8. Would you be happy for your responses to be used as part of case studies in the future?**

Please tick

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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### Appendix 3: Business benefits survey to Ready for Work supporters

#### Q1: About you

Name:	Company name:
Telephone number:	Email address:

#### Q2: What is your company's sector?

#### Q3: Where are you located?

#### Q4: What size is your company?

• <500 employees	• 1,500 3,000 employees
• 500 1,500 employees	• >3,000 employees

#### Q5: In what capacity have you been involved with Ready for Work? Please tick all that apply.

- Volunteer Job Coach
- Volunteer Buddy
- Volunteer Other
- Coordinator of the Ready for Work programme within your business
- Steering Group member

#### Q6: Impact on job-related skills: Engagement with Ready for Work improved my...

	N/A	No difference	A little	Some development	Significant development
Adaptability					
Team working skills					
Communication skills					
Influencing / negotiation skills					
Problem solving skills					
Leadership skills					
Planning & organisation skills					
Decision making					
Maximising performance of others					
Financial skills					
Relationship building					
Willingness to continually improve					
Business awareness					
Technical / professional skills					

#### Q7: Personal impact: Engagement with Ready for Work improved / increased my...

	N/A	Strongly disagree	Disagree	Agree	Strongly agree
Self-confidence					

Sense of well-being / happiness					
Understanding of and empathy with other people					
Awareness of wider social issues					
Job satisfaction					
Commitment to the company					
Motivation					

**Q9: Impact on career development: The skills and experience gained from engagement with Ready for Work...**

	N/A	Strongly disagree	Disagree	Agree	Strongly agree
Have helped me perform better in my job					
Make me better able to apply for more senior positions					
Have been / will be assessed in my appraisal process					

**Q11: Has your employer experienced any of the following benefits from engagement with Ready for Work?**

	No	Yes
Increased staff diversity		
Enhanced recruitment pool		
Increased retention rates		
Reduced absenteeism		
Improved employee engagement		
Increased employee satisfaction		

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