



Region of Waterloo

Social Return On Investment (SROI) A Living Wage Policy for the Regional Municipality of Waterloo

Fast Facts

SROI Overview: Increasing the hourly wages of approximately 200 employees of contractors who provide services to the Regional Municipality of Waterloo (Region) would require an investment of up to \$829,500¹.

By the Numbers:

- \$53,481 is the average employment income for an individual working full-time, full-year in Waterloo region²;
- \$28,333 has been determined to be a Living Wage rate for an individual working full-time, full-year in Waterloo region³;
- 3,025 full-time, part-time, temporary and contract staff are employed by the Region⁴;
- Individuals living in low income spend at least 89% of their income locally⁵;
- 73% of Canadians with the highest incomes report their health as excellent, while only 47% of Canadians with the lowest incomes report the same⁶.

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Public investments in low and modest-income families are efficient and particularly strategic because money is used in their local communities to pay rent, purchase food and other necessities⁷.

Case Study Overview

A social return on investment (SROI) analysis illustrates the value of investing to strengthen society, with a view to measuring the true value of an investment.

Social value is created through changes to the circumstances of individuals, families, a community or the environment, and assesses the value of all material changes in relation to stakeholders.

This study was commissioned to further inform the proposed Living Wage policy that is under consideration by the Regional Municipality of Waterloo. It has been based on local, national and international social policy research and the monetization of social value indicators through the application of a Social Return on Investment (SROI) methodology.

Background: A Living Wage Policy for the Regional Municipality of Waterloo

The rationale for a Living Wage policy is that wages should be sufficient to provide a 'livable income' and an equitable standard of living. Further, a Living Wage should support interaction, healthy recreation and connectedness to the community.

A request was made by Opportunities Waterloo Region, asking that the Regional Municipality of Waterloo (Region) consider establishing a Living Wage rate for its employees and for employees of

contractors who provide services to the Region. In response, the Region has been engaged in a Living Wage Impact Assessment to assess, consult and potentially plan for policy implementation.

The Living Wage rate is \$13.62. The calculation is based upon a Market Basket Measure approach⁸.

Social Value Created

In addition to greater economic self-sufficiency, Thompson and Chapman (2006) state that earning a Living Wage creates other forms of benefits, including:

- reduced individual stress; greater sense of responsibility, higher sense of self-worth;
- decline in absenteeism, improved health; reduced need to draw upon publicly provided social programs;
- increased savings, credit and investment assets;
- reduced need for a second job to supplement income;

Theory of Change

If employees who are at-risk of poverty because they are earning less than a Living Wage, have an opportunity to increase their earnings, they will be more able to live healthier lives and to measurably increase their contribution to the local economy.



SROI Case Study: A Living Wage Policy for the Regional Municipality of Waterloo

- enhanced sense of inclusion, belonging; and
- increased time for family, recreation and participation in society⁹.

The increased wages will also benefit the local economy, as research has shown that an individual living in low income is likely to spend the majority of their increased wages within the local environment.

Earning less than a Living Wage

Employees earning less than a Living Wage often need to take a second job in order to make ends meet, even if their primary employment is full-time.

Research shows that 68% of people applying for the Provincial Rent Bank Program in Waterloo region are employed and 35% of applicants are single¹⁰. A further 49% seek to address rental payments in arrears¹¹. Housing is considered affordable when 30% or less of monthly income is spent on rent and utilities¹².

When arrears mount, an individual is at increased risk of losing their home. If this occurs, the individual may well be required to make use of emergency shelters. While 73% of individuals who make use of formal emergency shelters in Waterloo region are experiencing one-time homelessness, local research has shown that their average length of stay is 24 days¹³. Their employment would also be at risk during this period, as a result of their need to re-secure adequate housing.

Increasingly, research studies are connecting low wages, precarious work and health status of people in low income¹⁴. Low-wage earners are at a markedly greater risk of health problems, such as chronic diseases and mental health issues, than people who earn a higher income¹⁵.

When experiencing the above, an employee's ability to produce quality work is likely to decrease. Ongoing stressful experiences are shown to increase the risk of depression¹⁶.

Depression has been shown to reduce productivity at work and to result in periods of sick leave. When a individual is unable to work, to be productive in their personal life or to participate meaningfully in their community, a negative cycle is reinforced and prolonged¹⁷.

In contrast, a number of research studies highlight the positive impact of higher wages. These include being able to quit a second job, choosing to attend school part-time or being enabled to save the down payment required to purchase a home. The benefits of higher wages also extend to the community, as a result of:

- increased social participation;
- increased customer purchasing power;
- reduced cost to health care and social services; and
- increased local investment as the community is seen as a more vibrant place to live, shop and work¹⁸.

Calculating the SROI of a Living Wage Policy for the Regional Municipality of Waterloo

Monetizing the Social Value of a Living Wage

Social value can be created in a number of ways. These include increasing household income such that significant improvements can be made in the overall health and quality of life of the individual(s) involved.

Research has shown that people living in, or at-risk of poverty, often become entrenched in a cycle of dissavings¹⁹. This means that the individual is spending more each month than what is being earned. Individuals in this pattern often fall behind on their rent and utilities payments, placing themselves at-risk of losing their home.

