

A Work Project, presented as part of the requirements for the Award of a Master Degree in  
Management from the NOVA – School of Business and Economics.

Social Impact Bond Feasibility Study  
Tackling migrants' unemployment: Capacitação4Job

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A Project carried out on the Master in Management Program, under the supervision of: Prof.  
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**Abstract**

Capacitação4Job (*C4Job*) is a project of the Jesuit Refugee Service (JRS) that implements a solution to address the social problem of migrants' unemployment. This thesis is the result of participating on the fourth Social Impact Bond (SIB) Research Program at Laboratório de Investimento Social and it assesses the feasibility of using a SIB to finance JRS to scale to Oporto and to expand its target population. In addition, this thesis aims at contributing towards mobilizing private investors and public entities to work together with an innovative solution for the employability of migrants.

**Keywords:** Social Impact Bonds; Employability; Migrants; Feasibility.

**Foreword:** The researcher is thankful for all the support, guidance and teaching by Prof. António Miguel. This thesis would not have been possible without the precious assistance from JRS, in particular, by Dr. Nuno Jorge, Dr<sup>a</sup> Cláudia Santos and all the team from CATR (temporary refugee welcoming center). This work is dedicated to the researcher family and close friends.

## 1. Methodology

This paper is a result of a Directed Research Internship Master's thesis. As part of this research, the researcher participated in the fourth Social Impact Bond Research Program at Laboratório de Investimento Social (LIS), a non-profit initiative created by Calouste Gulbenkian Foundation. The core purpose of this thesis is to assess the feasibility of using a Social Impact Bond (SIB) to fund an employability program for migrants – *Capacitação4Job (C4Job)* - implemented by the Jesuit Refugee Service (JRS) in Portugal.

The overall outcome is to combine an innovative funding mechanism – Social Impact Bond – with a strong intervention model executed by JRS that yields promising migrant employability outcomes. The thesis adopted the following methodology: 1. SIB definition and understanding the social problem; 2. Codifying the intervention model; 3. Positioning according to an internal and external benchmark; 4. Analyzing outcomes and interpreting data; 5. Adjusting outcomes of the intervention model to a SIB scenario; 6. Modelling the SIB business case results and hypothesis. In Appendix 1, please find a summary timeline of the project.

Within the scope of the SIB Research Program, the following interactions took place: overall advisory by Prof. António Miguel (nine meetings); weekly discussion group meetings with other participants in the SIB Research Program; four training sessions on topics such as SIB 101/102 and Excel Modelling. In addition, the researcher also interacted with JRS, a non-profit working with migrants and refugees, who is a partner of this thesis. At JRS, the work was carried out with the teams of Employability, Training and Psychology of the temporary refugee welcoming center in Lisbon.

The final result of this feasibility study is to reach a conclusion about whether it is possible to fund an innovative employability intervention through a SIB. In order to do so, a dynamic Excel model was created with the aim of informing the SIB business case and its different scenarios.

## **2. Literature Review on Social Impact Bonds**

Purpose-driven business models and social innovation are emerging as alternatives and complements of the Philanthropy and Mainstream Investment markets. Effective solutions to social problems increasingly demand both impact and financial sustainability as tools to allow the fulfilment of the mission of such purpose-driven business models and social innovation (Ericsson 2016).

As capital markets are leaning slowly but steadily onto investing with an impact-lens, success and return are measured according to whether or not they achieve the intended societal outcomes and contribute to building the capacity of purpose-driven organizations (Portuguese Social Investment Taskforce 2015). Purpose-driven organizations are structured around responding to specific social problems, in which the Government is often spending significant resources. However, the systematic approach of public entities in addressing these issues is rather only targeting the immediate actions and solutions, rather than shifting towards a prevention-based approach. Given such limitations and systemic gaps, the private sector plays an important role in joining the Government in finding more appropriate ways of financing these purpose-driven organizations (Bridges Ventures 2016).

The connection between Government, private investors or philanthropists and purpose-driven organizations is not reached very often. Social Impact Bonds offer a way through which it can be achieved through a win-win dynamic. This model also allows social entrepreneurs to scale up their solutions and benefit specific vulnerable populations (Stepping Stones Fund 2017). The SIB model stands that the funded intervention addresses a targeted population at risk that is being disregarded by a current or non-existent solution.

Using a SIB, investors provide upfront funding to a specific intervention implemented by a purpose-driven organization. By doing so, investors embrace the risk and shift it away from the

Government (Portuguese Social Investment Taskforce 2015). This means that the Government only pays investors if the expected outcomes of the project are achieved. Otherwise, no payments are made. This is based on the assumption that the pre-established outcomes, if achieved, will yield savings to the public sector by averting problems from happening. In such manner, it implies that net cost savings for the Government are achieved based on the money that would otherwise be spent on addressing the issue or the costs of the absence of an answer. For purpose-driven organizations, the model has benefits because it can contribute to improve their funding sources on a longer-term basis and incentivize them to focus on their mission, while managing their results and performance (LIS 2014).

Purpose-driven organizations find a source of capacity building in these financial instruments as a result of the interaction with all stakeholders, performance measurement processes and the application of the pilot's intervention model (Bridges Ventures 2016).

The Portuguese SIB market shows promising improvement and trends, whilst there are still adjustments that stakeholders need to do, in terms of improvements in impact performance combined with willingness to invest (Portuguese Social Investment Taskforce 2015).

The largest investment in a single SIB took place, in 2017, in Finland. It corresponds to a total investment of €10 Million pointing to total employment target between 2,500 and 3,700 migrants (Ministry of Economic Affairs of Finland 2017).

### **3. Introduction to the social problem: migrants' unemployment in Portugal**

Unemployment is a social problem in the European Union and represents a major predictive factor of income poverty. In addition, it seems to affect in particular women and migrants without visa permit who arrive from other geographies rather than the EU (Alszyk, et al. 2014). The OECD considers foreign-born unemployment as the share of non-native-born active population (aged from 15 to 64 years) actively seeking employment (OECD 2016). In 2016, according to the Migrations

Observatory (2017), migrants from outside the EU, in Portugal, have an unemployment rate of 18.8%, which is 7.7% higher than the total population, 11.1%, as it can be seen in Appendix 2.

As conflict and economic instability in origin countries increase, host countries need to respond to the challenges of migration - please see the Migration movements' context in Appendix 3.

Although an unemployed individual costs €6,520 annually to the Portuguese state in benefits, subsidies or other cash transfers, most JRS users do not qualify for the aforesaid benefits. The Portuguese Government has no obligation to respond to vulnerable migrants at risk of poverty, if the legalization process is not yet finished. The process may last for months and, meanwhile, migrants cannot access work and Social Security permits. Despite this fact, it is certain that, every year, the opportunity cost represented in one unemployed individual is €8,133 in human capital waste and € 2,361.68 per year in taxes and Social Security contributions not received by the State (foregone tax contribution) – please go to Appendix 4 to see the demonstration of costs to the State.

### **3.1. Causes of migrants' unemployment in Portugal**

Minority groups have higher levels of unemployment, namely non-native people (Ministry of Economic Affairs of Finland 2017). In Appendix 2, it is possible to see with detail how migrants can be exposed to the performance of the Portuguese economy and, thus, the unemployment fluctuation (ILO 2016, Reis Oliveira and Gomes 2017).

Likewise, there are barriers to academic equivalences for those with a degree. Countries, such as Portugal, which are not accustomed to large migration inflows, have yet to implement academic recognition processes (OECD 2017). This becomes prominent given the difficulties in accessing documents or the common absence of certificates.

As discussed in the Problem Tree analysis, in Appendix 5, the factors mentioned so far are the cause of a continuous devaluation of competences, which, combined with a lack of training and

adequate access to Public Employment Services (PES) of this target group, give migrants an early barrier to enter the labor force.

Another obstacle declared by employers to hire migrants is the linguistic barrier, and so, blocking basic communication, more evident in terms of recruiting (OECD 2017). Additionally, language skills may pose problems in the in-depth comprehension of Portuguese institutions and law, in particular on accessing PES. Thus, it creates additional issues in accessing the Visa permit and the right organizations where they can find assistance.

