

THEMEGROUP YOUTH



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Europeiska socialfonden

Young people outside the labour market

A socioeconomic discussion

Publications from Theme Group Youth 2010:3

Theme Group Youth

Theme group Youth is one of five theme groups within the social fund in Sweden during the program period 2007-2013. Focus lies on youth projects within OP1 as well as OP2. Theme Group Youth is composed of a steering group with representatives from following actors:

- The Swedish National Board for Youth Affairs
- The Swedish Public Employment Service
- The National Board of Health and Welfare
- Swedish Association of Local Authorities and Regions (SALAR)
- The Swedish Social Insurance Agency
- The Swedish National Agency for Education
- The National Board of Health and Welfare
- Communicare

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Preface

This is a summative report about the costs of exclusion. It discusses the way we plan and finance public measures. The author Ingvar Nilsson is a well-known Swedish authority on socioeconomic modelling and calculations. In this report he discusses the paradox of measures against exclusion being funded in different sectors while the needs of individuals span several sectors, which leads to the costs and the gains being shown as accruing to different sectors without anyone seeming to have the overall view.

As a consequence of lack of visible learning from former program periods the Swedish ESF Council have decided to fund five theme groups during the period of 2007-2013. Each theme group has been assigned to collect, aggregate and disseminate knowledge and experiences about methods developed and the added value of the projects (for more information about the other theme groups see www.temaunga.se/english/links.html). Theme Group Youth focuses on projects that have young participants. Through surveys and study visits and via evaluations and reports, Theme Group Youth tries to maintain an overall view of all projects in general. We produce reports about methods used in the projects, and we produce new knowledge in areas where we see that such a need prevails. This report falls under the latter category.

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www.temaunga.se*

Inger Ashing
Theme Group Youth, Chairman of the Steering Group

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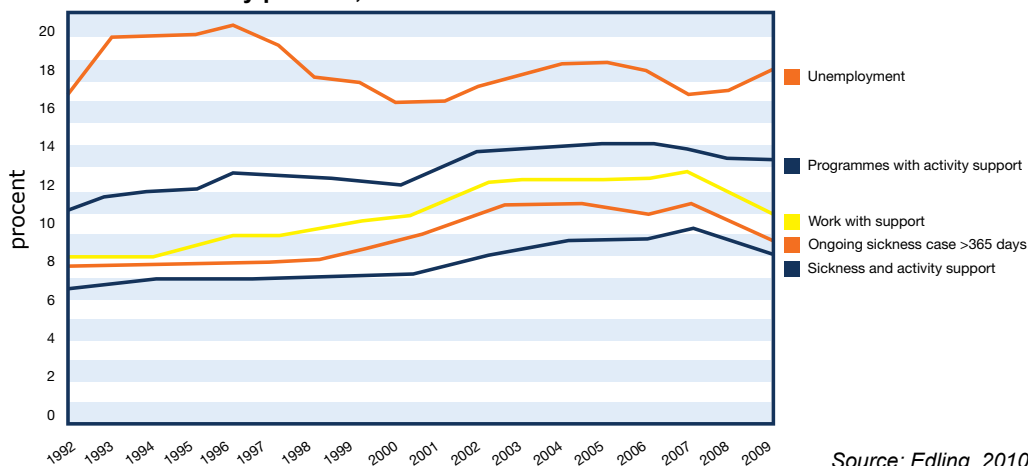


The Swedish welfare system is essentially made up of two parts. The first part primarily comprises what could be referred to as the ‘production’ of various welfare services – the real side of the public sector. The second part comprises various forms of income transfer, generally in the form of allowances and benefits and referred to as ‘public finance costs’ – the financial side of the public sector. The scope of the welfare produced (that is, how much child care, schools, health care and care of the elderly we can afford) depends on two things: first, how much tax is paid into our system (determined by, for example, how many people are working and paying tax), but also depends on how much money is required for the various benefits and allowances. This balance is closely linked to demographic changes in society, such as the number of children born and the proportion of elderly people, although it also depends on how many people of working age are actually working. At the present time the proportion of people of working age in Sweden is gradually reducing. There are 5.5 million people in Sweden between the ages of 20 and 64 – the potential labour force. The objective of the Swedish Government has at certain times been to achieve an employment level (the proportion

of those of working age who are working) of 80 per cent. This level is currently 78 per cent.¹ This means that a slightly lower proportion is contributing to the tax revenues for the public sector and also that there are more people to support. In the diagram below, we show how the proportion of people supported by public finance has remained at between 18 per cent and 20 per cent for many years (Edling, 2010).

