

## **Case Study: Pack-IT**

An analysis of its social return on investment  
(SROI)

Based in Cardiff, Pack-IT is a Social Firm that provides mailing, storage and distribution, and on-line fulfilment services to a variety of customers. Approximately half of the company's employees have a learning disability.

Social Firms UK, the national advocacy and support organisation for Social Firms, commissioned **nef** (the new economics foundation) to conduct an evaluation of Pack-IT to assess the company's social and economic returns to its stakeholders.

In this report we present the findings and conclusions of our evaluation, as well as estimate the social return on investment (SROI) generated by Pack-IT. Finally, we offer several recommendations to help Pack-IT more effectively deliver its social mission.

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This report was researched and written by Susan Mackenzie.

## Executive summary

Social Firms, a type of social enterprise, are businesses set up specifically to create employment for disabled people. As with strictly commercial businesses, their business models differ, as do the type of disabled people they support. Social Firms are distinctive in that they are going concerns, as opposed to time-limited, stand-alone programmes. According to Social Firms UK, the umbrella body, they are ‘businesses that support’ rather than ‘projects that trade’. Further, as these organisations’ relationships with their beneficiaries are continuous, they are better able to both capture outcomes data and to sustain their impacts. As private businesses, they also have the potential to generate meaningful independent income, reducing their dependence on grants and subsidies.

Based in Cardiff, Pack-IT is a Social Firm that provides mailing, storage and distribution, and on-line fulfilment services to a variety of customers. Approximately half of the company’s employees have a learning disability. Moreover, the company tends to take on those who are especially disadvantaged and who have the greatest difficulty obtaining and sustaining employment.

This SROI analysis of Pack-IT, commissioned by Social Firms UK, focuses on the *incremental* social value created by the company by employing disabled people, over and above what would be expected if all of its employees were non-disabled. The returns are calculated annually due to the nature of Social Firms, in that their ‘output’ is the ongoing employment of disabled people. Therefore, no benefits are projected forward.

The aggregate social value created by Pack-IT each year is projected to be £71,600, which translates into value added of £33,700 after adjusting for the value of the grant and wage subsidies. Pack-IT’s SROI ratio of 1.9:1 implies that, for every £1 invested, £1.90 of social value is created *each year* for society in terms of reduced welfare costs and increased local purchasing. However, there are a number of other benefits, such as increased self-confidence and independence of the disabled employees, suggesting that the social return calculations likely underestimate the true social value created by Pack-IT.

Standing out among Social Firms, Pack-IT has achieved its success and sustainability by effectively blending business acumen with personal commitment to its employees. Moreover, while Pack-IT’s senior management take a business approach to running their organisation, they also actively support the personal and professional development of all its employees. The impact of this active support and encouragement is evident in the increased self-confidence and independence of Pack-IT’s employees. It is this ‘distance travelled’ that is Pack-IT’s most significant social impact, but which is also the most difficult to monetise. As summarised by one of the company’s partner agencies, “Pack-IT is truly special”.

Based on our evaluation, **nef** makes the following recommendations to help Pack-IT more effectively deliver its social mission.

1. Maintain collaboration with partner agencies;
2. Uphold employees' welfare as an integral factor in business strategy development;
3. Seek external advocates to more effectively promote Pack-IT's mission and model; and
4. Better capture social outcomes data.

## 1. Pack-IT background

In 1988 Pack-IT was established as a day care facility to provide training opportunities and permanent paid employment for people with learning disabilities. Today Pack-IT is a Social Firm providing mailing, storage and distribution, and on-line fulfilment services to a variety of clients, including blue chip companies, government departments, printers, agencies, and Internet retailers. In addition to its three main business functions, the company also offers database/address management, electronic data transfer, laser printing, list management, bulk label production and bulk storage. Pack-IT operates from a 30,000 sq ft warehouse in an industrial area located in the eastern side of Cardiff.

Approximately half of Pack-IT's 16 employees have a learning disability. Moreover, the company tends to take on those who are especially disadvantaged and who have the greatest difficulty obtaining and sustaining employment. Pack-IT's non-disabled employees range widely in age and come from varied backgrounds, though all of them feel 'part of the team' and share a desire to make a positive impact on the company. Staff turnover is very low, with several employees having been with the company for over 10 years.

Managing Director John Bennett, has been with Pack-IT since 1995 and is largely responsible for the company's turnaround, having achieved profitability in 1999. His employees and their Employment Development Co-ordinators at Pack-IT's partner agencies praise him for being approachable and for taking an active interest in their welfare.

The company's strategy is three-fold: (1) to continue growing its direct mail, address management and on-line fulfilment businesses; (2) to replicate its business model in related markets; and (3) to secure a stable future for all those connected with the Pack-IT Group.

As stated in its business plan, Pack-IT's strategic objectives are:

1. To grow its business by locating similar opportunities within related markets;
2. To set up two replications of the Pack-IT model by March 2006;
3. To be a technically sound company able to proffer help and advice to new customers while supporting the growth and development of existing customers;
4. To be considered by its peers as a company of good worth and good reputation; and
5. To maintain the company's ethos and endeavour to give people with learning difficulties opportunities to contribute to the continuing success of the company.

