PUTTING A VALUE ON YOUNG PEOPLE'S JOURNEY INTO CONSTRUCTION: INTRODUCING SROI AT CONSTRUCTION YOUTH TRUST

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The challenges measuring social value is not a new concept for the construction industry which is good at measuring costs, timings and efficiency of projects but not the benefits of intangibles such as good design even though design can promote everything from reduced crime to higher productivity (Macmillan, 2005). The measurement of social value has become increasingly important through the enactment of the Social Value Act 2012 requiring public authorities to consider economic, social and environmental well-being when awarding public sector contracts. Social Return on Investment (SROI) is an approach that can be used to measure the social, economic and environmental benefits of an activity by dividing the value of outcomes for stakeholders, by the inputs of the activity leading to the SROI ratio. The research reports on a project at Construction Youth Trust to develop a bespoke Social Return on Investment (SROI) model to capture the value of activities helping young people facing barriers access opportunities within the construction industry. The research examines the primary and secondary research that went into the development of the Trusts bespoke SROI model that was developed in partnership with the construction industry and part funded by construction company Willmott Dixon. Initial conclusions are that SROI is still under development and there are a lot of technical challenges to implementing the approach such as a lack of universal bank of financial proxies and the inability to compare SROI reports. Therefore implementing SROI is currently a time consuming and expensive process.

Keywords: social return on investment, social value, SROI.

INTRODUCTION

The measurement of social value has become increasingly important for the construction industry through the enactment of the Social Value Act 2012 requiring “public authorities to have regard to economic, social and environmental well-being in connection with public service contracts” (HMG, 2012). The research reports on a Knowledge Transfer Partnership (KTP) project with a third sector organisation, Construction Youth Trust, to evaluate the impact of its activities helping disadventaged young people access opportunities within the construction industry. The research reports on the development of a bespoke SROI model for the Trust’s Budding Builders programme which aims to provide young people with practical construction training and work experience opportunities in the construction industry.

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The overarching aim of the research was to produce and embed bespoke, transparent and robust Social Return on Investment (SROI) measures in order to continue to measure the social and financial impact of the organisation. The calculation of social value and social returns on investment is a contested field. The lack of a universal bank of indicators means that SROI currently requires a great deal of research and is time consuming and expensive. Macmillan (2006) suggests there is a need for a common vocabulary for the numerous kinds of value created for stakeholders and a framework to measure value interactions between stakeholders. While the SROI methodology presents a framework to measure value the lack of consistency in financial proxies means it can be argued there is not currently a universal language in SROI measurement. Moreover, the recent Social Value Act Review found that barriers defining social value were a barrier to implementing the Act (Cabinet Office, 2015). The research reports on the primary and secondary research that went into the development of the SROI model at Construction Youth Trust.

It has been argued that there is a clear need for local authorities and clients to take the initiative for training within the construction industry (Chevin, 2014a). The cross party parliamentarians’ inquiry examines youth unemployment and the construction industry notes, the downturn in the economy has “had a devastating effect on construction, with 400,000 job losses” (Chevin, 2014a: 6). However, the impact of the financial crisis has also led to significant reductions in the recruitment of young people and apprenticeships have fallen significantly. In “2013 the number of construction apprentices completing their apprenticeship in England fell to just 7,280 half the figure for 2008/09” (Chevin, 2014a: 6) Hogarth and Gambin (2014: 846) note that apprenticeships in construction are provided “mainly to young people leaving school and college and thereby play an important role in assisting young people make the transition from school to work. The importance of this…at a time of historically high youth unemployment should not be underestimated”.

The public sector in the UK has two mechanisms to leverage training and apprenticeships within the construction industry. Firstly, through section 106 agreements these are planning elements designed to ensure developments are sustainable and meet the needs of future generations this can include economic sustainability through the training and employment of local people. Specific contributions include training, employment advice, interview guarantees and work placements” (Chevin, 2014a: 25). Secondly, training and employment can be levered in the procurement process as contractual obligations as part of the Social Value Act. Chevin, (2014) explains that social landlords are more and more using these levers to secure training but these are more isolated incidence of good practice rather than a consistent approach to secure training as part of the procurement process.