A part of the migrant population (e.g. asylum seekers) has suffered material and psychological harm, not always related to war trauma, but also to loss and grief. In this way, this target may find it harder getting out of this cycle of inactiveness, while the lack of public answers in psychological support can sustain phenomena of depression, anxiety and low self-esteem.

### **3.2. Effects of migrants' unemployment in Portugal**

One first effect of foreign-born unemployment is the waste of human capital, which means that the benefits of migration are being disregarded and that the potential contribution to Social Security is not reaching its full potential. Moreover, without labor income, migrants can be exposed to poverty and pressure the Social Security with cash-transfers, and become financially dependent, allowing to reinforce an environment conducive to low self-esteem.

Migration movements have led, as mentioned above, to a negative social impact both on migrants in the process to cross boundaries, as well as pressuring hosting countries for rapid solutions. This includes the impact on housing, the increase in demand for public services (e.g. health or education) consumer goods, and also the labor market (ILO 2016).

In 2016, the percentage of immigrants at risk of poverty (meaning below poverty line), with low labor interactions or with severe material deprivation was 45.6%, i.e., 21% more than individuals with Portuguese nationality in the same situations, 24.5% (Reis Oliveira and Gomes 2017), as

mentioned more specifically, in the Appendix 6. Consequently, the effects of the unemployment of this targeted minority combined lead to increasing social and economic inequalities that can transpose generations.

Apart from the consequences of a general unemployed person, the low interactions with the community combine social marginalization with the sense of exclusion, as employment plays a fundamental step towards higher involvement from immigrants with the destination countries (European Commission 2005).

Financial distress along with associated inactiveness can also lead to mental illness. As the World Health Organization describes mental health as an equilibrium between self-fulfillment and achieving individual potential (WHO 2014), without stable jobs, migrants do not feel attained. The socioeconomic environment associated with the gap on autonomy, self-satisfaction and emotional accomplishment may lead to mental disorders.

#### **4. Intervention Model**

##### **4.1. JRS Operation**

JRS (Jesuit Refugee Service) is an international organization created in 1980 with the main purpose of assisting forcibly displaced people, in particular refugees. In Portugal, JRS has been present since 1992 and it focuses its mission on vulnerable migrants excluded from society, as mentioned in more detail in Appendix 7. The work emphasis is social and psychological support, alongside with legal counsel and support to enter in the job market. JRS also provides shelter for detained or homeless migrants. Nationwide, JRS is responsible for the technical support of PAR (Portuguese Platform for Refugee Support) and for the management of the temporary refugee welcoming center in Lisbon – find more in Appendix 8 about JRS Team, Departments and Operation.

#### **4.2. Proven results to prevent social exclusion: Internal benchmark**

When it comes to help migrants to enter the job market, JRS identified specific capacity gaps that if overcome, can enable migrants to enter in the Portuguese labor market faster and efficiently. In addition, foreign-born unemployment perpetuates the social exclusion of immigrants and, for that reason, JRS offers multiple training programs that address social and professional capacity building. From 2014 until the current moment, the projects developed are *Casa em Ordem*, *Gericuidar*, *Capacitação4Job*, *Capacitação4Refugee* and *Integra+*. They have an average rate of successful results of 69.7%. The context in which these programs occur causes variations in the target and scope, which means that some programs have specific targets and address only one area of interest. For instance, *Gericuidar* was designed for migrant women, in order to foster job market integration by providing services to take care of elderly.

After an internal benchmark of employability projects, accessible in a summary table, in Appendix 9, the *C4Job* methodology presents a strong methodology because it combines language learning with on-the-job training (Speckesser 2013). The intervention model for this SIB, meaning a second edition of *C4Job*, takes into account the best practices of *Gericuidar*, for instance, the complement of a tutor during the internship, theoretical modules occurring at the same time as the internship and group reflections in the course of the whole program. It receives inputs from *Casa em Ordem* in terms of future practices, in particular the different stages of the internship process.

#### **4.3. Capacity Gaps**

New comers face numerous barriers to enter the job market and JRS middle its action in three major gaps in immigrant capacity: language, cultural knowledge and psychological support. The abovementioned gaps are pointed out to the immigrant population with which JRS service is provided.

To respond to these gaps, customized training is the solution given by JRS, in particular for migrants to access middle-level jobs. For companies, the costs of training migrants may not justify the benefit, which takes long-periods of time to yield. According to Speckesser (2013), there is scientific evidence of noteworthy results of on-the-job training in employment rates, whereas these effects are perceived in the long-term. Hence, the results of the combination of linguistic and cultural tutoring with occupational education are more relevant than the ones of just training.

Language learning composes future improvements in communication and migration. Public policies are shifting towards a more practical and technical approach (Alsyik, et al. 2014), in which migrants are taught job-related vocabulary and expertise oriented. JRS engages with migrants to a point where each migrant is assigned to different language-level groups. Moving forward, the language courses are divided into stages that continue throughout the process and volunteers are assigned to migrants that need special need to improve communication.

The relation with the host country is improved by a better knowledge of the culture and institutional processes in place, even though the public employment services show structural flaws either for both nationals and foreign-born.

In terms of psychological support, the European Union Agency for Fundamental Rights (2016) acknowledges that mental health issues are far reaching, for instance, a result of economic deprivation, violence or trauma in the origin country, which can be intensified by the migratory movement.

Capacity building prevents unemployment in short-medium term and, so, social exclusion, as the European Commission (2005) confirms that «basic knowledge of the host society's language, history, and institutions is indispensable to integration»

#### **4.4. Target Population and selection process**

*C4Job* is designed to focus on building capacity in three gaps: language, cultural knowledge and psychological support. The program focuses its action into empowering vulnerable immigrants, in particular recently arrived or permanently resident migrants in Portugal that face a situation of long-term unemployment. That is, active people in the unemployment situation, looking for a job and not being successful for 12 months or more.

JRS opens applications and processes a list of migrants fitting the vulnerability factors, considered by the EU (2016) and the Migrations Observatory (2017), as risk of poverty determinants. These are the following: being a woman, asylum seeker, single-parent, part of a household with three or more dependents, people aged between 18-24, and people with low levels of education. The same authorities consider the condition of migrant and long-term unemployment as determinants of vulnerability.

The participants' selection process is divided into two phases. In the beginning of each cohort, applicants are selected by JRS office that assigns them according to vulnerability. There is also an assessment of experience and education backgrounds.

In the second phase, through a final interview, applicants' aspirations are evaluated at the same time as the potential needs of psychological support are screened. After selection, participants are allocated to groups, as showed in the scheme in Appendix 10, which are the areas of interest: Domestic Services, Elderly and Children care, Cooking, Distribution and Retail.

The organization is aware that dropouts are the bigger obstacle to successful outcomes, as informed by the recommendations retrieved from previous editions of *C4Job* and *C4Refugee*. Thus, motivation is an important determinant for selecting candidates. The combination of meeting the criteria of vulnerability with self-motivation presumes that candidates are expected to finish the program, although this does not ensure that no dropouts are probable to happen.

#### **4.5. Participants' travel along *C4Job* program**

As participants are assigned to groups related with their area of interest, JRS contacts its network of companies and donors to establish a partnership for participation in the program. The organizations interested in participating provide an internship for one or more participants. This contact with companies is relevant, since it provides participants a referral, professional experience and it may unlock future job opportunities.

Participation on *C4Job* is divided in three phases: training modules I and II, and employability support. The groups are divided according to the areas of specialty, although this division should take into account the dominance of Portuguese. The first training module takes a maximum of three months and it includes communication technics knowledge and it aims to be intensive and with specific vocabulary, related with the future internship area.

At the same time, there are courses of psycho-educative technics, approaching group cohesion, empathy and interpersonal management. The idea is to bring the group closer and share the migratory experience, expectations and aspirations. These courses intend to approach the final purpose of the program, so each training group session is tailored to each area of interest. At this phase, participants are involved in citizenship and multiculturalism classes to provide knowledge about the access to PES and an input about Portuguese institutions and culture. The aim is to bring closer the differences and resemblances of the participants' identity. There are also workshops on Time Management, Planning, First Aid, Financial Management and IT. The courses take place in a classroom, but do not exclude visits to Museums, Team-Building dynamics and other cultural activities.

