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## **Abstract**

On any given night in Victoria, around 4,000 children and young people live under the care and protection of the State. For many young people, this care extends over a long period of time, sometimes until their 18<sup>th</sup> birthday. It is well documented that young people leaving State care often lack the social and economic resources to assist them in making the transition into independent living. As a consequence, the long-term life outcomes from this group are frequently very poor. A recent report from The Centre for Excellence in Child and Family Welfare in partnership with Monash University estimated that, for a typical cohort of 450 young people who leave care in Victoria each year, the direct cost to the State resulting from these poor outcomes is \$332.5 million. The estimated average outcomes of the leaving care population are based on a recent survey involving sixty young people who had spent at least two years in care as teenagers. This paper provides an overview of the economic methodology used to estimate this cost, and provides discussion of the motivation for measuring outcomes in terms of costs to the State.

On any given night, up to 4,000 children and young people live in care in Victoria. Many of them live in care for short periods of time. However, some stay in care for longer periods and enter directly into independent living without returning to, and often without the support of, their family of origin. Frequently the young person's departure from State care occurs well before their 18<sup>th</sup> birthday. The consequences of the abuse suffered by many of these young people means that at the time of leaving State care, they are developmentally behind their counterparts in the general population, and are known to achieve poorer outcomes. They often have very few or no social connections or significant relationships and are currently discharged into the community to fend for themselves with no additional support from the State (Cashmore & Paxman 1996; Green & Jones 1999; Maunders et al. 1999; Mendes & Goddard 2000). Despite the breadth of evidence obtained through local, national and international research, to date there has been no State-wide, whole-of-government, coordinated policy in Victoria to support young people's transition from care into adult life.

While other young people in a similar age group in the broader Victorian community generally have a say in the timing of their independence (Mendes & Goddard 2000), and are increasingly delaying their move from the parental home (Percival & Harding 2003), young people who live in State care have very little control over their transition from care into adult life (Cashmore & Paxman 1996). Community organisations providing care for children and young people have long been arguing for support services to be provided to young people at the time of transition and for a period after they make the transition, at least until they turn 25.

Recent research (for example, Green & Jones 1999) has also focused on the need to review the legislative framework, embedding a provision in legislation for ongoing support of young people leaving care beyond the age of 18, and for specific standards, policies, and support programs funded to meet their specific needs – see also Mendes and Moslehuddin (2003, 2004). This review took place in Victoria during 2003/04, and resulted in the *Children, Youth and Families Act 2005*, which at this stage has been passed through the State Parliament. The new legislation places a degree of responsibility for providing support services to young people leaving care up to the age of 21 on the State via the Secretary of the Department of Human Services (DHS), where the young person intends to live independently. The Victorian State budget for 2006/07 commits an amount of \$2.09 million, growing to \$3.73 million recurrently, to help young people leaving care without family support, to make the transition to adulthood (DHS 2006). However, it is not yet clear what the support will entail, or if all young people leaving care will qualify for the support.

This paper reports on the results of an extensive study undertaken by the Centre for Excellence in Child and Family Welfare in partnership with Monash University aimed at determining the costs and benefits that could flow to the State of Victoria if an effective leaving care program were established. In the absence of an existing comprehensive program from which specific cost benefit information could be obtained, the study focused on comparing the experiences of sixty young people who had spent at least two years in care as teenagers, with those of the general population. The results, reported fully in Raman, Inder and Forbes (2005), highlight the magnitude of disadvantage faced by the leaving care cohort relative to the general

population, and provide some evidence that support in the leaving care phase may yield some significant improvements in life outcomes.

In this paper we focus mainly on the second phase of the research agenda reported in Raman et al. (2005), where the differences in life outcomes for those in the leaving care cohort and the general population are used to calculate the extra financial cost borne by the State in supporting those who have left care. This cost analysis gives some idea of the potential financial savings that may result from programmes that support young people leaving care. This focus on costs is designed to show whether public money invested in leaving care programmes is able to yield a return in the form of cost savings which means the programme effectively pays for itself. While financial considerations are not necessarily the only or primary concern, an analysis of this type can provide a powerful argument in attempts to influence the priorities of policy makers.

