



CALEDON
INSTITUTE OF SOCIAL POLICY

Social Return on Investment: Strengths and Challenges

by

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Thank you to the conference organizers for inviting me to participate in the 2012 Social Finance Forum. I am pleased to join this panel and have the opportunity to thank Jeremy Nicholls for his efforts to introduce rigour and quality into the social field. Social Return on Investment (SROI) represents an important methodology to help assess initiatives seeking to achieve a social purpose.¹

Our work at the Caledon Institute focuses primarily on various aspects of public policy – income security programs including child benefits, Employment Insurance, disability income, pensions and welfare, and services such as child care and disability supports. But we have also had the opportunity to work on comprehensive community approaches to poverty reduction.

We were involved over a ten-year period in a partnership with the Tamarack Institute for Community Engagement and the J.W. McConnell Family Foundation. It was a national initiative called Vibrant Communities in which 14 cities were joined together in a learning partnership to find local solutions to reduce poverty.

While each community was free to formulate its own strategy, they all exchanged ideas through a pan-Canadian learning partnership. Tamarack provided coaching that involved the formulation of frameworks for change, McConnell allocated core financial support and Caledon was engaged in the documentation and policy work related to these local efforts.

The worlds of community intervention and policy typically do not intersect. Our project was attempting to bridge these divides by ensuring that communities were aware of relevant policy changes at the federal and provincial levels. We also sought to inform our policy proposals by concerns being raised locally.

Another major challenge was to develop an evaluation framework for this complex work. So I very much appreciate an approach like Social Return on Investment that is trying to find ways to capture social value.

Caledon was also recently asked to complete a literature review on studies that track the benefits of human services. We found that the body of evidence in a wide range of service areas, other than early childhood development and crime prevention, was sorely lacking in evaluative content. While there are hundreds of program *descriptions*, the *assessment* of these efforts was on very thin ground. It is difficult to make the case for the value of human service interventions in the absence of a solid evidence base. Social Return on Investment is trying to tackle this problem.

Finally, I found in our work on sustainable development over the years that the social dimension – even though touted as central to the three-legged stool of economic, environmental and social interventions – was often equated with engaging people in conversations about improving their community. If you had organized a focus group, then you were considered to have completed the social dimension of the tripartite intervention.

Rarely was sustainable development understood more substantively – at least in policy sessions in Canada – in terms of poverty alleviation, decent affordable housing and educational investments. Granted, while engagement is important, it is a means to an end. It is not the crucial outcome, such as poverty alleviation, which the social dimension of sustainable development seeks to achieve. A methodology like Social Return on Investment can help bring attention and weight to these social components through the rigour and concreteness that it embodies.

At the same time, I believe there are fundamental challenges that the approach raises. These challenges arise in three key areas: philosophical questions, conceptual questions and methodological questions.

Philosophical Questions

Quantifying results

From a philosophical perspective, I worry about the pressure to capture everything we do in measurable performance outcomes. At the turn of the millennium, I wrote a paper called *Reclaiming Our Humanity*. It wasn't so much about what we achieve but rather how we articulate and give expression to our values of dignity and respect. We may not be able to measure these objectives precisely, but I believe we need to spend more time working on words – and not just numbers – in order to value our values.

What is the measure of a human value like social inclusion? We can add up the number of programs we have put in place to combat exclusion and count the number and diversity of participants. We can assess their subsequent academic performance or employment record and say we have achieved social inclusion.

But do we take enough time to ask the opinion of the people who typically are excluded? What are they *saying*? How are they *feeling*? Not just what are they *doing*, what are they attending and how are they participating. They may have attained a certain educational level but may still face racism, inaccessible workplaces or other barriers that continue to exclude them.

I don't believe that quantitative measures alone can give expression to these vital concerns. We can't underestimate the value of personal testimonials and giving people the opportunity to talk about the true impact of various interventions upon their lives. We need to find ways to value their words and their feelings.

Clarifying the lens

A second philosophical question arises from the perspective underlying this approach. Whose benefits are we striving to achieve? Typically, a program is trying to prove its worth to government or other funder. The lens of success is the one created by the funding body.

But sometimes the outcomes that governments seek to achieve may not represent positive outcomes for the participating households. One of the most significant areas of work in which Caledon has been involved over the years is welfare reform.