## 2. Social Return on Investment

**nef**'s SROI framework helps organisations understand and quantify the social value that they are creating. It is a measurement approach, developed from traditional cost-benefit analysis, which captures social value by translating social objectives into financial, and non-financial, measures.

### What is SROI analysis?

SROI analysis is a process of understanding, measuring and reporting on the social, environmental and economic value that is being created by an organisation. The SROI ratio is the discounted, monetised value of the social value that has been created and which can be measured by an organisation. Comparing this value to the investment required to achieve that impact produces an SROI ratio. An SROI analysis should not be restricted to one number, however. Rather, it presents a framework for exploring an organisation's social impact, in which monetisation plays an important, but not exclusive, role.

### What is different about nef's approach?

SROI was pioneered by REDF, a San Francisco-based venture philanthropy fund. The concept has since evolved into a widely used, global framework, which has been supported and co-developed by **nef**.

In 2003, **nef** began exploring ways in which SROI could be tested and developed in a UK context. An important goal of the project was to advance an approach to SROI that is as widely applicable and usable as possible.

The four key features of **nef**'s SROI analysis are incorporated in an approach to engaging with stakeholders to determine (1) who and (2) what is important, or material, to an organisation; (3) the development of a story about how the organisation effects change (referred to by **nef** as an *impact map*); and (4) an estimation of the value that would have been created if the organisation had not existed (referred to by **nef** as *deadweight*).

#### Stakeholder approach

Given that SROI is about giving a financial voice to excluded values and benefits, the process of engaging with stakeholders and selecting the important benefits is critical. Stakeholder engagement is at the heart of SROI.

#### Materiality

SROI analysis focuses on the important, or material, impacts of an organisation – that is, those areas that should be included in order for stakeholders to make decisions based on the SROI analysis. Materiality can be identified through consideration of its stakeholders, its internal policies, the activities of its peers, public policy, and the pragmatic question of what the organisation can afford.

#### Impact map

The impact map tells a story about how the organisation effects change – that is, how it delivers on its mission. Based on stakeholder objectives, it links inputs (i.e., funding and other resources) through to outputs, outcomes, and impacts. Value can also be determined at the individual stakeholder level.

*Attribution - in calculating impacts, the organisation must recognise the contribution made by others to the outcomes. Attribution also encompasses deadweight (what would have happened anyway, calculated through the use of available benchmark data and proxies) and displacement (i.e., substitution effect, which occurs when the*

*benefits claimed by a programme participant are at the expense of others outside the programme).*

## SROI analysis of Pack-IT

SROI analysis is particularly suitable to Social Firms, which typically generate monetisable social benefits through employment of disadvantaged individuals who otherwise may not enter the workforce. For example, we can measure and monetise the social value of increased employment through reduced welfare payments and increased income paid to these individuals. The social value created by Pack-IT is assessed against the extra support received by the company, measured by grant funding and wage subsidies.

Our analysis does not attempt to measure less tangible benefits, such as increased independence and self-confidence of the disabled employees, which are important and potentially significant. Various proxies to monetise this personal development benefit to the individual employees were considered, but it was decided not to include a monetary value in the final SROI calculations. In summary, due to the exclusion of these personal development benefits, the social returns calculated in this analysis will understate the true social value created by Pack-IT.

In this section we present a summary of the social return calculations. We also consider the impact of *deadweight* (i.e., what would have happened anyway, should Pack-IT had not existed). Please refer to Section 6 for more detail on nef's SROI analysis of Pack-IT.

### Attribution

The outcomes achieved by Pack-IT's employment of disabled individuals are also influenced by the support network of these employees, which primarily constitutes their family members, Employment Development Co-ordinators at Remploy and Shaw Trust and caseworkers from Social Services. nef believes that Pack-IT by far makes the greatest contribution, due largely to the fact that it provides the means for employment, as well as to the type and amount of personal support provided by each stakeholder.

Families are perhaps the next most significant factor, although circumstances vary by employee. For example, for three of the interviewees, one has parents who are actively supportive, another has parents whose impact is probably neutral, and the third lives in a home environment that is arguably detrimental to her personal development.

Remploy and Shaw Trust also offer valuable support, although their interaction with the clients is, with one exception, relatively limited, at roughly four-to-six visits annually, compared to the day-to-day contact by Pack-IT management.

Finally, we estimate the contribution of Social Services to be marginal, based on the minimal contact the caseworkers have with Pack-IT employees.

### Value added

Value added measures, in absolute terms, the value that an organisation has created through its activities. It is the difference between the net present value of benefits and the net present value of investment.

$$[\text{Value Added}] = [\text{Value of Benefits}] - [\text{Value of Investment}]$$

The aggregate social value created by Pack-IT each year is projected to be £71,600. This translates into value added of £33,700, which is the social value of the programme over and above the costs of the investment (£37,900 in grant funding and wage subsidies). Value added per disadvantaged employee is £4,800.



