

A Return on Investment (ROI) of the SkillsAdvance Ontario (SAO) Pilot Project: Elevate Plus

Project Summary:

This report summarizes the Return on Investment (**ROI**) of the first two years, 3 months (October 1, 2016 – December 31, 2018) of the Ministry of Training, Colleges and Universities (**MTCU**) Phase One SkillsAdvance Ontario (**SAO**) investment in the Elevate Plus program. Elevate Plus is a workforce development partnership between the Quinte Economic Development Commission (**QEDC**) and Loyalist Training and Knowledge Centre (**LTKC**).

This ROI calculation is modelled on the Halton Peel Local Employment Council report *The Costs and Impacts of Unemployment and Underemployment in Halton and Peel* (2018)ⁱ authored by Benjamin Earle.

This report is based on a similar report done by the Hospitality Workers Training Centre (**HWTC**)ⁱⁱ for the period of October 01, 2016 to October 01, 2018. HWTC's program and the QEDC/LTKC Elevate Plus are two of the original SAO projects announced in 2016.

Between October 2016 and December 2018, the Ministry invested \$1,400,533ⁱⁱⁱ into Elevate Plus as a SkillsAdvance Ontario Pilot Project. The stated deliverables of this investment were to engage, prepare and help connect to employment, job seekers facing barriers to employment through the delivery of the Elevate Plus manufacturing sector focused training program.

During this 27 month period:

Total Completed Training	129
Total Employed	129 *
Total Into Program	151
Total OW at Intake	112
Total ODSP at Intake	4
Total No Income at Intake	13

* (includes two participants employed by non-Elevate Plus employers)

A Return on Investment (ROI) Snapshot:

To further explore the value of the investment in the Elevate Plus workforce development programming beyond the impact on individual lives, we have calculated the Return on Investment (**ROI**) and are pleased to report that the SAO Phase 1 investment has generated a 153% rate of return that can be monetized and attributed directly to the progress of program graduates from system dependency during unemployment, to sustainable employment.

ROI = [(Annual Potential Cost Savings and Revenue Generation for Each Employed Graduate x Number of Employed Graduates) – Annual Investment] / Annual Investment * 100%

$$\text{ROI} = [(\$27,477.80 * 129) - \$1,400,533] / \$1,400,533 * 100 = 153\%$$

Calculation Details:

With an average annual investment of \$622,459^{iv} through the SAO stream, 129 individual job seekers successfully connected to employment after graduating from Elevate Plus. Participants working 2,000 hours a year earning the \$14/hour minimum wage will have an annual income of \$28,000^v. Table 1 outlines the Annual Potential Cost Savings and Revenue Generation for each employed SAO graduate, calculated based on this income rate.

Table 1: Annual Cost Savings and Revenue Generation for Each Employed SAO Graduate with an Annual Income of \$28,000

Category	Consideration	Employee Calculation	Subtotal
Employee Social Contribution Payments	Canada Pension Plan (CPP)	4.95% required contribution rate, less \$3,500 annual basic exemption. ^{vi}	\$1,212.75
	Ontario Health Premium (OHP)	The health premium ranges from \$0 if taxable income is \$20,000 or less, to \$900 if the taxable income is more than \$200,600. ^{vii}	\$100.00
	Employment Insurance (EI)	Required contribution of 1.88% of insurable earnings up to \$50,800, with a maximum annual contribution of \$955. ^{viii}	\$526.40
Contributions in Direct Employee Taxation	Federal Tax	15% on the first \$46,605 of taxable income. ^{ix}	\$4,200.00
	Provincial Tax	5.05% on the first \$42,960 of taxable income. ^x	\$1,414.00
Potential Contribution in HST Revenue	Ontario Harmonized Tax (HST)	After tax income (\$20,546.85), less 4.4% average Canadian Savings for 2018 ^{xi} , multiplied by 13% HST.	\$2,553.56
Potential Employer Social Contribution Payments.	Canada Pension Plan (CPP) Employer Health Tax (EHT) Employment Insurance (EI) Workplace Safety and Insurance Board (WSIB)	Rates vary based on total payroll amounts. Average employer social contribution rate in Canada for 2016 at 12.1%. ^{xii}	\$3,388.00
Average Potential Social Assistance Payment promoted by Unemployment	Ontario Works (OW) Ontario Disabilities Support Program (ODSP)	Total of \$7,076,553,100 ^{xiii} cost of OW and ODSP, divided by 598,000 cases in Ontario ^{xiv} for 2016/2017.	\$11,833.70
Average cost of at least one unsuccessful engagement with an Employment Ontario (EO) Program, prompted by Unemployment ^{xv}	Employment Ontario (EO)	Estimated total of \$1,327,142,900 ^{xvi} cost of EO employment services, divided by number of assisted and unassisted EO clients 590,000 for 2016/2017. ^{xvii}	\$2,249.39
Total cost savings/revenue generation			\$27,477.80
Investment per participant			\$10,856.85
Difference			+ \$16,620.95

Beyond A Monetized ROI Snapshot:

It is important to note that the ROI model outlined here is not inclusive of all associated costs of unemployment. Unemployment has direct as well as indirect impacts on multiple social and health-related indicators of wellbeing. The calculation of the total costs of unemployment are limited by the lack of available disaggregated data.

