

Final Report

**Comparing Costs and Benefits of
different models of Child Care**

CCI 2010.CE.16.0.AT.076

Commissioned by

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Abstract

Since 2008, Bulgaria has embarked in a process of child care deinstitutionalisation, i.e. replacement of institutional child care with alternative child care forms (Foster/Kinship Care and Community Based Residential Care).

The objective of the study is to provide the European Commission with a Cost Benefit Analysis of the Child Care systems in Bulgaria. The study combined public statistical data with primary research conducted among individuals having received care in one of three different child care types. A quantitative Cost Benefit Analysis model was devised to compare economic benefits and costs of child care.

The results demonstrated that Foster/Kinship Care is faring better than Community Based Residential Care, which in turn fares better than Institutional Care.



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Abbreviations

AEM	Active Employment Measures
ARK	Absolute Return for Kids
B/C	Benefit/Cost
BGN	Bulgarian New Lev
CBA	Cost Benefit Analysis
CBRC	Community Based Residential Care
CEE	Central and Eastern Europe
CEE/CIS	Central and Eastern Europe/Commonwealth of Independent States
CPA	Child Protection Agency
DG	Directorate General
EC	European Commission
ENP	European Neighbourhood Policy
FC	Foster Care
FSU	Former Soviet Union
IQ	Intelligence Quotient
ISCED	International Standard Classification of Education
MDL	Moldavian Leu
NGO	Non-Governmental Organisation
NSI	National Institute for Statistics
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
TG	Kazakhstani Tenge
ToR	Terms of Reference
UK	United Kingdom
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USSR	Union of Soviet Socialist Republics
WB	World Bank



1 Introduction

This report is the final output of the study commissioned by the DG Regional Policy on **Comparing Costs and Benefits** of different models of **Child Care**.

The **objective** of the study is to provide the **European Commission** with a **Cost Benefit Analysis** of the **Child Care systems** in Bulgaria.

The report has been prepared by the following **team**:

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- Mrs. Elka NALBANTOVA, Child Care Expert;
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- Mr. Kostadin STOILOV, CBA expert;
- Mr. Benno SAVIOLI, CBA expert;
- Mr. Angelos SANOPOULOS, Team Leader.

This research would not have been possible without the fruitful cooperation and continuous support of Mrs. Valentina Simeonova, Deputy Minister of Labour and Social Policy; Mrs. Nadia Shabani, Chair-Person of the State Agency for Child Protection. At that point the productive feedback from Mrs. Jana Trost and Mr. Carsten Rasmussen of the DG Regional Policy should also be commended.

The report is structured as follows:

- Chapter 1 Introduction;
- Chapter 2 on the status quo of Child Care in Bulgaria and in Europe;
- Chapter 3 on the research methodology;
- Chapter 4 on the results of the research;
- Chapter 5 on conclusions and recommendations.

Last but not least, an extensive report is provided for the interested reader as a separate Technical Annex.



2 Status Quo of Child Care

2.1 The situation in Bulgaria

The **Bulgarian Constitution** regards child protection under Article 14 and Article 47 as part of the interaction between family, motherhood and the state, underlining the protecting role of the state as a last resort.

The **Child Protection Act** (2000) regulates the framework of child protection and defines the role of central and local authorities as well as non-profit organisations and individuals in such activities. Therein the child is considered as a holder of rights and not as a passive subject of state and society care. Also important are the **Social Assistance Act (1998)** and its implementing regulations – defining the requirements and rules for social service providers, including services for children - as well as the **Family Benefits for the Child Act (2002)** defining the provisions for family benefits including the upbringing of children.

In 2008 a **National Strategy for the Child** was adopted and in 2010 the “**Vision for the Deinstitutionalisation of the Children in the Republic of Bulgaria**” was accepted, outlining that “...deinstitutionalisation is a process of replacement of the institutional childcare with community-based family or close to family environment care..., a process of preventing placements of children in institutions, creation of new opportunities for children and families to receive support in the community...” One of the **main challenges** in the process is the **redirection of resources** from the old institutional care system to the range of community based services under the principle “**resources following the child**” i.e. resources are targeted to services for meeting specific needs of children and families.

At the present time the following types of Child Care exist in Bulgaria:

- **Institutional Care** (132 institutions with 6.254 inmates at the end of 2010): institutions are part of the heritage dominated by the concept of the state being more capable of taking care of children than their families. The institutional system is characterised by long established structures and a mighty inertia that understands “reform” and “restructuring” as a refurbishment of existing infrastructure without significant change in the way children live and are taken care of.
- **Foster- and Kinship Care** (12.664 children from the start of the reform until the end of 2010): Foster Care and Kinship Care is understood as the upbringing of a minor in the private home of a state certified caregiver (Professional or Volunteer Foster Care) or with biological family members other than the parents (Kinship care). Kinship care is well developed with 12.105 children in the period 2000-2010. Foster care is also developing and is expected to become a mainstay especially in the course of reintegration of institutionalised children back to their biological families. The total number of children placed in Foster Care from the start of the reform till the end of 2010 is 559 children, out of which 221 were placed in 2010.
- **Community Based Residential Care** (72 Centres with capacity for 831 children by mid-2011): Community Based Residential Care can be viewed as a middle ground between Institutional and Foster / Kinship Care, where children are living in a “family-like” environment, albeit in larger, spatially distinct communities with a high staff to child ratio. In Bulgaria the longest standing care provider is SOS Children Village; however numerous newer initiatives have become active lately.