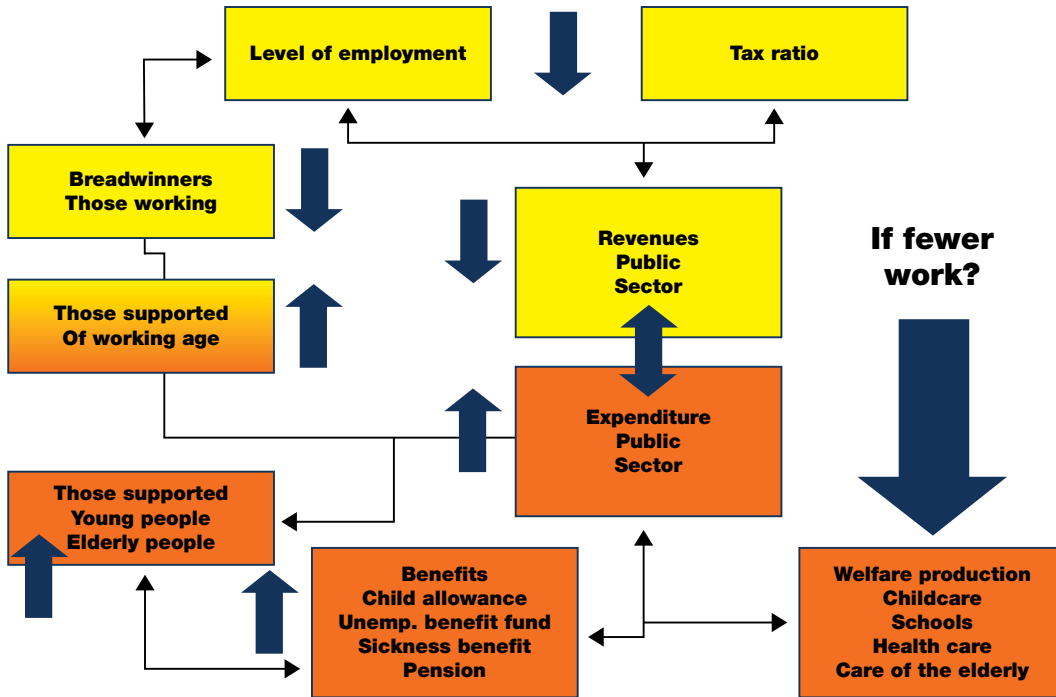
We can see that the proportion of those receiving sickness or activity compensation has fallen slightly in recent years. However, the number of people receiving financial assistance (social assistance) has simultaneously increased at a greater rate than this reduction. Rounded up slightly, it may be said that one million people, or just under 20 per cent of the workforce, are continually being supported by public finance. The consequences of this are shown in the figure below. As fewer people are working, there is not only less revenue for the public sector but also an increase in expenditure in the form of benefits and allowances. This results in (*ceteris paribus*) less scope for schools, child care, health care and care of the elderly. This obviously leads to the question: what can we do about this situation?

1. People who are unemployed, on long-term sick leave and on disability pension, 1992-2008



Source: Edling, 2010.

2. The link between expenditure and income in the public sector and balances between breadwinners and those being supported



We will start by describing the current situation for young people. A picture emerges from reports from Statistics Sweden (SCB), the Swedish National Institute of Public Health, the Swedish Social Insurance Agency (Fk), the National Board of Health and Welfare, the Swedish Enforcement Authority and the National Board for Youth Affairs, of a growing generation with very different preconditions. A significant proportion suffers accordingly, primarily mentally. The picture becomes even gloomier when we look solely at the economy and the situation in the labour market.

Economic conditions and work for young people

One of the manifestations of marginalisation is exclusion from the labour market. This in its

turn leads to people being subjected to a form of economic marginalisation. The statistics show this in several different ways:

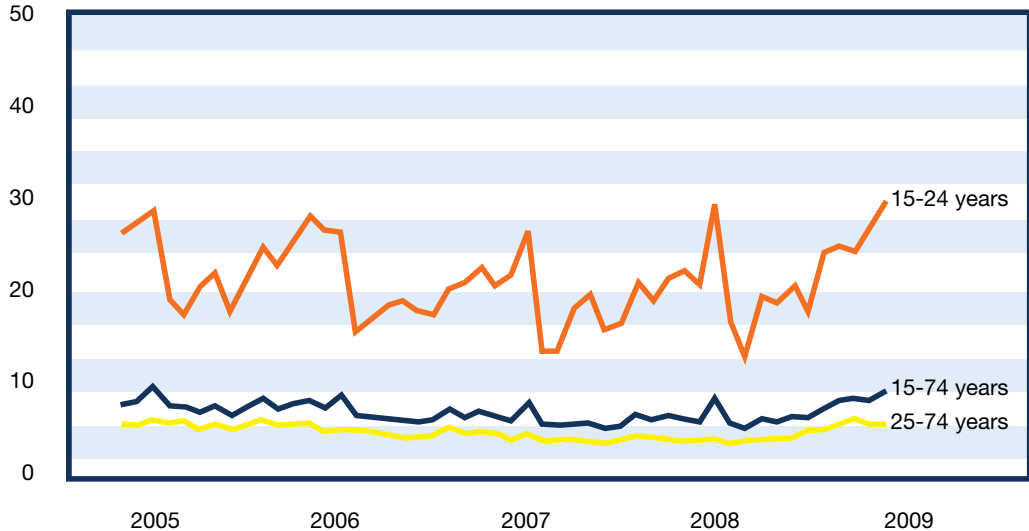
- Unemployment among young people is between two and three times higher than for the population on average. While unemployment for the group aged between 15 and 74 lies at around or below the ten per cent level, the corresponding figure for young people (aged 15-24) fluctuates between 20 and 30 per cent; this figure is even higher for very young people (SCB)
- Unemployment among young people between the ages of 20 and 24 has increased from 6 per cent to 14 per cent (SCB) since 1991

