



### Events Related to this Issue Brief

Steve Aos will be speaking in London's Living Room at City Hall on May 12. The event will run from 11 am to 3 pm and has two parts. This is an open event and people can register to attend for free through the Social Research Unit website.

**Part 1** is designed for people who have not heard Steve speak before. He will give a basic description of the model, similar to the presentation he gave in 2010 when delivering the Social Research Unit's Annual Lecture.

**Part 2** is designed for everyone who wants to hear about progress since 2010, including the Social Research Unit's work to translate the model for the UK.

During his stay in the UK, Steve will also address a closed meeting of Ministers and senior policy makers arranged by the Cabinet Social Justice Sub-Committee.

Steve will also participate in the advisory group that supports the Social Research Unit's translation of the Washington model.

The Social Research Unit is grateful to the Mayor's Fund for London and the Greater London Authority for their invaluable assistance, including making available the City Hall venue, and to Birmingham City Council and Manchester City Council for sponsoring the visit.



### Social Research Unit Events Series

The Social Research Unit at Dartington is an independent charity with nearly 50 years of experience in bridging science and public policy for children. The goal of the Unit is to improve children's health and development, demonstrably so. It pursues its goals via:

#### SRU Goals

- Research, into the causes of poor outcomes and into effective policy and practice
- Development of innovation based on science in real world situations
- Dissemination via a free daily online newspaper, Prevention Action, and the peer-reviewed Journal of Children's Services

#### Recent Speakers

**Part of the Unit's charitable commitment is to offer a series of free events for policy makers, practitioners and researchers. Recent speakers have included:**

- **Tom Dishion**  
Oregon Social Learning Center  
2008 Annual Lecture

- **Del Elliott**  
Blueprints for Violence Prevention  
2009 Annual Lecture
- **Roger Wiessberg**  
CASEL initiative on children's social and emotional learning
- **Clay Yeager**  
Evidence Based Associates work to deliver a pure payment by results approach to youth justice

#### Forthcoming Events

- **Rico Catalano** from the Social Development Research Group who will speak on the Communities that Care model for linking local people to decisions about child outcomes
- **Jack Shonkoff** from Harvard University who will deliver the Unit's 2011 Annual Lecture, focusing on brain development across the life-course, and its relevance for public policy decisions
- **Christina Salmivalli** from the University of Turku Finland who will talk about effective ways of reducing bullying in schools

Events are generally free, and advertised on the Social Research Unit website. Major events are preceded by an Issue Brief and are captured on video that can be viewed at the [Social Research Unit website](http://www.dartington.org.uk).



## Evaluating investment options in children's services

At the beginning of the 18th Century three in every four labourers in the United States worked on farms. They put the food on North American tables. After many years of trial and error, and with many more failures than successes, Cyrus McCormick designed the harvest reaper – what came to be known as the combine harvester.

By the time McCormick died in 1884, just five per cent of US labourers worked in agriculture, yet these workers produced increasing quantities of food at lower prices – thanks to his invention. No longer focused primarily on food production, huge numbers of labourers were now available to work in industry – one of the key factors that fueled the United States' rapid economic rise.

McCormick's story helps us to understand how innovation can generate real economic benefits for a society. The combine harvester delivered the same goods for a lower price. And human labour was released for new ends.

In the last two decades, innovation in children's services has begun to generate value to our economy. Teachers, health professionals and social workers do not put food on our tables. So how are they creating worth?

Effective services improve children's health and development. Better outcomes have the potential to translate into financial benefits in several ways. Healthier children call less on local services. Better outcomes can mean less demand for special education, social care and youth justice provision.

Improved development in childhood will often endure into adulthood. This can mean fewer calls on health services, state benefits and prisons.

Investments made early can bear fruit for decades; a healthier, better developed child will do better at school, accumulate more skills and qualifications, and grow up to contribute more to the economy and more in taxes.

Since children and young people also contribute towards crime, there are also victim costs to take into account. When better behavioural development results in

less anti-social behaviour there will be lower calls on insurance policies, fewer injuries to victims and less need to invest in protection.

As the table illustrates, the economic benefits of some programmes greatly outweigh the costs. Taking just one example, if Family Nurse Partnership were delivered to every eligible vulnerable teenage mother in England, and supposing benefits could be realised, the gains to society would eventually surpass £600 million per annum.

If these benefits are known, why are they not being secured? A number of significant barriers have stood in the way of society making the most of proven policies, programmes and practices that not only lead to better child outcomes but also produce a return on investment.

For one thing, it has been very difficult to measure the impact – if any – of particular programmes or combinations of programmes. In the past, wild claims have been made about the value of some prevention programmes. Buyers need to have confidence in the predicted return on investment. They need to have reliable metrics.

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### Steve Aos and the Washington State Institute of Public Policy



Steve Aos is Director of the Washington State Institute for Public Policy (WSIPP), a non-partisan research organisation, created by the Washington State Legislature to provide independent, reliable advice to government.