At the very beginning of the program, participants get in touch with participants from previous editions of *C4Job* and other projects with similar objectives. These mentors are expected to share

their experience and testimonial. This contact seems to create a trust relationship with the organization and to boost participants into a successful journey.

At the end of the first phase, participants are expected to master basic Portuguese and have the ability to start training module II. This phase of training lasts three months and, besides of continuing Language learning courses, it also includes an internship.

This internship may provide participants a tutor and on-the-job training. It is divided into three main stages. The first one is *Observation*, with which the participant has the opportunity to discover the practical aspects that the function demands, in terms of services and duties. The second is *Experiment*, where participants put in practice the input given in *Observation* and tasks are distributed. The last stage is *Mentoring*, in which participants are expected to be autonomous and to report to a mentor. These stages of the internship are fluid and they are adapted by the destination organization. The organization, together with JRS, decides when participants move to the next stage of the internship.

During the internship process of the, there are still personal development modules that occur at the same time as the internship. These modules contain both human and spiritual sharing.

Throughout these two modules, both training I and II, participants' performance must be measured by training modules teachers, employers and JRS. The services assign a coach to each trainee, reinsuring that JRS can be present at all stages of the program and assure that feedback is given and received by all parties.

Participants that successfully finish the second phase start the subsequent and last stage: Employment Support. In this final point, participants work with JRS particular departments, such as the Social Support, Psychological Support, Employment Service and Legal Counseling. There are delivered tools and instruments to autonomously seek for employment, inasmuch as JRS speaks and searches directly with potential employers. This support is extended to all participants, despite

many of them being expected to be admitted in the place where the internship takes place. This is due to the fact that although some participants are provided a job offer, that does not exclude the importance of acquiring the knowledge of employability technics.

#### **4.6. External Benchmark**

Following an external benchmark analysis, detailed in Appendix 11, it was found several Public Employment Services (PES) and Government practices. The first is a 10 week vocational training and employment coaching program from Sweden. The second is an EU funded incubator aimed at fostering migrants' entrepreneurship, in Austria, Belgium, France, Germany and Italy.

It was found, in the same analysis, non-profit and PPP (Public and Private Partnerships) initiatives from Austria, with a two year program for refugees with some degree of qualifications, which focus greatly on the importance of language. In British Columbia, Canada, non-profits provide training and knowledge on how to contact PES. In the UK, there is the Windsor Fellowship and Merseyside Refugee Support Network. The first targets minority groups education and personal development, along with an internship. The second provides refugees with a twelve-month language learning program, employability support, legal counseling and support to the institutional framework. In Italy, an initiative gives four months of Italian language and tailoring courses to African minorities. Whereas in Greece, there is a project targeting women from Georgia, Moldova and Ukraine with training activities, knowledge about admission to PES and employability coaching.

In Finland, a SIB was launched with an intensive language and skills assessment module (30 days), followed by 20 to 50 days internship (with language training) and finally with 85 days of language plus technical-related training. The Finnish model includes an entrepreneurship route, and an individual assessment that provides participants the opportunity to skip or return to any stage of the process.

## 5. SIB, an innovative solution for *C4Job*

The current funding needs of *C4Job* can be matched with the structure of a SIB, where private investors take the majority of the risk associated with providing upfront financing to the intervention model delivered by JRS. In the present feasibility case, *C4Job* presented the most innovative approach to solving the problem of vulnerable migrants' long-term unemployment. The SIB strengthens the project, since it provides predictability to the funding cash flows to JRS. At the same time, it ensures that the project is sustainable for three years and not dependent on private or public donations to support the intervention, allowing JRS to prove the effectiveness of the intervention and to contribute to informing public policy in this area. The intervention model is the vehicle that determines the results linked to investor's reimbursement, as presented in Appendix 12. Thus, the public entity responsible for Government payments - Estrutura de Missão Portugal Inovação Social (EMPIS)<sup>1</sup> - only pays the investor if the results are met.

### 5.1. Why SIB fits *C4Job*?

The SIB model fits JRS intervention model due to the following reasons:

**Social Innovation** – Considering an internal and external benchmark analysis, *C4Job* combines the diversity of choice of the Finnish model, as well as the importance of language learning in Austria, Italy and the UK. It includes information on access to PES and legal counseling, comparable to interventions from Sweden, Canada and Greece. Above of all, it is tailored to the specific reality of the Portuguese Labor Market and it makes the target wider, and does not exclude according to nationality, gender or education levels.

**Cost-effectiveness** – The costs related to human capital waste and the opportunity cost associated with the foregone tax contribution are higher €287, 352.54 than the *C4Job* total cost of intervention,

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<sup>1</sup> EMPIS is a public entity that is responsible for allocating European funds for Social Innovation, from Portugal2020 program.

as showed in Appendix 13. Furthermore, by fostering the process of immigrant integration, JRS is preventing long periods of poverty associated with material deprivation.

**Public Policy oriented** – The achievement of immigrants’ employment provides the Government with viable solution to the Social Security System sustainability, since it increases the number of net taxpayers. The social integration of immigrants is a solution to the risk of poverty exposure (European Commission 2016).

**Readiness to scale** – JRS has shown, throughout the implementation of the first edition of *C4Job* that is ready to increase the number of users. Previous project interventions are constrained only to Lisbon due to the lack of funding. Access to capital seems to be the only obstacle to the provision of the service, whereas JRS recognizes that the users of its service in Oporto have similar gaps in capacity to those benefiting from capacity building projects in Lisbon. The positive results of previous projects give JRS a tangible asset in which it is possible to make the case for an edition of *C4Job* with a bigger and wider audience.

## **6. Modelling *C4Job* SIB**

The Excel modeling sustain the following analysis.

### **6.1. Intervention outlook**

**Target:** Taking into consideration the literature analysis and the previous experience of *C4Job* 1st edition, the program is intended to target 3 cohort groups of 130 immigrants, 100 in Lisbon and 30 in Oporto.

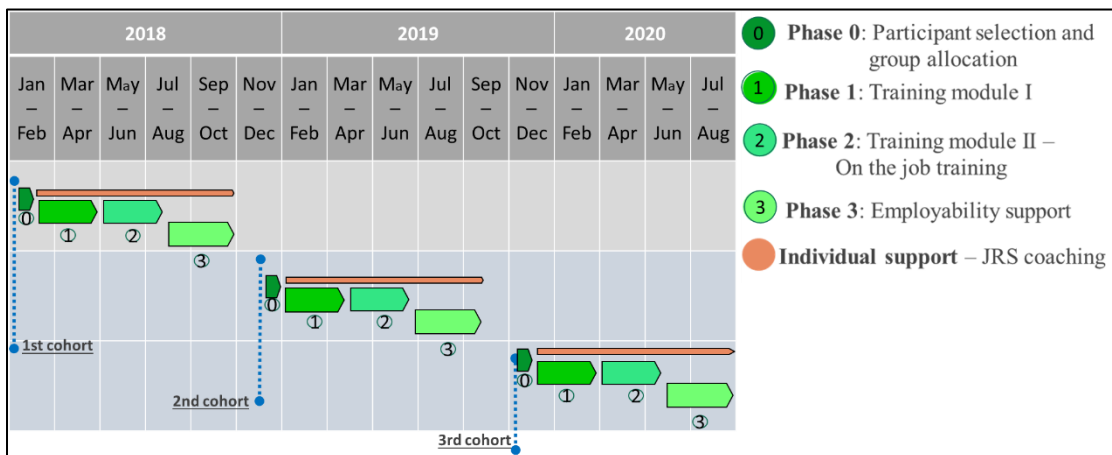
**Selection process:** The process of accepting candidates takes into account the combination of vulnerability and motivation. The experience of other projects recommends that the choice of participants is vital to decrease dropouts. The group’s allocation should take into consideration potential job opportunities available in the labor market at the time of the implementation.

Consequently, the number of groups and the number of participants per group are defined upon areas in which the participants have interest, and the number of opportunities.

**Cohorts:** All three cohorts are composed by 130 combined participants and this number can only decrease in case of dropouts. The cohort in Oporto is smaller than the Lisbon one, since the target audience is wider in the later. The three cohorts are expected to have a stable demographic composition to avoid discrimination.