There is no shortage of government programs that are trying to move recipients off welfare. It is assumed that if they leave the program, they will have escaped poverty and their lives will improve. The reality is that many people are worse off than before. They may have found paid work but often get a job that pays only minimum wage or offers fewer than full-time hours.

Right now, one in four workers make just \$10 an hour or less, and close to half of low-income households include at least one working adult. They are known as the working poor. Unless we make work pay, former welfare recipients are actually no better off.

In fact, they may be worse off because they have to pay income taxes and payroll taxes. They may also lose a range of in-kind benefits including child care, subsidized housing, health services, medications and disability supports – which may be worth hundreds or even thousands of dollars a year. At Caledon, we named this problem the “welfare wall” – a term that has become part of Canada’s public policy lexicon.

I am not suggesting that it is a bad thing to help move people off welfare. In our work on the architectural reform of Canada’s income security system, we have proposed the decimation of welfare and its replacement by far more secure and adequate options.

But it is incorrect to assume that simply moving off welfare and finding paid work – the outcome typically sought by governments – will automatically make former recipients better off. There needs to be a range of associated reforms, including supplementary health and dental care for low-income households, living wages, improved earnings supplements and lower income taxes for the working poor.

Creaming processes

The Social Return on Investment approach is based on the philosophy that what we measure is what we value. What we count gets counted. I acknowledge this reality.

But we have to be cautious not to be totally taken up by the results imperative embedded in this methodology. The pressure to achieve results inadvertently can skew an entire program. I have seen this happen in many social policy areas.

Part 2 of the *Employment Insurance Act*, for example, requires that employment training programs administered by the provinces – and often run by not-for-profit agencies – help individuals find suitable employment and reduce “dependency on unemployment benefits.” The

performance of the organizations funded under this legislation effectively is assessed on the basis of the money they save the Employment Insurance account.

These requirements clearly influence the subsequent selection of participants. Resources tend to be directed toward individuals with few employment barriers. The employment programs basically are involved in the process of creaming – i.e., focusing efforts on participants considered work-ready and most likely to succeed in the workforce with relatively little support.

Unrealistic expectations also create problems for the not-for-profit organizations contracted to do the training. Many simply can't produce the expected results in the allocated time. Delivery agents that fail to meet the required targets don't get paid. They are under pressure to shortchange participants or engage in selection-of-the-fittest candidates most likely to succeed.

Valuing failure

Evaluation typically is undertaken to determine whether selected interventions worked or not – whether they were positive or negative relative to their intended results. While this information is important, it may not be the most significant. It is clearly not sufficient.

Perhaps the central question to any review is not only which interventions worked effectively but rather what was learned from a given effort. Both the 'what' and 'why' are crucial. Which interventions were considered positive and why? What factors contributed to their success? Why did certain actions not work well? What could have been done differently to ensure a better result? How do you ascribe value to failure? It actually may not be a negative result because it saves the time and resources of other organizations and communities potentially interested in a similar approach.

Evaluation that values learning shifts the focus of the review from one of judgment to one of continual improvement. It assumes that mistakes may be made because the course being pursued is virtually uncharted. At any point, a shift in direction from the original work plan may be required and should not be considered a failure.

In fact, no change in direction may be a sign that there has been little self-critique – or even reticence to take bold steps. I fear that an approach predicated primarily upon the quantification of results can make us risk adverse and inadvertently suppress innovation.

Conceptual Questions

Identifying the spectrum

Most evaluation approaches that have been employed in the past have been inadequate in capturing social value. A number of new approaches have emerged in recent years to fill the

void – a positive development. But this advance raises questions about the role and position of Social Return on Investment relative to these other interventions.

Is it uniquely distinct from developmental evaluation, which is being used increasingly to assess complex community initiatives? There are many common elements, including consultation with stakeholders and the formulation of a framework for change. Can the two methodologies be employed interchangeably or are they intended for distinctly different purposes?

What are the links to corporate social responsibility, which encourages the private sector to embed social purpose while engaged in profit-making activity – whether in the form of living wages, workforce diversity or avoidance of child labour or other exploitive practices?

It seems to me that corporations would be more likely to employ triple-bottom line accounting in which social dimension is but one element of reporting that also includes economic and environmental results. I can't see them working with customers or even with their own employees to develop a logic model or framework for change.