- Twelve per cent of single young people without children between the ages of 20 and 29 had a low economic standard² in 2001. In 2009 this figure had increased to 30 per cent. 76 per cent of young people with children have a low economic standard (National Board for Youth Affairs, 2010)
- The Enforcement Authority received 157,438 applications for summary payment orders for young people between the ages of 18 and 25 in 2009. This represents an increase of 21 per cent from the previous year and 47 per cent since 2005 (National Board for Youth Affairs, 2010)
- Approximately 8 to 9 per cent of young men and women between the ages of 19 and 25 live in households that receive financial assistance. The corresponding figure for adults is 4 per cent (National Board for Youth Affairs, 2010)

- In April 2010, 25,859 people between the ages of 19 and 29 received activity compensation on account of ill-health or a functional impairment. There has been a gradual increase in the number of people receiving activity compensation between the ages of 19 and 29. This number has doubled since early 2005. Men in the age group 20-24 years represent most of this number (Fk 2010)

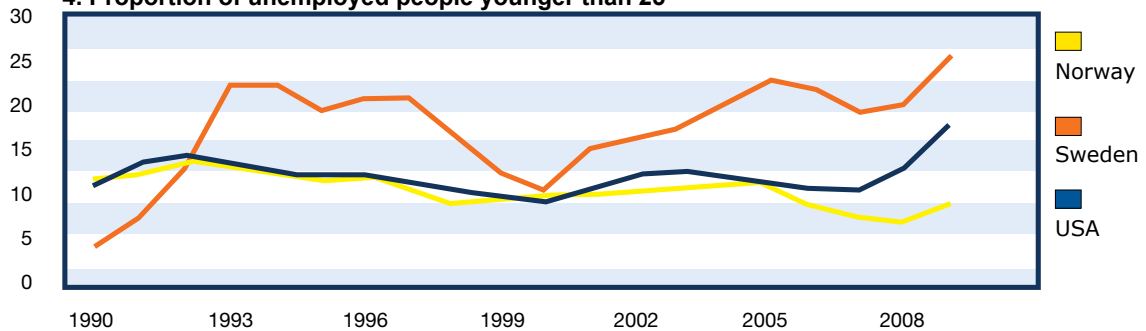
These statistics really say four different things: the first is that young people are more vulnerable than the population in general. The second is that the situation has deteriorated when viewed over a long-term perspective. The third is that this is a long-term trend. The fourth is that this is structural and not a temporary situation or dependent on the economic cycle. The figure below shows that unemployment among young people is significantly higher than for the population in general.³

3. Unemployment within the labour force for various age groups (per cent)



Source: AKU, SCB.

4. Proportion of unemployed people younger than 25



Proportion of unemployed people in the labour force between the ages of 15 and 25 in Sweden, Norway and the United States, Eurostat. Note: It is important to note that the statistics from Eurostat are continually being revised and also that Eurostat marginally adjusts its figures for comparability. Time series break: 2001 for Sweden and 1995 and 1997 for Norway. Source: Eurostat

A comprehensive survey of one of the age groups of young people (children born in 1981) conducted by the Swedish Association of Local Authorities and Regions found that:

- 27 per cent of the age group did not have a final certificate from upper secondary school by the age of 20
- 13 per cent of the entire group were neither studying nor working at the age of 24
- 53 per cent of those without a final certificate from upper secondary school were neither in work nor studying at the age of 24

The picture is even bleaker viewed from a more long-term perspective. From very low levels of youth unemployment in the early 1990s (five per cent or less), we are now a country with an extremely unflattering level of youth unemployment – around ten per cent of the population in this age bracket and even higher if we exclude those young people who are in education and training and not part of the labour force. This change appears to be both long-term and structural.

In the following text, we will meet two people who will be used as examples. One is a young woman, who was not particularly successful at school, which meant that there was a high risk of her ending up in long-term exclusion. However, we will start with Olle, a young man in a really difficult situation. Both have been given fictional names but are based on real life stories.

Early life

Olle is now 23 years old. He has been in contact with the social authorities throughout his life. Olle grew up with a mother, who has been a substance misuser on and off throughout her life, and an absent father. Olle has a sister who is two years younger than him. He was placed in several family homes during his childhood and has also had a handful of contact persons in social services.