Pack-IT value added: £33,700 = £71,600- £37,900

## **SROI**

SROI measures the value of the benefits relative to the costs of achieving those benefits. It is the ratio of the net present value of the benefits to the net present value of the investment. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 in social value.

$$[\text{SROI}] = \frac{[\text{Value of Benefits}]}{[\text{Value of Investment}]}$$

The projected SROI ratio for Pack-IT is 1.9:1. Thus, for every £1 invested, £1.90 of social value is created *each year* for society in terms of reduced welfare costs and increased local purchasing. Although availability of comparable data for other Social Firms is limited, any return greater than 1:1 is a good result and argues for further investment.

Pack-IT SROI: 1.9:1 = £71,600 / £37,900

## **Sensitivity analysis**

Since our calculations depend largely on assumptions, it is prudent to test the sensitivity of those assumptions on the SROI ratio. Table 9 in the Appendix details the sensitivities of these assumptions.

One indicator that is fairly sensitive to changes in value is our deadweight assumption for the number of disabled employees who would have obtained and sustained employment elsewhere. Lowering this number from 1 to 0 raises the SROI ratio from 1.9 to 2.2. Conversely, the investment ‘breaks even’ at four employees. That is, the SROI ratio drops below 1.0, implying a negative return, when the number of disabled employees who would *not* have found sustainable employment elsewhere is fewer than four.

Similarly, eliminating from the model all day-care benefit costs saved to government lowers the SROI ratio to 1.0. However, these savings accrue to local government, which supports Pack-IT through an annual grant from Social Services. Thus Social Services may reconsider its investment should Pack-IT (1) recruit employees who were not otherwise likely to use day-care services, or (2) recruit insufficient numbers of disabled people. Social Services would break-even on its £22,000 investment with only two disabled employees at Pack-IT who otherwise would be in day care. Further, elimination of the grant, all else being equal, more than doubles the SROI ratio, from 1.9 to 4.5.

## Summary

1. The aggregate social value created by Pack-IT each year is £71,600, which translates into value added of £33,700 after adjusting for the value of the grant and wage subsidies. Pack-IT's SROI ratio of 1.9:1 implies that, for every £1 invested, £1.90 of social value is created *each year* for society in terms of reduced welfare costs and increased local purchasing.
2. For those impacts that have been monetised, government is by far the greatest beneficiary. For each disadvantaged employee, national and local government each gain £7,000–£8,000 annually, primarily through reduced welfare costs.
3. Local government receives a direct return on investment on its grant from Social Services. Each year its grant of £22,000 returns, on average, £54,000 in social value, translating into an SROI ratio of 2.5:1. Social Services would 'break-even' on its grant at two day-care beneficiaries being employed at Pack-IT.
4. On a strictly economic basis, the employees' net increase in income is marginal, and for some employees may even be negative. However, the greatest benefits to these individuals are other outcomes that advance their personal development, such as increased self-confidence and independence, which are difficult to monetise.
5. Pack-IT's value added per disadvantaged employee is £4,800 annually, which is comparable to several other initiatives that seek to help disadvantaged individuals obtain and sustain employment.
6. The SROI ratio is sensitive to our deadweight assumption for the number of disabled employees who would have obtained and sustained employment elsewhere, with Pack-IT's social returns becoming negative when the number of disadvantaged employees who would *not* have found sustainable employment elsewhere is fewer than four.
7. As mentioned previously, there are a number of other benefits that have not been monetised, such as increased self-confidence of the disadvantaged employees and respite from care for their parents, suggesting that the social return calculations likely underestimate the full social value created by Pack-IT.

## Acknowledgments

**nef** would like to thank John Bennett and his team at Pack-IT for their information, input and patience, as well as Sally Reynolds at Social Firms UK, for her essential support.

### 3. Conclusions

Standing out among Social Firms, Pack-IT has achieved its success and sustainability by effectively blending business acumen with personal commitment to its employees. Management takes a business approach to running its organisation, selling its services based strictly on quality and cost. In fact, few of its customers are even aware that Pack-IT is a Social Firm. However, the company does incur social costs by employing disadvantaged individuals. For example, unlike its strictly commercial competitors, Pack-IT carries higher overhead costs due to the extra support required. Therefore, the wage subsidy received from Remploy and Shaw Trust provides an important contribution to these social costs.

Yet, Pack-IT is able to remain competitive with its purely commercial rivals by cultivating a work force that meets or exceeds its customers' demands. Senior management is skilled at matching individual aptitude to individual tasks, "focusing on employees' abilities rather than their disabilities", and has created an open and supportive working environment in which every employee feels part of the team.

Crucially, management takes an active interest in the personal and professional development of the staff. For example, senior management works collaboratively with its partner agencies and the employees' families to provide personal, one-on-one support to the employees. An Employment Development Co-ordinator at one of the partner agencies' estimated that management had spent 60–70 hours over an 18-month period with one of her clients who has complicated personal circumstances. Furthermore, management encourages its employees to advance in the company by obtaining professional qualifications and earning (and accepting) promotions; and then recognises them for their contributions. This recognition is duly appreciated: the Employee of the Month award is very popular among the staff. Pack-IT was successful in applying for liP (Investors in People) in 2005, illustrating its commitment to workforce support.