**Timeline:** As it can be seen in Image 1, and more in Appendix 10, the *C4Job* intervention is divided in three phases, with three months each, and with a month at the beginning for the selection process. The first two phases connect training with personal development and an internship experience. The last three months consist of employment coaching and knowledge about accessing PES. The timeline takes into account that a considerable percentage of participants are accepted into an actual

2



#Image 1 - Timeline of C4Job SIB

## 6.2. Intervention costs

As it is possible to see in Table 1 below, a *C4Job* edition costs €211, 234.22. The total cost of three editions are €633, 702.66, over a time period of three years. Please find, in Appendix 14, the budget per cohort, project inputs and the total financial costs.

#Table 1 – Budget of C4Job for the SIB

Expenses	Weighted percentage	Per cohort	Three Editions Total
Human Resources	57.6%	€121, 734.22	€365, 202.66
Direct Costs with Participants	39.6%	€83, 550.00	€250, 650.00
General Costs	2.8%	€5, 950.00	€17, 850.00
<b>Total</b>	<b>100%</b>	<b>€211, 234.22</b>	<b>€633, 702.66</b>

### 6.3. Outcome metrics

Outcome metrics are the core element that connects the stakeholders and the cash flows of the financial model. The investor is only reimbursed if results are achieved, coexisting with the defined metrics. Therefore, the measurement of outcomes determines the success of the SIB in value creation for all parties.

The work developed by the researcher, together with LIS and JRS made it possible to find the following outcome metrics: a) **entry into employment**, as a result of individual capacity building, considering a final job or internship contract after the intervention, as well as self-employment, in case of creation of a business; b) **preserving the employment status during six months** after the intervention, that is, keeping or renewing current job contracts, possible change to a new vacancy or to self-sustain an owned-business. The prior described metrics are the ones that JRS has been implementing in previous projects, in particular in the first edition of *C4Job*.

The first measure includes individuals who sign job contracts after training modules I and II. The second takes into account the previous fact, together with participants that sign work contracts after the internship. A portion of the participants fills a job vacancy in the same company where the internship takes place.

In the SIB financial model, based on a conservative analysis of the average success rate of previous projects (69.7%), it was considered the following success rates: 60% of participants entering the labor market and, of these, 30% being able to stay in the active population for more

than six months after the intervention. The first result is expected to be met within a six-month period of after the intervention and the second, in nine months after the intervention.

In addition to the metrics described above, JRS and the independent evaluator should evaluate two other metrics. The first one is the **area of interest of the participant**, i.e., if the area of the job matches with the one in which the group allocation occurred. The second is the **maintenance in the job market for a twelve-month period**. This aims to improve JRS process to develop new strategies to address the problem. Participants' performance in the job market is going to be measured throughout a full year after the program, in order to see the effects of the program in a larger measure period.

#### 6.4. Payment Mechanism

As it is possible to see in Table 2 below, the investor receives the payments as it matches the exact same amount as the total accumulated costs until the moment in which the result is released. Also, the initial investment corresponds to the total financial needs of the project.

*#Table 2 – Payment mechanism*

	01-Jan-18	01-Aug-19	01-Nov-19	01-Jul-20	01-Oct-20	01-Jun-21	TOTAL
Initial Investment	- €442 121.9€	n/a	n/a	n/a	n/a	n/a	- €442 121.9
Accumulated Monthly Costs	n/a	€346, 622.4	€56, 707.2	€154, 526.9	€56, 707.2	€19, 138.6	€633, 702.6
Payment by results- EMPIS	n/a	€346, 622.4	€56, 707.2	€154, 526.9	€56, 707.2	€19, 138.6	€633, 702.6
Recycled Money	n/a	-€191 580.6	n/a	n/a	n/a	n/a	- €191 580.6
Reimbursement for investor	n/a	€155, 041.7	€56, 707.2	€154, 526.9	€56, 707.2	€19, 138.6	€442, 121.9

According to the SIB structure, investors are reimbursed by the Government according to successful outcomes achieved with the intervention of JRS. As in Appendix 15, these payments made by EMPIS occur twice after the program, that is, six months after intervention for the first result and three months after that for the second.

## **6.5. Government value for money – net-benefit**

The calculation of the net-benefit for the Government in the execution of *C4Job* is based on the total cost of the *status quo* and the costs of the project. Therefore, the implementation of *C4Job* represents a total amount of €287, 352.54 of potential economic contribution, as a result of actual tax collection, mentioned with more detail in Appendix 13.

## **6.6. Investment Structure**

**Timing of investor capital commitment** – The total financial needs are met by the investor in advance, at the start of the intervention to finance JRS.

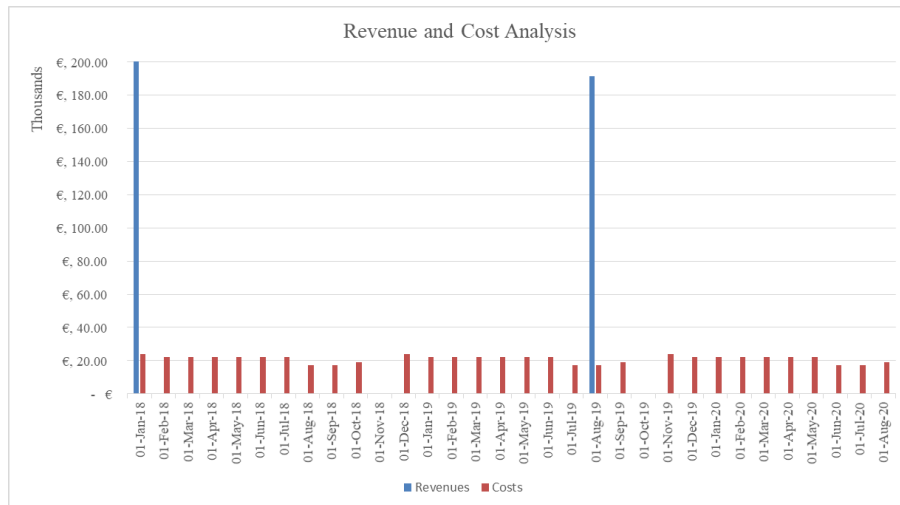
**Working capital contingency** – The amount of €59, 385.23 is considered for a Working Capital (WC) contingency, as it represents three complete months of the program execution. This amount is only used in case of financial shortage or an unexpected occasion. In the end of the SIB, the money must be returned to the investor.

**Repayment** – The SIB considers a delay of three months, since the result is processed until the point where the investor receives the money. This is due to the fact that payments do not occur automatically and, it accounts this period to convert the mentioned result into repayment.

## **7. SIB Business Case**

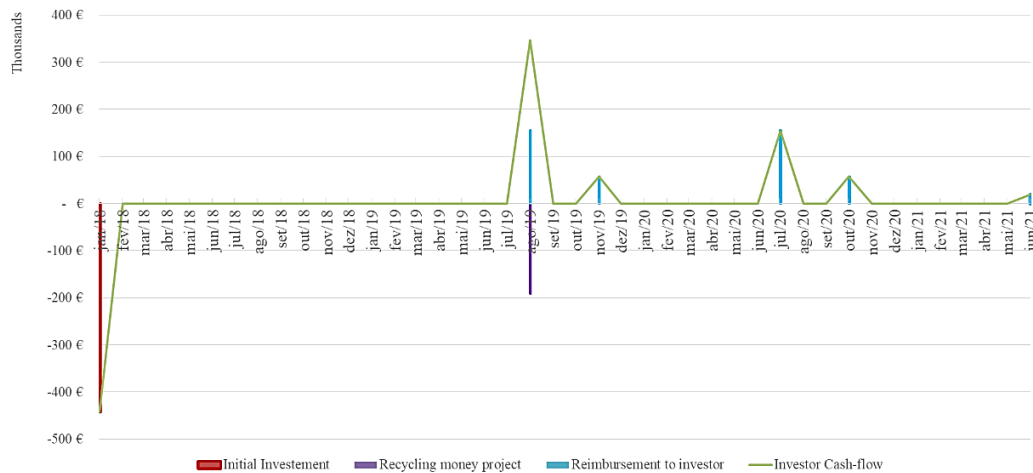
The SIB structure for *C4Job* follows the EMPIS criteria, which means that the investor receives no surplus, however it is reinsured that it achieves breakeven. The total cost of *C4Job*, €442, 121.9, is reimbursed to the investor in case of outcome achievement.

