

Changing lives, growing value

Why it pays for SSE to invest in the Barnardo's Works programme





It pays to invest in diversity

SSE is one of the biggest UK-listed companies: we provide energy to millions of customers across the UK and Ireland and we contribute almost £10bn across the UK and Irish economies every year. For SSE, undertaking our business sustainably must be the starting point for the commercial success we earn.

This report outlines the economic value of the investment SSE has made supporting young people, previously claiming unemployment benefits, onto the first step of the career ladder. Using widely available methodology, SSE has calculated the economic return on its investment into the Barnardo's Works programme.

The results make a very compelling economic and social case for a business to intervene in one of society's bigger challenges: the problem of long-term youth unemployment.

We now know, for every £1 invested by SSE, there is a return of £7.67 over five years. This return on investment is shared: with the individual, through higher wages; with society through decreased benefits payments and increased tax receipts; and, with the businesses the individual works for, through higher profits.

In economic terms this is a spectacular payback. But if we simply look at this direct business case, we might miss something of even greater strategic long-term value.

In my industry – the energy industry – we face two enormous employment challenges. The first is a skills shortage. Around half of the energy industry's workforce is due to leave or retire by 2023 so SSE must build new pipelines of talent. The second challenge is a stark lack of diversity in our sector. Just 15% of the jobs in the sector are held by women and 4% are from Black, Asian and Minority Ethnic communities. We also know we rely too much on traditional recruitment routes, which tend to deliver similar people from similar social backgrounds.

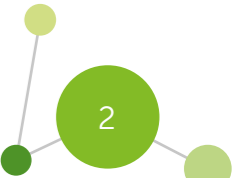
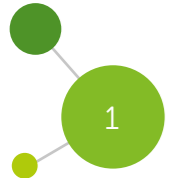
Furthermore, it is widely understood that diverse and inclusive organisations are far more likely to be effective, innovative and commercially successful. So I know, in the long-term SSE will be a productive and sustainable company if it manages to attract and retain a genuinely diverse workforce.

The findings in this report are both interesting and instructive. Perhaps the greatest thing we have learned from working with Barnardo's is the need to think differently. In order for SSE to access the greatest talent pool out there, we need to do things differently. Different people, from different backgrounds, have different starting points. And sometimes they might need a different type of route to get them into a big energy company like SSE. This report overwhelmingly demonstrates the value of doing so.

The bottom line is: it pays to invest in diversity.



John Stewart
Director of Human Resources, SSE



Introducing Barnardo's Works

Barnardo's Works is an innovative youth employability programme which operates mainly in Scotland. At Barnardo's we aim to provide unemployed young people from a wide range of backgrounds with the opportunity to overcome some of the main barriers to securing and maintaining independent and sustainable employment. This helps, in part, to address the wider productivity challenge the UK economy is facing in terms of youth unemployment and its longer term implications.

Understanding needs

Aimed at 16-24 year olds, the majority of whom have been receiving Job Seekers Allowance for more than six months, Barnardo's Works participants come from a wide range of backgrounds with many varied reasons for their difficulties finding a job. But over the years, we've found that a lot of the time all they need is help to get a foot in the door to show what they are capable of.

This is why the programme at SSE works so well: the individuals undertake a six month work placement at SSE whilst receiving additional support inside and out of work by our team at Barnardo's if required. They're treated like any other employee and immersed in the SSE working environment, engaging directly with new colleagues to develop the skills needed to support them towards full-time employment, further training or continued education after the programme ends.

Securing a partnership

Since 2008, SSE's Barnardo's Works programme has given over 230 young people the opportunity to turn their lives around. Approximately 70% of the young people secure employment after the programme, making Barnardo's Works one of the most successful employability schemes in the country. We can say with confidence that the majority of participants use the programme to improve the skills needed to maintain employment, improve communication and grow their confidence.