Olle's schooling has been marked by failure and he has never been motivated to attend traditional schooling. Olle attended compulsory school, although his attendance in lessons was sporadic – he tended to wander the corridors. Teachers and welfare officers considered him to be a nice boy if a little restless. Olle left compulsory school with an incomplete certificate and without any direction in his life.

The municipality intervened after compulsory school, paying for a training place for Olle that enabled him to take his driving test, and he then got work within the transport sector.

Early adulthood

After a few months, Olle lost his job and driving licence after drink-driving. Olle received a conditional sentence and the probation service became involved. Olle participated in a detoxification programme organised by the probation service. Olle then registered with the Swedish Public Employment Service but felt that he did not get any support. Because of this he did not go to the follow-up meeting and was deregistered. Olle was unaware of his deregistration but had been waiting for someone to contact him.

Olle has from an early age mixed with groups that were heavily involved with alcohol, criminality and drugs. Olle became severely depressed at certain times during his late teens, which resulted in him self-medicating and attempting suicide. He also had contact with the mental health services when he was depressed and was prescribed anti-depressants.

When Olle lost his job, he approached the municipality's Work and Self-support Office. Olle was under the influence at the time of his visit. Olle was offered contact with a unit within the municipality that deals with dependency issues; he went along but, as he commented afterwards: "It was easy as anything to rig the piss tests".

In conjunction with his first visit to the municipality's Work and Self-support Office, the labour market officer arranged work for Olle as a telephone salesperson in Denmark. This arrangement lasted for 14 days and Olle then spent more time in Christiania than at work, and was dismissed as a consequence. Olle re-registered with the Swedish Public Employment Service but did not keep in touch with them and was deregistered. The pattern had repeated itself. Olle supported himself sporadically through financial assistance, suspected criminality and by borrowing money, and got himself into rent arrears.

Probable future

What will happen to Olle if nothing is done and his destructive pattern is not broken? A possible scenario is shown here:

His rent arrears escalate and Olle loses his accommodation. As he has not complied with the arrangements planned with the municipality's Work and Self-support Office and has not demonstrated any progress of his own or any willingness to contribute, his application for maintenance support to pay his rent arrears is rejected. A social welfare officer is brought in and Olle is allocated accommodation at one of the municipality's youth hostels.

The social welfare officer works to motivate Olle to contact the people he needs in order to go forward. He registers with the Swedish Public Employment Service again, shows this registration to the financial assistance officer, is consequently granted maintenance support but

does not bother to attend any further meetings with the Swedish Public Employment Service. Olle continues on his way, contacting the authorities sporadically. By this time, he has become good at coming out with what the system wants to hear and in this way manages to get by somehow.

After a short while, Olle gets a chance of work experience at a company through a friend. He then applies to the Swedish Public Employment Service for support, but as he has not kept in contact and has thus not been registered for a sufficiently long period, he is not granted the work experience position. Instead, Olle works on an undeclared basis every now and then. During this period of undeclared work, Olle will have no contact with the municipality's Work and Self-support Office or with the Swedish Public Employment Service, other than to get money for his accommodation.

Olle does not accept any responsibility for his finances and thus incurs debts in addition to his rent arrears. These debts are referred to the Enforcement Authority and there is a risk of Olle having his property attached. As he has no income or accommodation, there is nothing to attach. Olle has ended up in a spiral where there are no economic incentives for him to settle down into social and working life. Nor is he considered for initiatives within the municipality or the Swedish Public Employment Service but lives in established exclusion.

Olle will probably continue to work his way around the different authorities. Society will offer him initiatives; sometimes these will be coordinated, sometimes counterproductive. Meanwhile, Olle will continue to support himself through undeclared work, criminality and drugs.

Olle will possibly meet a girl soon who is likely to be a few years younger than him. She will probably become pregnant quite quickly and Olle will become a father. As Olle has grown up in several foster families, this is also

likely to be case for Olle's children.

There is thus a significant risk that Olle's future will be a passage to permanent exclusion

This raises a number of issues:

- How can Olle's destructive way of life be broken?
- How common is this way of life among children and young people?
- What does it cost society in both the short and long term?
- How worthwhile would it be to break this destructive process?

The cost of Olle's marginalisation

It consequently appears that entry barriers to the labour market have been created for young people. The effects of these barriers appear to be increasing and they have a particularly adverse impact on young people who have not done well at school.

Nature of costs

Besides the young person suffering as a consequence of marginalisation, there will also be significant economic costs, both for the individual and for society. First of all, we all have the direct welfare costs that arise in the form of all of the different initiatives applied in relation to Olle and other vulnerable children and young people – investigations, home studies, doctor's appointments, stays in institutions, etc. There will also be 'indirect welfare costs', for instance in the form of parents registering on sick leave, reducing working hours in order to support their children, contacting medical services and social services, etc.