### **Survey of young adults**

The first phase of the research project involved a detailed survey of 60 young people who had spent at least two years in care during their childhood. The purpose of the survey was to learn about life outcomes for these young people – how are they coping with adjusting to independent life, in terms of study and employment, health-related issues, social connections, housing stability, and general well being and happiness? We were also hoping to identify factors that influenced these outcomes. In particular, was support provided in the period just before and after the young person left care beneficial in helping the young person adjust to adult life? What kinds of support were most helpful?

All young people surveyed were aged between 18 and 25 years at the time of the survey and had been in either foster, kinship or residential care in Victoria for at least two years as teenagers. A Steering Committee comprising senior practitioners, academics and researchers in the child and family welfare sector provided guidance to this project, including providing feedback to the authors in the development of the questionnaire instrument. Ethics clearance was obtained from the Standing Committee on Ethics in Research Involving Humans (SCERH) at Monash University.

Sample selection is a very important issue in this kind of study. A poorly selected sample could well result in biased results. Ideally, the sample would have been randomly selected from an official database of all young people who had left care in Victoria. However, previous research in Victoria has found that this approach is not possible for a number of reasons, including a lack of central and up-to-date Department of Human Services (DHS) records (Owen et al. 2000). There are also significant privacy issues in gaining access to young people from a confidential database that in principle would only be accessed for statutory purposes.

Consequently, the research involved a purposeful sampling technique, which was designed to minimise the risk of an unrepresentative sample. Where possible, characteristics of those young people sampled were compared to publicly available data to validate that the young people in the sample were broadly representative of the current characteristics of the cohort of young people currently in-care in Victoria.

Each young person was interviewed once in person by the same interviewer who was carefully selected, experienced and sensitive to the young persons' wishes and level of participation. The interviewer verbally asked each respondent the questions on the questionnaire and completed the questionnaire forms for each young person.

In terms of characteristics of the survey participants and their in-care experiences, 47% were male, 8% identified themselves as being of Aboriginal or Torres Strait Islander descent, and 60% were from the Melbourne metropolitan area. Sixty per cent of participants first entered care at age 12 or older, and multiple placements were common – 65% had 10 or more placements since the age of 12. Participants were fairly evenly split between residential care and foster care, with a small number in kinship care.

Given our particular interest in leaving care, the survey asked a number of questions about this stage of the young people's journey. For example, 47% of survey participants were discharged from care before the age of 18, and only just over 50% had a case plan involving stable accommodation. Although statistically indistinguishable in our sample, more young people who previously had been in residential care had a case plan upon exit from care than did those young people who had been in foster or kinship care. Almost 50% were unemployed, in jail or taking parenting roles at the time of leaving care. In terms of support, the survey explored a number of areas of support from a number of types of people. While some received some support, whatever support was available was 'patchy' and often depended upon the goodwill of former carers, caseworkers or relatives. To give an example, 43% of

respondents say they never received any help from any family member in the first two years after leaving care.

The third focus of the survey questions was on young people's life outcomes in the post-care phase. The overall picture is not good, a finding that is well documented in other studies of young people who spent significant time in State care. For example, only 5% of participants were in fulltime work, with 53% neither working nor studying, and 90% living on a weekly income of less than \$300. In terms of living situation, instability was the key characteristic, with 36% having moved more than five times in the previous 12 months. Forty-five per cent were in temporary or transitional housing or homeless. Not surprisingly, such unstable living situation is associated with a number of other difficulties: 53% reported difficulties with debt, 47% had some involvement with police, including 37% being charged with an offence. Many care leavers take on parenting at a relatively young age, with 28% of the respondents already parents at the time of the survey, with half of the parents having at least one child born whilst they were in care themselves or within the first two years of leaving care. Evidence for an ongoing cycle of care emerged from the results, with more than half those with children having these children under some order with the Child Protection Unit. This contrasts with a rate of less than one half of one per cent for children in the general population. Disability, general and mental health outcomes are also not encouraging: 65% of respondents reported having been diagnosed with an illness or disability, with many experiencing more than one type. Twenty-three per cent were receiving the Disability Support Pension. Multiple visits to general practitioners and mental health professionals were common, at much higher

levels than typically seen in the general population. Thirty-five per cent had attended a drug or alcohol service of some kind in the previous 12 months.