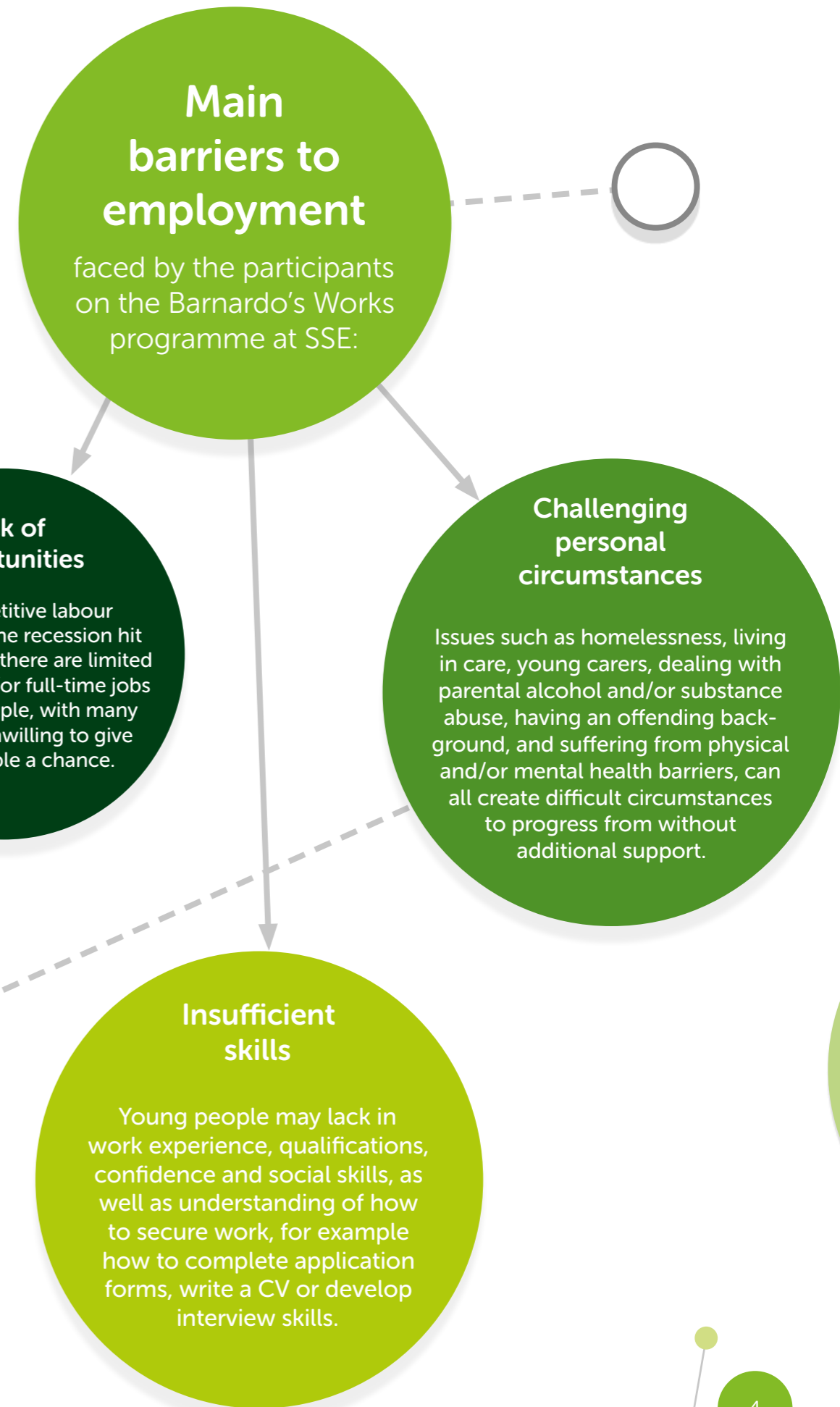
Balancing the needs of all parties can at times be tough. But the partnership between Barnardo's and SSE has grown to

allow the sharing of skills, knowledge and resources from two diverse organisations; each using their strengths and expertise to maximise the overall benefit of programme.