There is significant effort invested by all engaged stakeholders in order to ensure quality process of deinstitutionalisation. The resources of both the Bulgarian Government and the European Funds are used in support of this process. The present study can be used as an aid in informed decision making considering financial aspects of deinstitutionalisation.

2.2 Knowledge Inventory of Child Care in Europe

In the course of the present study, a knowledge inventory on the impact of different forms of Child Care was set up. Reports from different countries have been reviewed and categorised along the following axes:

- maturity of system, e.g. having a reform dating well back in the past, in order to be able to see the accumulated impacts and
- having an institutionalisation system similar to Bulgaria, in order to be able to draw conclusions.

A detailed analysis of these reports is available in the technical annex. The following **main messages** can be extracted:

- **Policy:** In many countries institutionalisation is seen as a countermeasure to poverty and to fragmented family support measures. This leads to unnecessary placements, often when the biological parents are alive and able to take care of the children, if properly supported. Hence policies should focus on prevention of abandonment of children and increased placement of children deprived of parental care under guardianship. This should be accompanied by national monitoring systems and standardised indicators. However there is little willingness to initiate policy reforms either due to the weak evidence base, inertia of the established resources allocation system, absence of clear strategic planning for implementation and the often expressed fear of increased costs.
- **Costs:** Institutional care costs appear to be a multiple of Foster and Kinship care in all of the countries under scrutiny. Community based residential care is more expensive than Foster care and Institutional care; however once start-up costs have been amortised, they can be cheaper than the running costs of large-scale facilities while at the same time offering better quality of care. In many cases it is suggested to redirect resources to community-based services by changing financing flows towards support to families at risk.
- **Availability of alternative services:** Institutional Care has been a mainstay in most Eastern European countries. There is variation in the availability of Foster Care and Community Based Residential Care as an alternative to Institutional Care; some countries have no foster care at all, while others exclusively use these approaches to children in adversity.
- **Outcomes of the Child Care:** All cases demonstrate the absolute superiority of the outcomes of community based services over institutional ones. This superiority is evident in all aspects (physical, mental, social, educational, etc.) and it cannot be challenged even by the best institutional services. Indeed institutional care is often described by its nature as self-serving and thus hardly able to support the principal objective of serving the best interest of the child.

3 Methodology

3.1 Research hypotheses and Framework

The following hypotheses concerning costs and benefits were formulated to serve as the starting point for this research:

1. Alternative forms of Child Care (foster care, kinship care, community based residential care) **meet individual needs better**;
2. **Care leavers of alternative forms of Child Care fare better** in their adult, independent life;
3. **Alternative forms of Child Care are more expensive** than institutional Child Care at a cost per capita ratio;
4. **Care leavers of alternative forms of Child Care have a higher positive contribution to society** as a whole than institutional Child Care leavers because of their higher level of education, better physical and mental health and more numerous social contacts.

The research framework was then defined by the following elements:

1. Identification of **trends in relevant studies in Europe**, as a source of confirmation of the reliability of the findings of the present research;
2. Development of a **Conceptual Framework** as a basis for the **design** of the field survey and the **visualisation** of the internal and often invisible features of the Child Care systems under examination;
3. **Implementation of a field survey** using structured interviews with care leavers of the three Child Care systems under examination, namely **Community Based Residential Care, Foster Care/Kinship Care and Institutional Care**;
4. **Implementation of a parallel questionnaire survey** with state institutions, service providers, and carers for the purpose of triangulating the statements of the interviewees;
5. **Systematic processing** of information retrieved from **official databases** for the development of the cost structures;
6. Development of a **Cost Benefit Model** of the Child Care systems under examination;
7. **Interaction and discourse with stakeholders** in the field of Child Care in Bulgaria.

3.2 Child Care Conceptual Framework

A **Conceptual Framework** in form of a Logic Model was developed, which served as a liaison between the information to be retrieved from official databases and interviews, and the questions to be answered by the CBA model. The latter explores the relation between individual needs; services organised to meet these needs; inputs (investments for these services collected from statistical data); outputs (the realisation of the care leavers in their independent life); and effects (impact for the whole society).

Figure 1: Child Care System Logical Chain



In the following table a simplified universal Conceptual Framework is presented:

Table 1. Child Care Conceptual Framework

1. NEEDS	2. SERVICES	3. INPUTS	4.OUTPUTS	5.IMPACT
1.1 Physical Needs	2.1 "Physical" Services	3.1 Financial resources 3.2 Material resources 3.3 Human resources 3.4 Additional resources (donations) 3.5 Hidden costs (inputs related to "social" services)	4.1 Outputs related to self-sustainability 4.2 Outputs related to sociability 4.3 Outputs related to personality/maturity 4.4. Horizontal output Life skills	5.1 "Direct" Benefits 5.1.1 Income sources 5.1.2 Employment history 5.1.3 Economic activity 5.1.4 Criminal Acts 5.1.5 State transfers 5.1.6 Fiscal contribution 5.1.7 Health status <i>5.2. Supporting impacts (supporting the direct benefits)</i> 5.2.1 Educational attainment 5.2.2 Hazardous behaviour 5.3.3 Family status <i>5.3. Context Impacts</i> 5.3.1 Housing 5.3.2 Social and leisure activities 5.3.3 Quality of life
Food Shelter Sleep and relaxation Health Sexual education Personal space	Provision of food Hygiene Provision of shelter Medical care Dental care Provision of privacy			
1.2 Emotional needs	2.2 "Emotional" Services			
Pleasure Security Emotional development Personal possessions Personal success To love and to be loved	Sports Play Entertainment Relationship with primary person Provision of personal possessions Personal communication			
1.3 Cognitive needs	2.3 "Cognitive" Services			
Cognitive development Confidence Diversity of stimulation Learning Privacy To be important for someone	Training Access to diversified forms of experience Language development Access to books, internet, films			
1.4 Social needs	2.4 "Social" Services			
Identity Knowing the rules Sense of values Autonomy Self-esteem Self-sufficiency Spiritual development Relationships	Academic education Access to peers Freedom of choice and opinion Sexual education Access to authority figure Development of social skills Vocational training Religion/cultural services			
	2.5 Administration	3.5.1 Other non-allocable costs		