If a person loses their home and is forced to seek refuge

in an emergency shelter, the per diem cost of their use of that shelter is \$42.50²⁰.

Every time a person at-risk of losing their home is stabilized, the social value created through their stabilization is equivalent to the expenditure that they would otherwise have triggered as a result of their need for shelter. Therefore, the social value created is the value of preventing an individual from requiring emergency shelter, which in turn enables someone else to access a scarce and valuable resource. This would be equivalent to \$1020 for every individual housing situation that is stabilized.

The exact number of employees within the group of approximately 200 workers referred to within this study,



SROI Case Study: A Living Wage Policy for the Regional Municipality of Waterloo

who are also experiencing housing instability, is not known. However, their income level and profile is consistent with a high percentage of the individuals who are applying for the Rent Geared to Income Supplement and/or the Housing Allowance Program.

For this reason, it is highly likely that some of these hourly employees will be experiencing housing instability. Therefore, the value of preventing one person from losing their home and avoiding their requirement for temporary shelter has been included in the SROI calculation.

An additional source of social value created by the implementation of a Living Wage policy is the multiplier effect that results from increasing the wages of an individual living in low income. Studies in the UK, US and Canada illustrate that the benefit of increasing the wages of low-income people extends beyond the individual household. Not only are individuals able to increase their ability to purchase basic necessities such as food and clothing, their increased purchasing power has a measurable benefit within the local economy.

Canadian research highlights that low-income individuals spend an average of 89.7% of their net (i.e. post-tax) income locally²¹. This research is supported by findings that illustrates that low-income households spend a proportionally higher amount of their net income, i.e. 70%, on necessities such as transportation,

food and housing in comparison to the amount spent similarly by higher income households²². The new economics foundation in the UK, routinely estimates the local multiplier generated from investing in local regeneration at 66-77%, based upon the LM³ calculation²³, using pre-tax income as the starting point for the calculation.

As illustrated in **Table One** below, the potential to create social value by the Regional Municipality of Waterloo, through a decision to pursue a Living Wage policy can be calculated by considering the value of increasing the annual

Table One: SROI of a Living Wage Policy - Regional Municipality of Waterloo ONLY

SROI: Living Wage Policy for Regional Municipality of Waterloo			
SROI Indicator:		Value/YR	Notes
200 Janitorial, Cafeteria & Grounds Keeping staff, and Security Guards			
1	Increased individual income (net)	\$519,173	calculated for entire group
2	Increased GST paid on purchases	-\$2,872	calculated for entire group
3	Increased cost of transit	-\$36,816	calculated for 61 FT janitorial staff
Regional Municipality of Waterloo			
4	Avoidance of need for transit pass	\$36,816	calculated for 61 FT janitorial staff
5	Avoidance of shelter use (24 days)	\$1,020	Provincial/Regional per diem \$42.50 (80/20 cost share), one person only
6	Local economic multiplier (89%)	\$469,451	supported by CDN research
SROI Summary			
A	Social value created annually:	\$1,026,461	income of approximately 200 hourly workers affected. This includes the reality that a portion of that group will pay more in GST and pay the full amount for a transit pass, i.e. their reduced eligibility for these two subsidies has been factored into this social value equation from the perspective of the individual.
B	Total investment:	\$829,500	
C	SROI Ratio	1 : 1.24	
D	Payback Period	9.7 months	

and pay the full amount for a transit pass, i.e. their reduced eligibility for these two subsidies has been factored into this social value equation from the perspective of the individual.

From the Region's perspective, it has been assumed that 61 of the janitorial staff had previously been accessing a subsidized transit pass, and that their increase wages will enable the Region to reallocate those passes to other low income individuals. The value of the economic multiplier has also been included in this calculation, in support of the research highlighting that people living in low income will



Region of Waterloo

SROI Case Study: A Living Wage Policy for the Regional Municipality of Waterloo

spend the vast majority of an increase in their income locally.

Finally, the profile of the 200 hourly workers contracted to provide services to the Regional Municipality of Waterloo is very similar to people applying for the Provincial Rent Bank Program for support in addressing rental payments in arrears. This indicates the likelihood that an individual will be living in a situation of unstable housing and may be at-risk of losing their home. This SROI calculation includes the value of preventing one person from losing their home, therefore avoiding their need for emergency shelter.

Should the Regional Municipality of Waterloo decide to pursue a Living Wage policy for these 200 hourly workers, the annual investment required will be approximately **\$829,500**. When considering the above factors, the social value created by a decision to invest in a Living Wage policy will be **\$1,087,000** per year. This is a social return on investment of **\$1.24** for every dollar invested. When the value of increased provincial tax, federal tax and reallocated Housing Allowance Program is taken into account, the annual social value created increases to **\$1.80** per dollar invested.

Conclusion

This study has been commissioned to further inform the proposed Living Wage policy that is under consideration by the Regional Municipality of Waterloo. It has been based on local, national and international social policy research and the monetization of social value indicators through the application of a Social Return on Investment (SROI) methodology.