Some statistical analysis of association between variables highlighted areas where support in the leaving care phase had an important influence on life outcomes. For example, the most significant association was found when the young person had a case plan involving stable housing arrangements on leaving care. The young people who had a stable housing plan at the time of their exit from care were almost twice as likely to be in stable housing at the time of the survey. These young people were also three time more likely to be employed at the time of the survey. There is evidence from the study, therefore, that providing stable accommodation, via a good case plan, may in fact result in a decrease in unemployment amongst adults who have previously been in care. Other findings of the study are that young people who received help from anyone of any kind at the leaving care stage, including help to find employment, financial assistance, emotional support, food or clothing or finding accommodation had significantly improved outcomes in relation to having a greater likelihood of employment, less chance of having involvement with police and crime, and generally having a more positive sense of well being and resilience.

More detailed analysis of these results and their implications can be found in Raman et al. (2005). The overall picture, though, is clear. Young people who have been in care suffer from serious disadvantage, and there is encouraging evidence that support at the leaving care phase can lead to some significant improvement in outcomes.

### **A cost benefit analysis**

The general approach to estimating the cost of the existing Victorian policy is to determine the additional support from State funded services required of young people who have previously been in care beyond what is typically required of young people from the wider community. To do so, the total cost of services over the adult lifetime (taken here as 18-59 years of age) of a representative young person from the general population in Victoria is estimated and compared against a similar estimate of the total lifetime cost of services of a representative young person from the leaving care population. The difference between these two estimates provides an estimate of the average total cost to the State of leaving care in Victoria for each person who is released from care.

The survey findings described in Section 2 provides us with useful information about the frequency of outcomes for those in the leaving care cohort across a range of areas. As the State government already provides a range of general support resources for all Victorians, there are publicly available comparative estimates of costs and overall frequency of use statistics for the general population. Many of our statistics come directly from the Victorian Department of Human Services (DHS), the Productivity Commission (PC), the Australian Institute of Health and Welfare (AIHW), the Australian Institute of Family Studies (AIFS) and the Australian Bureau of Statistics (ABS). From these sources we are able to estimate average costs associated with outcomes.

The survey results provide reasonable estimates of average life outcomes for those who have left care while they are in the 18-25 year-old age range. Estimates of life

outcomes beyond age 25 are difficult to estimate with any accuracy owing to wide individual differences. Based on what is now known about the experiences and life outcomes of people who were in institutional care as wards of the State (Senate Community Affairs References Committee 2004) for the purposes of this study we have assumed that the outcomes achieved by a young person in the first few years of leaving care will continue for most of the adult life. Due to the limitations of the survey and the lack of existing detailed statistics for costs regarding the leaving care population, some further assumptions are needed to complete the analysis. These assumptions are stated where they apply. However, for the purposes of a cost analysis, it is important to remember that we only need estimates of average life outcomes. Furthermore, in our calculations, we have tended towards underestimating the difference in costs between the leaving care and wider Victorian community. Hence we are confident that the cost estimates represent an understatement rather than an exaggeration of the true costs. Despite this conservative approach, the results show very large differences in costs, coming directly from the disproportionately high frequency of poor outcomes in the leaving care population as compared with the general population of Victoria.

To cover the main areas of State government support, outcomes are segregated into the eight categories of children protection; employment and its implication for Goods and Services Tax (GST) revenue; health; mental health; drug and alcohol treatment; police; justice system and correctional services; and housing. For each category of services the survey results are used to obtain an estimate of the percentage of young people from the leaving care population who typically require the particular service. In some categories, additional information regarding the level of service usage is also

estimated from the survey data. Calculations presented below for each category of Government services have been simplified here with the intention of illustrating the methodology, and highlighting the areas where there are large differences between costs. Much more detailed information regarding the data sources, from which the precise estimates of cost and service usage were obtained, is available in Raman et al. (2005)<sup>1</sup>.

### **1. The Cycle of Care: Children involved with the Child Protection Unit**

One of the more costly outcomes to the State of poor support to young people leaving care results from the fact that there is a disproportionate number of young people who themselves have been in care whose children end up involved with the Child Protection Unit (CPU). We refer to this as the *Cycle of Care*. In the general population, only 0.43% of all children are on Care and Protection Orders, whereas 54% of the children of the young people in our sample had *already* been placed on Care and Protection Orders at the time of the survey. While this percentage may seem high, it is of no surprise to many of those involved in the sector, some arguing that the true percentage would be much higher still.