The impact of this active support and encouragement is evident in the increased self-confidence and independence of Pack-IT's employees. For example, since joining the company they have become both more assertive and more socially active. It is this *distance travelled* that is Pack-IT's most significant social impact, but which is also the most difficult to monetise. Given these employees' special needs, it is doubtful that they could have obtained other employment that would have been both sustainable and conducive to the level of personal growth that they have achieved at Pack-IT. As summarised by one of the company's partner agencies, "Pack-IT is truly special".

## 4. Recommendations

Based on our evaluation, **nef** makes the following recommendations to help Pack-IT more effectively deliver its social mission.

### 1. Maintain collaboration with partner agencies

Remploy and Shaw Trust provide important support to Pack-IT and its employees and contribute meaningfully to the social impacts generated by the company. First, they foster the personal development of their clients through the impartial championing of their interests. Second, they contribute to the sustainability of the business through wage subsidies paid to Pack-IT.

### 2. Uphold employees' welfare as an integral factor in business strategy development

Pack-IT has already made its commitment to its employees a strategic business objective. However, as the company considers geographical expansion and model replication, it is important to recognise and acknowledge the crucial role played by senior managers, especially the Managing Director, in the personal development of its staff.

In order to successfully replicate its business model, Pack-IT must also replicate its culture of mutual support; its 'relaxed', 'friendly' working environment; its 'direct' and 'approachable' management style; and, perhaps most importantly, the strong personal commitment to each employees' personal and professional welfare that is promoted and upheld by the company's Managing Director.

### 3. Seek external advocates to more effectively promote Pack-IT's mission and model

Given internal resource constraints, Pack-IT should seek external resources to help publicise the company's successes, to better educate the public about the Social Firm model and its employees, to engage the local community, and to advocate on its behalf on public-policy matters relevant to Social Firms. In this regard, management should consider how it might best utilise its non-executive directors as well as available resources at Social Firms UK. Specifically, management should consider how it might work, to mutual benefit, with Social Firms UK to share its learning with other Social Firms.

### 4. Better capture social outcomes data

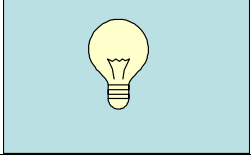
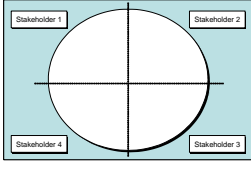
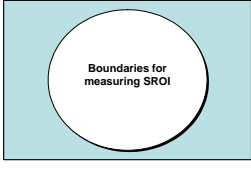
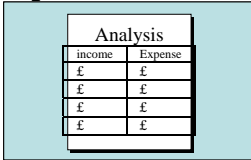
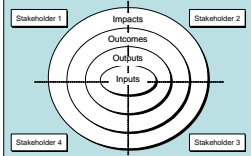

For a more accurate SROI analysis, Pack-IT should collect more accurate data on the welfare benefits of disadvantaged individuals at the time of joining the company, as well as the 'distance travelled' of these employees over time. To date, this information has been captured largely through anecdotes and estimates. Further, management should track the progress of work placement trainees after they leave the programme, as Pack-IT is partially responsible for these outcomes, which may be significant.

# Appendix

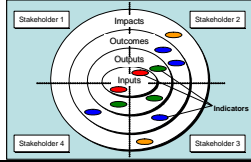
## SROI framework and analysis

This appendix sets out the framework for nef’s approach to SROI analysis and our estimation of the social returns achieved by Pack-IT. nef derived the programme’s SROI through a 10-stage process, defined in Table 1.

**Table 1: The 10 stages of a nef SROI analysis**

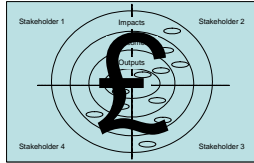
<p><b>Understand and plan</b></p> 	<p><b>Stage 1:</b> Understand the nature of the impact you want to measure - is it one project, or the whole organisation? Create the scope for the analysis - how much time do you have to spend on it, and who will comprise the team?</p>												
<p><b>Stakeholders</b></p> 	<p><b>Stage 2:</b> Now that you know what you want to measure, who are the stakeholders? Identify who they are and gain input to understand what their goals and objectives are for the organisation or project.</p>												
<p><b>Boundaries</b></p> 	<p><b>Stage 3:</b> Create the framework for the analysis and begin to prepare background information. Describe how the project or organisation works, decide the time period you want to collect data for, and learn more about the main target group, or beneficiaries.</p>												
<p><b>Analyse income and expenditure</b></p>  <table border="1" data-bbox="240 1213 365 1339"> <thead> <tr> <th colspan="2">Analysis</th> </tr> <tr> <th>income</th> <th>Expense</th> </tr> </thead> <tbody> <tr> <td>£</td> <td>£</td> </tr> <tr> <td>£</td> <td>£</td> </tr> <tr> <td>£</td> <td>£</td> </tr> <tr> <td>£</td> <td>£</td> </tr> </tbody> </table>	Analysis		income	Expense	£	£	£	£	£	£	£	£	<p><b>Stage 4:</b> Examine financial accounts. Look at how resources used relate to different project areas. Investigate whether or not financial information is reported in a way that links it to social, economic or environmental objectives.</p>
Analysis													
income	Expense												
£	£												
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£	£												
<p><b>Impact map and indicators</b></p> 	<p><b>Stage 5:</b> Understand how stakeholders participate through inputs, outputs, outcomes, and impacts. In answering this, it becomes clearer how social value is created.</p>												
<p><b>SROI Plan</b></p>  <table border="1" data-bbox="240 1633 365 1766"> <thead> <tr> <th colspan="2">SROI Plan</th> </tr> <tr> <th>Date</th> <th>To do</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	SROI Plan		Date	To do									<p><b>Stage 6:</b> At this point, we consolidate where we are in the process by summarising what we know so far. Lay out a plan and timetable for collecting the remaining data, completing the calculations, writing up the report and sharing findings with stakeholders</p>
SROI Plan													
Date	To do												