The commencement of the Public Services (Social Value) Act requires “public authorities to have regard to economic, social and environmental well-being in connection with public service contracts” (HMG, 2012). Arvidson and Kara (2013: 3) explain the intention of this law is to make sure that, “when awarding contracts, commissioners should consider not just cost aspects of a proposed project or bid but its overall value to the community”. The ‘Social Value Act’ Review examined issues affecting the knowledge, understanding, and uptake of social value as well as the impact of the Act not only on the commissioning practices of public bodies but also on the providers and end users of services (Cabinet Office, 2015). The review advises that the challenges defining social value were a barrier to implementing the Act but
conversely found potential for social value to help commissioners achieve value for money within a competitive process. However, in order for social value to be included more comprehensively there needs to be significant development in how social value is measured pointing to the lack of consistency in how outcomes are measured and quantified (Cabinet Office, 2015). Explaining the lack of clarity in social value measurement makes it harder for procurement officers to evaluate the additional value for money claimed by a social value offer (Cabinet Office, 2015). In the periodical Construction Manager an article suggests there is general support for the social value approach, particularly if “it does allow the industry to compete on its sustainability and social credentials rather that price” noting conversely “the clamour to ensure return on investment has left firms feeling confused and a tad sceptical” (Chevin, 2014b).

The calculation of intangibles is not a new concept for the construction industry. Macmillan (2005) explains the genuine difficulty in measuring the benefits of good design because they are intangible. It has been argued that it has been a significant problem for the construction industry that is relatively good at measuring the costs of design and construction but not as convincing at measuring value (Macmillan, 2005). However, it should be asked whether financial measures are an accurate measure of actual performance. If measures are quantitative and simply look at the costs, timings and efficiency we are missing the qualitative dimensions and the impact and the quality of buildings and communities for end users. Pearce (2003: 50) explains that good design can promote everything from “physical and mental health, to a sense of identity and wellbeing, to good social relationships reduced crime, and higher productivity. Bad design and dilapidated stock has the opposite effect”.

This research does not attempt to explain how the value of social and non-economic impacts can be measured in construction or measure the benefits of good design. However, they are being used to illustrate this is not a new phenomenon and various approaches have been used. For example, Glasson and Wood (2009) used a Social Impact Assessment to determine the social impact of a regeneration initiative in London. Negative impacts were identified for young people as part of the regeneration of Woodberry Down including being excluded from public spaces such as private courtyards. However, there were also significant beneficial outcomes for equality groups in terms of employment and skills particularly for BME groups and women who were the target group for targeted skills training and employment within the construction industry (Glasson and Wood, 2009).

The measure of intangibles and social impact is not just a problem for the construction industry. There have been a plethora of tools developed to measure impact. Such as equality impact assessments, Genuine Progress Indicator, Results Based Accountability, Quality of Life indicators, SIMPLE social impact assessment, Social Accounting and Audit, Sustainability Assessment Model. This is by no means an exhaustive list but gives some indication of the range of impact measures currently in use. The calculation of social value and social returns on investment is a contested field. While acknowledging the pros and cons of the methods used to measure impact above two methods were seriously considered to measure the value the Trust creates social accounting and SROI. There are similarities between social accounting and SROI both methods use a framework to enable organisations to report on its triple bottom line of social, environmental and economic performance. Social accounting and audit enables an organisation to demonstrate accountability proving they walk the walk as well as talk the talk by examining whether activities meet the mission, vision
and values of an organisation (Pearce and Kay, 2005). It was felt that SROI was the best method for the Trust as an aim of the study was to measure the impact of projects in partnership with the construction industry and community partners. As such it was unnecessary to measure whether the Trust’s activities were fulfilling the aims and objectives of the organisation. Instead an approach was needed that explained the value of a project with inputs from and outcomes for various stakeholders and SROI was considered the best approach that would resonate with the construction industry and key funders.

SROI is a framework for measuring a broader concept of value it is a framework based on seven principles “involve stakeholders; understand what changes; value the things that matter; only include what is material; do not over-claim; be transparent and verify the result” (SROI Network, 2012: 9). The SROI Network (2012: 8) explains that SROI strives to “reduce inequality and environmental degradation and improve wellbeing by incorporating social, environmental and economic costs and benefits. SROI is ground breaking as it endeavours to measure and value on what really matters to service users the outcomes of services for them. SROI is not without its critics but it could be argued it is simply a method under development but the inroads the approach is making measuring intangibles should be acknowledged.

SROI fundamentally is an approach that describes the story of change through measuring social, environmental, and economic outcomes and uses monetary values to represent them. Once stakeholders have identified changes that have happened for them financial proxies are used to value these changes. Then what would have happened anyway, if the activity did not exist, is deducted from these proxies to establish the impact of the activity being analysed. In order to calculate the SROI ratio the net benefits of changes stakeholders identify are divided by the amount invested in the activity. The SROI Network (2012) have put together a framework for undertaking an SROI study that contains six stages identifying key stakeholders, mapping outcomes, evidencing outcomes, establishing impact, calculating the SROI and reporting, using and embedding the report.