The Productivity Commission (2004) estimates of Government costs suggest the Victorian Government currently spends \$12,994 per substantiation<sup>2</sup> and \$33,791 per annum per child in care. In the general population, the average period of involvement with the CPU is 3.88 years (DHS 2001). However, as is evident from our survey, not only is the incidence of being placed in care more common amongst the children of care leavers, these children are also more likely to enter the CPU at a younger age,

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<sup>1</sup> The final cost figures shown in Table 1 are the same as those from Raman, Inder and Forbes (2005).

<sup>2</sup> Substantiation is where documented evidence of an event of physical, sexual, or psychological abuse and/or neglect was sufficient for the State to deem that it had in fact occurred.

and consequently remain on Care and Protection Orders for a longer period of time. We assume for our calculations, therefore, an average of six years involvement for those children of care leavers who end up involved with the CPU.

We conservatively estimate that the ratio of children to adults of parenting age is 0.8 (this would be the case, for example, if 80% of adults have one child and the remaining 20% have no children at all) and further assume that all children involved with the CPU, regardless of their parent's experiences, have an average of two substantiations throughout their childhood. This leads to an estimated average cost for the leaving care population attributable to the Cycle of Care of \$98,812, where in contrast the total average cost per person from the wider population of \$540.

This huge cost gap of \$98,272 highlights just how vulnerable young people who have left care are to entering into the Cycle of Care. Parenthood, particularly at a relatively young age, is one of the greatest tests of the strengths of any adult's support networks, and the evidence suggests that this support is just not there for many of those who have left care, resulting in potentially destructive and costly outcomes.

## **2. Employment and GST revenue**

The lost revenue to the State from a non-economically active adult is primarily through forgone GST revenue<sup>3</sup>. While GST revenue is not collected directly by the State, the Federal Government-State agreement directs all GST revenue to the States, and States have reduced other taxes in return for the revenue earned from GST. It is thus reasonable to think of forgone GST revenue as a cost to the State.

From the survey results, we estimate that the average weekly income of a young person who has left care is approximately \$250, whereas for the general population of 18-24 year-olds the average weekly income is \$485. A portion of income will be spent on GST-exempt items, primarily food. Although ABS estimates suggest the typical household spends about 13% of income on food (de Vaus, 2004), people on lower incomes usually spend a greater proportion of their income on food. Hence, for the general population we assume that 87% of the \$485 per week attracts GST, whereas in the leaving care population, we assume that only 80% of the \$250 per week attracts GST. Note that these assumptions also imply that the entire weekly earnings are spent, and none are retained as savings. Allowing for savings would not have a large effect on the cost differences.

Average incomes increase substantially once we consider those above 24 years of age, with ABS (2001) data providing an estimated average income of \$673 per week for adults aged 25-59 years. This is mainly because many young people in the 18-24 year age group are typically involved in part-time or full-time study, whereas this is typically less common among people over the age of 24. Further, it is during this later period that one experiences the financial rewards from post-secondary education. Continuing the assumption of zero savings and 13% of incomes spent on GST-exempt items, the average GST contribution from the general population in the 25-59 year range is \$3,043. Adding this to the estimated GST earnings over the 18-24 year period brings the total lifetime contribution to \$119,434 per person for the general population.

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<sup>3</sup> The Goods and Services Tax (GST) is a 10% tax on all sales, with exemptions for particular items,

To determine the comparable lifetime contribution of GST from the leaving care population, some assumptions about income over the ages 25-59 are required. From our sample we know that young people who have left care are often unable to complete secondary education, putting further study completely out of reach, and meaning most are unlikely to achieve incomes as high as the average member of the population. However, we conservatively assume that the relative increase in weekly income for the leaving care cohort is proportional to that of the general community. Hence, we estimate the average weekly income for care leavers aged 25-59 as \$412 per person, meaning the total lifetime contribution to GST revenue for the State would be \$67,317 per person.

### **3. General health services**

Our investigation into general health services indicates a greater number of visits to general practitioners (GPs) by young people leaving care, when compared with the general population. For the young people in our survey, the average number of GP visits over a six-month period was 6.7, while for the wider population the average is reported to be 2.7 (RACGP, 2002). That is, we estimate that care leavers are 2.48 times more likely to visit a GP. While GP visits do not represent all health costs, they are the entry point for access to health services, so we believe it is reasonable to apply this ratio to the overall costs of providing health services.