## Implement the plan and Data collection



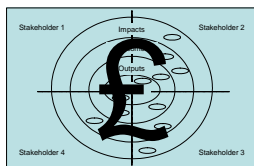
**Stage 7:** Collect the remaining data.

## Projections



**Stage 8:** Determine whether or not the monetised values of the costs and benefits can be projected over future years. The choice of the number of years to be used for projections will be determined by the nature of the project or organisation.

## Calculate SROI



**Stage 9:** Create a discounted cash flow model using gathered data and projections. Calculate the present value of benefits and investment, total value added, SROI ratio and payback period. Use sensitivity analysis to identify the relative significance of data.

## Report



**Stage 10:** Consider and present the results in a way that brings out the subtleties and underlying limitations and assumptions.

### Stage 1: Understand and Plan

At this stage an initial project plan was developed. We established that the study would evaluate the social return on the financial investment of employing disadvantaged people. The main audiences would be:

- the managing director of Pack-IT as the decision maker in the organisation
- the advocacy organisation in their role of promoting the benefits of Social Firms
- the current and potential investors and funders of Pack-IT

The SROI study would cover a one year timescale. nef was engaged to carry out the study. The necessary information was taken from existing records or through interviews. Pack-IT and the nef researcher discussed the aims and benefits of an SROI study, and drafted a work plan together.

The aims of doing the SROI study were:

- To show how employing disadvantaged people brings social and economic benefits to this group and other stakeholders.
- Evaluating the potential use of SROI for Social Firms UK
- Making recommendations to the managing director for future planning and evaluation.

At this stage the purpose, objectives and long-term vision of Pack-IT were documented.

### Stage 2: Stakeholders

Key Pack-IT stakeholders and their objectives are listed in Table 2. The information is based on in-person interviews with five disabled and four non-disabled employees and the families of two disabled employees; and phone interviews with both partner agencies and one non-executive Board member, who is also a customer. No interviews were conducted with other customers and suppliers, as their objectives were believed to be purely commercial. Local community representatives also were not interviewed owing to resource constraints. Objectives for national government and the local council, which includes Social Services, were determined through guidance from Pack-IT management, Remploy and Shaw Trust.

**Table 2: Pack-IT stakeholder map**

Stakeholder	Description	Objectives
<b>Disadvantaged employees (7 FTE)</b>	<ul style="list-style-type: none"> <li>• Learning disabled (6)</li> <li>• Disadvantaged (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased self-confidence</li> <li>• Increased independence</li> </ul>
<b>Non-disabled employees (9 FTE)</b>	<ul style="list-style-type: none"> <li>• Employees without a disability or disadvantage</li> </ul>	<ul style="list-style-type: none"> <li>• Responsibility in job role</li> <li>• Professional advancement</li> <li>• Income</li> <li>• Increased self-esteem (want to ‘feel valued’)</li> </ul>
<b>Board of directors (2)</b>	<ul style="list-style-type: none"> <li>• Executive directors (2)</li> <li>• Non-executive directors</li> </ul>	<ul style="list-style-type: none"> <li>• Run a sustainable business ‘with an ethos’</li> </ul>

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(2)

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<b>Disadvantaged employees' Families</b>	Family members, typically parents or partners of the disadvantaged employees	<ul style="list-style-type: none"><li>• Increased independence and self-confidence of family member</li><li>• Respite from care of disabled family member</li></ul>
<b>Stakeholder</b>	<b>Description</b>	<b>Objectives</b>
<b>Partner agencies (2)</b>	<ul style="list-style-type: none"><li>• Remploy and Shaw Trust, national charities that help disadvantaged people find and sustain employment</li></ul>	<ul style="list-style-type: none"><li>• Sustained employment for clients</li><li>• Increased independence and self-confidence of clients</li></ul>
<b>National government</b>	<ul style="list-style-type: none"><li>• Internal Revenue</li><li>• National Insurance</li><li>• DWP</li></ul>	<ul style="list-style-type: none"><li>• Increased tax contribution</li><li>• Reduced welfare benefit costs</li></ul>
<b>Local government</b>	<ul style="list-style-type: none"><li>• Local council</li><li>• Social Services (part of local council)</li></ul>	<ul style="list-style-type: none"><li>• Reduced Social Services costs</li><li>• Increased local employment</li><li>• Increased local purchasing</li></ul>
<b>Local community</b>	<ul style="list-style-type: none"><li>• Residents</li><li>• Community organisations</li></ul>	<ul style="list-style-type: none"><li>• Increased corporate support/sponsorship</li><li>• Increased local employment</li><li>• Increased local purchasing</li></ul>
<b>Customers</b>	<ul style="list-style-type: none"><li>• Commercial businesses</li><li>• Local government</li></ul>	<ul style="list-style-type: none"><li>• Competitive prices</li><li>• Quality work</li></ul>
<b>Suppliers</b>	<ul style="list-style-type: none"><li>• Suppliers of COGS</li></ul>	<ul style="list-style-type: none"><li>• Repeat business</li></ul>

