

Impact measurement
at Lind Foundation

Lind
Foundation

White Paper Social Return on Investment

WHITE PAPER ON SOCIAL RETURN ON INVESTMENT (SROI)

IMPACT MEASUREMENT AT LIND FOUNDATION

Contents

Lind Foundation and impact measurement	3
The method: Social Return on Investment (SROI).....	3
Table 1: Six Steps in a Social Return on Investment analysis	5
Table 2: The level of analysis and the statistical method	5
Data	7
Table 3: The different terms of the SROI method and the data sources.....	7
Valuation of social efforts	9
Table 4: Method for calculations of social value	9
Projection and adjusting for purchasing power	10
The Social Calculator (Cabi).....	10
Use of the welfare system by socially marginalised people (VIVE).....	11
Table 5: Definition of the eight different groups of socially marginalised people, VIVE (2018)...	11
Danish Health Authority: The illness burden in Denmark (Loneliness)	12
Social Value Bank, HACT	13
The Market Price approach.....	13
Correlation studies as a foundation of economic values.....	14
Other value creation	14
References	15

Lind Foundation
June 2022

Lind Foundation and impact measurement

At Lind Foundation, we are engaged in creating persistent, long-term improvements for vulnerable and socially marginalised people's condition of life and at the same time creating value for society. For that reason, we engage in organisations and projects which support people to get the most out of their potential. To estimate and analyse the effect of the supported organisations, impact measurement is crucial. Our approach is based on the Social Return on Investment (SROI) method. The method quantifies and evaluates the economic and social outcomes of the organisations' work for the target groups and society.

At Lind Foundation, we use the method to make an SROI analysis for screening projects but also when following up on projects to ensure that there is a reasonable relationship between input and outcome. Thereby, we secure that the greatest possible improvements for the target groups as well as for society are created.

The purpose of the analysis is to estimate the value an organisation creates from its activities. The analysis is used internally to investigate which activities that generate the improvements seen across target groups and society. Externally, the analysis can be used to document the value creation and disseminate the SROI method.

Likewise, Lind Foundation expects that organisations are interested in proving their value creation, and therefore document and follow their work. On this basis and through dialogue, Lind Foundation intends to examine and analyse the outcome of the organisations' activities.

The following document is an overview of Lind Foundation's use of the SROI method and its approach to estimating social improvements.

The method: Social Return on Investment (SROI)

The method SROI has been developed to quantify and value the outcomes of target groups and society created by social projects and organisations. The SROI method starts with an identification of the individuals affected by the social project, i.e., the target group. The target group is categorised according to how and by which intensity they are affected by the project. Afterwards, the outcomes are assessed and assigned a monetary value in the local currency. These values are compared to the total input (financial support and volunteers' working hours). In this way, the SROI ratio is calculated showing the monetary outcome produced per DKK put into the project.

There are different approaches to the SROI analysis. At Lind Foundation, the SROI method is developed by the former Office of the Third Sector (OTS)¹ in the Cabinet Office of the UK Government. The SROI method is based on a social revision and a cost-benefit-analysis consisting of seven principles:²

1. **Involve stakeholders:** involve beneficiaries and other stakeholders when planning what to measure and how.
2. **Understand what changes:** develop a theory of change and gather evidence of positive and negative change.
3. **Value the things *that matter*:** rate the importance of different outcomes by valuing economic, social, and environmental benefits and costs (not captured in existing financial accounting value).
4. **Only include what is material:** report on everything relevant and significant – but no more.
5. **Do not over-claim:** compare your results with what would have happened anyway.
6. **Be transparent:** explain all your evidence and assumptions clearly.
7. **Verify the result:** have others to check and validate your results.

STRENGTHS OF THE METHOD

The method has several strengths. Firstly, it can be used to cover a large part of the complex effects social projects and organisations have on target groups. Secondly, it can be used to assign a monetary value to 'soft' impacts that are often difficult to quantify. It makes it possible to capture the most important outcomes of a project, assign a value to them and give a realistic picture of the effects social projects have on target groups. Thirdly, the SROI method is an effective tool to compare organisations' input with their value outcomes by the SROI ratio. The SROI ratio can be used by organisations to show their outcomes and at the same time get an overview of which of their initiatives that creates the highest value. Another strength of the SROI method is that it is an effective communicative tool, and it provides an overview for the organisations.