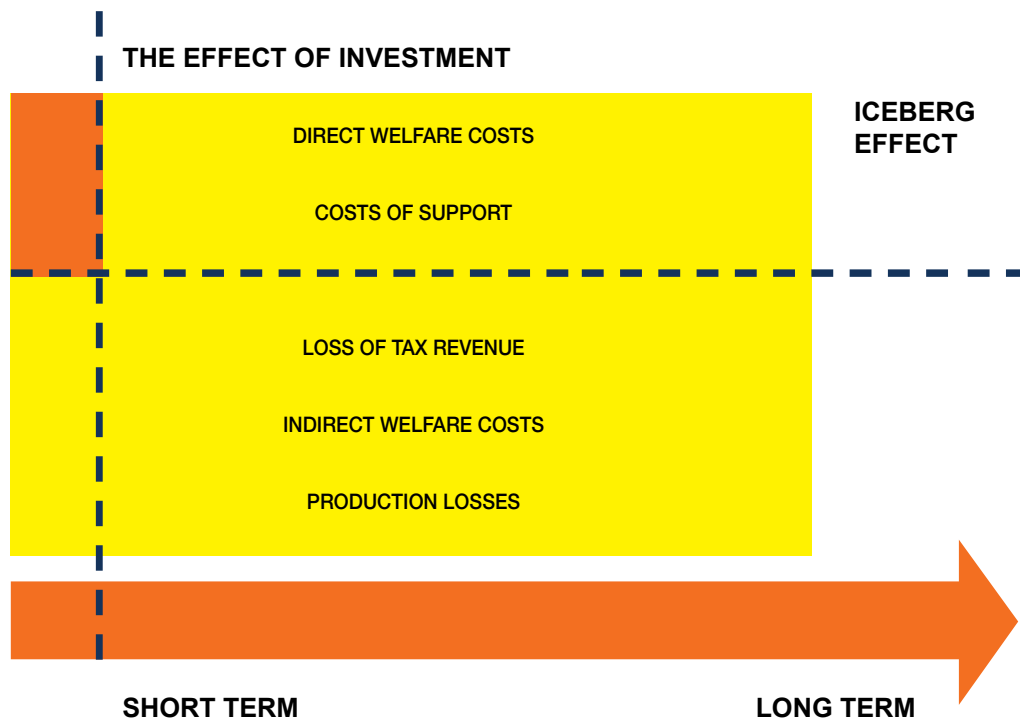
A third group of costs are what economists would refer to as financial costs and which we partly describe in this report as the various

costs of support as a consequence of exclusion, such as the unemployment benefit fund, sickness and activity compensation, financial assistance, etc. However, there are also all of the tax revenues that are not generated as a consequence of production losses that arise because Olle is not working and contributing to economic development, including loss of VAT, local government and central government taxes.⁴

In simple terms, these costs may be divided up on a time axis into those that arise during childhood and youth and those that arise during adulthood. As implied by the figure below, some costs arise in the short term whilst others (significantly greater) arise in the long term. The price tag of exclusion often ticks away year after year.

One of the fundamental problems when evaluating the cost of exclusion is that the invisible indirect costs can easily be missed (a kind of iceberg effect) and the long-term time perspective (the deficiency on a social investment perspective) may also be overlooked. The effects and costs of exclusion are consequently normally significantly underestimated. The yellow area in the figure below illustrates the total cost of a certain form of exclusion. The visible component of exclusion is the section shown above the horizontal dashed line (the top of the iceberg). The short-term costs of exclusion are shown to the left of the vertical dashed line (the effect of investment). The orange area in the figure indicates the short-term, visible component of the cost of exclusion.

5. The visible and invisible costs of exclusion



The overall cost of Olle's marginalisation

In this very much summarised report, we have not made completely new calculations concerning exclusion. We have partly reused and partly modified results from previous studies; primarily our studies from Österåker, Sörmland, Jönköping and for the Swedish Agency for Public Management (see also the list of reports in the appendix). When these refer to future effects, we have discounted these by four per cent, and when they refer to future production values, we have attributed them with a value corresponding to monthly pay of SEK 18,000 (see appendix).

Short-term costs for Olle

Table 6 shows the average annual cost of Olle's future expected exclusion. The total annual cost expected amounts to just over SEK 400,000. We can also see that the municipality and the Swedish Social Insurance Agency bear a great part of these costs due to, for example, maintenance support and illness. There is a further cost of just over SEK 300,000 if we also include the production losses that arise as a consequence of Olle not managing to enter the labour market. In total, the socioeconomic effects of his exclusion are more than SEK 700,000 per year.

In table 7 to the right we see the same costs but in percentage terms allocated between the various stakeholders. We can anticipate that a significant part of the costs that arise for the municipality relate to financial assistance, but perhaps also partly the cost of future care in terms of his substance misuse. The costs incurred by the Swedish Social Insurance Agency relate mainly to sickness benefit, activity compensation and eventually sickness compensation.