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### Stage 3: Boundaries

This SROI analysis specifically concerns the disadvantaged employees at Pack-IT for the current year. As of June 2005, six of Pack-IT's employees had a learning disability, and one was otherwise disadvantaged. For six of these employees, Pack-IT received a wage subsidy from its partner support agencies, Remploy and Shaw Trust.

Pack-IT also has nine non-disabled employees; however the SROI analysis excludes these employees as the analysis focuses on the *incremental* social value created by the company by employing disabled people, over and above what would be expected if all of its employees were non-disabled.

The company also supports workplace training for 7–10 disadvantaged individuals each year, which lasts approximately 6 weeks per trainee. However, as Pack-IT management believes that the trainees typically do not progress immediately to open employment, they are excluded from the SROI analysis due to the projected immateriality and uncertainty of the outcome.

All employees are residents of greater Cardiff, where Pack-IT is located.

Finally, the returns are calculated annually due to the nature of Social Firms, in that their 'output' is the ongoing employment of disadvantaged individuals. Therefore, no benefits are projected forward.



## Stage 4: Analyse income and expenditures

As the study looks at the social return on the investment required to employ disadvantaged people over and above non-disabled people, the sources of finance and uses of resources relate to the incremental revenues/costs for this group. This information was found in the Pack-IT accounts.

Incremental sources of finance received: total of £37,900 consisting of:

- Social services grant of £22,000
- Wage subsidy of 30% from partner agencies

Incremental use of resources: nil

Note: although the organisation pays the employees, this is not considered an expense because, like all employees, they are paid for their work.

## Stage 5: Impact map and indicators

In this stage we drop certain stakeholders from the analysis. For example, non-disabled employees, company directors, customers and suppliers are excluded due to the immateriality of their outcome objectives to the analysis. The outcome objectives of the disadvantaged employees' families, partner agencies and the local community are also excluded to avoid double-counting objectives, as their objectives are the same as those of the disadvantaged employees – namely, increased independence and self-confidence of the client/family member/employee; or to local government – namely, increased local employment and purchasing. However, partner agencies are still included in order to capture their inputs of wage subsidies.

### **Inputs and outputs**

As illustrated in Table 3, inputs vary by stakeholder, with local government (i.e., Social Services) and partner agencies providing the financial inputs of grant funding and wage subsidies, respectively. Due to the nature of a Social Firm, the material output for all stakeholders is employment of disadvantaged individuals.

### **Outcomes**

Outcome objectives for the disabled employees relate primarily to increased independence and self-confidence. Income was not cited as an objective by any of the interviewees, but is presumed to be a means to achieving greater independence and self-confidence. Moreover, several of the interviewees exhibited pride in having their wages paid in their name to their own bank account. Furthermore, we estimate that the net income gained (i.e., wages less taxes and welfare benefits lost through becoming employed) is marginal, although this would vary by individual.

As explained above, outcome objectives of the partner agencies are the same as those of their clients, and so will be excluded to avoid double-counting. Government's outcome objectives relate largely to increased tax contribution and reduced welfare benefits costs. The objectives of the local community are presumed to be increased local employment and purchasing – both of which are shared objectives with local government – and corporate sponsorship of local initiatives.

Increased local purchasing, an objective of both local government and the local community, is captured through a proxy measure for local government – but not for local community, so as to avoid double-counting the value generated. Due to the increased self-confidence and independence gained from working at Pack-IT, the disadvantaged employees engage in, and spend money on, more social activities, such as going to the cinema, shopping, and attending classes as part of a weight loss programme. Thus, this increase in local procurement is likely to be incremental to that undertaken by non-disabled employees, who likely were already part of the workforce.

### **Impacts**

Impacts are outcomes less attribution effects, which includes the extent to which the outcomes are achieved due to the efforts of other organisations and individuals, as well as consideration for what would have happened anyway had Pack-IT not existed, referred to by **nef** as *deadweight*. Thus, we focus on the *incremental* benefit of employing disadvantaged individuals, over and above what would be expected if all of its employees were non-disabled.

For example, because Pack-IT could choose to fill the roles of its disadvantaged employees with all non-disabled people, the same amount of Income Tax and National Insurance contribution would be generated, implying that deadweight is 100 per cent – that is, taxes paid are the same whether the employee has a disability or not. Similarly, the objectives of increased local employment (local government and the local community) and corporate sponsorship (local community) could be met regardless of whether the employees were disadvantaged or not, and are consequently excluded from the calculations.

