

# ROI & Cost-Benefit Analysis

Understanding the value of your company's investment in opportunity youth is as important as it would be for any other business initiative. You will probably discover that some outcomes (such as reduced turnover costs or tax credits) are quantifiable, while others (such as enhanced customer loyalty) are harder to monetize.

Ideally, value analysis should be comprehensive and take into account the wide range of benefits that employment pathways for opportunity youth can provide. Instead of delivering hard numbers on every metric, conduct an overall cost-benefit analysis in addition to calculating ROI. To help you do so, you'll find several different cost-benefit analysis examples in Step 3 .

In four key steps, this guide will help you to:

- 1 Measure the social and business value of your opportunity youth initiative
- 2 Understand what costs are involved
- 3 Learn how to estimate your ROI
- 4 Access helpful tools and resources and learn how partner organizations can help

## What we mean by ROI

ROI, or return on investment, tells you how much value a given investment generates. There are qualitative and quantitative measures of ROI. Speaking quantitatively, return on investment (ROI) is the ratio between the net benefits (benefits minus the cost of investment) and the cost of investment, expressed as a percentage (i.e., multiplied by 100).

$(\text{Present Value of Benefits} - \text{Cost of Investment} / \text{Cost of Investment}) \times 100 = \text{ROI}$

To calculate the ROI of an opportunity youth initiative, you'll need to identify—and monetize—your initiative's benefits. You'll also need to calculate the total cost of investing in your program, considering both fixed and variable costs. ROI for employment pathways can also consider more qualitative measures such as employee engagement and satisfaction. Keep in mind this is just a guideline—not all the benefits of your program can be measured with this formula.

Some initiative benefits can be assigned a number, while others—such as enhanced customer loyalty and community reputation—are harder to quantify.

Now that we've covered the basics, it's time to start identifying key measurement benchmarks in your opportunity youth initiative.

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## Step 1: Set Measurement Benchmarks

This step is linked to the goals and budget you established when you originally developed your opportunity youth employment pathway. To measure your initiative's success, you'll need to have an idea of what success means to your company. A partner organization can help you think through this process, whether you're still in the planning stages or need to go back and fine-tune your goals before setting measurement benchmarks.

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### Determine the benefits related to your initiative

This is a good time to refer back to the benefits and goals you established when developing your employment pathway (See the guides for mentoring, school-to-work, internships and hiring.

## Here are some benefits/goals to consider:

- Increased employee retention (decreased turnover costs)
- Improved employee performance (shorter time-to-productivity for entry level workers, improved attendance, etc.)
- More diversity of experience, background and thought among employees
- Increased employee engagement, morale and satisfaction, especially for mentors, supervisors and managers
- Stronger U.S. economy (decreased amount spent on social assistance and out-of-work programs, etc.)
- Expanded customer base for your products (by providing jobs, you increase future expendable income)
- Expanded talent pipeline (decreased recruitment costs)
- Qualification for financial incentives (tax credits, grants, etc. for training and/or employing opportunity youth)
- Stronger corporate social responsibility agenda (achieved diversity objectives, strengthened brand visibility, etc.)
- Try to collect goal-related data early in the planning stages. A partner organization can help you set measurable goals to ensure smoother ROI and cost-benefit analysis.

## Determine how you will measure the value of each benefit.

To make valuable comparisons between your investment and the benefits realized, you'll need to quantify them in the same way (usually through monetization). This is explored more in Step 3 .

## Estimate the costs of your initiative.

While building the budget for your specific employment pathway model, you'll estimate various costs associated with the initiative.

Here are possible costs and investments to consider:

- Staff time spent on program coordination, partner relationship management, training and managing youth, mentoring youth and other activities related to the program
- Wages, training stipends or other compensation and benefits to interns/employees
- Training funds granted to the partner organization
- Loss of productivity due to an intern/employee being in a learning phase
- Meeting space, training equipment, educational materials, etc.
- Program marketing and administration expenditures

Now that you've established the benchmarks that will help you measure the value of your investment, it's time to make sure you have the data you need to calculate your findings. Data is sourced through tracking and monitoring your initiative, which is the focus of Step 2.

## Step 2: Track and Monitor

No matter what employment pathway you've chosen, it's important to put a process in place early on so that you can effectively conduct your cost-benefit analysis. Determining how to best track and monitor the benefits and the costs of your program will help give you the data you need.

Decide which program activities and parameters will be tracked and measured.

Discuss with your partner organization what data they will supply.

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Design tracking sheets, survey instruments and other tools for tracking and monitoring.

Decide who will be responsible for maintaining these documents.

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How to evaluate and document program activities

- While training your employees, supervisors and mentors, address the process for cost-benefits analysis and explain each person's role (if applicable) in collecting relevant data
- Distribute tracking forms (written or electronic)
- Establish the frequency of reporting and who will be collecting reports

## Step 3: Conduct Your Cost-Benefit Analysis

The data you use for your cost-benefit analysis will depend on the employment pathway you have chosen for your company. Below are several potential scenarios—which have crossover relevance for multiple initiatives—to offer you a best-practice roadmap for conducting your cost-benefit analysis.