I believe the field could use some kind of conceptual map that sets out various methodologies which seek to track social value. Perhaps these methodologies are not mutually exclusive and combinations of elements can be employed, depending on the objective. It would be helpful to identify which methods are most appropriate for what purpose.

Capturing process

One of the strengths of Social Return on Investment is that it attempts to capture, at least in theory, the value of both the outcomes and processes of a given intervention. We have become so obsessed with outcomes that it is easy to overlook significant changes that may be taking place along the way.

In fact, I got so frustrated with that focus at the early stages of Vibrant Communities that I wrote a paper called *Are Outcomes the Best Outcome?* The purpose of that paper was not to minimize the importance of outcomes but to remind us to track other significant changes as well.

Process results may include, for example, new partnerships between organizations, fewer conflicts and tensions among certain groups, or a review by local government or private businesses of their respective policies and practices. Local leadership may be strengthened or renewed. The community's capacity to convene and facilitate multistakeholder collaboration may have improved, resulting in a shared community vision and plan of action.

Changes in public policy include removal of disincentives to work or learn or easing access to public programs. There may be enhanced coordination of policies across departments and orders of government, and better collaboration between government and communities.

Striving to achieve clear outcomes is crucial. But good process is also an essential component of effective community practice. It is good process that helps extend the reach and sustainability of a local effort.

Methodological Questions

Encouraging the untested

Outcomes in the social field often take a long time to achieve – sometimes a generation or more. So we need to look for intermediary markers or signposts along the way that are known to be positively correlated with the desired outcomes.

If participants in a given initiative reach these designated milestones, they are deemed to be more likely to achieve the identified outcome. There is no guarantee – there never is in the social domain. But if an individual has completed high school, attained postsecondary education and has good literacy and communication skills, then that person will have better employment prospects in the absence of these benchmarks.

But what happens when the evidentiary foundation of the initiative is not so clear-cut or linked to an obvious evidence base? Here are some examples.

One of the underlying principles of Vibrant Communities was that it had to be community-driven. The communities themselves set their own goals and work plans.

One local partner decided to focus its poverty reduction efforts primarily upon fostering social capital. Members wanted to create opportunities for networking and social contacts for vulnerable residents.

The community wanted to develop its approach on the basis of the social capital literature that speaks to the value of social networks relative to physical, economic and social well-being. While the evidence shows a positive link between social capital and employment prospects (the “who-you-know” phenomenon), this approach may take time to effect positive employment outcomes. Education and skills training are the primary drivers in this equation.

But perhaps social capital investment is equally important down the road. Rich networks of relationships may serve a person better in the long run than a simple investment in skills training alone. It may be preferable for marginalized individuals to have a network of support to which they can turn in the event that something goes wrong. People living in poverty often face a complex array of challenges arising in their own lives or from the systems with which they are dealing.

At Caledon, we were involved in an innovative customized training program in which welfare recipients were trained to fill available positions in newly-developing areas of the local economy, including biotechnology and photonics. The jobs were good.

But problems arose within six months. Many participants were not able to retain those positions because they lacked the social skills to get along with managers and co-workers. Some faced tensions at home because they now had a good job while their partner remained unemployed. A support worker subsequently was hired by the training program to help resolve these myriad personal challenges and thereby stabilize the employment arrangement.

On the basis of short-term measurable results, the conclusion would be to choose a human capital approach. But on the basis of undocumented real-life experience, a different or at least supplementary approach appears preferable. Yet the latter requires additional time and resources – not good from a results perspective. How does the Social Return on Investment methodology make provision for the longer winding – but possibly more effective long-term – road?

Another community built its poverty reduction strategy on an even more tenuous evidence base. It developed an elaborate plan based on recreation and culture. The logic was that the creation of healthy and engaged people in an active and safe environment is more likely to ensure positive outcomes on a range of domains. Go sell that argument to the Finance Department!

There is very little evidence that directly links participation in recreation and culture with reduced poverty. But there *is* a voluminous literature on the value of recreation with respect to improved physical and mental well-being, higher self-esteem, better leadership development and community participation later in life. These represent significant outcomes in themselves, and can help reduce or prevent poverty.

I raise this issue because there is a growing shift – at least in theory – toward citizen-centred approaches in human services, patient-centred approaches in health care and community-driven work in local development. The solutions labs that are emerging throughout the world – including the one here at MaRS – presumably and ideally will arrive at new methodologies that are not tried and true. Emerging approaches are not necessarily based on a clear evidentiary research base even though they may have a compelling logic.