CHALLENGES OF THE METHOD

A challenge in evaluating social projects is to capture all the relevant effects that an organisation has on the target group as well as on society. Further, the organisation will affect the target group directly, but it will typically also affect family members, friends, and the local community indirectly. Furthermore, the impact will affect the participants differently depending on their characteristics, motivation, family situation, etc. Thus, it is impossible to account for all the individual differences and possible outcomes of a project and assign a value to them.

The SROI calculations are therefore based on some assumptions, and average outcomes and thus contain some uncertainty.

HANDLING UNCERTAINTY

Lind Foundation uses a conservative approach in the processing of data to take account of the uncertainty. By using this approach, the counterfactual outcome will be handled. Lind Foundation takes account of how large a share of the value will be created in the absence of the organisation's effort. Further, Lind Foundation takes account of how much others have contributed to the value created, like family, friends, or other organisations (attribution).

By using this approach, the likelihood of overestimating the outcome is minimised, and the result of the SROI analysis expresses a minimum value. Thus, a potential underestimation of the outcome is likely.

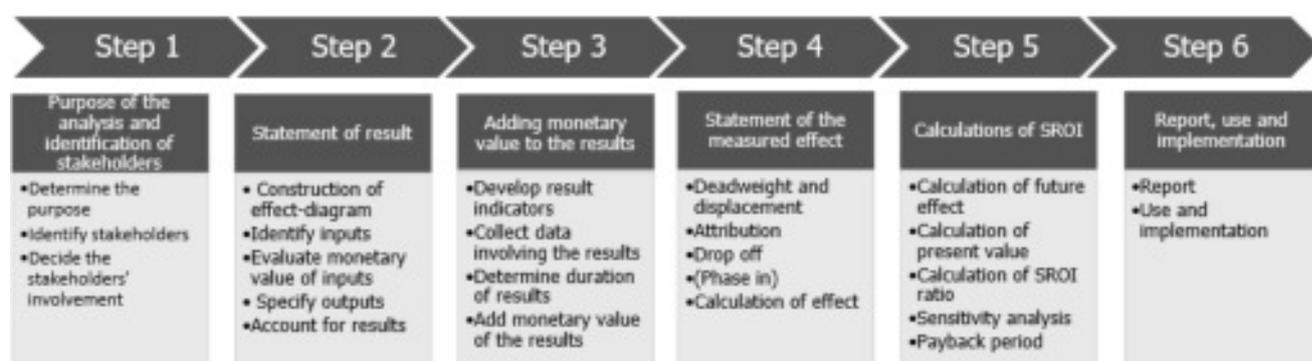
Assumptions, estimates, and average outcomes are based on statistics and academic studies so the assumptions are grounded upon established valid reasons.

APPLYING THE SROI METHOD

An SROI analysis can be an evaluation of an effort in a period but also a forecast of the expected outcome in the future. At Lind Foundation, we produce a yearly SROI analysis of the organisations we support. Here, we calculate the value an organisation created in the last year while for some specific organisations, a forecast is also calculated to show how the outcome is assumed to evolve.

The SROI method is used through six steps illustrated in Table 1. Firstly, the analysis starts with an identification of the individuals who are affected by the social project and a definition of the purpose of the analysis. Hereafter, the input and the outcome are assessed and assigned a monetary value followed by the calculation of the SROI ratio. Lastly, a sensitivity analysis can be carried out, and the result will conclusively be reported.

Table 1: Six Steps in a Social Return on Investment analysis³



There are different statistical methods to increase the validity of the result in the analysis. Higher levels of analysis - regarding the related level of causality - result in a stronger cause/effect relationship and thereby contribute to more valid results⁴. Table 2 shows the levels of analysis and the statistical methods used at each level. The specific level of analysis will vary in the different analyses.