As stated in the Graph 1 below, the only points in time where the service provider has revenues is when the initial investment happens and when the money from the outcome payments is reinvested by the investor (€191 580.6).



# Graphic 1 – C4Job SIB Business Case

**Investor Cash Flow**– The total financial needs are €442,121.9, counting with a WC contingency of €59,385.23. Payments made by EMPIS happen nine an twelve months, for each result respectively, after the end of the intervention, including three months of delay. The final payment is in June 2021, as exhibited in Graph 2 bellow.



# Graphic 2 – C4Job Investor Cash-flow

## 8. Scenarios

The following sensitivity analysis is grounded on uncertainties that may affect the SIB performance of the, whether in terms of cohort dimension or how payments could have been made. This is to enhance the effect in the costs variation of per participant, in the case of cohort changes, and in the total financial needs, in case of changes in the outcome payments.

## 8.1. Cohort

In Scenario 1, detailed in Table 3 below, the changes on Project Costs are computed with the difference on variable costs, that is, the costs directly affected by the number of participants, for instance, insurance payments or transportation allowances.

This analysis shows that, although the cost per participant is lower in the best scenario, the baseline scenario is the one in which the number of participants per social worker is more reasonable. The worst case is the limit to where no changes in HR are necessary and the Government still has a benefit compared to its resource cost in foregone tax contributions (€2,361.68).

Furthermore, the total financial needs do not increase substantially from the Base to the Best Case and the cost per person decreases, nonetheless it does not take into account the effects in the individual support with a larger audience.

*#Table 3 – Scenario 1: Cohort*

Cohort	Worst Case	Base Case	Best Case
Beneficiaries	240	390	480
Participants/per cohort/social worker	40	65	80
Project Cost	€555,702.66	€633,702.66	€680,502.66
Cost/per person	€2,315.43	€1,624.88	€1,417.71
Financial needs	€425,979.20	€442,121.99	€499,966.36

## 8.2. Outcome payments

In Scenario 2, presented in Table 4 below, the variables are the Outcome Payments, as it shows the variation of the total financial needs of the project when the time to results changes, from six to three or nine months.

The Scenario shows that, with the same project costs, the time defined to deliver the outcome substantially affects the total financial needs. As time to outcome increases, the cumulative monthly cost is higher, while the payment by results corresponds exactly to the costs that have

occurred up until that moment.

*#Table 4 – Scenario 2: Outcome Payments on entry into employment*

Outcome Payments	Worst Case	Base Case	Best Case
Time to results	9 months	6 months	3 months
Accumulated monthly costs	€403, 329.75	€346, 622.46	€279, 632.73
Project Cost	€633, 702.66	€633, 702.66	€633, 702.66
Financial needs	€478, 449.37	€442, 121.99	€380, 273.48

## 9. Limitations

The structure used in this feasibility study does not correspond to a regular SIB model, since, as described, EMPIS does not recompense the investor with a surplus. In the *C4Job* SIB, the investor is reimbursed with the same amount invested throughout the project, i.e., the same amount as the project costs.

This can pose a boundary for JRS to attract more investors, as it limits the value creation only to social impact, rather than to additionally reward the potential investors with a tangible profit, apart from the full reimbursement and the social good with the outcomes achievement.

Another limitation can be the risk related with the stability of volunteers, since they are a key part of the project in mentoring and motivating participants, throughout the activities. Volunteers are not paid by their services and non-profits such as JRS rely on them to reinforce their social mission. Nevertheless, it is still uncertain that all volunteers are committed, while shortening JRS room of action.

Moreover, the success of the defined outcomes depends on the establishment of partnerships, whereas they do not mean a job vacancy, they stand as an opportunity for participants to develop their skills.

Finally, the data used to create this analysis have some limitations, in particular with the methodology used by JRS to measure previous outcomes. The outcome metrics alongside with the

presumptions of this study, in terms of scale and volume, need to be reviewed after the pilot's implementation, in order to adapt it to the future application to EMPIS.

## **10. Recommendations**

Although volunteers may save the intervention money, by representing insignificant HR costs, they cannot be managed as a direct resource and need to be selected with great accuracy. The first edition featured all training sessions delivered by volunteers and to mitigate this risk, the project costs for this SIB count with two paid trainers. Volunteers are still a relevant part of JRS mission, so their selection must address availability matching and commitment. Volunteer orientation and training should be provided at the beginning and throughout the program. Similar processes should be applied to future partners, in particular those whose JRS has never worked on previous projects.

In terms of the data and model limitations, JRS should develop a scaling strategy, together with LIS, as it guarantees that the project meets the requirements for the future application. This review should address how costs are distributed throughout the project, as this can influence the financial needs to the investor.

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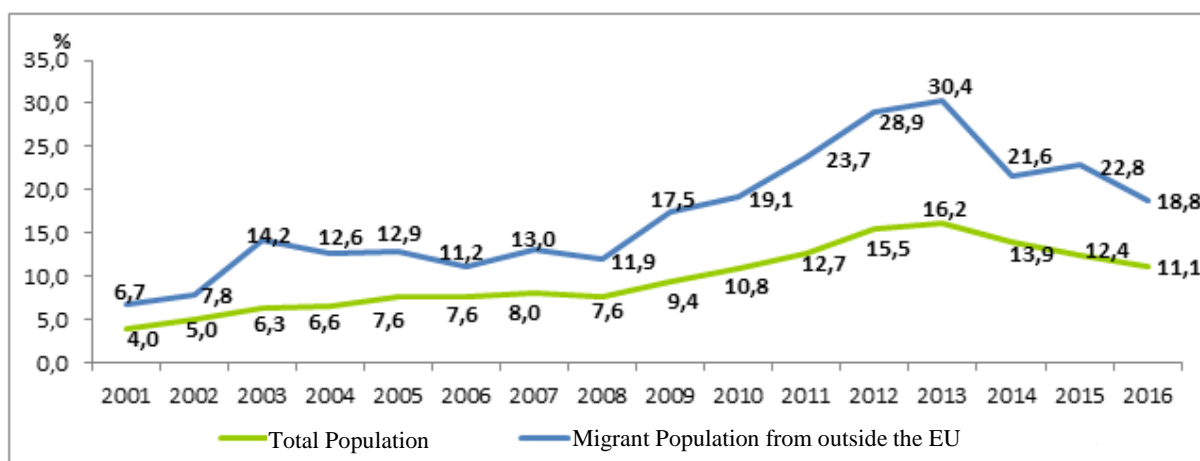
## 12. Appendices

The following Appendices are meant for further information and, therefore, should not be considered for the final work appreciation

### Appendix 1: Feasibility Study Methodology Timeline

Months	September				October				November				December							
Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Training Modules	Kick-off Session				Understanding SIB in-depth				Excel modelling 1/2				Excel modelling 2/2				Final meeting			
Phases and Objectives	SIB Definition & Literature Review		Social Problem: Causes and Effects / Data Collection				JRS Projects & Best Practices Intervention Model				Feasibility Study Metrics and Excel Modeling		Scenarios/Limitations/Recommendations		Final Draft					

### Appendix 2: Unemployment Rates of Migrants and Total Population (aged between 15-74 years old), 2001 – 2016



#### Source:

- Rei Oliveira and Gomes, in *Indicadores de integração de imigrantes: relatório estatístico anual* 2017.

### Appendix 3: Migration movements' context

The world witnessed old conflicts that continue to exist and new ones to scale, particularly in regions such as the Middle East and Africa (ECHO 2017). These regions have met phenomena of

war and instability, which led to a significant increase in migration movements, in particular towards Europe (European Commission 2016).

A forcibly displaced person is someone who involuntarily escapes political or economic instability, human rights disrespect, war or persecution (UNESCO 2017 & Refugee Council of Australia 2016). Moreover, the UNHCR finds more than 65 million people forcibly displaced, including refugees, internally displaced people and asylum-seekers (2017).