Measuring benefits

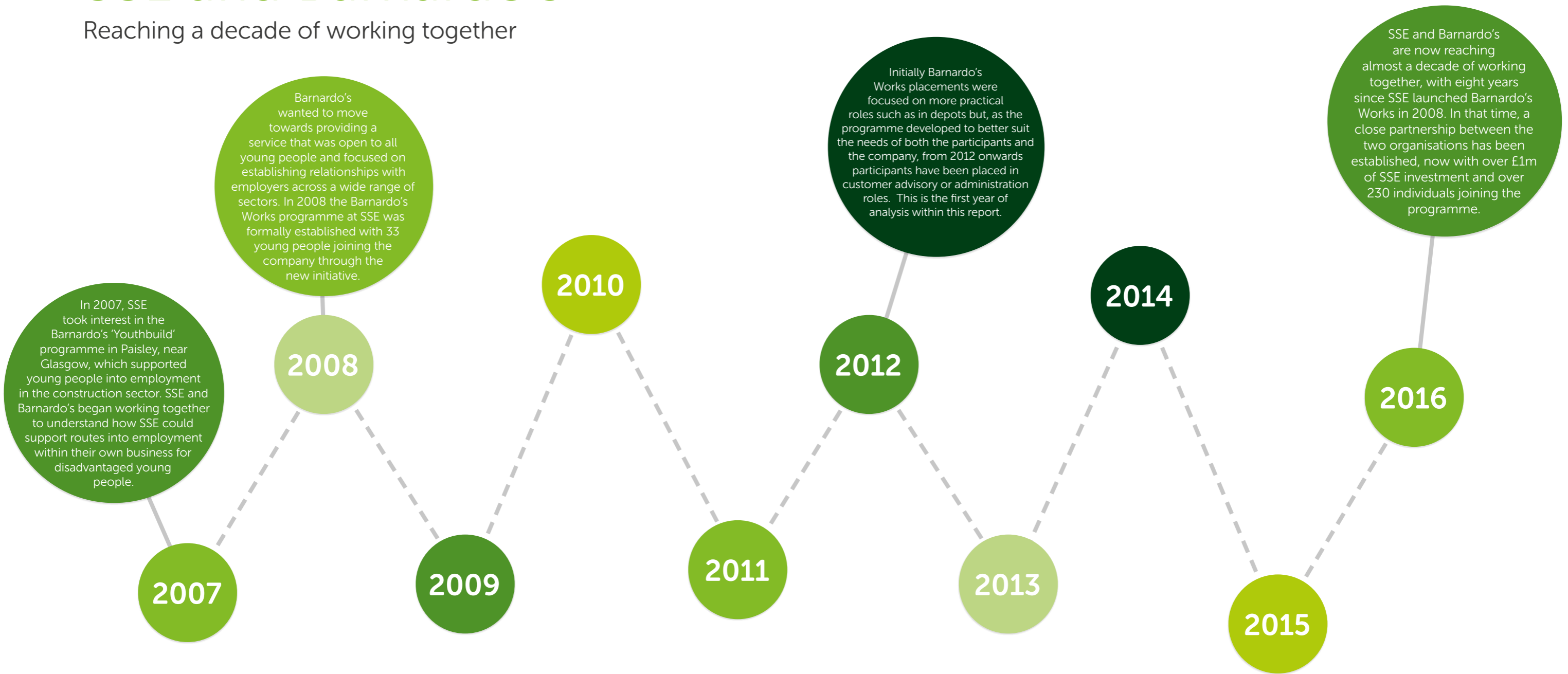
With this new research by SSE on behalf of us both, we now understand how different groups benefit from Barnardo's Works in a completely new way. Of course, individuals gain higher yearly earnings, but until now we didn't know how big this increase was compared to the alternative. We now also know how big the economic benefits are for wider society and for companies too – and it's safe to say we're pleasantly surprised by the results.

Our partnership with SSE provides the essential resources needed to develop these young people's skills, ability and talents; their productivity. Although Barnardo's has long appreciated the value of this investment, we can now see in quantifiable terms that – far from being a "cost to society" – there is huge value in investing in young people and truly understanding their potential.

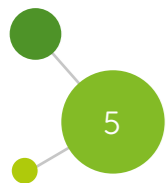


SSE and Barnardo's

Reaching a decade of working together



Number of participants per financial year



Valuing the contribution

The Barnardo's Works programme is tailored to meet the needs of both participants and SSE. Participants receive valuable work experience with one of the UK's largest companies, while SSE gains the opportunity to employ talented young people and add to the diversity of their pipeline of new employees.

Work-based learning over the six month programme allows participants to gain from hands-on experience, working alongside experienced SSE colleagues in various areas of the business ranging from customer service to human resources. Participants can receive additional support from both SSE and Barnardo's if required, but are treated like any other new employee in the workplace. During their time they work to: build and maintain strong working relationships; enhance their skillset and develop new learning; and take on responsibility for delivering high quality pieces of work.

SSE has worked to quantify the economic return on investment (ROI) of the Barnardo's Works programme. This analysis focuses on three key groups impacted by the programme: individuals, wider society and companies that employ participants after they finish the programme.

The return is measured over a five year period, from the participants' first day at SSE on the programme onwards. After this period the impacts can no longer be attributed to the Barnardo's Works programme, with the young people's newly developed skills and talents, and workplace experience, taking over as the main reason they are able to maintain long-term employment.

Due to the evolution and changing structural differences in the Barnardo's Works programme since it was established at SSE in 2008, the analysis considers the 113 participants that joined SSE through the scheme between April 2012 and October 2015.

During this period SSE invested over £365,000 in the programme, roughly £3,255 per participant, to cover costs such as programme support, travel, training, and employee uniforms.