The Washington State legislature has used WSIPP's work to inform major public policy decisions such as the reduction in prison capacity and significant investments in preventative programmes.

Aos came to WSIPP in the mid 1990s having worked on energy policy in the Northwest states of the United States. He could find no comparative data on costs or benefits of competing options in juvenile justice, one of his first tasks. So he set about bringing more rigour to the study of social justice.

WSIPP developed a four stage solution to the problem. First, programmes are assessed against the highest standards of evidence using systematic reviews to determine what works. Second, the costs and benefits of each effective policy and programme are assessed using a consistently applied econometric model. Third, analysis considers the effect of several programmes being introduced in combination. Fourth, the risk of the conclusions being wrong is assessed.

With this approach WSIPP provides policy makers and the public with *Which?* magazine type reports that, instead of evaluating the best washing machine, camera or... continued over...

Programme	Cost	Benefit	Cost-Benefit
Nurse Family Partnership <sup>1</sup>	£5587	£16,114	£10,527
Scared Straight <sup>2</sup>	£33	-£6741	-£6774
Life Skills Training <sup>3</sup>	£18	£457	£439
Big Brothers, Big Sisters <sup>4</sup>	£2457	£2486	£29
Good Behaviour Game <sup>5</sup>	£5	£125	£120

<sup>1</sup> Intensive and enduring health visiting for high risk usually teenage mothers and their children

<sup>2</sup> Exposing first time offenders to the rigors of prison life

<sup>3</sup> School based universal drug, alcohol and tobacco prevention programme

<sup>4</sup> Mentoring programme for adolescents

<sup>5</sup> Classroom management strategy for reducing aggressive and disruptive behaviour.

## Evaluating investment options in children's services continued...

In recent years, several reliable models for calculating return on investment have emerged, lowering the barriers. But this creates another hurdle. Which approach to use? Some calculate the perceived value people in society place on say a reduction in youth crime, or more children graduating from school. Others compare the relative costs and effects of contrasting courses which seek to achieve similar ends. The model at the heart of the meetings relating to this Issue Brief assigns monetary values to the known effects of well-tested policies or programmes.

Taking this approach doesn't mean that everything we value as a society ought simply to be reduced to a sum of money. But for policy makers, deciding a course of action and estimating what impact it will have, is fundamentally a decision about how to allocate scarce resources, which means money.

A methodology that can help policy makers and the broader society to understand and compare the costs and potential benefits of competing alternatives therefore has its own value. Choices might be informed by any set of political or ethical approaches, but these choices will always have economic costs and benefits.

**The Washington State econometric model that is the focus of the events being held on the 12th and 13th of May includes the following variables in its metrics:**

- what is the effect of the policy or programme on child and adult outcomes
- how do those child and adult outcomes translate into changes in adult income, local and state service use and impact on victims of crime
- what monetary values can be placed on service use and impact on victims
- what is the cost of the policy or programme

Another major barrier to the use of reliable cost-benefit, social return on investment and cost-effectiveness models of the kind described in this Issue Brief now exist. The next challenge is to realise these benefits. Take Family Nurse Partnership (FNP) as an example.

FNP has been shown to reduce the number of children referred to child protection services. But if children diverted from such services by FNP are simply "replaced" with other needy children, then there will be no saving to the public purse (although more children will have been served for the same resource).

The programme will also reduce the number of mothers on state benefits. But the investment in the programme is most likely to come from local and health authorities, whereas it is central government that pays for state benefits. Can we imagine central government directly sharing the financial gains with the local agencies whose investment choices produced them, and if so, what mechanisms would we need to create for that to happen?

Then, there is the challenge of ensuring that predicted benefits can be turned into cash savings. Some programmes reduce youth crime, and therefore pressure on custodial centres. But if government is left with many half empty but fully staffed prisons it may struggle to realise the benefits that more cost-effective children's services have generated. So decisions in one area need to be matched by decisions in another if the potential of economic models is to be fully realised.

An added complication is finding the financial impetus. Family Nurse Partnership could eventually produce annual returns of £600 million. But investors might find themselves risking £200 million or more for several years before they see a return on their investment. This is where a strong evidence base and rigorous metrics play an important role in mitigating risks.

McCormick was faced with a similar challenge with his harvest reapers. They promised value but farmers could not afford the initial outlay, and were wary of risking the farm on a loan for a novel technology. So McCormick offered the combine harvesters on a hire-purchase basis. It took two innovations to get labour from agriculture to industry: a machine, and the financial arrangements to allow farmers to buy that machine.

We now have a growing portfolio of available programmes that can measurably improve outcomes for children. Our challenge is to give them a small but firm footing on the range of children's services and begin to realise their economic potential, and improve child outcomes.

## Steve Aos and the Washington State Institute of Public Policy continued...

...car, estimate the best interventions at achieving better school results, or lower crime, or less child abuse and neglect.