3.3 Field survey

The field survey involved young people who had been taken care within each **respective child-care model for at least 3 years and who have left that same child-care at least 3 years ago** (i.e. in the period 2006-2008). It should be mentioned here that the sample **did not include children with disabilities**, since this was not within the scope. At the present stage, **young people who have been hosted in foster care are still very few in Bulgaria**. Furthermore, their consent to participate in the interviews must be ensured beforehand. Under these conditions there was no realistic chance to implement a random sample based approach, so the option of a **non-randomized sample** was selected. The final sample comprised the following:

1. Young people who have grown up in **Community Based Residential Care** (Leavers of SOS villages¹: 16 persons);
2. Young people who have grown up in foster families or other alternative family environment: (Leavers of **Foster Care**: 7 persons, Leavers of **Kinship Care**: 5 persons);
3. Young people from specialized **children institutions**:
 - a) Young people from specialized children's institutions, who have left the institutions approximately 3 years ago (for comparison with the groups 1 and 2): 37 persons
 - b) Young people from specialized children's institutions, who have left the institutions more than 3 years ago (for the illustration of long term effects): 8 persons out of the 37 stated above.

The **questionnaire** used in the research is provided in the **Technical Annex** in Bulgarian and in English.

3.4 Cost Benefit Analysis Model

Due to the limited examples and experience available in Europe on Cost Benefit Analysis (CBA) of residential and community based types of children care, a combination of approaches was applied in order to produce informative and useful analysis of the cost and benefits of the three types of care in Bulgaria.

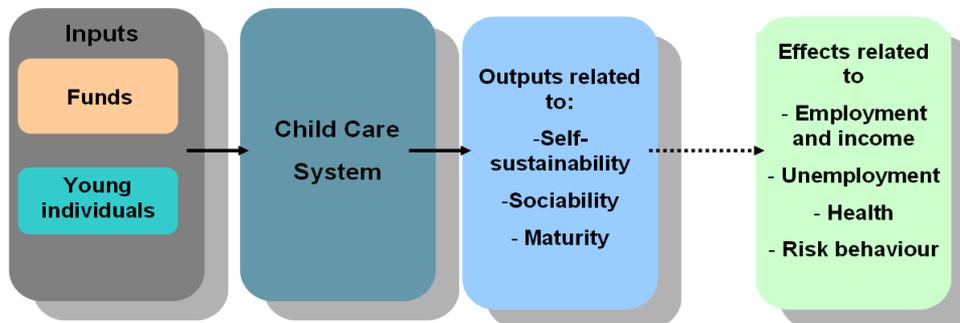
Implementation of the CBA model involved the following components:

- Using international knowledge as a reference model (mainly the model of Ross, K. (2005));
- Adapting the reference model on the Bulgarian system for budgeting of the three care types, allocation of funding and financing systems.
- Validating the outcomes and the model via workshops with key experts.

The overall approach to CBA could be presented as follows in a simplified cause-effect model:

¹ Within the field research only care leavers from SOS Children villages have been interviewed. Leavers from other community based residential care providers did not full fill the criteria of 3 years since their leave.

Figure 2: Overall CBA Model



Based on this a set of sub-models was elaborated:

1. A model for **tangible costs** of childcare systems to calculate the average cost per placement and year;
2. A model for **income generated** over life time – depending on educational attainment;
3. Two models for the cost of **unemployment** depending on educational attainment calculating direct cost over life time, based on the one hand on estimated unemployment benefits paid, and on the other hand on foregone contributions due to unemployment over life time;
4. A model for **health cost**;
5. A model for cost due to increased **divergent behaviour/crime**;

Each of the sub-models was parameterised with the respective general statistical data and the results of the field survey. However, the models on health cost and divergent behaviour/crime were not included in the final calculation of benefits, since it was not possible to reliably determine negative benefit estimates (i.e. cost). Since the biggest impact on the benefit side is coming from the sub-models on income generated and on unemployment, their influence was deemed to be minimal.