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### Scenario #1:

Your initiative involves employees who volunteer their time (e.g. as mentors, internship supervisors, workshop presenters).

Cost-benefit analysis:

- Survey participating employees on their satisfaction, engagement and reported benefits.
- Use research findings to link employee engagement with organizational outcomes.

#### Success Story: Fidelity Investments

When partnering with Citizen Schools to help young people learn life and work skills, Fidelity made significant financial, in-kind and human capital investments. To measure ROI, the company surveyed employees about how the partnership impacted their team-building, communication and presentation skills.

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### Scenario #2:

You have partnered with an education provider or nonprofit with the goal of recruiting qualified entry-level workers.

Cost-benefit analysis:

- Calculate the cost of advertising, recruiting, screening, training and managing an entry-level worker without the help of a partner organization.
- Calculate the costs of partnering and hiring an entry-level worker with the partner organization.
- Compare the costs before and after partnering. Report cost savings per employee hired.

#### Success Story: Southwire

Georgia-based wire and cable manufacturer Southwire partnered with the local school system to launch 12 for Life, a program that allows students to combine their studies with real-world experience at a customized Southwire facility. 800 students will have graduated by the end of 2014. Fifteen percent of graduates have been hired as fulltime employees.

## Scenario #3:

One of your initiative goals is to reduce employee turnover in entry-level positions.

### Cost-benefit analysis:

Establish the baseline turnover in entry-level positions before engaging with opportunity youth.

- Establish the baseline turnover in entry-level positions before engaging with opportunity youth.
- Calculate the turnover for the youth hires.
- Compare the turnover rates between the opportunity youth workers versus your other entry-level workers.
- Estimate the cost of turnover and report the cost savings when hiring opportunity youth.

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## Savings From Reduced Turnover Costs: Select Examples

### Separation costs

- Lost productivity of the departing employee
- Lost productivity of coworkers
- Direct expenses of the termination (e.g., severance pay)

### Calculate

- # Hours
- # Hours
- \$ Spend

### Vacancy costs

- Lost productivity due to the unfilled position/underskilled temp labor
- Lost coworker productivity due to reduced morale and distraction
- Temp, hiring or staffing agency fees

### Calculate

- # Hours
- # Hours
- \$ Spend

### Replacement hiring and training costs

- Average number of candidates interviewed for position
- Time spent drafting the job description and advertising the job opening
- Orientation and on-the-job training

### Calculate

- # Hours
- # Hours
- \$ Spend

### Success Story: Johns Hopkins Hospital

Johns Hopkins Hospital's training program for promising young people to fill non-medical positions (nutrition services, facilities management, etc.) led to substantially less employee turnover and reduced hiring costs. The hospital estimates that over a one-year period the ROI for its program was 74 percent.

## Scenario #4:

You want to evaluate the benefit of hiring fully trained entry-level workers through a partner organization.

### Cost-benefit analysis:

- Calculate how long it takes an average entry-level worker to reach full productivity in his/her position.
- Calculate the time it takes a trained youth candidate to reach the same level of productivity
- Estimate the cost savings due to the shorter time-to-productivity for youth hires.

“State Street hires about 100 interns per year. About 70 percent of them end up as full-time employees at State Street. They’re well-trained coming in and they’re accountable.”

-Stephen Nazzaro, executive VP and head of Institutional Investor Services,  
State Street Corporation

## Scenario #5:

You are evaluating the benefit of tax credits and other government incentives for engaging opportunity youth.

### Cost-benefit analysis:

- Estimate the total cost of training and hiring programs for opportunity youth.
- Estimate the total tax credits or other monetary benefits received as a result of youth programs.
- Calculate the ROI.

### Success Story: CVS Caremark

CVS Caremark invested \$2.9 million in its Government Programs/Workforce Initiative efforts and received \$5.3 million in tax credits. Using the ROI formula outlined in this guide’s Overview section, CVS calculated that its return relative to costs was 179 percent.

## Scenario #6:

You have specific diversity objectives.

### Cost-benefit analysis:

- Report the baseline numbers for diversity.
- Report the increase in diversity based on recruiting opportunity youth through a community based partner.

### Success Story: UBS

UBS created an internship program with nonprofit organization Year Up that helps the company cultivate a local source of diverse talent. The program supports the career development of urban young adults while helping build a talent pipeline for the future.

## Step 4: Refine Your Program Based on Your Findings

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Once you've completed your cost-benefit analysis, you're in an excellent position to fine-tune your program, whether that means scaling it up or down, making staffing adjustments or tweaking it in small ways that will enhance your ROI and cost-benefit analysis the next time you're ready for measurement.