According to the European migrants' relocation program, Portugal is available to receive 10.000 asylum seekers from Italy and Greece. The EU has so far spent over €10 billion on immediate action (European Commission 2016). Portugal has received 1306 refugees, more than 400 of them have left the country to other members of the Schengen Area (Marcelino, 2017 & Moleiro & Franco, 2017).

### **Sources:**

- ECHO. "Refugees and internally displaced persons." *European Civil Protection and Humanitarian Aid Operations*. June 19, 2017. [https://ec.europa.eu/echo/what-we-do/humanitarian-aid/refugees-and-internally-displaced-persons\\_en](https://ec.europa.eu/echo/what-we-do/humanitarian-aid/refugees-and-internally-displaced-persons_en) (accessed October 18, 2017).
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#### **Appendix 4: Demonstration of Costs to the State**

According to JRS, the majority of its users start working in sectors where the predominance of minimum wage is stronger. The main sectors of employment are domestic services, cleaning, elderly and children care, as well as retail.

For the following analyzes, it is considered that the most probable wage for JRS users is the minimum legal income. Also considered is the legal minimum wage of 2017, which is €557. An unemployed individual, disregarding nationality, does not receive the minimum wage after taxes of €495.73/month, with meal subsidy of €99.44 for 22 days, times 14 months, including Christmas and Holidays subsidies. The total potential income after taxes is **€8, 133/year**.

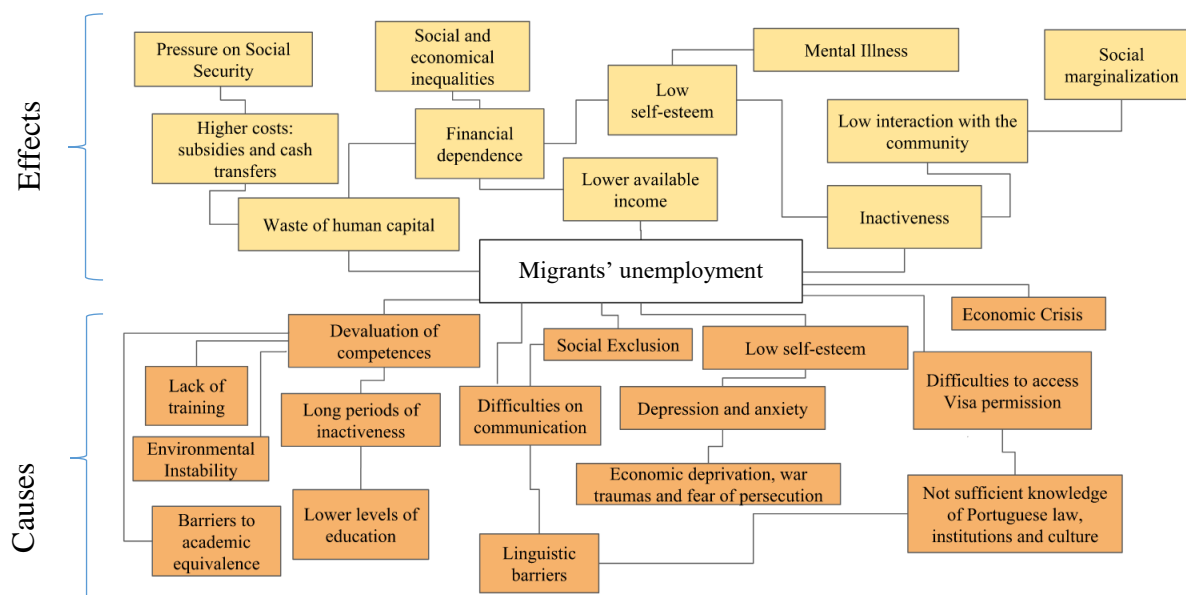
Besides the human capital waste, the State loses in foregone tax contributions. For the Social Security contribution, the foregone tax contribution is €61.27/month, representing 11% of the monthly salary before taxes paid by the employee. The employer is also not paying 22.5% of TSU – Single Social Tax, €125.33 /month (the employer do not pay TSU for Christmas and Holidays subsidies). This results in a total amount of not-received by the State taxes of **€ 2, 361.68/year**.

This data is retrieved from the Social Security contributive tables.

#### **Source:**

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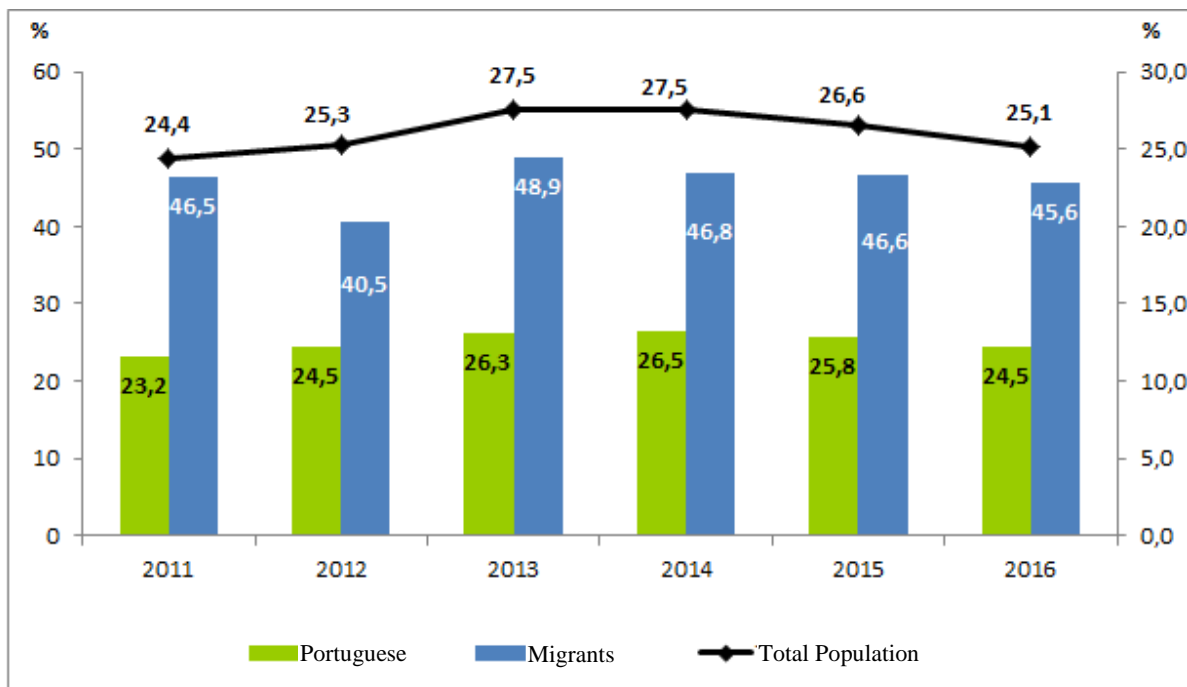
## Appendix 5: Problem Tree



### Sources:

- Dessimirova , Denitza, and Susanne Kraatz. "Unemployment and poverty: Greece and other (post) programme countries." *Policy Department A: Economy and Scientific Policy*. Brussels: European Parliament, September 11, 2017.
- Gaynor, Tim. "Q&A: Far from being traumatized, most refugees are ‘surprisingly resilient’. Interview with UNHCR’s Senior Mental Health Officer Pieter Ventevogel." *UNHCR*. January 3, 2017. <http://www.unhcr.org/news/latest/2017/1/586b78de4/qa-far-traumatized-refugees-surprisingly-resilient.html> (accessed October 20, 2017).
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**Appendix 6: Population resident in Portugal at risk of poverty or social exclusion, according nationality, between 2011 and 2016 to people with 16+ years old. (%)\*,\*\*;**



\*This graphic considers the comparison of the risk of poverty between Portuguese nationals and Migrants with 60% of the average income (after taxes) of the Total Population. Also, the Migrations Observatory considers as low labor interactions, residents in a household, between 18 and 59 years old, excluding students, people working on average less than 20% on the available time.

