

# CHANGES TO T4T *for 2015-2016*

---

*“I used to call this replication, but it’s not replication it’s adaptation - something that fits the size and scope and nature of your community.”*  
—Sheldon Pollett, Executive Director, Choices for Youth

Choices recently decided to make a modification to the Train for Trades model, effective April 1st 2015 (for fiscal 2015/2016). As the bulk of the toolkit was developed using the existing model, and the changes are related to scale of the activities, it was decided to present the model for Train for Trades as it existed at the time of the interviews/research and include this section to update readers about the changes.

The intention for Train for Trades was always to transition to a fully self-sustaining enterprise. These changes reflect that goal, albeit at a faster pace than anticipated due to changes in the provincial funding climate. Changing to a self-sustainability model removes the instability of relying on outside investments and is better for the program in the long run.

CFY believes that the final piece to the development of the Train for Trades Employment Program is to incorporate a social enterprise focus at the management level. Focusing attention on the operational aspects of the program will allow the programming pieces of Train for Trades to be delivered adequately, while managing projects more efficiently to work towards the long-term stability of Train for Trades.

Choices for Youth and Train for Trades staff recommend that groups creating a similar program use the pre-2015/2016 model to get started, see what works and then look at moving to self-sustainability. Over the years, T4T has figured out its scope, capacity and the value it can provide to young people. With this new structure, T4T is aiming to reach self-sustainability by Spring of 2016. It now has the flexibility to expand and contract capacity based on market demand and revenues generated, rather than relying on government or corporate investment.

On an ongoing basis, the number of staff positions may fluctuate depending upon the number of youth in the program, which will be determined by the workload and contracts obtained.

## *Changes to Youth Complement*

The program has decreased from 20 youth to 10 youth effective April 1st, 2015 (four youth are currently transitioning out of the project to meet the goal of 10). Sheldon Pollett, Choices for Youth's Executive Director says, "In the future, like any contracting company, or business, we will scale up and down according to the contact work we have on hand. We intend however, to use 10 [youth] as our base". If new projects are obtained, the model allows for an increase in the number of youth hired.

## *Changes to Tier System and Workload*

The tier model will continue to exist, but the youth will be merged into mixed-tier construction teams so that new Tier 1 youth can be mentored by youth in Tiers 2 and 3. This will hopefully make all of the teams more productive by reducing the overall learning curve of the project each time new youth are hired.

The work will be specialized to skill level, so teams with more experience/expertise will take on more of the individual and Modernization & Improvement contracts, while newer/more inexperienced teams will focus on the basement retrofits. While this sounds similar to the existing process, the biggest difference will be the mixing of tiers in each team with senior youth mentoring newer youth.

T4T is a support program and an employment program. On the support side the goals has been to support a youth's transition into the labour force by providing intensive case management supports. On the employment side, these changes also bring productivity to the forefront of operations. This models real world work environments to ensure youth are more successful when they transitional out of Train for Trades.

## *Changes to Staffing*

Since the changes include a reduction in the number of youth served at one time there is a resultant modification to the staffing model. The position of the Construction/Site manager has been made redundant and the responsibilities will be shouldered by the Project Manager position. By having a Project Manager position and hiring an individual with a background in construction and subcontracting, project management and large scale construction projects, the goal is to bring more industry knowledge to the social enterprise concept. This individual will also have strong insight into the expectations of the industry and can help ensure output productivity meets an industry standard.

One of the two Youth Supports Coordinators positions is being made redundant. As the number of youth has decreased from 20 to 10, it is expected that one individual can coordinate and provide all necessary support to the youth.

One of the four Youth Support Worker positions was also made redundant. The three remaining positions were renamed “Lead Hand”. The new job descriptions for these positions reflect a greater range of experience in construction projects, while still combining youth support skills.

In this new model, with 10 youth and six staff directly supporting youth, the ratio will be 1.66 youth to 1 staff.

The Manager of Social Enterprise position is also being eliminated. The Project Manager, the Fund Development and Communications Department and the Finance Department will assist the Project Coordinator in the roll out of the business plan.

### See new Job Descriptions

- » Program Manager
- » Lead Hand

## Changes to Funding

Post-Hibernia fund expansion and the 2015-16 fiscal year saw the maturation into a social enterprise budget which captures the difference between earned income and untied funding, as well as a contribution margin analysis (these terms will be explained below).

In this model the proposed budget sits at \$1,679,450.

**Earned Revenues** refers to money that is obtained through payments for carrying out the construction work. This is estimated to be \$1.3 million and includes:

- » \$543,000 (32% of revenue) in government contracts from Newfoundland Labrador Housing Corporation for basements and retrofits
- » \$662,000 (39% of revenue) from Choices for Youth to cover a portion of a major capital build as well as ongoing maintenance of CFY buildings
- » \$174,000 (10% of revenue) from private sector projects.