Table 2: The level of analysis and the statistical method

Level	Design	Description
5	Randomised experiment	Participants are randomly assigned to control and treatment groups by the researcher. The randomisation ensures that differences between control and treatment groups are not causing the effect. This makes it possible to isolate the effect of the treatment (for example the effect of receiving nutritious food).
4	Randomised quasi-experiments	Participants are randomly assigned to control and treatment groups by naturally occurring events. The randomisation ensures that differences between control and treatment groups are not causing the effect. This makes it possible to isolate the effect of the treatment (for example the effect of receiving nutritious food).
3	Regression analysis	Non-experimental evaluations, where the treatment is isolated by keeping several different characteristics of individuals in the data constant (for example gender, age, educational level, etc.).
2	Before and after measure (with control group if possible)	The same group is measured before and after treatment is received. If possible, a control group can be identified by finding the 'typical' development for persons like the treatment group.
1	Cross-sectional study (with control group if possible)	The measure of a group at one point in time. Respondents <i>can</i> be asked about their situation <i>before</i> and <i>after</i> receiving treatment. If possible, a control group can be identified by finding the 'typical' development for persons like the treatment group.

Note: A 'treatment' refers to a given activity/treatment that a person receives. This could be nutritious food, counselling, education, etc. The higher the level (1-5) of analysis, the higher the level of inferred causality.

ESTABLISHMENT OF CONTROL GROUPS

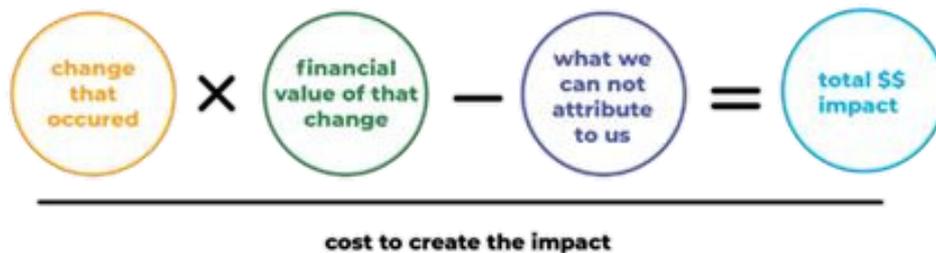
To reach a higher level of analysis regarding the inferred causality, a control group can be included. A control group serves as a counterfactual outcome and can thereby be used to isolate the effect of an organisation's work. It requires that the control group is representative of the target group so that they are comparable. Therefore, the control group will vary for each organisation. A control group will take account of the general effects in a period and a control group is selected based on statistics and studies. E.g., the report from United Nations Development from 2015-2016⁵ is used to establish a control group for the WAWCAS¹ analysis. The use of control groups is described in greater detail in

¹ Women At Work Children At School (WAWCAS) is one of the projects that Lind Foundation supports. Further information on the project can be found in the SROI report on [WAWCAS - Lind Invest](#).

every report using control groups. A control group is complex to establish as a target group typically exists of a broad group of different people. Thus, it is only a few of the reports that Lind Foundation publish where a control group is established.

VALUE CREATION IN RATIO AND RETURN

The result of the SROI analysis is a ratio which describes the relationship between input and the financial value of a change. Specifically, it measures that for each invested DKK in an effort it creates an impact of DKK x in value for the target group and society. The result can also be measured in percentages of return.



When forecasting, a ratio for a multi-year period is calculated. E.g., in WAWCAS and LittleBigHelp², an SROI ratio is calculated for five years and 10 years. This is necessary as the effects of the organisations' work continue and change over time. But there is uncertainty related to the forecast. It is uncertain for how long time the effect will persist and by which intensity. Therefore, the forecast and its estimates are calculated conservatively by considering possible risks. To compare the SROI ratio across organisations, an annualised SROI ratio is calculated which captures the yearly return over a period.

As an example, imagine that an organisation creates value for DKK 4,000,000 (outcome) with the input of DKK 1,500,000. Here, the SROI ratio will be 2.67 which means that for each DKK invested in the effort it creates an impact of DKK 2.67 in value for the target group and society. This corresponds to a return of 167%. If the total outcome increases by DKK 3,000,000 each year for the following four years, then after five years the SROI ratio is 10.67. The annualised return will then be 61%.

² LittleBigHelp is another project supported by Lind Foundation . Further information on the project can be found in the SROI report on [LittleBigHelp - Lind Invest](#).

Data

The preparation of the SROI analysis requires that the organisations themselves have followed and documented the target group's participation and other relevant outcomes. Lind Foundation collects data based on a close dialogue with each organisation. The collected data is both qualitative and quantitative and is also collected through surveys etc. The surveys are answered by the target group and are designed by Lind Foundation in cooperation with the organisations. The surveys are used to document the change in outcomes for the target group so that the effect can be calculated.