\*\*For material deprivation, considers nine items of durable goods and economic needs and combines the rate of general deprivation (the situations of not having at least three of them); the rate of severe deprivation (having just four or less of them); and finally the intensity of material deprivation (the average number of items missing).

**Source:**

- Rei Oiveira and Gomes, in *Indicadores de integração de imigrantes: relatório estatístico anual* 2017.

## Appendix 7: Mission, Vision and Values of the Jesuit Refugee Service

**Mission:** JRS continually accompanies, serves and advocates for the rights of those who can't protect themselves.

**Vision:** JRS strives for a free world, one without borders, divisions or forcible displacements, where we can all share knowledge, learn together and progress as human beings.

**Values:** JRS mission is inspired by the faith in God and by seven core values:

- **Dignity:** Every person has an inherent dignity and should be treated equally, regardless of race, gender, religion, status or politics
- **Compassion:** There is a constant presence of love for the other, despite any and all differences, and always following the sense of mercy.
- **Hope:** Having goals and getting closer to achieve them is vital for a good mental and physical health. JRS provides a spiritual and functional aid to everyone in need towards their goal.
- **Solidarity:** JRS undertakes a philosophy of a modest and respectful servitude towards the underprivileged and those in suffering, accordingly with the values of the Society of Jesus.
- **Hospitality:** JRS aims to treat everyone in an equal and generous way, accordingly to Jesus' teachings, doing so in its every action.
- **Justice:** JRS is devoted to work together with those most vulnerable for their legitimate rights and to oppose systems or structures that deny or create difficulties to access them.
- **Participation:** JRS works in cooperation with other congregations, humanitarian organizations and with the people it helps, to provide a more equal, transparent and participative environment.

### **Source:**

- JRS International. *About Us*. Edited by Office of International Communications. 2017. <http://en.jrs.net/about> (accessed November 24, 2017).

## Appendix 8: Team, Departments and Operation



**Team:** 25 permanent workers

**Departments:** Social Support, Psychological Support, Medical Support, Legal Advice, Employability Support and Housing.

**Operation:** Pedro Arrupe Center (Lisbon), Head office (Lisbon) – in partnership with the Portuguese Platform to Support Refugees (PAR), Santo António Housing Unit (Porto) and CATR, the temporary refugee welcoming center (Lisbon) – in partnership with the Municipality of Lisbon.

**Source:** JRS International. *About Us*. Edited by Office of International Communications. 2017. <http://en.jrs.net/about> (accessed November 24, 2017).

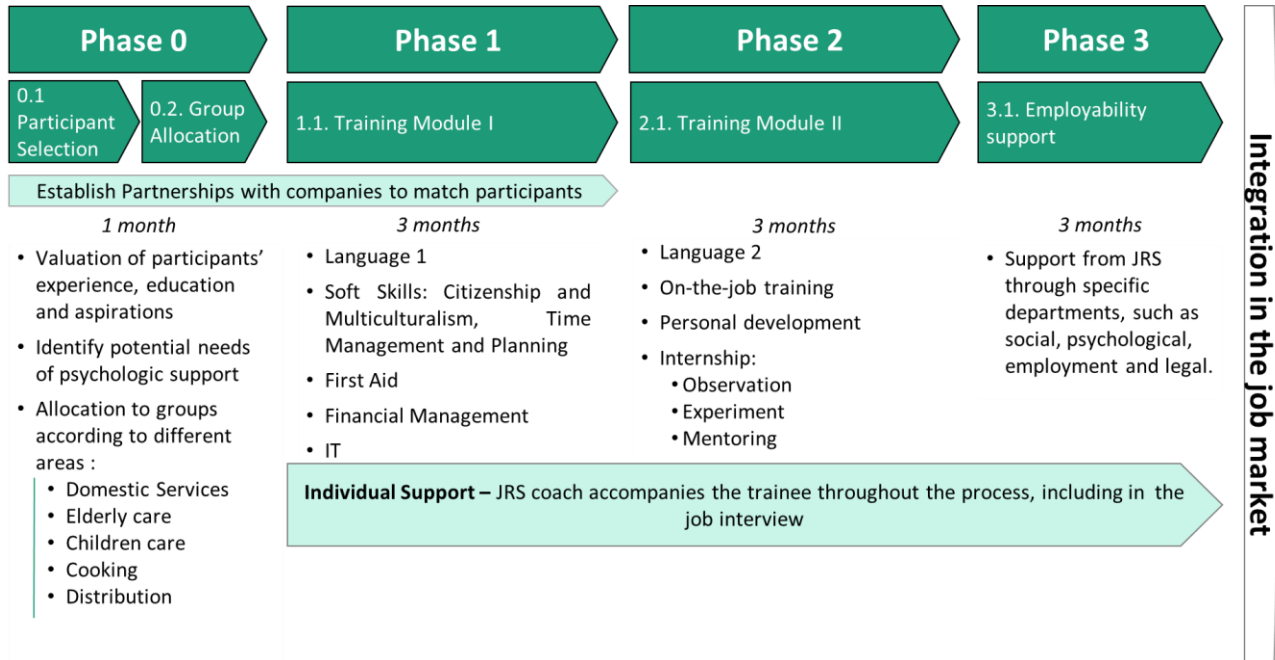
### Appendix 9: Internal Benchmark

Project	Target:	Duration	Main Goals:	Results:	Obs:
Capacitação 4Refugee	Refugees (21y to 60y)	Jan 2017 to Aug 2017	Social and Professional capacity building program. Training on Portuguese, soft skills and hands-on experience	*	60% drop out
Capacitação 4Job	46 Young Migrants (18y to 30y)	Feb 2015 to Apr 2016	Capacity building program to integrate Young Migrants in the job market	63% successfully employed	15% drop out
Gericuidar	Migrant women	Oct 2015 to Sep 2016	Job market integration by providing services to take care of elderly	84% successfully employed	Importance of the methodology (e.g. spiritual dimension)
Casa em Ordem	Migrants (women)	Oct 2014 to Oct 2015	Social and Professional integration of Migrant Women in the area of domestic services	62% successfully employed	Areas of training go from domestic services, cooking, to elderly people and children care
Integra +	Vulnerable Migrants (single- parent families)	Jul 2017 to Jun 2018	Social and Professional integration of Migrants	Ongoing	Modules of training covering Soft Skills

\* *C4Refugee* result is not considered in this analysis, since the dropout was 60% and the target audience was smaller than the other projects. The large amount of dropouts can be linked to the arrival of job opportunities in the field of their background education.