**Untied Funding** refers to grant funding that is not linked to a specific construction project. This revenue equals \$300,000 (18% of all revenues) and includes:

- » \$250,000 proposed investment from Advanced Education and Skills
- » \$50,000 draw down on the Hibernia fund (the remaining balance becomes a legacy account to serve as a contingency against future business risks).

Expenditures are separated into Cost of Goods sold (variable costs), enterprise costs, social program costs and administrative overhead and total \$1.6 million. The budget therefore becomes balanced.

**Variable Costs** of \$1.2million (or 72% of total budget), include:

- » 28% for direct labour costs of youth and Lead Hands allocated to projects
- » 33% for sub contractors on projects
- » 37% in project materials
- » ~1% for variable overhead (i.e. Insurance on specific jobs)

**Enterprise Costs** include fixed costs of operating the training program. This comes to \$ 206,000 or 12% of the total expense budget. These include salaries for project management and business management, training, travel, IT, etc. This is similar to the 2011-12 budget.

**Social Program Costs** include fixed costs for operation of the social program. This is basically the direct, one-on-one support a youth can access through the enterprise and include a Youth Supports Coordinator, the GED program as well as some small operating expenses. The total cost is \$72,000 or 4%.

**Administrative Costs** (similar to the 2011-12) includes office rental and administrative fees, but also includes the Coordinator and Administrative Assistant. The total cost is \$192,000 or 11%.

There are two important metrics for T4T - the percentage spent on program versus administration and the contribution margin.

**Program versus Administrative Costs:** Since the variable costs and enterprise costs together make up the overall training program, together with the social program costs it can be said that 89% is spent on running the training program and providing supports. The administrative costs are 11%.

**Contribution Margin:** By taking the earned income only and subtracting the variable costs, the contribution margin can be established. This is to determine the ability of the enterprise to generate enough revenues to cover costs and attain sustainability.

The contribution margin is:

- » Earned revenues: \$1,379,450
- » Cost of Goods Sold: \$1,209,457 (72%)
- » Contribution Margin: \$169,994 (18%)

From the perspective of the Finance Department, any future project proposed by Train for Trades must meet or exceed the target of 18% Contribution Margin. There will be some flexibility if the project proves to be a great learning opportunity, but the goal is to meet or exceed this target annually.

Since the contribution margin is less than our carrying fixed and overhead costs, the untied funding is required for 2015-16. However, as the enterprise continues to develop, it is anticipated that enough work will be generated that T4T will be able to cover off the \$300,000 in untied funding through growth in government or private sector contracts. Current projections suggest that T4T will be completely sustainable and free of untied funds within the next five years.

It is at this time that the enterprise will begin turning a profit (in the traditional sense) and producing revenues to be reinvested into future enterprise growth or the wider Choices organization.

# Changes to Evaluation

As discussed in the Evaluation section, Train for Trades has not had a full formal evaluation since the first two years of operation. They intend to evaluate T4T as a social enterprise at the end of the first year. This will have two components: a financial evaluation and a programmatic evaluation.

The financial evaluation will be based on examining the success of T4T as a business model and creating a financial forecast for the next year. The programmatic evaluation will include qualitative research with youth and partners.

## HOMELESS HUB THOUGHTS:

Train for Trades operated as a typical youth program for a number of years, with a high dependence on corporate and government grants. It developed a strong track record of success both on the youth support/employment side and on the construction end. As such, a decision was made to turn it into a social enterprise.

Running a social enterprise is a good way of doing business to reduce or eliminate reliance on outside funding for sustainability. While the move towards self-sustainability and the social enterprise model was fast-tracked, T4T and Choices for Youth had always intended to move in that direction.

It is important to note that in the new model:

- » The level of youth support has actually increased. The staff to youth ratio moves from 2.5 to 1.6 staff for every youth. T4T has ensured that youth do not lose out by this restructuring.
- » The changes are designed to make T4T more productive and more sustainable. Hiring a Project Manager with significant construction management experience not only will improve job performance but will increase the future employability of youth by giving them real world work experience.
- » The program is designed to scale. If more contracts are obtained, it is easy to increase the number of staff and youth. If the existing number of contracts/workload are maintained, self-sufficiency is still a reality given the lower number of staff/youth.
- » With its focus on social enterprise, it is possible that T4T will become a revenue generator – not just revenue neutral – allowing it to build a buffer zone for slower work climates, or to support expansion.

It is important to note however, the recommendation from staff at CFY/T4T is that agencies wanting to develop their own employment program consider a pilot project first and use the pre-2015/16 model to develop their program and figure out how best to make it successful.

We again emphasize the importance of evaluation, especially during such a transition period. An extensive external evaluation that includes both quantitative and qualitative assessment will really help establish the success of Train for Trades as it moves forward with its social enterprise model.