Lind Foundation is in close dialogue with the organisations that we support about the datasets and data collection, so the analyses become more comprehensive. The collected and used data is from the data sources of:

- Financial reports
- Volunteers' and employees' working hours
- Participants' registration
- Number of activities
- Surveys answered by participants and volunteers
- Interviews with focus groups and relevant stakeholders

Table 3: The different terms of the SROI method and the data sources

Term	Definition	Data source
Input	Stakeholders' financial donations and the value of volunteers' time.	Financial accounts: expenses, employees, and volunteers' working hours.
Output	The effort, e.g., therapy or handing out food.	Registration of participants and activities.
Outcome	The change, e.g., improved health due to the project.	Registration of participants, focus group interviews, and surveys for participants, volunteers, and families.
Deadweight	States how large a share of the total effect that would have taken place without the project.	Surveys Statistics Studies
Displacement	States how much of the effect that has replaced other effects.	
Attribution	States how much of the effect is due to efforts from other projects, organisations, or people.	
Drop-off	States how much the respective effect devaluates over time.	
Present value	The present value of the total outcome in the period of evaluation.	The recommended discount value from the Ministry of Finance.
Sensitivity analysis	An estimate that shows how the ratio is affected if the values identified are either lower or higher than expected.	Based on uncertainty in data and estimates a sample space is conducted.

DATA PROTECTION

Lind Foundation uses data following the General Data Protection Regulation (GDPR)⁶. This applies to the dialogue with, support to, and data collection from organisations.

QUALITATIVE AND QUANTITATIVE DATA

To ensure coherence between the target group, activities, results, and outcomes, it is crucial to define which issues should be handled. To define the issues, as much information as possible will be collected, so it is clear what to measure. This happens by establishing a Theory of Change⁷ which is a comprehensive description of how and why the desired change is expected to happen in a particular context. The Theory of Change contributes to transparency in the correlation between input and outcome. The information is collected qualitatively through dialogue with the specific organisation and the target group. Through this method, the parameters that should be measured in the SROI analysis are identified.

Quantitative data is used to measure the parameters where the organisations themselves register and document their activities. Further, surveys are handed out to participants and volunteers in the organisations. Lind Foundation uses qualitative data sources consisting of interviews and dialogues with the organisations and participants. The qualitative data contribute to the collected information while the quantitative data is used for measuring the effects of the different activities.

The validity of the data can be a problem as the organisations themselves collect the data. Further, it is a challenge to register and document all relevant parameters which consequently can vary the level of detail. To handle these challenges, Lind Foundation is in close dialogue with the organisations and guides them in how to collect data in the best possible way to ensure a high level of validity.

SURVEYS AND UNCERTAINTY

The use of surveys causes some related uncertainties of bias, motivation, and representativity which are necessary to handle. Participants are often pleased with the organisations' activities and can therefore be disposed to overestimate the outcome of the activity as they associate the organisation with something positive. This positivity bias can lead to an overestimation of an organisation's activities. To handle this, Lind Foundation makes use of deadweight, displacement, attribution, and drop-off (defined in Table 3).

Further, as the surveys are non-compulsory to answer for the participants, the representativity of the sample may be a challenge. To handle this, Lind Foundation is always aware that the surveys should be distributed randomly which we communicate to the different organisations to enhance the representativeness of the population.

If the sample is not representative of the population, the outcome will represent the effect of a subpopulation. E.g., if it is the healthier that has answered the survey then the answers will represent the effect for the participants in a better position which on the one hand can overestimate the effects. On the other hand, as they have a better starting point, they can't attain the same positive changes as those in a bad position based on health. This will lead to an underestimation of the outcome. To handle this representativity problem, deadweight, displacement, attribution, and drop-off are used.

- **Deadweight:** states how large a share of the total effect would have taken place without the project. This is deducted as the value cannot be assigned to the project's effort.
- **Displacement:** states how much of the effect that has replaced other effects.
- **Attribution:** states how much of the effect that is due to efforts from other projects, organisations, or people. This must be deducted to isolate the effect of the project.
- **Drop off:** states how much of the effect that devaluates over time.

The different adjustment measures (deadweight, displacement, attribution, and drop-off) are used in the SROI analysis to ensure that the outcome is not overestimated. The adjustment measures vary for each project, as e.g., drop-off is only used when a forecast of the SROI ratio is calculated. The value of the adjustment measures is decided based on the surveys where the participants answer whether they for example have received help from other organisations.