The findings demonstrate that every one dollar invested in a Living Wage policy by the Region, has the potential to create **\$1.24** in monetizable social value for the Regional Municipality of Waterloo, offering a payback period of **9.7 months**.

This social value is created through a combination of an increase in each individual's income and the multiplier effect expected from increasing a low-income individual's wages.

The case study highlights that social value is created when an individual's portion of subsidy or public support can be reallocated to someone else, when their need for support has been addressed through other means. When the value of

additional provincial and federal tax and subsidies is considered, the SROI associated with a Living Wage policy is increased to **\$1.80** per dollar invested.

The social value to be generated from increasing the hourly wages of approximately 200 employees of contractors who provide services to the Regional Municipality of Waterloo would go beyond the indicators monetized in this SROI. There is an opportunity for decreased stress, improved health and increased time for meaningful participation in the community, among other many other benefits.

Considering that the harder to measure benefits will strengthen enhance the monetizable benefits outlined within these pages, this case study offers further insight into the potential value to be generated via a Living Wage policy for the Regional Municipality of Waterloo.

What is Social Return on Investment?

SROI illustrates the value of change to individuals, families, communities and the environment, by expressing the value of that change in monetary terms where possible. There are five broad categories of change that might be included:

- cost reallocation by changing the need for services or subsidy;
- change in individual or household income;
- changes in the amount of taxes paid;
- change in the cost of a service or service provision;
- changes in well-being that are difficult to monetize, but equally important (e.g. feelings of personal security, confidence, sense of confidence, faith in the future, etc).



SROI Case Study: A Living Wage Policy for the Regional Municipality of Waterloo

Region of Waterloo

Appendix 1: Social Value Beyond Regional Borders

A social return on investment (SROI) analysis illustrates the value of investing to strengthen society, with a view to measuring the true value of an investment. Social value is created through changes to the circumstances of individuals, families, a community or the environment, and assesses the value of all material changes in relation to stakeholders.

In the case of a Living Wage policy, the majority of the social value created will remain within the Region, while a portion of it will be shared with the Province of Ontario and the Federal Government. For example, the increase in annual wages for the 200 hourly workers referred to in this case study will result in an increase in the taxes being paid at

Table Two: Full SROI of a Living Wage Policy for the Regional Municipality of Waterloo

SROI: Living Wage Policy for Regional Municipality of Waterloo			
SROI Indicator:		Value/YR	Notes
200 Janitorial, Cafeteria & Grounds Keeping staff, and Security Guards			
1	Increased individual (net) income	\$519,173	entire group
2	Increased employee portion of EI	\$12,428	entire group
3	Increased employee portion of CPP	\$35,560	entire group
4	Increased GST paid on purchases	-\$2,872	entire group
5	Increased cost of transit	-\$36,816	118 hourly workers (Janitorial, Landscaping & Cafeteria staff)
Regional Municipality of Waterloo, Province of Ontario, Government of Canada			
6	Avoidance of need for transit pass	\$36,816	only 61 janitorial staff
7	Increased provincial taxes paid	\$43,462	entire group
8	Increased federal taxes paid	\$108,935	entire group
9	Increased employer portion of EI	\$17,543	entire group
10	Increased employer portion of CPP	\$35,560	entire group
11	Reduced GST credit	\$2,872	entire group
12	Decreased need for housing allowance @ \$300/month	\$237,600	66 employees would no longer require housing allowance
13	Avoidance of shelter use (24 days)	\$1,020	Provincial/Regional per diem \$42.50, one person
14	Reallocated Working Income Tax Benefit	\$9,396	118 part-time Janitorial, Cafeteria staff would no longer be eligible
15	Local economic multiplier (89%)	\$469,451	supported by CDN research
SROI Summary			
A	Social value created annually:	\$1,490,128	invested. The harder to measure, less tangible benefits will further enhance the monetizable benefits outlined in this case study.
B	Total investment:	\$829,500	
C	SROI Ratio	1 : 1.80	
D	Payback Period	6.7 months	

the provincial and federal levels. As illustrated below, the combined value of this new tax revenue is \$152,872.

A further source of social value created for the Province of Ontario results from the reality that 66 of the hourly workers would no longer draw upon the Housing Allowance Program each month. This represents social value being created through cost reallocation of \$237,600.

There is also a small amount of social value created at the federal level, approximately \$2,900, as a result of the increase in GST to be paid by the group of 200 workers, should their hourly wage be increased to the level of a Living Wage.

This amount is acknowledged twice in the SROI calculation below. It is listed as an increase in the amount of GST paid by the 200 hourly workers, which decreases their overall net income.

It is also included as well as a line item of additional revenue for the federal government. When the SROI calculation is considered as a whole, both are included and effectively cancel each other out.

When considering all sources of social value created by the potential of an investment in a Living Wage policy for approximately 200 hourly workers of contractors who provide services to the Regional Municipality of Waterloo, the social return on investment ratio increases from **\$1.24** to **\$1.80** for every dollar



SROI Case Study: A Living Wage Policy for the Regional Municipality of Waterloo

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