Here is where frameworks for change become crucially important. Perhaps we need to place more weight on the logic models that citizens, organizations and communities formulate in their respective areas of work. The result may be significant variable practice rather than the simple application of good practice or so-called ‘best practice’ (a misnomer because it sometimes is the only practice in a given community).

Credible performance stories are also being used increasingly as a way of capturing the experience of complex initiatives and drawing attention to their most important elements. These stories are not intended to prove and explain the causal impact of the initiatives in question. Rather, their purpose is to make a reasonable case, based on multiple lines of evidence, for the value of the program or effort.

Attributing outcomes

Another challenge in Social Return on Investment arises from its implication of a logical and consistent sequence of events. A rise in educational attainment, for example, typically leads to a better job. Wage increases improve a household's standard of living. The availability of quality affordable child care helps ensure that parents can seek and maintain employment in the paid labour market.

While these sequences are probable, they are not always guaranteed. Sometimes the route is not always direct. Other intervening or unexpected variables, such as marriage breakdown, illness or death of a family member, sudden layoff, plant closure or environmental disaster such as toxic spill or poisoned water supply, can affect the trajectory of a set of actions.

There are typically so many factors at play in people's lives and in communities that the attribution process is extremely difficult. In fact, it may not even be correct or worth attempting when it comes to long-term outcomes or complex community initiatives with so many variables simultaneously at play.

Capturing context

Finally, in any assessment, it is crucial to pay attention to the broader economic and social context. While a given intervention may be excellent, its outcomes may be negative or positive because of developments in the larger environment.

At Caledon, for example, we recently analyzed labour market trends for persons with disabilities. On average, they experience disproportionately higher rates of unemployment than other Canadians. But the data showed that, in the decade ending in 2008, their employment status had improved from earlier years.

A major driver of success was the deliberate intervention by governments to enable access to education and training for this group. Higher educational attainment, on the whole, seemed to be paying off. As a group, persons with disabilities were bringing greater levels of knowledge and skill to the labour market as a result of strategic investments in human capital.

Unfortunately, their employment gains reversed in 2008-09, the latest year for which data are available. Do the results mean that postsecondary education was suddenly less effective in its links to employment? Not likely. The downturn was due primarily to the economic slowdown of 2008 and 2009 which resulted in job losses for all Canadians, including those with disabilities.

The social policy context is equally important. Throughout the course of our 10-year poverty reduction initiative, many jurisdictions implemented new programs and improved existing programs. In 2010, for example, the Government of Ontario brought in full-day

kindergarten for 4-year-olds, which was billed as a childhood development program. As we know from a substantial evidence base, quality investments in the early years can bring significant positive returns later in life.

But full-day kindergarten also had the effect of easing the supply and cost problems for many low-income parents who wanted to enter the workforce. Lack of affordable high-quality child care is a serious impediment to labour market participation. Families' success in finding paid work may have had more to do with this support than any training or job placement program.

The Ontario Child Benefit was announced in the 2007 provincial Budget. It goes to low-income families with children under age 18. Were identified improvements in people's lives due to our poverty reduction efforts or to the additional \$1,100 per child in their pockets? It certainly helped families to have more money in their pockets.

The steady rise in women's employment rate since the mid-1990s is a major labor market development which has helped account for the dramatic decline in poverty among single-parent, along with substantial improvements in child benefits.

The broader context in which initiatives are being carried out can have a significant impact on the quality of life. But they typically do not get adequately picked up in any program assessments.

Conclusion

Social Return on Investment is a welcome approach to evaluation that can help capture the richness of social interventions. It gives the social field the tools and language to get our issues heard at multisectoral tables where these concerns are often misunderstood, undervalued or dismissed as unimportant.

Despite its vital contribution, there are serious philosophical, conceptual and methodological challenges embedded in this approach. Social Return on Investment seeks to capture *value*. But in the social field, we also need to ensure that evaluation methodologies are capturing our *values*.

Endnote

1. Social Return on Investment (SROI) is an evaluation methodology that assigns a financial value to a social impact that would otherwise be overlooked or misunderstood. It attempts to move the evaluation process from a focus on cost alone to one that includes value. The approach is based on a set of clear principles that include stakeholder participation in the assessment process.