4 Results

4.1 Results of the field survey

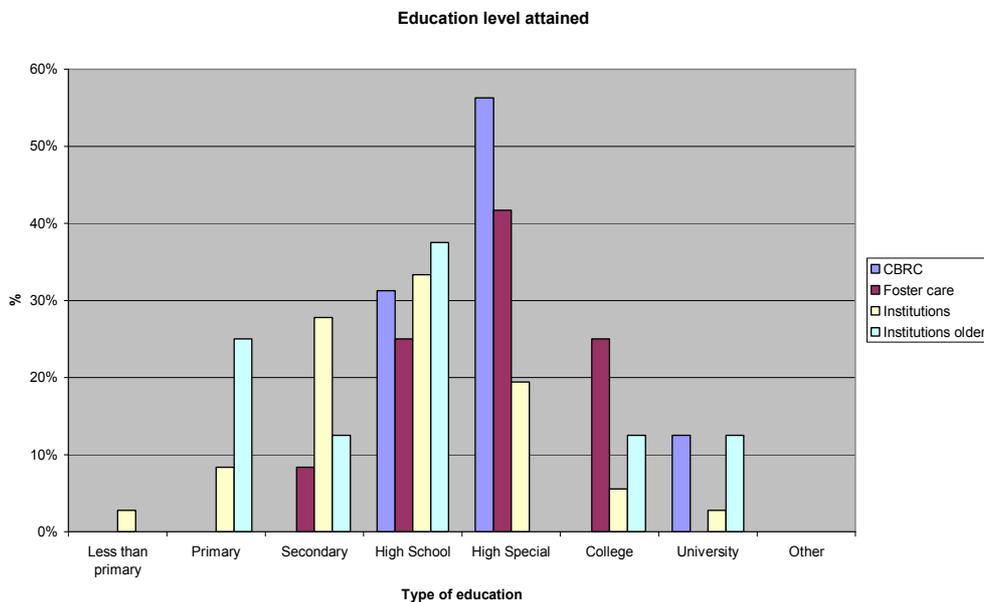
The results of the field survey have basically confirmed the initial hypotheses (See 3.1). In a nutshell, the survey revealed that:

- Care leavers from Community Based Residential Care and Foster/Kinship Care have outperformed their Institutional Care peers in all objectively verifiable indicators like educational attainment, income and stability of working environment;
- There is a clear trend in favour of the success rate of alternative care leavers over Institutional Care leavers in the way they cope with their independent life out of the care system as adult citizens. This trend is observable in all sections; there are some exceptions where all care leavers fare equally well or bad, however there is not a single case where Institutional Care leavers supersede Foster Care or Community Based Residential Care;
- Care leavers from Community Based Residential Care and Foster/Kinship Care have constantly expressed higher satisfaction with the care services received in comparison to Institutional Care leavers;

Below some characteristic results are presented². For comparison reasons, a sub-group “institutions older” is being illustrated separately. Those are care leavers from Institutions, which are distinctively older than the other interviewees, in order to indicate to what extent the behaviour of Institutional Care leavers changes over time.

In the field of **attained education level**, as an indicator of self-sustainability, there is a clear trend in favour of care leavers from Community Based Residential Care and Foster/Kinship Care.

Figure 3: Education level attained



² In cases of percentages, totals less than 100 are indicating refusal of answer, totals exceeding 100 are due to rounding up of percentages and do not influence the general trend.

In the field of **working conditions**, the research focused on the type of employment, and the quality and stability of the employment. In all cases the trend of the - at least temporary- “supremacy” of Community Based Residential Care and Foster/Kinship Care leavers over Institutional Care leavers is noted.

Table 2: Type of work contract

	CBRC	Foster care	Institutions	Institutions older
Temporary	0%	50%	14%	0%
Permanent	75%	42%	22%	50%
Stagier	0%	8%	0%	0%
Without contract	6%	0%	16%	13%
Seasonal	0%	0%	3%	0%
Self employed	0%	0%	3%	0%

Table 3: Extent of employment

Question 17: Type of employment	CBRC	Foster care	Institutions	Institutions older
Full time	75%	75%	35%	50%
Part time	0%	25%	8%	13%
on an hourly base	6%	0%	14%	0%
Other	0%	0%	0%	0%

In the field of **income**, the average monthly income and the main source of income have been investigated. The answers to the questions are understood as indicators to self-sustainability and maturity. Once again, the metrics of Community Based Residential Care and Foster/Kinship Care leavers outperform those of Institutional Care leavers.