The most recently available figure for total health expenditure for the State and local Government relates to 2001/02 (AIHW 2002). We adjusted the reported total

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including food and some other essentials.

expenditure for inflation using the change in the Consumer Price Index (ABS, 2005), so that it is reported in equivalent 2004 dollars, and further converted to a *per capita* basis by dividing it by the total population of Victoria. These calculations suggest the cost of providing general health services for each person in the general Victorian population is \$699 per person per year.

To determine the cost for young people leaving care using general health services, we assume that the greater frequency of GP visits is representative of a proportionally higher utilisation of all health services by young people leaving care. We therefore multiply the annual cost of \$699 by 2.48 to obtain the estimated cost of \$1,734 per annum for each person from the leaving care population.

We have no information on how health expenditure per person varies with age, for either those who have left care or for those in the general population, and we assume the relative expenditure ratio of 2.48 holds over the 18-40 year age range. Taking a very conservative stance, we then assume that there is no difference in health costs for those over 40 who have left care, as compared to the general population, and hence include the general health cost to age 40 only. This gives a total cost for a person who left care of \$39,887, and for the wider population, \$16,074.<sup>4</sup>

#### **4. Mental health**

Our survey found that 50% of the participants in the study had sought help from a mental health professional in the past six months, whereas the most comparable figure

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<sup>4</sup> All other costs are calculated for the age range up to age 59. Given our assumption that health costs do not differ past the age of 40, to include costs for the ages 40-59 would make each cost figure higher, but not change the difference in health costs between the two cohorts, and it is the difference that is our primary interest in this work.

for the general population is that 7% of all adults have accessed professional help for mental health issues in the recent past (Productivity Commission, 2004). Therefore we estimate that care leavers are 7.14 times more likely to access mental health services than are people from the general community.

The Victorian State Government spends around \$150 per adult per year on providing mental health services, corresponding to an estimate of \$6,302 over the span of their adult life. Given the fact that care leavers are 7.14 times more likely to access these services, we estimate the lifetime cost of mental health services for the leaving care population as \$45,012.

## **5. Drug and alcohol treatment**

According to available information, we estimate that an average of 2.3% of all Victorians aged between 20 and 29 years receive drug and alcohol treatment each year. However, the results of our survey indicate that young people leaving care are much more likely to access drug and alcohol services, with 35% of respondents having accessed these services in the past 12 months. Hence, we estimate that young people leaving care are 15.22 times more likely to access drug and alcohol services than is the average Victorian aged in their twenties.

The Victorian State Government budget for expenditure on drug and alcohol services in 2003/04 was \$98.6 million, corresponding to a cost of \$29.61 per person per year for the general population, or \$1,244 over one adult's life (to age 59). However, given the much higher frequency of drug and alcohol treatment services used by the young

people in our survey of care leavers, we estimate a cost of \$449 per person per year, corresponding to a lifetime cost of \$18,858 per person.

## **6. Police**

Our survey indicated that 37% of respondents had been charged with an offence in the past 12 months, while in the general population only 0.7% of people had been either arrested or charged. While the services provided by police comprise of more than simply those associated with arrests and convictions, we assume that the ratio of use by young people leaving care to those in the general population will hold across the realm of all police services. We therefore estimate that care leavers are 52.8 times more likely to require the use of police services than the typical person from the general population.

Costs for relevant police services are estimated as \$108 per person per year<sup>5</sup>, which means we obtain an estimate of the lifetime costs per person for the leaving care population of \$240,134, substantially higher than for the general population, where the cost is estimated to be \$4,543.

## **7. Justice system and correctional services**

Coinciding with the disproportionality in police arrests, we find relatively more young people from the leaving care population spending time in correctional services than would be expected from the general population. Our survey found that 11.7% of the young people in the sample had spent some time in detention during the previous 12 months, excluding those on community correction orders. In comparison,

approximately 0.19% of the general population have either been imprisoned, or been on community correction orders. We therefore estimate that care leavers are 61.58 times more likely to be in detention than a typical person from the general population of Victoria.