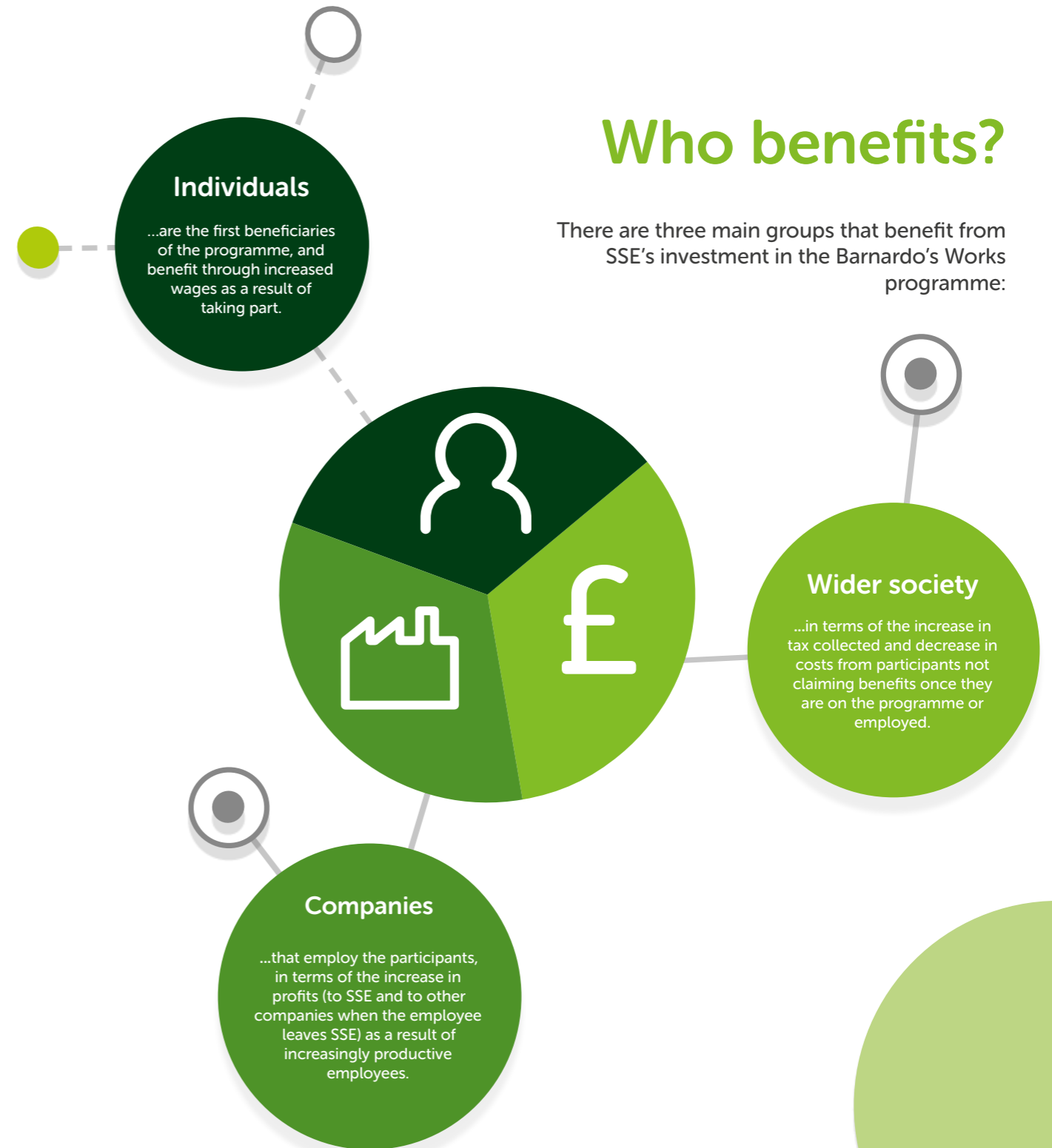
The total economic return on this investment – split between increased earnings for the individuals, increased taxes and benefit cost savings for government and increased profits for companies – is estimated to be over £2,800,000. This means that for every £1 invested by SSE during this period, there was an economic return on investment of £7.67.

To understand the approach taken by SSE to generate the results detailed in this report, please find a full methodological review on:

www.sse.com/beingresponsible/reportinganddata/

Who benefits?

There are three main groups that benefit from SSE's investment in the Barnardo's Works programme:



Return on investment

£1 : £7.67

For every £1 that SSE invests in the Barnardo's Works programme, there is an economic return on investment of £7.67 over five years. This return is split between the three main groups impacted by the programme: individuals, wider society and the companies that employ the individuals over the five year period.

£1

Invested by SSE





Explanation of results for individuals

Individuals on Barnardo's Works experience an increase in earnings over a five year period as a result of joining the programme.

SSE estimated the size of this wage uplift by comparing the post-tax earnings of an average Barnardo's Works participant over a five year period with the average post-tax earnings they would be expected to receive if they had instead entered work without the support of the programme, following a period of six months of unemployment.

Real SSE data on earnings and earning projections were used along with UK Government statistics on long-term unemployment for the 18-24 year old age group. The average earnings of a Barnardo's Works participant takes into account the 30% of participants that do not go into further employment, education or training after the programme. These individuals were assumed to follow the same earnings path as an individual that did not join the employability programme. The full approach taken and list of assumptions used in this calculation can be found within the methodological document.