Deadweight for the disabled employees is reflected in the assumption that a certain number of them would have found and sustained work elsewhere. However, although two of the five interviewees suggested that they would get another job should they be forced to leave Pack-IT, this is largely attributed by their parents and Employment Development Co-ordinators to the self-confidence gained and new skills learned while working at the company. In fact, most of the disabled employees have held jobs before joining Pack-IT but could not sustain them, due largely to a lack of a ‘constructive’ working environment. Meanwhile, all of the interviewees cited the working environment at Pack-IT as a key benefit, describing it as ‘friendly’, ‘supportive’, ‘informal’ and ‘relaxed’.

Notably, both Remploy and Shaw Trust expressed confidence that they would be able to place all their Pack-IT clients in other, strictly commercial, jobs; however, other stakeholders – including Pack-IT representatives, the clients’ families and the clients themselves – raised concerns that the clients could sustain or even desire such employment given past experience. Importantly, the assumption for ‘what would have happened anyway’ is what would have been the expected outcomes if Pack-IT had never existed, rather than if the company ceased to exist now. That is, social value has already been created by Pack-IT. We test the sensitivity of our assumption for this ‘deadweight’ in Stage 6.

We assume displacement to be nil, given the inherent difficulty of this target population to obtain and sustain employment. Attribution is addressed at the end of the process, by estimating the portion of the impacts achieved due to Pack-IT, relative to other related parties, such as the partner agencies, Social Services and the employees’ families.

**Table 3: Impact Map**

Impact Map			
Stakeholder	Inputs	Outputs	Outcomes
<b>Disadvantaged employees</b>	<ul style="list-style-type: none"> <li>• Time and resources</li> </ul>	<ul style="list-style-type: none"> <li>• Employment</li> </ul>	<ul style="list-style-type: none"> <li>• Increased self-confidence</li> <li>• Increased independence</li> <li>• Increased income</li> </ul>
<b>Partner agencies</b>	<ul style="list-style-type: none"> <li>• Wage subsidy</li> </ul>	<ul style="list-style-type: none"> <li>• Employed client</li> </ul>	<ul style="list-style-type: none"> <li>• Increased independence and self-confidence of clients</li> </ul>
<b>National government</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Employed disabled person</li> </ul>	<ul style="list-style-type: none"> <li>• Increased tax contribution</li> <li>• Reduced welfare benefit costs</li> </ul>
<b>Local government</b>	<ul style="list-style-type: none"> <li>• Grant funding</li> </ul>	<ul style="list-style-type: none"> <li>• Employed disabled person</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced Social Services costs</li> <li>• Increased local employment</li> <li>• Increased local purchasing</li> </ul>

Indicators have been assigned for each objective in the Impact Map, and are listed in Table 4. The values for these indicators are detailed in *Stage 5: Data Collection*, as are sources of the data and explanations for proxies and estimates. Please also refer to *Stage 3: Impact Map* for further discussion of these indicators.

As stated previously, we do not monetise the benefit gained by the disabled employees through increased self-confidence and independence, and thus have not assigned indicators to these benefits.

**Table 4: Indicators**

Impact Map: Indicators				
Stakeholder	Inputs	Outputs	Outcomes	Impacts
<b>Disadvantaged employees</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Number of disadvantaged employees</li> <li>• Annual wages per disadvantaged employee</li> </ul>	<ul style="list-style-type: none"> <li>• Net increased income</li> </ul>	<ul style="list-style-type: none"> <li>• Number of disadvantaged employees who would have found and sustained work without Pack-IT</li> </ul>
<b>Partner agencies</b>	<ul style="list-style-type: none"> <li>• Amount of wage subsidy</li> </ul>	<ul style="list-style-type: none"> <li>• Number of employed clients</li> </ul>	<ul style="list-style-type: none"> <li>• <i>See outcomes for disadvantaged employees</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>See impacts for disadvantaged employees</i></li> </ul>
<b>National government</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Number of disadvantaged employees</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of Income tax and National Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Taxes: amount of taxes paid resulting from employment of</li> </ul>

		<ul style="list-style-type: none"> <li>Annual wages per disadvantaged employee</li> </ul>	<ul style="list-style-type: none"> <li>contribution</li> <li>Amount of welfare benefit costs saved</li> </ul>	<ul style="list-style-type: none"> <li>disadvantaged individuals</li> <li>Welfare benefits: amount saved resulting from employment of disadvantaged individuals</li> </ul>
<b>Local government</b>	<ul style="list-style-type: none"> <li>Amount of grant funding</li> </ul>	<ul style="list-style-type: none"> <li>Number of disadvantaged employees</li> </ul>	<ul style="list-style-type: none"> <li>Amount of Social Services costs saved</li> <li>Net increase in local employment</li> <li>Incremental increase in weekly local procurement</li> </ul>	<ul style="list-style-type: none"> <li>Social Services: amount saved resulting from employment of disadvantaged individuals</li> <li>Local employment: net increase resulting from employment of disadvantaged individuals</li> <li>Local purchasing: Number of disadvantaged employees who would have found and sustained work without Pack-IT</li> </ul>

### Stage 6: The SROI Plan

At this stage a summary document was circulated together with a resource plan and timescale for the rest of the project.