Current guidance on SROI does not recommend the comparison of SROI reports. Arvidson et al (2013: 3) note a “tension between the participatory element in the design of each SROI exercise and its use for the purpose of competition”. However, paradoxically SROI reports require a great deal of data to underpin assumptions and SROI practitioner reports are a good source of data. For example, Bates and Yentum-Orofori (2013: 1) explain that SROI assumptions need to be defensible explaining they used “NEF accredited reports as the source for deadweight, displacement and drop-off figures. We have used Department for Work and Pensions (DWP) and Ministry of Justice (MoJ) figures for costs relating to state benefits and criminal costs” This gives an indication of the amount of research needed to produce a valid SROI study.

One of the reasons that SROI requires so much research is that there is not a universal bank of indicators. The SROI Network has a repository of practitioner reports and is continuing to develop useful tools such as the Global Value Exchange (no date) an interactive website that enables users to upload outcomes, indicators and financial proxies. Therefore, although there is progress towards the production of a standard approach to SROI the approach currently needs organisations to undertake a substantial amount of research to essentially put financial value on intangible measures. Macmillan (2006: 268) suggests the measurement of intangibles in the
context of measuring the benefits of good design requires a need for “a common vocabulary for the various types of value created for different stakeholders, and a framework for understanding value exchanges between these stakeholders”. Perhaps SROI is this framework but arguably without the standardisation of proxies the shared vocabulary is missing.

Construction Youth Trust is a registered charity that helps young people overcome barriers to access opportunities within the construction industry. Construction Youth Trust has two overarching programmes Budding Builders and Budding Brunels. Budding Builders is a programme that helps young people overcome barriers to enter employment in construction industry trades. Budding Brunels is a programme that helps young people overcome barriers to access opportunities in the construction industry professions. The Budding Builders programme aims to give young people valuable work experience and an opportunity to learn new skills such as carpentry, tiling, plumbing, painting and decorating and health and safety. The research evaluates the SROI of a practical construction project that is part of the Trust’s Budding Builders programme. Practical community projects provide young people with work experience in the heart of their local community.

The SROI model was developed at the Trust is discussed below. The development of the model is generally talked about however a single case study is used to illustrate the development of the model. A forecast SROI study was undertaken of a practical project at the Summerfield Community Centre in Birmingham. The Trust and Willmott Dixon worked in partnership to deliver a practical construction skills course to eight young people. The course culminated in the young people working alongside Willmott Dixon and Construction Youth Trust staff to carry out improvement works at the community centre. The SROI study of the practical project is a forecast one because not enough time had passed to undertake an evaluative SROI. There are two types of SROI analysis forecast and evaluative. Evaluative SROI is carried out retrospectively based on the outcomes that have taken place and forecast, predicts the social value that will be created if activities meet their forecast outcomes” (SROI Network, 2012).

In the SROI model at the Trust outcomes for beneficiaries were divided into two broad categories employment outcomes and soft outcomes. For employment outcomes wages, increased tax take, reduced welfare benefits and improved health were claimed. Secondly, softer outcomes of increased confidence and increased social networks were claimed for the forecast SROI at the Trust. A description of what was claimed for the study and the research that went into each financial proxy or cost used to value the changes that happened as a result of Budding Builders projects at the Trust are described below.

The DWP study carried out a Cost Benefit Analysis (CBA) of Welfare to Work programmes explains with the exception of health and crime they were able to derive good estimates of willingness to pay (WTP) for most of the economic and social impacts of employment programmes (Fujiwara, 2010). Explaining, “this is because the majority of the costs and benefits of employment programmes are already in monetary terms, which represent good approximations of WTP” for example wages (Fujiwara, 2010: 8). Dattani and Trussler (2011) used wages earned by the beneficiaries who gained employment after engaging with Tomorrow’s People they used data from Tomorrow’s People telephone survey on job titles. They then used the Office of National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE)
that provides the characteristics of earnings for employees within industries, occupations and regions. However, the welfare benefits they would have received if they had remained unemployed were deducted from the wages it was forecast that they would earn. Wright et al. (2009: 463) established a monetary value, of an intervention to help people access work in rural communities “*based upon net increases income i.e. client’s wages minus lost welfare benefits and increased taxes*” (Wright et al., 2009: 463).

A direct consequence of higher employment is “*income tax revenues can be expected to be higher than they otherwise would have been*” (Dattan and Trussler, 2011: 18).