Figure 4: Income

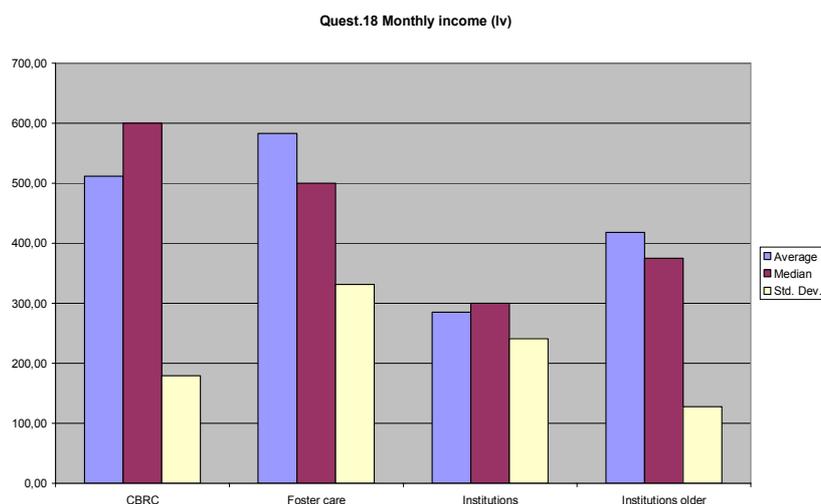


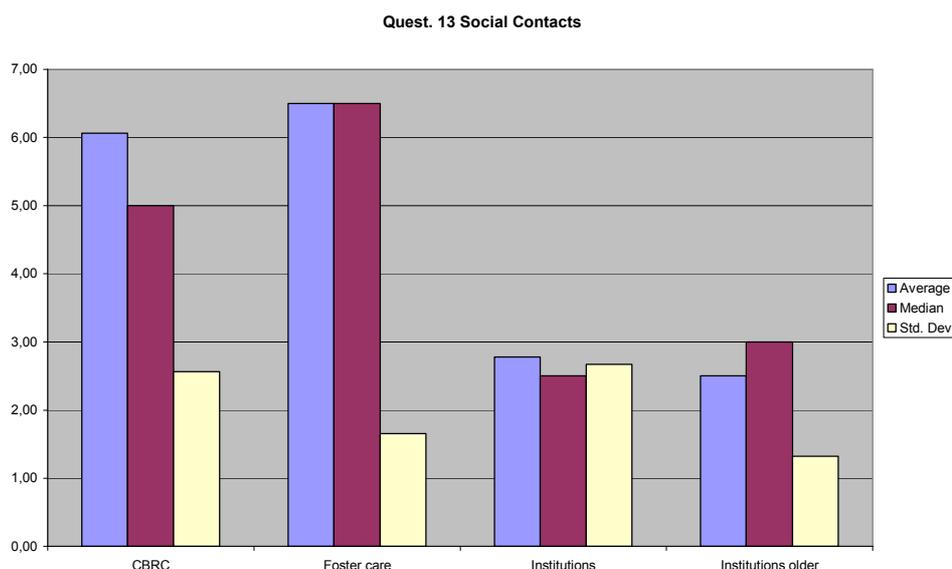
Table 4: Sources of income

	CBRC	Foster care	Institutions	Institutions older
Only salary	56%	58%	30%	50%
Own business	0%	0%	0%	0%
Salary and other	25%	33%	11%	13%
Social Benefits	0%	0%	14%	25%
Fellowship or Donation	19%	8%	16%	13%

Considering **sociability**, the questions focused on the number and quality of close and significant social relationships. The figure below illustrates that care leavers from Community Based Residential Care and Foster/Kinship Care leavers tend to be more sociable than Institutional Care leavers.

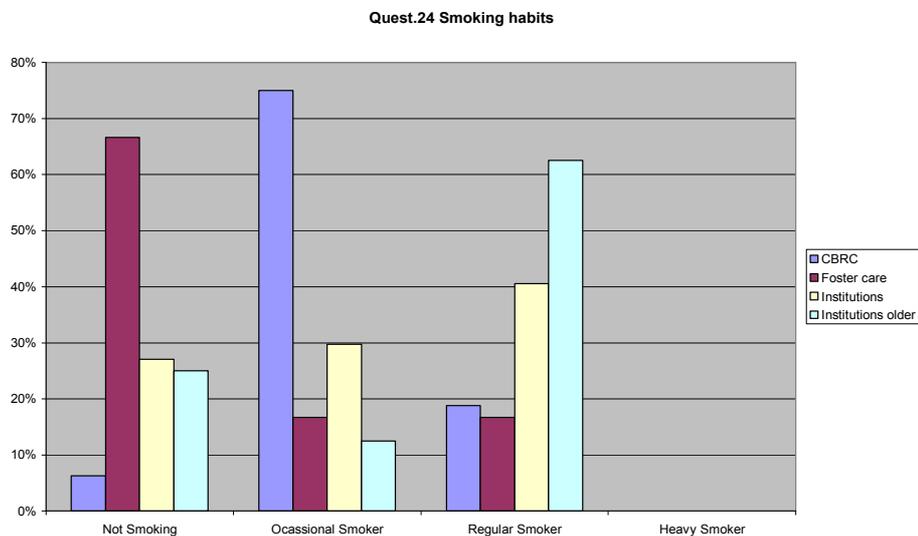
Care leavers from SOS Children Villages and Foster/Kinship Care often mention their former carers as significant contacts. This is an indication that the care leavers value their carers as “reference adults”. Care leavers from institutions list mostly peers living in similar conditions as significant contacts.

Figure 5: Social contacts



In the field of **risky behaviour**, smoking and alcohol habits, use of drugs, frequency of fights and problems with the law, as well as sexual behaviour have been examined. They are understood as indicators of sociability. Here the smoking habits are indicatively depicted. Community Based Residential Care and Foster/Kinship Care leavers have a remarkably less risky behaviour than Institutional Care leavers; the latter eventually modify their behaviour over time by e.g. adopting socially acceptable risky habits (i.e. smoking).

Figure 6: Smoking habits



Several questions were asked as indicators of personality/maturity and sociability. These questions are rather subjective and the answers depend on the self-awareness and perception of reality of the respondents.

Table 5: Question 34: Ability to make independent decisions

	CBRC	Foster care	Institutions	Institutions older
Never	0%	0%	16%	38%
Sometimes	31%	33%	30%	25%
Often	25%	42%	8%	0%
Always	44%	25%	46%	38%

4.2 Child Care Costs

The calculation of costs per child in the three care systems has been a delicate and complicated exercise. The main sources of information were the Ministry of Finance, the Agency for Social Assistance, municipalities, directors of institutions, care providers and foster families.