The county council costs probably relate first to primary care, dependency care and outpatient psychiatric care. However, he also

incurs costs for emergency treatment as a consequence of the rather tough life that he leads. The costs for the judicial system and the public could possibly be said to be the direct and indirect costs of the criminality that results from his substance misuse and general lifestyle. However, Olle's costs are rather limited compared to a professional criminal or serious substance misuse.

Long-term costs for Olle

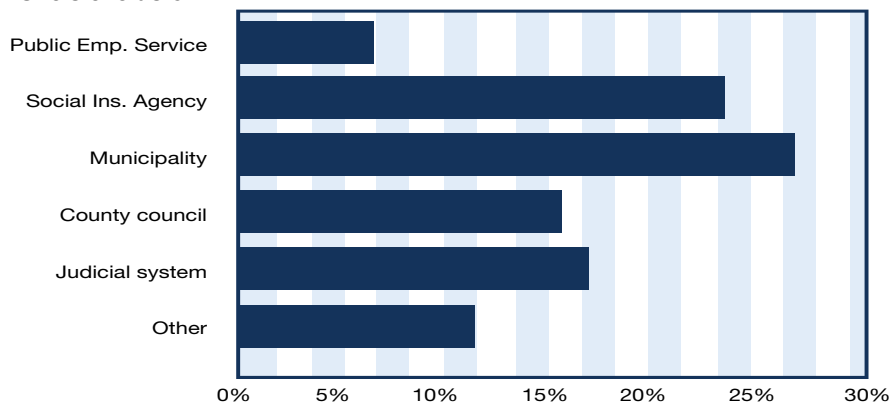
What will be the costs over the long term? And what do we mean by 'long term'? A relevant time period may be up until retirement, in this case 45 years ahead. In table 8 we have illustrated the total accumulated cost of Olle's exclusion at certain points in time; annually, during a mandate period (four years) and at several other points in time. This shows that the cost of Olle's exclusion will be around 15 MSEK if Olle does not settle down at all; an interesting figure to have as a starting point when deciding what it may be worth to break this exclusion.

This data is reproduced as a graph in diagram 9. It should be mentioned that the arched form of the curve does not reflect a reduction in the cost the further forward in time we come. In actual fact it is often precisely the opposite. The cost of exclusion has a tendency to accelerate, at least in the medium term (10 to 20 years). The form of the curve reflects the fact that future effects are discounted by four per cent.

6. The annual cost of Olle's exclusion in Swedish kronor

| | Costs | Production value | Total |
|---------------------|----------------|------------------|----------------|
| Public Emp. Service | 27 255 | | |
| Social Ins. Agency | 95 189 | | |
| Municipality | 108 538 | | |
| County Council | 63 159 | | |
| Judical system | 68 022 | | |
| Other | 46 303 | | |
| Total | 408 466 | 302 400 | 710 866 |

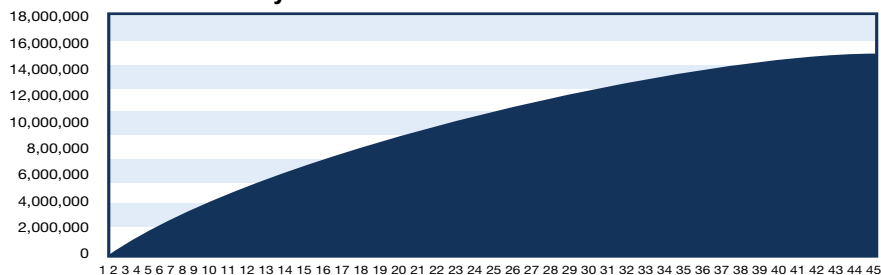
7. Percentage allocation between various stakeholders of the annual cost of Olle's exclusion



8. The long-term cost of Olle's exclusion in Swedish kronor

| | Number of years | | | | | | |
|------|-----------------|-----------|-----------|-----------|------------|------------|------------|
| | 1 | 4 | 10 | 15 | 20 | 25 | 45 |
| Gain | 710 866 | 2 683 584 | 5 996 390 | 8 219 831 | 10 047 337 | 11 549 413 | 15 318 338 |

9. The long-term cost of Olle's exclusion in Swedish kronor and number of years



A lack of resources is not the issue

Based on what we know of Olle's life to date, it would not be unreasonable to anticipate that he is likely to have quite a gloomy future ahead of him unless something is done – problems with substance misuse, mental imbalance, lack of education or training. His prospects in the labour market are not particularly bright. No initiatives have been made on the part of society. Instead, considerable resources have been invested in him, despite these not having been successful. How did he end up like this? We can see a number of possible explanations:

- the initiatives were applied **too late**, when problems had already managed to grow and develop
- the initiatives were **reactive** rather than preventive; we waited too long before intervening
- the initiatives are **not founded on knowledge-based** methods but on what is customary or available
- the initiatives have **not been coordinated**, and are thus not mutually supportive – each individual caseworker and stakeholder acts independently
- there are **weaknesses in the structure** surrounding the initiatives and nobody sees, keeps control of or assumes responsibility for the overall situation concerning the initiatives applied in respect of Olle
- there is **no continuity and staying power or sustainability** in respect of the initiatives applied for Olle
- there is no deeper understanding or **knowledge about the real problems** behind Olle's behaviour and consequently a lot of initiatives are directed at the symptoms he presents instead of the underlying causes

During the 30 years of our work relating to the economy of exclusion, we have met hundreds of people adversely affected by this kind of problem. They recur systematically throughout Sweden, in some cases just like Olle. Some cases have been going on for a relatively short while and some have been going on for longer. The striking thing about Olle is consequently not the lack of initiatives or the lack of resources. Nor does it involve a lack of good will. Olle is surrounded by people who have good intentions and with good will. It relates to how we use these resources in the most effective way possible for the sake of Olle and for the sake of the taxpayer.

The way in which we are dealing with Olle today not only leads to human and often unnecessary suffering. It also results in an extensive and a largely unnecessary waste of resources. Olle is probably a young man who, supported by the right and coordinated initiatives at the right time, would be able to both cope with his problem as a young person and live a fully satisfactory life as an adult.

Did everything work out for Olle?

Well it didn't end up quite so bad for Olle. This happened: Contact with a youth development officer was arranged for Olle through the Navigator Centre. This youth development officer in turn contacted officials from the Swedish Public Employment Service, probation officers and financial assistance officers. Olle was given an opportunity to, behind one door, establish all of the contacts that he needs to make progress in terms of his self-sufficiency. The treatment and approach employed by the youth development officer makes it clear to Olle that he is personally responsible for his own path to self-sufficiency.

Gathering together the resources makes collaborative planning possible, which on the part of Olle means that all of the initiatives that society allocates to him are linked in a logical

chain personally controlled by Olle.

Olle manages to remain registered with the Swedish Public Employment Service and after five years of exclusion eventually gains access to the central government's labour market initiatives. In parallel with these initiatives, Olle is given support by the municipality. Olle is allowed to present his own path to self-sufficiency to decision making officers within the various public authorities through the steering group for the Navigator Centre. The steering group decides to support Olle's own path to self-sufficiency and also decides that each public authority should contribute with what is available within the individual authority's area of responsibility. The relationship with the youth development officer, the way in which the officer has dealt with Olle and access to the pooled resources mean that Olle's planning becomes realistic based on him as an individual and his preconditions.

Gains from preventing Olle's exclusion

Let us now look at the value of intervening in Olle's life and breaking his destructive way of life.

This is how the Navigator Centre presented its operation in its Annual Report for 2009.

"The target group for the Navigator Centre in the Municipality of Trelleborg comprise young people between the ages of 16 and 24

The Navigator Centre in the Municipality of Trelleborg falls under the control of the Work and Self-support Office. Active planning is offered to all 18 to 24 year olds who are receiving maintenance support in the Municipality of Trelleborg. The responsibility for improving the skills of and providing labour market initiatives for those aged between 18 and 24 is split between the municipality and the central government (Swedish Public Employment Service). Initiatives for this group are developed and made more effective through the Navigator Centre, in collaboration, focussing on the needs of the young people.

10. The cost of part of the Navigator Centre's operation in Swedish kronor

| | |
|----------------------|-----------------|
| Salaries | 8 23 560 |
| Premises | 62 124 |
| Equipment | 0 |
| Consultants | 0 |
| Miscellaneous | 54 480 |
| Total | 940 164 |

who have ended up outside the regular system for various reasons and where coordinated initiatives from various stakeholders may mean that they find a route back into the system. It is expected that most of these young people are will not have obtained a complete compulsory or upper secondary level certificate and will have little or no experience of working life"

The budget for the project (for the part relating to people like Olle) is as follows:

In 2009 there were approximately 130 annual places for this part of its target group. This means that an annual place costs around SEK 7,200. This is in addition to the existing costs for Olle's support and other items. Is this a lot or a little? The answer depends on what it is actually compared with. It corresponds to slightly more than the daily cost of a placement in institutional accommodation.

The value of success

The aim of the project is to get young people directly or indirectly out to work and make them self sufficient. In 2009, 43 young people became self-sufficient through their own work. Twelve went on to further studies (43 per cent thus went on to support themselves). This raises a number of issues. First, is this a good result? Second, is this in any way socioeconomically profitable? We will try to answer these two questions on the basis of the two assumptions on which our calculations are based.