There are obvious cost savings to the exchequer as a result of previously unemployed people entering employment. The first being an increase in tax revenue, ACEVO (2012: 14) explains, 18 to 24 year olds moving into work “*would contribute a net extra £582 each year to the exchequer through taxes*”. As minimum wage was used in the forecast SROI of the practical project the tax they would pay on minimum wage was claimed for this was calculated at £501.20 (Bridgeman, 2014: 25).

The other benefit of former unemployed people entering employment is a reduction in welfare benefits. The SROI study of Tomorrow’s People estimated reduced welfare payments as a result of the Tomorrow’s People Welfare to Work programmes. This is because an increase in jobs as a result of the activities of Tomorrow’s Peoples would not only increase tax revenues the Exchequer would also benefit from lower benefit payments (Dattani and Trussler, 2011). They calculate employment increases based upon estimating who had secured a job compared to what would have happened in the economy anyway. ACEVO (2012: 14) calculate that 18-24 year old NEETs cost the exchequer £5,663 per year in benefits.

The evidence suggests being in employment improves people’s health. Fujiwara (2010) suggests despite a plethora of evidence of the health benefits of employment it is difficult to actually measure and monetise them. Fujiwara (2010: 36) suggests “*medical service usage rates lend themselves better to monetisation*” and the “*use of medical services can be matched to medical costs to determine monetary value for health outcomes*”. They use a conservative estimate, based on evidence, to assume that as “*people move from employment to unemployment they incur 50 per cent more in medical costs than employed people*” (Fujiwara, 2010: 38). They then use Hojoff’s (2008 in Fujiwara, 2010: 38) estimate of the average annual cost to the NHS of a working age person which was £1,220 in 2008. These figures are used to estimate that when an unemployed person moves into work they save the NHS £610 per annum.

Increasingly it has been acknowledged that soft outcomes for young people such as increased self-confidence can contribute to the achievement of hard outcomes such as securing employment. Softer outcomes such as social and emotional capabilities can be difficult to measure. McNeil et al (2012: 7) explain “*self-esteem, resilience and thinking skills, for instance, all underpin young people’s progress but can be hard to assess*”. An initial literature review demonstrated hesitancy to measure soft outcomes in some SROI studies. The SROI of Tomorrows People’s Welfare to Work programmes only focuses on hard outcomes as softer outcomes such as the positive life effects of employment are subjective and difficult to quantify (Dattani and Trussler, 201). In an SROI of a transport scheme, to help people access employment, Wright et al (2009: 463) explain that some outcomes and impacts such as increased self-esteem cannot be easily monetised and therefore “*are often overlooked*”.

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Conversely, in the SROI analysis of Jamie Oliver’s apprenticeship scheme it was recommended that SROI analysis could be strengthened if soft outcomes were recorded. They continue by recommending a baseline data collection system similar to the outcomes star (Lawlor, 2011). The Trust has existing mechanisms in place to measure change, notably a Progress Web to measure the distance travelled2 of beneficiaries as a result of engaging with the Trust. This is a bespoke tool that was developed in-house. The Progress Web consists of a grid where beneficiaries of the Trust measure the progress they make as a result of working with the Trust on a scale of 1 to 8. It was considered that the Progress Webs were analysed to feed into the SROI model at the Trust.

Through consultation with stakeholders on the practical construction projects through semi-structured interviews, telephone interviews and observation it was discovered using their newly learned construction skills to benefit their local community really improves the confidence and self-esteem of young people. The SROI study of the Veterans Contact Point (VCP) used a financial proxy to place a financial value on increased confidence as part of their SROI study. Bates and Yentumi-Orofori, (2013: 1) argue that their research demonstrates significant change to veterans as a result of the VCP and that this change cannot be measured in financial terms of improved finances “but also in terms of self-esteem and self-confidence”. They use the cost of a confidence course of £1195.00, explaining that this proxy was also used in an unpublished New Economics Foundation (NEF) report ‘Coventry Local Enterprise and Growth Initiative’. This financial proxy was taken forward to the SROI study at the Trust.

Beneficiaries also told us they had increased their social networks as a result of participating in the Practical Project. Young people who completed courses at the Trust commented they really valued meeting new people from their local community and making friends on courses. The SROI study of ‘Wellbeing Works’ Tokarova, (2014) used Janneson’s (2010) proxy of £806 to value an increase in social networks. Following an SROI training course Janneson (2010: 48) used participants “perceived value in relation to total positive value created” to value increased social networks. The financial proxy of £806 was taken forward to the Trust’s SROI study.