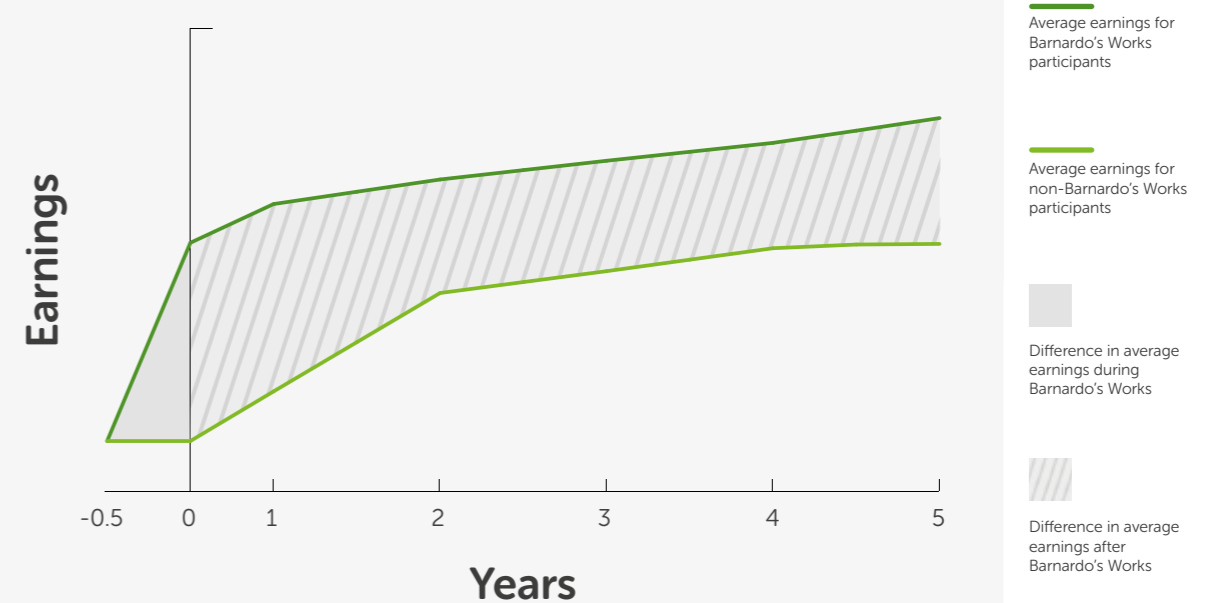
There is a significant increase in wages for individuals as a result of joining the programme. The total economic return – the difference in wages after tax between Barnardo's Works participants and those that find employment without the programme – is estimated to

be £7,231 per individual over the five year study period. This means that for the 113 individuals considered within this study, the total increase in net earnings is £817,049: the equivalent of a £2.22 return for every £1 invested by SSE in the programme.

To ensure results were not overestimated, a short study period of five years was selected for this analysis. However, programmes like Barnardo's Works can also help mitigate the effect of the "wage scar". The wage scar is the well-researched lifelong negative impact on an individual's earnings which results from a time of unemployment in youth. It is hoped that participation in Barnardo's Works helps to minimise the impact of this effect.

There is a clear financial benefit to individuals who join the programme, but there are a number of other potential outcomes as a result of programme participation too. Providing an unemployed young person with a period of stable employment provides a platform for personal development; enhancing self-esteem, sociability, confidence and life satisfaction. The monetary value of these impacts has not been quantified within this report.

Return on investment: £1 : £2.22



Building careers

Inside and outside of SSE

With around 70% of participants going on to employment, education or further training, SSE's Barnardo's Works programme is one of the most successful employment schemes in Scotland. Of this 70%, around half are kept on with SSE and the other half go on to work for other companies.

Ben Ellis

eLearning Developer, SSE

Barnardo's works: Oct 2013 - Mar 2014



Before joining SSE, Ben Ellis had applied for countless jobs. As Ben puts it, "The process was so disheartening; I couldn't get experience because nobody would give me a chance." However, that changed after Ben applied to join Barnardo's Works in 2013.

While adapting to corporate culture was challenging at first, Ben notes "I soon got used to it and now even SSE's strong safety ethos seems totally normal!" He adds that the support available was a highlight; being offered help with improving his CV, interview preparation and monthly review sessions.

Ben is now in the Online Learning Team with growing responsibilities, working to develop online courses for the whole SSE group.

Ben partly credits his success to his previous manager, Iain Hamilton: "Iain helped me develop both personally and in work. Rather than just teaching the basics, he went above and beyond to get me interested in what we were doing. Having people that really cared, Iain at SSE and Lesley at Barnardo's, made such a difference."

Thinking about his future at SSE, Ben says "I want to keep up the momentum for growing professionally; I'd like to be managing people in the not too distant future."