Valuation of social efforts

Two categories of values are used to evaluate social effort:

- Financial values are estimates of monetary value creation. E.g., an increase in income or saved public expenditures.
- Social values are estimates of well-being outcomes which are given a monetary value based on an amount that could have created an equivalent improvement.

Table 4: Method for calculations of social value

Financial values			
Source	The use in SROI analysis	Description of the sources	Strengths/weaknesses
Database	Projection of public values, wages, and measuring schooling.	An expected increase in income e.g., because of education.	<ul style="list-style-type: none"> • Real, historical values. • Missing data outside of Europe.
Cabi – The Social Calculator	Social security and tax income.	An expected increase in tax income and lower costs to the social security system due to employment.	<ul style="list-style-type: none"> • The societal value of employment. • Based on employment for an entire year.
VIVE	Public cost reduction due to improvements for socially marginalised people.	An expected decrease in the use of social services due to improved mental health.	<ul style="list-style-type: none"> • Exact knowledge of expenditures associated with being socially marginalised. • Cannot be used to cover improvements within a group but only between groups.
Danish Health Authority	Loneliness (public cost reduction).	An expected decrease in the use of social benefits due to feeling less lonely.	<ul style="list-style-type: none"> • Considers the reduced ability to work as well as increased health expenditures. • Does not consider reversed causality.
Social values			
Source	The use in SROI analysis	Description of the source	Strengths/weaknesses
HACT (Benefit transfer)	Valuates the social effect of employment, health, financial conditions, local and social environment, homelessness, and spare time.	Estimates an increase in income that gives the same value as an increase in well-being, e.g., due to being physically active.	<ul style="list-style-type: none"> • Can evaluate activities and improvements that do not have a known market price. • Cannot be used to capture small improvements, e.g., in the psyche.
Market price	Valuation of activities.	Estimates a market price for an activity which gives the same effect on the well-being of e.g., having a mentor.	<ul style="list-style-type: none"> • A transparent method based on market data. • A simple market offer cannot often replace the activity.

The next sections scrutinise every method that is seen in Table 4. Firstly, there is a description of how Lind Foundation takes account of historical values as well as the differences in purchasing power when the value is estimated in another country.

Projection and adjusting for purchasing power

When Lind Foundation uses economic and social values from statistics published in previous years, they are adjusted for inflation in the same period. The projection is used on social and financial values from the following sources:

- VIVE
- Danish Health Authority
- HACT

The HACT-values are further adjusted for the purchasing power in the area of use. This is due to the assumption that a lower purchasing power parity implies that it is relatively cheaper to create improvements than it is in Great Britain. Conversely, if the purchasing power parity is higher, then it will be relatively more expensive to create improvements.

APPLICATION IN THE SROI ANALYSIS

To project values, to determine wage levels for volunteers, and to determine the increase in wages due to extra years of schooling, Danish Statistics, UNDP, World Bank, and other similar databases are used. The projection follows the relevant indices available from the mentioned databases. It is primarily studies of public expenditures and volunteers' wage levels that are projected.

The volunteers' wage levels are included in the input of the SROI calculations to give a realistic estimate of the organisations' labour force. The volunteers' time is therefore not free when the SROI ratio is calculated, as it will give an incorrect impression of the organisation's efficiency. Schooling is evaluated in a literature review of the latest scientific work on the effect of schooling from the World Bank.⁸ They conclude that one year of extra schooling results in a 9% higher lifetime income. The figure varies from each geographical area and other factors. To find the correct present value of one year of extra schooling, the return of a minimum wage over five years is used. These five years are seen as a conservative evaluation period for schooling as the education will affect one all life even though other factors also explain income, especially later in life.

STRENGTHS AND WEAKNESSES

The data consists of historical values to estimate realistic estimates of improvements in the future. Relevant data is widely available in Denmark and the rest of Europe, but missing data is a problem for countries outside Europe. To handle these uncertainties, the most representative local data possible is used. Furthermore, data is projected by a relevant index if it is outdated. At the same time, data is always validated through dialogue with the local organisation.

The Social Calculator (Cabi)

Cabi, which is an independent organisation with a license from The Ministry of Employment, focuses on a more socially responsible labour market and has developed The Social Calculator⁹. The calculator estimates the societal value of an individual who gets employed. The estimate represents a minimum value and is based on two parameters: An increase in tax income and public spending cut on income support due to employment.