Another element that needs to be calculated as part of an SROI analysis is how long outcomes can be claimed for. Pathak and Dattani (2014) explain that two methods are used in the context of business valuations using discounted cash flow model. Firstly, “to take the economic value of future benefit streams only over an explicit period” explaining that this can be aligned with business plans or strategic goals. This method assumes the “same benefit will accrue every year for 20 years” (Pathak and Dattani, 2014: 95). The second approach “to project the benefits into infinity using a terminal value” explaining after five years benefit streams become too uncertain to provide an approximation of value (Pathak and Dattani, 2014: 95). They explain, “the terminal value in Year 5 divided by (discount rate minus growth rate), where the growth is the anticipated year-on-year growth in benefits”. Pathak and Dattani (2014: 95) suggest that although the second method gives a higher SROI it gives a more robust result when “forecasting changes in the probability of employment several years hence is impractical and exposes such projections to a variety of uncertainties limiting their validity and credibility to institutional investors”.

2 In this context the distance travelled is the progress a beneficiary makes towards a goal
Deadweight refers to the extent of the “outcome that would have happened even if the activity had not taken place” (SROI Network, 2012: 56). The deadweight is calculated as a percentage. For example, if an employment programme finds that as a result of its activities 30 per cent of beneficiaries go into employment. However, if the employment statistics went up by fifteen per cent then credit could only be claimed for 15 per cent of beneficiaries. The SROI analysis of St Giles’s Trust Through the Gates scheme used statistics to calculate deadweight. In order to estimate its impact the re-offending rates of clients that they had worked with were compared with national re-offending rates. This was to demonstrate the impact that Through the Gates has “over and above the national average” (St Giles Trust, 2009: 10). This was analogous to the method used to calculate the deadweight in employment figures for the SROI model at the Trust. In Birmingham deadweight was considered to be 3.7% as youth unemployment decreased from 13.7% in December 2013 to 10% in August 2014 (Birmingham Council, 2013 and Birmingham Council 2014).

Once the counterfactual has been accounted for the net benefits of the project are divided by the inputs. In the SROI analysis of Construction Youth Trust’s practical project at the Summerfield Community Centre the forecast net benefits totalled £70,328.17. The net benefits were divided by the inputs of the project these were £5,000 donated by the Willmott Dixon Foundation and Willmott Dixon staff time supporting the young people which was valued at £5,800. This resulted in a forecast SROI ratio of £1 :£6.51 indicating if the planned project outcomes are realised there will be £6.51 of wider social value creation for every £1 invested in the project. However, SROI is about the social value a project creates and not just about the SROI ratio and especially without a universal approach the SROI ratio currently needs to be viewed with all the supporting information that led to the headline figure.

CONCLUSIONS

The commencement of the Social Value Act 2012 requires “public authorities to have regard to economic, social and environmental well-being in connection with public service contracts” (HMG, 2012). The recent Cabinet Office Review (2015) found that the challenges around defining social value were a barrier to implementing the Social Value Act (Cabinet Office, 2015). However measuring intangibles is not a new phenomenon for the construction industry and there have been challenges measuring intangibles such as the benefits of good design even though design can promote everything from reduced crime to higher productivity (Macmillin, 2005). However, measuring intangibles is not just a problem for the construction industry social value measurement and SROI is a contested field. SROI can be used to measure the triple bottom line of social, economic and environmental benefits. However, SROI is still under development and there are technical challenges implementing the methodology. There is not a universal bank of financial proxies that organisations can use although progress has been made with the Global Value Exchange (no date) an interactive SROI website where users upload proxies. However, we are a long way from a universal language of value for the approach making SROI time consuming and expensive.

The research examined the development of a bespoke SROI methodology at Construction Youth Trust. Focus was placed on the Trust’s practical projects that provide young people with work experience in the heart of their local community. There were two categories of outcomes claimed to forecast the social value that would potentially create project. Firstly, there were employment outcomes based on the Cost
Benefit Analysis framework used to value DWP’s Welfare to Work programmes (Fujiwara, 2010). This framework has been applied in other SROI practitioner reports such as the SROI study of Tomorrows People (Dattani and Trussler 2011). Secondly, softer outcomes of increased confidence and increased social networks have been claimed for. The former used in the SROI report of Veterans Contact Point (Bates, and Yentumi-Orofori, 2013) and the latter used in the SROI study of Wellbeing Works (Tokarova, 2014). The SROI ratio for the practical project at the Summerfield Community centre was £1: £6.51 meaning for every £1 invested in the study there was wider value creation of £6.51. This is a powerful indicator of the projects success and illustrates one of the challenges using the SROI approach. The lack of consistency in the process means that the SROI study at the Trust cannot be compared with another SROI study. This effectively means that the whole study needs to be read to understand the value a project creates. There is clearly a need for more research in the SROI methodology and arguably more standardisation of the approach.

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