Cameron Gaudin is one of the Barnardo's Works participants who went on to find work after completing the programme with organisations outside SSE.

Cameron Gaudin

Customer Service Advisor, Aviva

Barnardo's Works: Apr 2013 - Sep 2014



Completing the programme in 2013, Cameron still values his time at SSE, noting "Barnardo's Works was my first opportunity of finding proper work and I'm so glad I applied. My team at SSE was really supportive and Lesley from Barnardo's was always at the end of the phone if I was having a bad day."

Cameron admits that, with the end of the programme looming, not having definite future employment was worrying. But through additional support from Barnardo's, like weekly job searches, Cameron found employment with Aviva in Perth. He says, "Lesley helped me apply for the vacancy with Aviva and before I knew it, I had secured employment two weeks before the end of the Barnardo's programme."

Cameron will soon be starting a new role with the Education Team at Aviva which will involve going to schools to speak to students about the benefits of coming to work for Aviva, as well as giving tours of Aviva to school groups.



Explanation of results for companies

Companies that employ the Barnardo's Works participants benefit from the increasing productivity of the individuals over time, monetised as business profit.

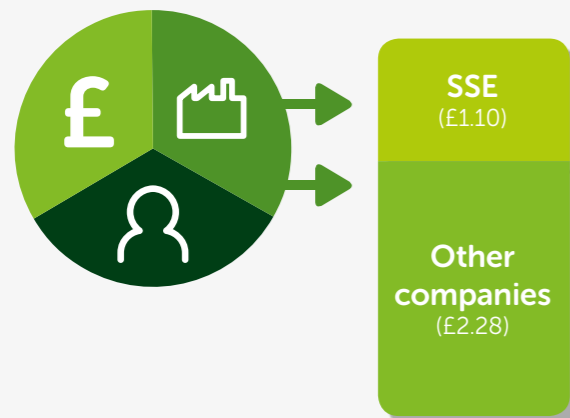
SSE estimated the size of this impact through analysis of internal data along with UK Government statistics on sectoral productivity returns, whilst ensuring both those that had benefitted positively from the programme (70%) and those that had not (30%) were incorporated into the process.

The increase in profit is measured using the UK average Gross Value Added (GVA) to earnings ratio. The GVA to earnings ratio estimates the economic return from an individual's productivity, beyond what is paid in wages and taxes: the profit. To estimate the net effect, results were compared against the expected business profit generated by individuals that had not

taken part in Barnardo's Works. The steps taken and assumptions made for this calculation can be found in the methodological document.

The analysis found that for every £1 invested by SSE in the programme, there is a return of £3.38 to companies over a five year period. This benefit will accrue not only to SSE, but also to the other organisations or businesses that approximately a third of participants go on to work for after completion of the scheme. As a whole, the contribution from the 113 participants to company profits by the end of the five years is estimated to be £1,243,747, or £11,007 per individual.

Return on investment: £1 : £3.38



The business case

The direct benefit to SSE was calculated using data on the number of past participants who are still working for SSE along with an average company retention rate for SSE.

For every £1 invested in Barnardo's Works there is an estimated £1.10 direct return to SSE. This means SSE receives just under a third of the total Barnardo's Works benefits to companies, with the rest of the £3.38 return per £1 invested going to other organisations that go on to employ the participants. In total it is estimated that SSE gains £405,261 in profits as a result of the participants' increased productivity, a significant return on SSE's £365,000 investment in the programme over the study period.

The business case is clear: short-term investment in employability programmes like Barnardo's Works provides companies with longer term benefits which more than pay back.

Embracing new challenges



Lesley Henderson

Barnardo's Works mentor and Customer Services team manager, SSE

In April 2015, Customer Services team manager Lesley Henderson took on the new responsibility as a mentor at SSE for Barnardo's Works participant, Liam.

While Lesley found the experience very rewarding, she highlighted that other mentors have found the experience a bit more challenging. Reflecting on why Liam's placement went so well, Lesley says: "I just treated him as a normal team member and set the same expectations as I do for my other advisors. He had to prove himself in learning new tasks, delivering high quality work and achieving performance targets – just like everybody else."

"Liam's now permanent and it's all down to his hard work. He shows it's worth employers like SSE taking part in Barnardo's Works and looking for different kinds of talent. It's clear Liam wants to succeed and it's been brilliant watching his confidence and ability grow."

Lesley continues "I feel a real a sense of achievement for myself too. Hopefully the participants I continue to mentor will also demonstrate what a huge asset they are to SSE."

Working in close partnership

Very close collaboration of the teams at SSE and Barnardo's has helped establish the success of the Barnardo's Works programme. The combination of real world work experience provided by SSE, alongside the support for participants offered both inside and outside the working environment by the experts at Barnardo's, is what that makes the programme effective.