In the table below the costs of the three types of Child Care are presented:

Table 6: Comparison of Child Care Costs per Child and Year

Type of Child Care	Average cost per child and year ³	Total costs per placement of 12 years
1a.SOS Children Villages (values from 2010, discounted projection average for 2007-2009)	€ 5.851	€ 70.212
1b. ARK, case 1 ⁴ (values from 2010)	€ 5.563	€ 66.756
1c. ARK case 2 ⁵ (values from 2010)	€ 4.001	€ 48.012
2a.Foster Care Prof. (values from 2007-2008)	€ 4.102/1.763	€ 49.224/€ 21.156
2b.Foster Care Volunteer (values from 2007-2008)	€ 3.547/1.209	€ 42.564/€ 14.508
2c.Kinship Care (values from 2007-2008)	€ 3.014/675	€ 36.168/€ 8.100
3. Institutional care (values from 2007-2009)	€ 3.459	€ 41.508

At that point, some comments are necessary for the interpretation of the results:

- **Community Based Residential Care** is the most expensive child care form on a cost per child base. This is explainable due to the higher cost of specialised personnel and by the inherent consequences of the relative small scale of care units. Hence economies of scale are hardly possible. Furthermore, due to the set-up and standardisation of care provision, one could assume that stated amounts represented full costs, in comparison to the other two forms, which contain hidden costs.
- **Kinship and Foster Care** forms demonstrate total cost per child levels similar to institutional care, but far cheaper for the state budget, as a significant part of the costs are covered by the families themselves, or by the service providers. This represents a specific “shifting/sharing the burden” phenomenon where childcare costs are shared between the state and families. While state investment in these forms of care is very clear and represents the respective one-off and regular monthly social payments, the investments from the families are more difficult to calculate (i.e. the hidden costs stated above). Based on the information received by sample families, we may assume that the average yearly amount invested by a family per child is 4.560 leva (2.338 EUR), which is twice or three times higher than the amount invested by the state.
- From a pure state budget cost perspective, the **Institutional Care** is the middle way between the three systems. Furthermore a more careful view in the accounting system of the institutions reveals that certain grey figures distort the final value of the indicator “total costs/child”. For example rents for facilities are not paid or are calculated far below market level, depreciation of assets is non-existent or extremely rudimentary, while the

³ for foster care the first figure given represents total costs borne by state budget AND foster family while the second figure refers only to state budget relevant cost.

⁴ ARK was not included in the survey, since there are no care leavers yet which satisfied the selection criteria. However for comparability reasons, their placement costs have been included in the comparison of systems. In the first case ARK is bearing the full cost of the service during the pilot phase. Since the service is at the beginning, costs tend to be relatively high. The data stem from the SGH service in Stara Zagora.

⁵ In this case the cost is being financed by the state; hence the cost is oriented towards the standard set for institutional child care. The data stem from the SGH service in Stara Zagora.

accounting system does not allow for an allocation of costs per annum but rather on the time of invoice entry. In comparison these costs are clearly and visible borne and accounted by community based residential care. Additionally many services related to emotional and social needs are provided externally on a pro bono basis as in kind contributions and are not visible in the accounts. While at the present level of research, the grey figure can be hardly assessed, it could be stated that institutional care per child is considerably more expensive, especially if saving effects of economies of scale (due to e.g. big institutions, standardisation of services etc.) could be identified and neutralised.

- **Last but not least**, it should be underlined that even under consideration of all possible assumptions and simulations, the basic order of Community Based Residential Care costs over Institutional Care costs over Foster/Kinship Care costs remains unaltered.

4.3 Outcomes of the Cost-Benefit Analysis

As already stated the focus for the calculation of the benefits is on the **sub-models related to economic outcomes** - be that by income generation resulting from economic activity of former care takers, or by direct and indirect cost due to unemployment of these. The calculation model itself integrates the logic-models of cost of unemployment and income generated into a single form. It is a **projection based on comparative static analysis**.

The underlying **hypothesis** is that **level of education attained is the key success factor** and educational attainment (matched with International Standard Classification of Education (ISCED) categories) is the **main explanatory variable** for the outcomes calculated. The results are further categorised based on Gender and Child Care system.

Income, and thus benefits, is calculated using three variants:

- **Variant “P Ia”** is the most ‘simple’ structure relying only on **national average income per person and year** (National Institute of statistics - wages and salaries, average of the years 2007 – 2009); ISCED level, ISCED income index and gender. This is the conservative variant.
- **Variant “P Ib”** is using the **average income per person and year of the field survey** broken down to Gender and ISCED level without application of the ISCED-income index. This variant is more closely modelled on the results of the survey; by using the average income, individual values are smoothed.
- **Variant “P Ic”** is based on **specific income declared by the interviewees of the survey** broken down to gender and ISCED level, also without application of the ISCED-income index. This variant is modelled exactly on the results of the survey; by using the specific income the picture becomes more detailed.

Variants “P Ib” and “P Ic” are used mainly for illustrative purposes as the survey is not based on a representative sample. However, the national declared average income is considered to be lower than the real one; the survey data are considered to be more realistic.

Subsequently, an overall net-result is calculated (income generated reduced by loss of contributions, unemployment benefits paid and spending on active employment measures) for an average care leaver by gender. The average is a weighted one, taking into consideration the ISCED levels reached.