Bearing in mind that the 0.19% rate for the general population includes community correction orders, and that these are quite common relative to custodial sentences, the difference in the rates between the leaving-care population and the general population regarding detentions will actually be much higher than the comparison between the 11.7% and 0.19% used in our calculations. However, we use these figures to conservatively estimate the relative costs of both processing cases through court and the cost of correctional services, assuming that the relative proportions of involvement with the court system for the two groups is the same as that for detention.

The cost of these correctional services is estimated to be \$69.47 per person per year, corresponding to a per person lifetime cost of \$2,918 associated with the general population. This cost calculation is based on Magistrates and Children's Court costs only (which incidentally are much lower cost than other courts), as they are likely to be most relevant. For the leaving care population, the cost of correctional services is estimated at a substantially higher \$4,278 per person per annum, corresponding to a per person lifetime cost of \$175,598.

## **8. Housing**

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<sup>5</sup> This cost estimate only covers the provision of police services that are clearly relevant – crime investigation, and servicing the judicial system.

Our survey found that 8% of young people leaving care were already in public housing, and 47% were in some kind of temporary or transitional housing. Assuming that two-thirds of the 47% in transitional housing end up dependent on long term housing, or in some other housing source that receives State Government funding roughly equivalent to the cost of public housing, we estimate that 31% of care leavers end up with long term dependence on Government housing funds. Adding this figure to the 8% already in public housing at the time of the survey, we estimate a total of 39% of care leavers are reliant on housing support.

For the general Victorian population, only about 3.2% of households are in public housing. Thus we estimate that adults who have been in care as young people are 12.2 times more likely to require housing support than would a typical person from the general Victorian population.

With State Government spending on public housing given at \$212.71 per person per year, the estimated cost for housing support for the leaving care population is \$2,592 per person per year. Extending these housing costs over the adult lifetime of forty-two years yields a cost for the leaving care population of \$108,883 per person, whereas it is only \$8,934 per person for the wider community.

### **The total cost**

Table 1 displays the estimated lifetime costs per person from the leaving care population and the general population of Victoria for each of the eight areas of Government support. The final column shows the difference, or gap, in these estimated costs, giving the extra cost of providing these services to those in the

leaving care cohort, given the current life outcomes these young people are experiencing on average. The total cost difference of \$738,741 can also be interpreted as the potential maximum cost savings to the State of Victoria for each person leaving care, if the life outcomes of a young person who has previously been in State care can be made to match the typical outcomes of a young person from the general population.

Category	Care	General	Gap
Child Protection	\$98,812	\$540	\$98,272
GST revenue	-\$67,317	- \$119,434	\$52,117
General Health	\$39,887	\$16,074	\$23,813
Mental Health	\$45,012	\$6,302	\$38,710
Drug and Alcohol	\$18,853	\$1,244	\$17,609
Police	\$240,134	\$4,543	\$235,591
Justice & Corr Serv	\$175,598	\$2,918	\$172,680
Housing	\$108,883	\$8,934	\$99,949
Total	\$659,862	-\$78,879	\$738,741

**Table 1:** Estimated costs for the eight area of State Government support, per person. The Gap represents the difference between the relevant costs from the Care and General populations.

The gap between the outcomes of young people from the leaving care population and those of the general Victorian population is significant across all areas, but by far the biggest costs are associated with Police, Justice and Correctional Services. Together these areas account for more than half of the total incremental cost of leaving care. Perhaps most disheartening, however, is the fact that the children of people who have been in care are very likely to end up in care themselves as the Cycle of Care is repeated, and the costs associated with each generation of care leavers will filter on into future generations.

The figure of \$738,741 is associated with a single, representative adult lifetime after leaving care. The best available estimate of the number of 15-18 year olds who were on orders leaving care in Victoria is 450 per year<sup>6</sup>. As a new cohort of care leavers enters independent living each year, these costs will reoccur for each cohort, resulting in an estimated annual cost to Government of \$332.5 million<sup>7</sup>. It should also be stressed that this is a conservative estimate – where assumptions have been needed in the cost calculations, these have generally been made to understate the cost differences rather than overestimate them. The true savings are likely to be significantly higher.