The calculations are based on one being employed for a full year. The saved public spending is based on an average public support per person receiving the relevant support. The increased tax income is based on a copy of the most recent tax calculations where the annual wages for the employed are used as the input.

Calculations do not take account of the indirect effects such as saved activation, health costs, lower crime rates, etc. This means that the calculations underestimate the real economic effect.

APPLICATION IN THE SROI ANALYSIS

The social calculator is used in organisations where the target group moves from public support to employment. To document the employment effect, the participants' employment statuses before and

after an initiative are noticed. If a participant moves from unemployment to employment, it is relevant to know the transfer payment before an initiative and the wage level after an initiative. If the wage level is unknown, the relevant collective agreement wage rate is used as a proxy.

STRENGTHS AND WEAKNESSES

The social calculator estimates the social value based on an individual being employed for an entire year. Therefore, the effects of the participants can only be calculated yearly. Further, it is possible to underestimate or overestimate the societal value of an individual getting employed if their wage level is unknown. As mentioned, the relevant collective agreement wage is then used as a proxy but the collective agreement is not an exact estimate for the wage level. Given the different adjustment measures used, the calculations are conservative relative to the real economic effect.

Use of the welfare system by socially marginalised people (VIVE)

The Danish National Centre for Research and Analysis (VIVE) published a report in 2018¹⁰ that shows the public cost associated with different groups of socially marginalised people. The costs to society of being in one of the eight different socially marginalised groups are estimated based on registered data. The eight groups of socially marginalised people are defined in Table 5. The attribution of people to these groups is based on whether they were registered with a mental illness or had a problem with drugs in the period from 2010 to 2014. Based on their degree of mental illness and their degree of being socially marginalised, people are divided into the eight groups. Afterwards, the eight groups' use of the social security system is assessed. The average cost per person in 2014 is calculated for each of the eight groups.

Table 5: Definition of the eight different groups of socially marginalised people, VIVE (2018)

Group	Definition
8. Mental illness with abuse and complexity	Individuals with mental illness, (moderate or severe), abuse, (alcohol or drug) and other complexity (homeless, unconditional sentence, or a mental illness related to drug abuse).
7. Abuse with complexity	Individuals with abuse (alcohol or drug) and other complexity (homeless, unconditional sentence, or a mental illness related to drug abuse).
6. Mental illness with abuse	Individuals with mental illness (moderate or severe) and abuse (alcohol or drug)
5. Homeless	Other individuals who suffer from being homeless.
4. Drug abuse	Other individuals with drug abuse.
3. Abuse of alcohol	Other individuals with alcohol abuse.
2. Severe mental illness	Other individuals with severe mental illness.
1. Moderate mental illness	Other individuals with a moderate mental illness.
The remaining population	Individuals without a mental illness, abuse, and not being homeless.

Source: Data is from Statistics Denmark and the Danish Health Data Authority. The definitions and calculations are from VIVE (2018).

APPLICATION IN THE SROI ANALYSIS

The average costs for the eight different groups are used to evaluate the cost reduction an organisation has created with its initiatives for the public sector. Thus, when a person moves from one group to another or moves to the remaining population, the costs for the public sector are reduced by a certain amount of DKK (e.g., if a person is no longer depressed). The costs are divided into employment and welfare benefits. The costs related to employment are transfer payments, initiatives on employment, and tax payments. The costs related to other welfare benefits are somatic treatment, psychiatric treatment, subsidies to medicine, abuse treatment, shelter, other benefits based on the law of service, home health care, and jail and trial. This distinction between employment and welfare benefit costs enables a better and more precise covering of the effects related to an individual no longer being socially marginalised or moving to a group with less severe problems. The reason for this is that sometimes the shift between groups for an individual leads to employment and sometimes not. Therefore, when an individual moves from moderate mental illness to the remaining population but remains on public support, the saving of transfer payments is not included in the calculations.