### Stage 7: Data collection

The data collected and assumptions used in the SROI model are detailed in Table 5.

**Table 5: Summary of SROI model data and assumptions**

Data sources and assumptions		
Indicator	Value	Source / description
<b>INPUTS</b>		
Social Services grant	£22,000	Pack-IT
Wage subsidy	30%	Partner agencies
Total annual investment	£37,900	Sum of grant and wage subsidies
<b>OUTPUTS</b>		
FTE disadvantaged employees	7	Pack-IT
FTE employees receiving wage subsidy	6	Pack-IT and partner agencies
Average workweek	35 hours	Pack-IT

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**OUTPUTS / contd**

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Annual wages per employee	£8,800	Pack-IT; based on statutory minimum wage
Income tax	0% < £4,615	Statutory rates
	10% £4,615–£6,575	
	22% > £6,575	
National insurance	11% > £89/week	Statutory rates

**OUTCOMES**

Incremental increase in weekly local procurement	£10	Proxy estimate based on qualitative comments from stakeholder consultation
Cost to Social Services for day care services	£45 /day/person; 5 days/week; 48 weeks/year	Pack-IT; Social Services
Number of employees who would be in day care and number who would stay at home	5 / 2	Estimate based on qualitative information from stakeholder interviews
Other welfare benefits	£6,900	DWP statutory rates for Incapacity benefit, Income Support and JSA

**IMPACTS**

Deadweight (DW): number of disadvantaged employees who would have found and sustained work elsewhere	1	Based on qualitative comments from stakeholder consultation: low likelihood of sustainability of outcome
D/W: Income tax and NI contribution	100%	Government would receive same tax contribution if employees were non-disabled
D/W: Welfare benefits	--	See D/W for employees
D/W: Local employment and corporate sponsorship	100%	Local employment and corporate sponsorship would be unchanged if employees were non-disabled
D/W: Local purchasing	--	See D/W for employees
Displacement	0%	Based on nature of disabled employee population
Pack-IT share of outcome	75%	Reflects Pack-IT's contribution relative to that of other stakeholders, primarily Remploy/Shaw and the employees' families

**OTHER ASSUMPTIONS**

Time period	1 year	Returns are calculated annually, due to nature of a social firm
Discount rate	NA	Due to annual calculations

**Stage 8: Projections**

In this section the benefits from future years would be 'discounted' to give present-day values. As this study is only concerned with the current year, no discounting of future costs or benefits is necessary.

## Stage 9: Calculate SROI

The SROI model is detailed in Table 6, followed by the return calculations, in Tables 7 and 8, and a sensitivity analysis of the model assumptions, summarised in Table 9 and discussed further in Section 2. The figures for Pack-IT's share of outcome refer to our assumption that the company contributes, on average, 75 per cent of the social value created through its employment of disabled individuals.

**Table 6: SROI model for Pack-IT**

<b>Pack-IT SROI model</b>	
<b>Indicator</b>	<b>Value (£)</b>
<b>Benefits to each employee</b>	
Employee wages	8,800
Less welfare benefits lost (weighted average)	(6,900)
Less increase in tax contribution	(700)
Less increase in National Insurance	(500)
<b>Net benefit per employee</b>	<b>£700</b>
<b>Benefits to local government (per employee)</b>	
Social Services benefits saved	7,700
Incremental leisure expenditure	500
<b>Net benefit to local government</b>	<b>£8,200</b>
<b>Benefits to national government (per employee)</b>	
Welfare benefits saved (weighted average)	6,900
<b>Net benefit to national government</b>	<b>£6,900</b>
<b>Combined net benefit</b>	
Total FTE employees	7
Less deadweight	6
Aggregate annual benefits	111,300
Less deadweight	95,400
Pack-IT share of outcome	83,500
Less deadweight	71,600

**Table 7: Social value added by Pack-IT**

	<b>Total value created</b>	<b>Pack-IT share</b>	<b>Investment</b>	<b>Value added</b>	<b>Pack-IT share</b>	<b>VA per employee</b>	<b>Pack-IT share</b>
Aggregate benefits	£111,300	£83,500	£37,900	£73,500	£45,600	£10,500	£6,500
Less deadweight	£95,400	£71,600	£37,900	£57,600	<b>£33,700</b>	£8,200	<b>£4,800</b>

**Table 8: SROI generated by Pack-IT**

	Total value created	Pack-IT share	Investment	SROI	Pack-IT share
Aggregate benefits	£111,300	£83,500	£37,900	2.9	2.2
Less deadweight	£95,400	£71,600	£37,900	2.5	<b>1.9</b>

**Table 9: SROI sensitivity analysis**

Indicator	Baseline assumption	New assumption	SROI
<b>BASELINE</b>			<b>1.9</b>
Social Services grant	£22,000 / yr	£0	4.5
FTE disadvantaged employees	7	3	0.9
		14	2.9
Day care benefits	£6,900	£0	1.0
D/W: disabled employees	1	0	2.2
		4	0.9
Share of outcome	75%	50%	1.3
		90%	2.3

**Stage 10: Report**

At this stage the report was written. This document provides the format used and contents created.