The Benefit/Cost ratios for placement duration of 12 years and an “after-care observation period” of 40 years are shown in the table below. A more detailed picture is offered in the Technical Annex.

Table 7: Benefit/Cost Ratios of the Child Care Systems⁶

	SOS Children Villages	ARK, case 1	ARK, case 2	Foster care prof. (total cost)	Foster care prof. (state budget alone)	Foster care volunt. (total cost)	Foster care volunt. (state budget alone)	Kinship care (total cost)	Kinship care (state budget alone)	Institutional care
Income Variant "P Ia"										
Female	0,76	0,8	1,11	1,26	2,92	1,45	4,26	1,71	7,63	1,03
Male	1,62	1,71	2,38	1,92	4,47	2,22	6,52	2,61	11,67	1,48
Income Variant "P Ib"										
Female	0,71	0,75	1,04	1,64	3,81	1,89	5,55	2,23	9,95	0,68
Male	1,45	1,53	2,12	1,73	4,03	2	5,87	2,36	10,52	0,95
Income Variant "P Ic"										
Female	0,71	0,75	1,04	1,69	3,93	1,95	5,73	2,3	10,27	0,75
Male	1,47	1,54	2,14	1,79	4,16	2,07	6,06	2,43	10,86	0,95

From the table above the following observations can be made:

- **Foster Care** in all its forms has a superior Benefit/Cost ratio than all the other forms of Child Care; especially for Kinship Care (state budget alone) this can reach the tenfold of the ratio for Institutional Care. This is attributed to the ISCED level attainments of Foster Care leavers, which are generally the highest among the three systems; the related income (for variants "P Ib" and "P Ic"); and the low total cost of placement especially regarding state expenditure, all "shadow costs"⁷ considerations applying;
- **Community Based Residential Care** has in some case an inferior Benefit/Cost ratio compared to Institutional Care, especially for females in variants "P Ia" and "P Ic". This is attributed partially to the higher placement costs (total Community Based Residential Care benefits being higher than Institutional Care in all cases) and partially to the practical orientation of the education delivered within Community Based Residential Care;
- **Institutional Care** fares marginally in all three variants; benefits and costs hold the balance, however at a low level; the positive Benefit/Cost ratio in variant Ia is attributed mainly to the low placement costs and the impact of average national incomes; when survey income data are taken in account the ratio worsens considerably;
- A "**gender gap**" in benefit/cost ratio is evident for all three child care systems. This is due to lower female income, which could be attributed to discrimination of women and lower activity rates. Obviously the Child Care system does not have an impact on that. It is remarkable that in the case of **Community Based Residential Care** the gap is even larger than in Institutional Care. To a certain extent the small gender gap in Institutional Care can be attributed to the overall low incomes of that group. Foster Care stands out as an exception with a small gap in variant Ia which almost vanishes in Ib and Ic when survey income comes into effect.

⁶ For all variants the denominator of each category remains constant. This is the total placement costs as depicted in Table

6. Values below 1 mean that the state is "paying" more than its "receiving", values over 1 the opposite.

⁷ By "shadow costs" we mean all costs actually incurred by the kinship family which remain unaccounted for.

4.4 Strengths and weaknesses of the results

The results of this research should be evaluated through the prism of the following methodological weaknesses and strengths:

- **Size of the sample:** the small size of the sample does not allow for statistically reliable conclusions. A limiting factor has been the very small number of Foster Care leavers already at an age at which the long term impacts of the care system become evident. However, the analysis findings comply to relevant international experience⁸;
- **Need for longitudinal observation of care leavers:** the present study is a “snapshot” in the life of care leavers. The projection of their education, employment and income for the calculation of benefits is only theory driven. The inclusion of older Institutional Care leavers in the analysis offers some insights, but is considered inadequate for generalisations.
- **Structure of cost side:** The analysis of the placement costs includes many grey areas, especially for Institutional Care. In the case of Foster Care, the informal and in kind contributions are also an unknown, yet substantial factor. Community Based Residential Care seems to have the most trustworthy cost representation.
- **Assumptions of the CBA model:** the CBA model operated under specific constraints; e.g. the future costs and benefits have not been discounted to reflect present values. This does not pose a serious problem, since this is the case for all three systems, hence comparison remains unaffected. On the other hand, the discrepancy of benefits when calculating with national average incomes in comparison to survey incomes puts a strain on the representability of the sample, since the benefit/cost ratios change considerably. However the basic order of the systems is not seriously affected, Foster Care remaining the undisputed leader.

The following table provides an overview of the robustness of the benefit/costs ratios:

⁸ See also Chapter 5 of the Technical Annex

Table 8: Robustness of Benefit/Cost Ratios of the Child Care Systems

	Benefits	Costs	Behaviour of B/C ratio
Community Based Residential Care	Reliable to the extent survey results correspond to reality. Benefits could be higher, assuming that the attained education level will lead in the course of time to even higher education levels and thus income and benefits that are higher than the linear projection of the current income.	Reliable. Comparison between SOS and ARK shows that total costs can be lower over time.	Could improve slightly.
Foster Care/Kinship Care	Reliable to the extent survey results correspond to reality. Benefits could be higher for the reasons stated above.	Contain informal contributions which are not affecting the state budget.	Could worsen slightly.
Institutional Care	Reliable to the extent survey results correspond to reality. Benefits could be higher for the reasons stated above but still lower than the other two categories due to the lower starting level.	Contains grey areas due to the accounting system	Could worsen.