STRENGTHS AND WEAKNESSES

One of the strengths of VIVE's calculations is that they are comprehensive and cover the costs associated with being socially marginalised in Denmark. Their report is based on socially marginalised individuals in Denmark who are helped by some of the organisations supported by Lind Foundation. Therefore, a report can be used to cover these organisations' work with a high degree of certainty. A weakness of the report is that it only measures the effect of moving from one group to another but not improvements within a group. The report from VIVE states the average public costs associated with e.g., suffering from depression or anxiety compared to the remaining population. This implies that only the value of an individual who gets free from depression or anxiety can be evaluated and not improvements of one's depression or anxiety. Thus, the outcome of organisations might be underestimated as improvements within a group cannot be evaluated through VIVE's report.

Danish Health Authority: The illness burden in Denmark (loneliness)

The Danish Health Authority published a report in 2016¹¹ assessing the societal costs of different health-related issues including loneliness. The report is used to calculate the public cost savings due to an individual no longer feeling lonely. It is based on scientific studies on the health of the Danish society and registered data so the validity of the SROI calculations is increased.

Loneliness is not only associated with an increase in health costs for the public sector but also a loss of production for society. The loss of production occurs due to short-term and long-term sickness absence, early retirement, and early death.

APPLICATION IN THE SROI ANALYSIS

The total societal loss of production was DKK 34.8 billion in 2013 where most of the loss was related to early retirement (87%). However, this cost is not included in the SROI analysis as it is not known whether the people getting out of loneliness also retires early and receives the benefit. The total societal loss of production per lonely citizen was DKK 8,477 in 2013. So, when an individual does not feel lonely anymore due to an organisation's initiatives, the outcome is valued to DKK 8,477 before the value is projected to account for inflation.

STRENGTHS AND WEAKNESSES

A strength of the report from the Danish Health Authority is that it takes account of both a decrease in the ability to work and therefore the loss of production as well as the extra cost of treatment and care. A weakness is that the report does not take account of reverse causality. Loneliness can be a consequence of bad mental health or bad physical health instead of the opposite. For that reason, uncertainty is associated with the application of the total societal loss of production due to loneliness. If an individual is lonely because of their physical health, the Danish Health Authority has overestimated the loss of production due to loneliness as it is not loneliness that has caused the extra

cost for the society. Therefore, the use of the estimate may cause an overestimation of the outcome which is why Lind Foundation uses adjustment measures to ensure that it is not the case.

Social Value Bank, HACT

To appoint a monetary value to social outcomes, HACT's Social Value Bank is used where over 90 social outcomes are evaluated¹². HACT is an English organisation that partners with organisations across the social housing sector to drive value for residents and communities. These values in the Social Value Bank are a result of large national surveys where the effects of a particular factor are isolated through statistical theory¹³. This approach reveals the amount of money it requires to increase a person's well-being by the same amount as the factor. The values are used to evaluate whether the participants' well-being has increased primarily based on survey responses.

APPLICATION IN THE SROI ANALYSIS

The HACT values are used to evaluate social activities and changes that have an unknown market price. The valuation of a given activity is only included in the output if the activity is not already captured by another HACT value. Consequently, some of the HACT values cannot be combined as they capture the same effect on a person's well-being¹⁴. As an example, the value of good overall health cannot be combined with the value of a person being relieved from depression/anxiety. In this case, only the most significant improvement is used which is the value of a person being relieved from depression/anxiety (£36,766). At the same time, the HACT values cannot be combined with other studies which evaluate the same activity¹⁵. The HACT values reveal the amount of money it requires to increase a person's well-being by the same amount as e.g., being relieved from depression/anxiety. Thereby, the financial values consisting of cost-saving for the public sector can also be included as they do not evaluate the same change. Lind Foundation uses the HACT values when an activity or a change cannot be calculated quantitatively with another method.

STRENGTHS AND WEAKNESSES

The value of getting out of depression or anxiety is only used when an individual is relieved from their depression or anxiety. If an organisation just improves an individual's mental health without relieving them from e.g., depression or anxiety, the HACT-values cannot be used to quantify the value. This implies that some effects cannot be quantified which leads to an underestimation of the SROI ratio. A strength of the HACT values is that they put a value on activities and changes that do not have a known market price, e.g., the value of being a part of a social group and the value of being able to obtain advice locally.

The Market Price approach

The market price approach¹⁶ described by Social Value International uses market prices to put a value on activities. The method estimates the social value of a change by identifying a market offer which causes the same effect on well-being as the activity of the organisation.

APPLICATION IN THE SROI ANALYSIS

The price of a market offer is used when the organisation has performed an equivalent contribution. To ensure coherence between the change and the equivalent local market offer, the stakeholders are consulted in this approach. The method is conservative as it finds the lowest price of an appropriate offer and chooses an offer that is never more comprehensive than the organisation's activity.