The monetized calculations outlined here provide a conservative minimum cost estimate, based on local unemployment metrics. These calculations are not entirely reflective of the total social impact cost such as increased rates of health issues and healthcare usage or higher risk of contact with the justice system, which are generally linked to higher system costs and are well-understood to be exacerbated by unemployment.

Table 2 provides demographic insights into Elevate Plus program participants at intake representing a compelling cross section of Ontario’s most vulnerable populations.

Table 2: Critical Indicators of Well-Being for Elevate Plus SAO Participants at Intake, when Compared to Average Available Ontario Rates

Indicator of Well-Being	Average Ontario Rates (latest publicly available data)	Elevate Plus Program Participant Rates
Participation rate	65% ^{xviii}	0%
Average length of unemployment	19.6 weeks ^{xix} (4.5 months)	97 weeks (22 months)
Living with a diagnosed/disclosed disability	15% ^{xx}	9%
Living on social assistance (OW, ODSP)	<5%	90%
High school equivalency or lower educational background	<23% ^{xxi}	86%

Employer Impacts:

Factored into the program costs and included in the cost per participant (\$980) is training to improve the retention and performance improvement capabilities of the manufacturer partners. This employer capacity building is important as the cost and impact of turnover can adversely affect manufacturers’ viability as well as the impact on employees who may leave, underperform or disengage. Up to December 31, 2018, 66 supervisors, managers and lead hands from 18 manufacturers from the Bay of Quinte Region and Northumberland County completed training that prepares them to better support their new and existing employees.

Estimates of the cost of employee turnover^{xxii} for entry level positions average around 30% to 50% of an employee’s annual salary. This includes costs related to hiring, onboarding and training, learning and development, reduced/lost production and time when a role is unfilled. For a \$14/hour job this can amount to \$11,200/year at a 40% turnover cost.

Summary:

We would like to thank the Ministry of Training, Colleges and Universities for their support and investment in the SkillsAdvance Ontario Project. For an initial investment of \$1,400,533 over 27 months at a 153% return on investment this program has saved the Government of Ontario \$2,144,102 (\$952,935 per year or \$16,621 per graduate).

References and End Notes:

- i <https://www.peelhaltonlepc.com/reports/workforce-characteristics-report-2018-eldyh>
- ii "A Return on Investment of the SkillsAdvance Ontario (SAO) Pilot Project: Hospitality Workers Training Centre.
- iii The SAO Phase 1 Pilot project runs from October 1, 2016 to March 31, 2019. Ministry investment and completion rates reflect actual numbers as at December 31, 2018.
- iv An investment rate of \$622,459 based on MTCU's total \$1,400,533 investment via the SAO stream for the 27 months from October 1, 2016 – December 31, 2018.
- v Annual income of \$28,000 = \$14.00/hour x 40 hours/week x 50 weeks/year
- vi <https://www.payworks.ca/payroll-legislation/CPPEI.asp>
- vii <https://www.ontario.ca/page/health-premium>
- viii <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductionscontributions/employment-insurance-ei/ei-premium-rates-maximums.html>
- ix <https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questionsindividuals/canadian-income-tax-rates-individuals-current-previous-years.html>
- x <https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questionsindividuals/canadian-income-tax-rates-individuals-current-previous-years.html>
- xi <https://tradingeconomics.com/canada/personal-savings>
- xii <https://static1.squarespace.com/static/59d54ac1ccc5c5a938e27565/t/5bad48939140b7ab9f5707cf/1538082969141/The+Costs+of+Unemployment+and+Underemployment+-+LECP+FINAL%5B19018%5D.pdf>
- xiii <https://www.peelhaltonlepc.com/reports/workforce-characteristics-report-2018-eldyh>
- xiv https://maytree.com/wp-content/uploads/Social_Assistance_Summaries_ON.pdf
- xv "Majority of employment and training program clients [are] unsuccessful in finding full-time employment in their chosen career. The objective of Employment Ontario's Employment Service program is to find long-term sustainable employment for clients. For 2015/16, at the time of completion of the program, only 38% of clients were employed full-time and only 14% had found employment in either their field of training, a professional occupation or a more suitable job than before the program." http://www.auditor.on.ca/en/content/annual-reports/arreports/en16/v1_304en16.pdf
- xvi <https://www.ontario.ca/page/expenditure-estimates-ministry-advanced-education-and-skillsdevelopment-2017-18#section-0>
- xvii <https://www.ontario.ca/page/published-plans-and-annual-reports-2017-2018-ministry-advancededucation-and-skills-development#section-6>
- xviii <https://www.ontario.ca/page/ontario-employment-report-july-september-2018>
- xix <https://www.statista.com/statistics/441765/average-duration-of-unemployment-canada/>
- xx <http://www.accessibilityconsultants.ca/resources/legislation>
- xxi <https://www150.statcan.gc.ca/n1/daily-quotidien/171129/dq171129a-eng.htm>
- xxii <https://manufacturingrc.ca/wp-content/uploads/2018/08/QEDC-SPPG-final-report-November-28-2017.pdf>

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