It is obvious that even in the case of plausible changes in underlying variables (benefits vs. costs), the three types of child care would most probably retain their order of classification, i.e. of Foster Care fares better than Community Based Residential Care, which in turn fares better than Institutional Care.

5 Conclusions and recommendations

5.1 Conclusions on the three types of Child Care

Considering Inputs:

Community Based Residential Care was researched on the basis of SOS Children' Villages leavers. However most of the findings are expected to apply to all similar services. They have the **highest** yet most clear and attributable **operational costs** at a "per child per year" ratio.

Foster Care is the **most inexpensive** at a "per child per year" when ratio considering state budget relevant expenses only, and it is comparable to the Institutional Care costs when total costs are considered. Kinship Care is by far the most advantageous in terms of costs. However due to the decentralised approach, the assurance of service quality and standards is essential.

Institutional Care demonstrates a **relatively low cost** at a "per child per year" ratio. However the cost structure of the public institutions does not reflect the full costs, hence it could be stated that institutional care per child can be considerably more expensive, economies of scale not being considered.

As a proof of quality of the inputs provided, all care leavers are more or less satisfied with the basic services of their system (i.e. food, shelter etc.). As services become more advanced, Institutional Care falls behind, Community Based Residential Care and Foster Care being equally good.

Considering Outputs:

Community Based Residential Care leavers tend to have a relatively high educational attainment with an orientation on specialised secondary education. They are usually employed after graduation and do not follow often any further education steps. They tend to have independent adult lives, are very skilled in managing their daily tasks, refraining from drugs and alcohol abuses or risky behaviour. They have comparatively the most stable working conditions and operate in an extended social network. They see themselves at a par with their peers and are in general satisfied from their lives.

Foster/Kinship Care leavers behave very similarly to Community Based Residential Care leavers. They are however attaining a higher level of education and continue with their training and studies also after school attaining more closely the education model of the majority of the population, and following typical careers. This could be attributed to the higher level of education, the higher number of social contacts, the existence of employed persons as role models in their surroundings and to the relative easiness of gaining access to employment channels by being raised into "conventional" social arrangements. In some cases they are demonstrating less mature behaviours than Community Based Residential Care and Institutional Care leavers.

Institutional Care leavers tend to have the lowest educational level attained and work in less stable conditions. As a consequence, they earn overall significantly less than the other two groups and rely more on social benefits. They have less extended social networks and socialise often exclusively with other Institutional Care leavers. Their lifestyle is less healthy; on the other hand they express the feeling of being on better physical health, eventually due to the necessity to adapt to worse health services ("survival"), low susceptibility to health problems and difficulties to access health services. There is a tendency for the older institutional care leavers to demonstrate better adaptation to independent life in terms of accommodation, job, income, mature behaviour, compared to the younger ones. At the same time, they score worse on questions connected to mental health and smoking. Eventually, an increased health risk is the price paid by institutional care leavers in order to integrate successfully in adult life. This finding needs further exploration, however it is important from the point of view of expected costs of mental and physical health issues.

As a proof of quality of the “outputs” delivered Community Based Residential Care and Foster Care leavers generate higher benefits to the society in terms of income, employment, health and criminal record.

In terms of costs to benefits ratio Foster/Kinship Care is the undisputable “winner”. Community Based Residential Care is delivering similar high quality outputs, however it is hampered by the high costs per child.

Institutional Care is delivering low quality outputs at a low cost per child, faring better only to costly Community Based Residential Care in some cases.

5.2 Recommendations

The following recommendations have been formulated:

Table 9: Recommendations

Topic	Time Dimension	Addressees
Research		
Active dissemination of the findings of the current research to inform public opinion, child care system as well as policy decision making process.	Short to mid term	State authorities
Introduction of a new paradigm in the analysis of the children needs and the design of a holistic response to these.	Short to mid term	Service providers, academic and research institutions
Set up of system for long term collection and analysis of data on the development progress of the children in the care process and the long term effects of different types of care on children / youth in their lives as adults	Mid-term	State Authorities, service providers, academic and research institutions
Introduction of cost-benefit analysis methodologies / capacity for ex-ante and ex-post assessment of the current and reformed child care system.	Mid to long term	State Authorities, service providers, academic and research institutions
Policy		
Development of a policy promoting support in priority of biological family over foster family over Community Based Residential Care.	Short to mid term	State Authorities
Conceptualisation of a wide range of services related to family support and substitute care.	Short to mid term	State Authorities, Service providers
Increase awareness and enhance participation of care leavers, care receivers and care providers in the policy decision making process.	Mid to long term	National and local authorities Research community NGOs
Increase funding for Foster/Kinship Care and Community Based Residential Care	Permanent	State Authorities

Services operations		
Definition of standards for quality, funding and accounting, taking in account the satisfaction of the children' needs.	Short term	State Authorities, service providers,
Definition of specifications for "intelligent placement", i.e. for the proper placement of children according to their needs in the logic of the policy "support in priority of biological family, foster family and Community Based Residential Care"	Short to mid term	State Authorities, service providers,
Development of monitoring system for the recording of the path of each child in the appropriate child care system.	Short to mid term	Service providers
Improvement of the qualification and training of care takers in order to be able to undertake new patterns of work.	Mid term	Service providers