As SSE's Employability Programme Manager, Ben McGuinness oversees the running of Barnardo's Works at SSE, helping ensure placements are successful and any issues are resolved.

Alongside Barnardo's, Ben helps make sure the programme continuously evolves and improves. For example, the 'Certificate of Work Readiness', which was introduced within the last year, provides participants with a recognisable qualification that shows employers they're ready for the workplace. As Ben notes, "For someone who has been out of work for a substantial period of time, this is a huge step in the right direction."

Ben adds "It's great that so many participants get kept on at SSE. But the success of the programme isn't measured purely by those who become permanently employed with us, it's about everybody that gets a job as a direct result of SSE's input."

"There's so much to gain from investment in Barnardo's Works. SSE's mentors gain skills you can't get through standard training programmes. But more than that, having employees from a mix of backgrounds, with new and different ways of thinking, creates a more productive workforce. It's about understanding the potential for both the individuals and the business."

Ben McGuinness

Employability Programme Manager, SSE

Lesley Bollan

Project worker, Barnardo's

Barnardo's Project Worker, Lesley Bollan, plays a central role in the delivery of the Barnardo's Works programme at SSE, helping participants overcome some key challenges to sustainable employment.

Lesley tells us "Barriers can range from not having qualifications, all the way to things like having caring responsibilities. Support has to be as diverse and flexible as participants' reasons for joining the programme."

"Barnardo's Works provides a foundation for participants to take control of their money, accommodation, and family issues in a way they were unable to before. Of course, solving youth unemployment is not solely the responsibility of the private sector – but it certainly has an important role to play."

Lesley views the close links between the team at Barnardo's and people like Ben McGuinness as a key contributor to the success of the programme. She concludes: "Youth unemployment remains high on the political agenda – and for good reason. Working with SSE provides the resources to take measures which try and prevent problems before they materialise. This approach, rather than firefighting the consequences, is crucial for meaningful, long-term change."



Explanation of results for wider society

Wider society gains from higher rates of employment for young people: increases in income tax payments and a decrease in costs for supporting those out of work can be allocated by government to other public services.

SSE's analysis considered two main societal benefits from the Barnardo's Works programme over the five year analysis period. A breakdown of the approach taken and assumptions made can be found within the full methodological document for the report.

The first benefit is a net increase in income taxes paid by participants. This happens because participants enter the labour force from unemployment and go on to receive higher expected wages over the five years compared to if they hadn't joined the programme and had instead found employment through other means. Greater earnings in turn result in a higher payment of income tax. The total rise in tax payments was estimated using the results from the calculation of Barnardo's Works participants' expected increase in earnings.

Secondly there is a substantial cost saving for government from the majority of Barnardo's Works participants no longer claiming unemployment benefits during the programme and across the total five year study period. The size of this saving was

calculated using government estimates of annual fiscal costs for supporting unemployed individuals within the economy, including things like paying Job Seekers Allowance and the other costs associated with providing this service.

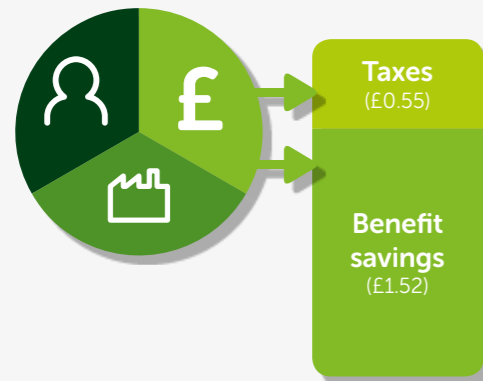
Combining these two benefits, the analysis shows that for every £1 invested by SSE in Barnardo's Works there is a return of £2.07 generated for government and wider society. At £0.55 per £1 invested, increased tax payments generate just over a quarter of this total £2.07 return. Government cost savings account for the remainder, contributing £1.52 of the total benefit to wider society.

The analysis therefore shows that Barnardo's Works is responsible for a total fiscal return of £762,035 over the five year study period. This equates to each of the 113 participants considered within this analysis generating an average contribution to government of £6,744 over the five year period, made up of £1,792 of expected additional taxes paid and £4,952 of estimated cost savings for the exchequer.

As well as these direct financial benefits, there are other potential societal benefits from individuals moving away from unemployment and into the workforce. Although their monetary value to society is not considered within this analysis, other impacts can range from improved mental health and increased integration into local communities, to reduced crime rates and lower family disruption.

With young people in the UK around three times more likely to be unemployed than their older counterparts, youth unemployment inevitably impacts everybody in society in some way. Good corporations that believe in contributing a fair share to society have a responsibility to understand problems like youth unemployment and help contribute to the solution. Support for the Barnardo's Works programme is SSE's way of partly addressing this key challenge for wider society; helping to ensure this underdeveloped group is valued and their potential realised.