Over the last 15 years, Aos has produced authoritative reports on youth justice, criminal justice, public health, education, state benefits and other financial support, child welfare, employment, substance abuse, housing and mental health.

The approach taken in Washington has attracted attention across the United States, in some European states and in Australasia. Support from major US foundations and collaborations with the Social Research Unit in the UK is enabling the preparation of software that will allow the model to be used in many more countries and jurisdictions.

Gains for Washington State have been felt around the world. WSIPP's publications are freely available on the web. Its 2004 report on a range of prevention programs quickly became its biggest 'seller' (the reports are free) with more than 40,000 copies downloaded.

A few years ago, the MacArthur Foundation and The Pew Charitable Trusts gave WSIPP a grant to develop their economic model for use in other US states. That investment also allowed the model to be enhanced and expanded into new areas such as mental health.

The work has created much demand for Steve Aos as a public speaker. He has presented to most of the legislatures in the United States, and is now a regular visitor to the UK.

The Washington State approach to cost-benefit analysis is one of several solutions to the challenge of making better use of the scarce resources available for children's services. The reputation of the model prepared by Aos, and now being translated for use in the UK by the Social Research Unit, is based on consistent and cautious estimates that speak to the real world situations facing commissioners and providers of children's services.



## The Social Research Unit Interest in this Area

The Social Research Unit is driven by better outcomes for children. That means finding out what works, for whom, when and why. In recent years, and particularly since the world fiscal crisis, we have sought to tie data on what works with monetary values that make sense to public policy makers.

The work has involved collaboration with leading scientists and policy makers around the world, for example with experts on standards of evidence, providers of databases of effective policy and practice and philanthropic organisations interested in linking science to the real world.

One of our principal collaborators has been Steve Aos at the Washington State Institute for Public Policy. We were inspired by the consistency of Steve's approach across different domains of children's lives and impressed by his conservative approach to the potential benefits of prevention and early intervention programmes. The fact that WSIPP's products had been used to inform difficult legislative choices also showed the power of good information to affect real world decisions, and real outcomes for children and society.

In the UK, WSIPP's work informed the advice we gave to Birmingham City Council in the preparation of their Brighter Futures strategy that saw £41 million of investment in evidence based programmes predicated on an expected benefit of £100 million over a 15 year period.

**The ultimate goal is to provide independent advice that combines:**

- clear standards of evidence
- information on what works in all aspects of children's health and development
- data on costs and benefits of competing investment options

As part of his visit to deliver the Social Research Unit's Annual Lecture in 2010, Steve Aos and his colleague Stephanie Lee spent three days with other experts at Dartington, examining the Washington model to consider its potential application in the UK.

That meeting concluded that translation of the model would be possible. Supported by Birmingham City Council, Manchester City Council and the Greater London Authority, the Social Research Unit began to prepare a UK version of the model in the autumn of 2010.

The UK translation will take into account:

- the different structure of local and state services in the UK and the US
- the consequences of contrasting approaches to health and justice services
- variation in the costs of providing services to children and families

The model comprises 10 policy dimensions. By the end of 2011, the Social Research Unit supported by the Washington team will have fully translated the child welfare and youth justice dimensions.



In addition, user friendly software will be available for all commissioners and providers of children's services. The software will allow a calculation of the costs and benefits for all agencies, and for central and local government, of contrasting portfolios of interventions.

The accuracy of the software will improve in 2012 as UK data replaces US data for the other eight dimensions in the model.

The Social Research Unit is committed to making this software freely available. Funds are being sought to combine the software with other components of the independent investment advice that local and health authorities and central government are likely to need to get more value from existing expenditure on child well-being.



### Public Policy Relevance

There is considerable public policy interest in making more use of cost-benefit models in children's services. The fiscal crisis has required public agencies to think more carefully about where to invest the £55 billion spent on children every year.

There is a demand for data that can help central and local government to know where to cut provision without damaging child well-being. Cost-benefit analysis is revealing many programmes, some effective in improving child health and development, some ineffective, that drain the public purse.

These opportunities have been explored in several major public policy initiatives in England. The Allen Review of Early Intervention has sought to put the spotlight on effective early intervention programmes and then to explore how those programmes can be funded, and how the economic benefits can be shared.

Graham Allen MP has been among several politicians from all political parties calling for greater private and philanthropic investment in children's services. If the return on investment on selected programmes is real, why not make use of business capital? And should society not encourage large foundations to spend their endowments on programmes and policies that will generate the economic return that they would otherwise have sought from the markets?

These are themes being pursued by the Cabinet Office as it establishes the Big Society Bank and a new range of financial intermediaries to manage risk and return in the social field. Legislation to establish more social enterprises is also relevant. All of these new bodies will be seeking reliable metrics and independent investment advice when deciding how to use their resources.

Some government departments are looking to share the benefits that accrue from the activities of others. For example the Department of Work and Pensions is beginning to introduce payment by results contracts for enterprises that help people transition off state benefits and into work.