**Source:** Confidential data reports from JRS.

## Appendix 10 - Participants' Travel



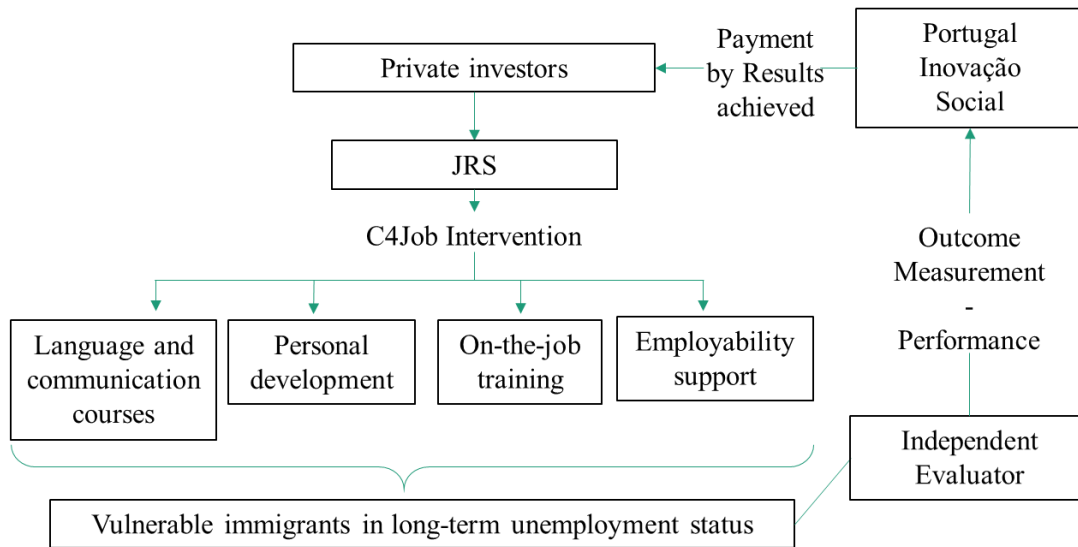
### Appendix 11– Wide Benchmark

Country	Project	Intervention
Sweden	Swedish PES	<ul style="list-style-type: none"> <li>• Target: Recent immigrants.</li> <li>• Structure: Public Employment Service (PES) led program (Public policy / Government).</li> <li>• Theory of change: There is a vocational evaluation at the same time as they match the training profile. Ten week program to reflect about skills and aspirations.</li> </ul>
Austria, Belgium, France, Germany and Italy	MEnt	<ul style="list-style-type: none"> <li>• Target: Migrants aiming to develop a business.</li> <li>• Structure: EU initiative.</li> <li>• Theory of change: Improvement of Business Models and leverage ideas of entrepreneurs. It includes maturation of the concept and mentoring throughout the process. Preparation to the final pitch.</li> </ul>
Austria	BFI Upper Austria	<ul style="list-style-type: none"> <li>• Target: Refugees with some qualifications.</li> <li>• Structure: Non-profit initiative.</li> <li>• Theory of change: 24 months of 730 modules, 325 of which are language education, 100 of them are an internship in nursing or with elderly care, and the rest are soft-skills based.</li> </ul>
Canada	MOSAIC	<ul style="list-style-type: none"> <li>• Target: Immigrants in British Columbia, Canada.</li> <li>• Structure: Public and Private Partnership.</li> <li>• Theory of change: Three e-training modules: exploring migration experiences, Inter-Cultural skills and PES knowledge inputs.</li> </ul>
UK	Windsor Fellowship	<ul style="list-style-type: none"> <li>• Target: Undergraduates within minority ethnic groups with legal right to enter (currently in Wales).</li> <li>• Structure: Public and Private Partnership.</li> <li>• Theory of change: 5 seminars involving personal development and professional skills training. Undergraduate internship 6-8 weeks and graduate internship 50 weeks.</li> </ul>
	Merseyside Refugee Support Network	<ul style="list-style-type: none"> <li>• Target: Asylum seekers and people with migrant or minority backgrounds.</li> <li>• Structure: Non-profit initiative.</li> <li>• Theory of change: 12 months of English courses, employability support, legal counseling and support to the institutional framework. Establishment of a network of refugees.</li> </ul>
Greece	Athens Network of Collaborating Experts	<ul style="list-style-type: none"> <li>• Target: Unemployed immigrant women from Georgia, Moldova and Ukraine.</li> <li>• Structure: Non-profit sponsored by private funds.</li> <li>• Theory of change: Support to the institutional framework and social security, costs of access, as well employment coaching. Training to establish an enterprise and on the provision of domestic and commercial cleaning services.</li> </ul>
Italy	Associazione Santa Chiara	<ul style="list-style-type: none"> <li>• Target: Women (20y-30y) from Ghana, Ivory Coast, Morocco and Niger</li> <li>• Structure: Non-Profit initiative.</li> <li>• Theory of change: 4 months of Italian language and tailoring courses.</li> </ul>
Finland	SITRA	<ul style="list-style-type: none"> <li>• Target: Immigrants, including refugees unemployed.</li> <li>• Structure: Social Impact Bond.</li> <li>• Theory of change: Intensive module of language and skills evaluation (30 days), followed by 20 to 50 days internship (with language training) and finally with 85 days of language plus technical-related training.</li> </ul>

## Sources:

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- Windsor Fellowship. *Leadership Programme – Wales/Cymru*. 2017. <https://www.windsor-fellowship.org/leadership-programme-wales> (accessed November 29, 2017).

### Appendix 12: C4Job SIB Structure



**Source:**

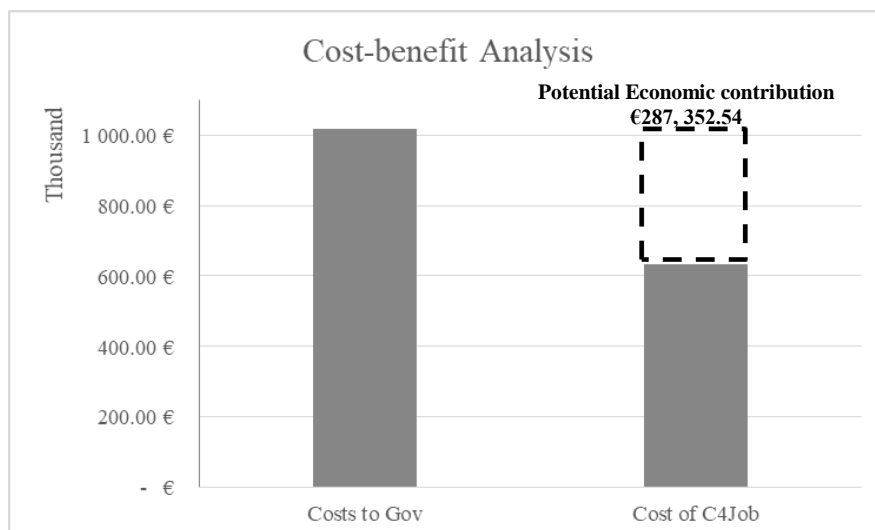
- Portugal Inovação Social. *Sobre: EMPIS*. 2017. <http://inovacaosocial.portugal2020.pt/> (accessed December 28, 2017).

### Appendix 13: the cost-effectiveness of C4Job

Salary before taxes	€557.00
Salary after taxes	€495.73
Food Allowance	€99.44
<b>Total Income After Taxes</b>	<b>€8 133.50</b>

SS	11%	€ 61.27
TSU	22.50%	€125.33
<b>Taxes not collected</b>		<b>€ 2 361.68</b>

Costs		per person
Costs to Gov	€1, 018, 808.70	€ 2 361.68
Cost of C4Job	€633, 702.66	€1, 624.88
<b>Net benefit to Gov</b>		<b>per person</b>
Potential Economic contribution	€287, 352.54	€, 736.80



## Appendix 14 - Budget per cohort, Project Inputs and Total Financial Costs

### *Human Resources*

Category	Number	Project Direct cost	Value Per Month	Total
Project Manager	1	100%	€1, 765.87	€17, 658.70
Social Worker	2	100%	€2, 440.94	€24, 409.40
Psychologist	2	100%	€2, 440.94	€24, 409.40
Portuguese Teacher	2	100%	€2, 440.94	€24, 409.40
Trainers	6	100%	€5, 141.22	€30, 847.32
Total				€121 734.22

### *Direct Costs with participants*

Category	Description	Total Value
Project Promotion	Material, website and social media	€2, 000.00
Acquisition of goods	€20 per participant in printing material	€2, 600.00
Books and other training material	€20 per participant in Books; €30 in uniforms used in the internship	€6, 500.00
Traveling	Fixed price of €0.5/km and average of 2700 km a month. It includes traveling expenses with accommodation in Oporto (average accommodation price of €60, 2 people and 2 times a month).	€15, 900.00
Transportation Allowance	€60 allowance for seven months of training and one month of the employability support module	€54, 600.00
Other Costs	Includes an individual kit delivered in the end of the project (€15/participant)	€1, 950.00
Total		€83, 550.00

### *General Costs*

Category	Total Value
Current Expenditures (Insurance, Water, Electricity, Communications)	€3, 950.00
Other general charges (including consumable materials and non-durable goods)	€2, 000.00
Total	€5, 950.00

### Project Inputs

Intervention length	32 Months
Total duration of the project	41 Months
Number of cohorts	3
Number of participants per cohort	130
Cohort Duration	10 Months
Total beneficiaries	390
Starting Date	01/01/2018
Estimated successful employment rate	40%
Maintenance of job-position	30%
Time to outcome	6 Months and 3 Months

### Total Financial costs

Total Costs per Cohort	€211, 234.22
Total Financial Costs	€633, 702.66
Financial Needs	€442, 121.99
Cash flow delay	3 months
Working capital contingency	€59, 385.23

### Appendix 15 – Payment Mechanism