**Return on investment:
£1 : £3.38**



A wider perspective: Meeting the productivity challenge

SSE invited SCDI chief executive, Ross Martin, to provide comment on SSE's Barnardo's Works programme from the perspective of the wider economy.

I think there is a growing realisation of the need for greater long-term thinking to make sure a more stable platform for economic growth is created. That thinking inevitably leads to sustainability and into a space where, I think, SSE is leading. I also call it an 'emerging economy'.

Up until now, the underlying weaknesses of the UK economy has been hidden by structural transformations that have been occurring. But now, the weakness is laid bare: productivity in the UK economy is worryingly poor, at least 20-30% behind our OECD competitors.

There is growing realisation that the core element of the productivity puzzle is that we are not accessing all of our human capital; as an economy we have been neglecting untapped skills and talent out there. Businesses like SSE have essentially thrown that way of thinking up in the air and, with projects like their human capital valuation study and their investment in the Barnardo's Works programme, have looked at the bigger picture and the wider community: to me that seems fabulously enlightened.

Organisations are beginning to see the traditionally overlooked sections of society, like unemployed young people, are massive sources of potential opportunity. This is driven partly by competitive nature, partly by scarcity of resource, and partly by

growing appreciation of corporate social responsibility. Over time, this 'do good' factor is becoming less important because recognising the value of human capital and the value of a diverse workforce from all sorts of backgrounds makes business sense. And this, in turn, makes sense for wider society and everyone in it too.

Slowly we are getting democratisation of knowledge, increased personalisation and a realisation that diversity in any setting is a good thing. So whether it is sport, education, public services, or private corporations – a mix of people and backgrounds achieves higher performance.

I also think it is important that vocational and academic development routes need to have equal status. Things like modern apprenticeship programmes and other employability schemes are helping to establish the vocational track as a robust alternative to higher education.

So this all sheds light on my initial point about the transition to long-term sustainable thinking – part of the answer is targeting the productivity puzzle, and with it we reduce the prevalence of the other big "P" in our economy – poverty.



Ross Martin

CEO of the Scottish Council for Development and Industry (SCDI)

"The core element of the productivity puzzle is that we are not accessing all of our human capital; as an economy we have been neglecting untapped skills and talent out there."

Conclusion

This report answers a specific question about the value of SSE's Barnardo's Works programme, but it is part of a bigger exercise that values the human capital SSE employs. In 2015, working with PwC, we found that the 'economic value' of all the people SSE employs is £3.4bn. More importantly we learned the drivers of that value. It is clear that a sustainable employment ethos, where employees received training and development and where talent is grown from within, is the best way to drive value.

I would like to thank everybody involved in pulling this report together, in particular to all of those who agreed to share their experiences. The case studies included in this report bring the story to life. We might be focussing on the economics of the investment, but ultimately the Barnardo's Works programme is about real people developing their careers.

Partnerships for good

SSE's partnership with Barnardo's is a long-term one. We have worked together since 2007 and the programme has morphed and changed over those years. It was time to undertake an assessment of the value of the programme, and I am pleased to see the compelling business case that is made.

Continual improvement

I understand that not everyone who joins Barnardo's Works will stay with SSE. A 100% retention rate is not the objective. And while 70% of participants are in employment at the end of the programme, and around half of those remain with SSE, we will keep a close eye on these rates and work, alongside Barnardo's, to seek even greater positive outcomes – for both the participants and SSE.

Non-traditional pipelines

Barnardo's Works is SSE's flagship initiative in attracting non-traditional recruits into the company and is increasingly supported by new interventions to attract non-traditional entrants to the energy industry. A new initiative with Perthshire schools, for example, provides mentoring and work experience to secondary school pupils. We are also looking at a range of initiatives which inspire young people, with a particular focus on young women, into the energy sector. And we are piloting a programme focused on getting women to remain in, or return to, STEM related employment for their career.

Increasing economic productivity

While I will always have the SSE perspective in mind, the broader economic picture is important too. The UK's greatest economic challenge is bringing about greater productivity in the economy. There are many characteristics of a productive economy, from technology enhancement to efficient communications infrastructure. But using the productive energy of the country's people has to be the first concern. Ross Martin's comments are heartening. It is in SSE's direct interest that its productivity improves, but it is in all our interests that the productivity puzzle of the country as a whole is solved.

What next for SSE?

SSE's human resource focus in the months and years ahead is to tackle the twin challenge of a looming and alarming skills shortage, at the same time as creating a far more diverse and inclusive organisation. If we manage to do so, then we will have created a platform for SSE's long-term sustainable business success.

John Stewart
Director of Human Resources, SSE





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