Our research also briefly considered the costs to the State of establishing a ‘wrap-around’ model of support services to help young people leaving care. The comprehensive model of support, developed in part from the responses of the 60 young people interviewed, includes support in the area of, for example, health, education, housing, employment, and mentoring. Estimates of costs were obtained from existing programs that provide some level of support to young people, such as the mentoring and housing programs.

We estimate the cost of providing these services to young people, assuming a 50% utilisation rate (based on the risk and resilience profile of young people drawn from a DHS review and our interviews with the young people) at \$86,000 per young person leaving care over a 7-year period. This cost represents a little over 11% of the estimated average costs to the State if it did not support these young people.

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<sup>6</sup> AIHW (2004), and directly provided DHS data suggesting 217 of those who left care in 2003/04 were not on orders at the time of leaving care.

<sup>7</sup> Not adjusted for inflation.

There is insufficient data in the survey conducted as part of our study or in other data sources to be able to estimate the benefits (in the form of savings) that will accrue to the State Government. Based on international and interstate evidence (for more details see Raman *et al*, 2005) which suggests that the leaving care phase is vital in influencing outcomes, we estimate that if the integrated and on-going program described in our model can produce an improvement of 10% in life outcomes for young people leaving State care, then it will have virtually paid for itself in cost savings.

## **Conclusion**

A Government committed to improvements in the welfare sector is constantly confronted with seemingly unlimited needs and finite budgets. While human need, particularly among those at the margins of society, provides a compelling case on its own for State intervention, an economic analysis of the costs to society of supporting those with particular needs can provide valuable impetus to the social policy debate. This paper has focused on those economic costs in the arena of supporting those leaving state care.

It is often argued that proactive policy action in the form of preparatory or preventative programs can effectively pay for itself in cost savings later. Public education programs in various areas of public health are a classic example, where it is argued that the costs of such programs are usually far outweighed by the benefits in terms of cost savings associated with a healthier society. Cost benefit research of the

kind outlined in this paper provides valuable input on the question of whether it is of economic value to develop such policies.

Whilst this research has primarily been aimed at providing a comprehensive assessment of costs for State Government policy makers, we believe it is useful for all stakeholders to be aware of the approach, as well as highlighting the outcomes for young people leaving care and their implications for service costs. Ongoing monitoring of outcomes against benchmarks is increasingly being sought, and, as advocated by Green and Jones (1999), requires discussion and input at all levels and between organisations. It is hoped that this paper will provide a useful contribution to the debate and discussion about the most effective placement of leaving care resources.

The evidence we present suggests that the potential for benefits to society of improved support in the leaving care phase can be substantial. Even when we focus just on direct costs to the Victorian State Government, the extra costs associated with supporting the young adult who has been in care are extremely high, relative to the costs of providing a modest suite of support for such people around the time when they leave care and transition into independent adulthood. The cost estimates outlined in this paper do not include Commonwealth government outlays, which can be substantial in the health care area, as well as in social transfers such as unemployment benefits and other transfer payments. Nor do they include the private costs of supporting young people, costs borne by former carers and caseworkers who continue to provide material and emotional support well after their obligations to these young people cease. And of course, also missing from these cost analyses are the costs in

terms of loss of opportunities that many young people suffer from because of their multiple disadvantage in the crucial stage of transition to adulthood, and there is also no attempt to place a dollar value on the poorer quality of life that many experience.

The survey results reported in Section 2 provide a glimpse into the lives of young people leaving care. The picture it paints is not good, with young adults who have been in care experiencing significant disadvantage in a number of areas. Only a small percentage of people are engaged with fulltime work or study, and average incomes are very low. This is associated with frequent problems with debt, a great deal of instability in housing, and a number of other personal difficulties. This cohort is vastly over-represented in the judicial system, as well as experiencing substantially greater general and mental health issues. It is clear that the in-care and leaving care experiences of many of these young people are not preparing them adequately for the challenges of adult life.

The new *Children, Youth and Families Act 2005* represents the Victorian Government response to a number of the concerns that have been expressed in the sector around children's in care and leaving care experiences and the need to support them adequately during and after their transition to independent living. However, the resources committed in the recent State budget, while a considerable improvement over current levels, seem inadequate for the development of a comprehensive service response for young people leaving State care. It remains to be seen what model of service will be developed in the implementation phase with the limited resources and whether the lessons from this phase will lead to opportunities to build a comprehensive service response in the future for young people leaving care.

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