STRENGTHS AND WEAKNESSES

The method is transparent and realistic, as it is based on market data. However, the method tends to underestimate the outcome as a market offer rarely can replace the activity of the organisation. The scope of activities performed by the organisation is typically more comprehensive and includes more than one treatment or good. An example hereof is affiliation to an organisation and acquaintance with other participants which would not be captured by a market offer.

Correlation studies as a foundation of economic values

Some of the economic values are estimated based on correlation studies from VIVE and a report from The Danish Health Authority. As an example, the studies find that, relatively, socially marginalised people use the social security system and the rest of the welfare system more than the remaining population. Thus, these studies only find a correlation and not a causality between being socially marginalised and the use of the welfare system. On this basis, is it not possible to conclude that the effect of no longer being socially marginalised implies reduced costs for the public sector, even though it most likely is the case. To avoid an overestimation as a result hereof, surveys are used to cover the change before and after an initiative.

Other value creation

When social and economic values are used to evaluate changes, it is only the changes that are a part of an organisation's purpose and theory of change that are included. An additional positive value is not included as it is difficult to measure all outcomes and assign a monetary value to them precisely enough to take them into account. This other value creation consists typically of improvements for society and further improvements for the individual and the family. The organisations are involved in the valuation to ensure that the most optimal method is used. The value must be measurable, locally-based, and conservative. As it is not possible to put a value on all outcomes of an initiative, each SROI report contains a section with other value creation describing changes that are not measurable. An example is a gradual progression such as reduced depression which it is not possible to assign a monetary value.

In general, Lind Foundation works to produce accurate and conservative impact measurements in the SROI reports by using all relevant knowledge available and competent feedback. Thus, this SROI White Paper will regularly be updated with new academic knowledge and changes to the approach.

References

- ¹ Nicholls, J. et al. (2012), A Guide to Social Return on Investment, SROI Network
- ² Nicholls, J. et al. (2012), A Guide to Social Return on Investment, SROI Network
- ³ Nicholls, J. et al. (2012), A Guide to Social Return on Investment, SROI Network
- ⁴ Andersen, Lotte Bøgh, Kasper Møller Hansen & Robert Klemmensen, 2. udg. (2012). Metoder i Statskundskab, Hans Reitzels Forlag
- ⁵ UNDP (United Nations Development Programme) (2016). Annual Household Survey 2015/16. https://reliefweb.int/sites/reliefweb.int/files/resources/Annual%20Household%20Survey%202015_16_Major%20findings.pdf
- ⁶ <https://gdpr.eu/tag/gdpr/>
- ⁷ Theory of change, <https://www.theoryofchange.org/what-is-theory-of-change/> (29/06-2021)
- ⁸ Psacharopoulos & Patrinos 2018. Returns to Investment in Education: A Decennial Review of the Global Literature. Policy Research Working Paper; No. 8402. World Bank.
- ⁹ CABI, <https://www.cabiweb.dk/metoder-og-vaerktoejer/den-sociale-beregner/>
- ¹⁰ VIVE (2018). Socialt udsatte borgeres brug af velfærdssystemet, samfundsøkonomiske aspekter. <https://www.vive.dk/da/udgivelser/socialt-udsatte-borgeres-brug-af-velfaerdssystemet-6999/> (29/06 2021)
- ¹¹ The Danish Health Authority (2016), "Sygdomsbyrden i Danmark 2016". København.
- ¹² HACT (2018), Calculating your social value, <https://hact.org.uk/calculating-your-social-value>
- ¹³ HACT, <https://www.hact.org.uk/hact-value>
- ¹⁴ HACT (2018), UK Social Value Bank Calculator 4.0, <https://www.hact.org.uk/calculating-your-social-value> (30/06-2021)
- ¹⁵ HACT (2018), Measuring the social impact of Community investment: A guide to using the wellbeing approach, <https://www.hact.org.uk/sites/default/files/uploads/Archives/2014/3/MeasuringSocialImpactHACT2014.pdf> (30/06-2021)
- ¹⁶ Social Value International (2015), A discussion document on the valuation of social outcomes <https://socialvalueuk.org/resource/discussion-document-valuation-social-outcomes/> (02/07-2021)