11. Annual socioeconomic effects of the Navigator Centre's operation (in Swedish kronor on an individual level), assuming 10 per cent spontaneous rehabilitation and a 30 per cent success rate for the project.

| Individual | | | | | |
|---------------------|---------------|----------------|----------------|----------------|----------------|
| | Project costs | Costs avoid | Gain | Value produced | Total |
| Public emp. service | 0 | 7 359 | 7 359 | | |
| Social ins. agency | 0 | 25 701 | 25 701 | | |
| Municipality | -7 232 | 29 305 | 22 073 | | |
| County council | 0 | 17 053 | 17 053 | | |
| Judicial system | 0 | 18 366 | 18 366 | | |
| Other | 0 | 12 502 | 12 502 | | |
| Total | -7 232 | 110 286 | 103 054 | 81 648 | 184 702 |

To begin with, we shall assume that ten per cent of those participating in the project spontaneously, on their own initiative or as a consequence of other measures, could possibly break their exclusion. Secondly the fact that the project will help to break the exclusion for 30 per cent of the remaining young people over the long term (about 35 people). Consequently, based on a precautionary principle we have erred slightly on the low side in relation to the result for 2009.

Short-term effects

Table 11 shows that, based on these assumptions, the annual social value of Navigator amounts to just over SEK 180,000 per participant or 24 MSEK in total. In other words, if Olle participates in the Navigator programme and achieves success based on the assumptions presented above, the expected annual gain of his participation will amount to this sum.

If on the other hand we view this purely as a municipal socioeconomic investment problem where the certain cost side for each participant amounts to just over SEK 7,000 per year, then the expected municipal revenue side on an annual basis will be approximately SEK 22,000. On the part of the municipality, this will involve an annual return of 305 per cent, which is probably significantly higher than most other municipal investments in Trelleborg.

In diagram 12, we can also see how the distribution of the gain is affected by which stakeholders have provided the funding. We can then see that, besides the municipality, the Swedish Social Insurance Agency is the body that gains most from the Navigator Centre. But the truly major gain is the production values created by Olle as a consequence of him working.

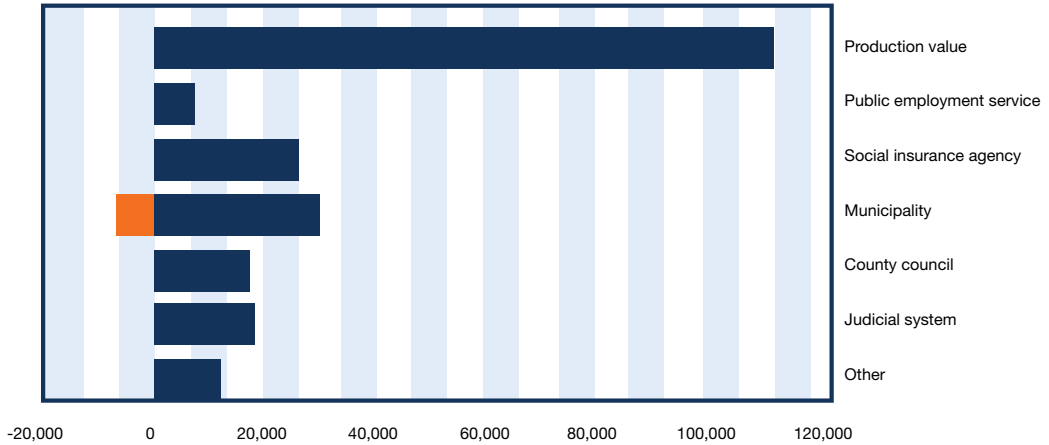
Long-term effects

However, the most interesting aspect is the long-term effect of this operation.

We see in table 13 that from a lifelong perspective the gain for each person taking part at the Navigator Centre amounts to just over 4 MSEK. This means that the total social gain during Olle's working life will be more than 4 MSEK, based on the assumptions reported above regarding the effects of the Navigator Centre (30 per cent success) and based on the costs involved in running the project (SEK 7,200 per participant). An impressive return on an investment in most contexts: 570 times the money.

12. Annual socioeconomic effects of the Navigator Centre's operation (in Swedish kronor for each individual), assuming 10 per cent spontaneous rehabilitation and 30 per cent success in the project

■ Initiative ■ Annual return



13. Long-term socioeconomic effects of the Navigator Centre's operation (in Swedish kronor on an individual level), assuming 10 per cent spontaneous rehabilitation and 30 per cent success in the project

| Number of years | | | | | | | |
|-----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| | 1 | 4 | 10 | 15 | 20 | 25 | 45 |
| Gain | 184 702 | 717 336 | 1 611 793 | 2 212 122 | 2 705 549 | 3 111 110 | 4 128 719 |

We previously made the acquaintance of Olle, a young man with quite an extensive level of exclusion whose background included both substance misuse and criminality. Although his substance misuse and criminality were not particularly extensive, he is perhaps not representative of all young people who find themselves on the fringe of the labour market.

We will now get to know Ulla, a young girl whose exclusion is both more diffuse and less dramatic. She is neither a substance misuser nor a criminal. She has no advanced mental condition or any somatic or neuropsychiatric disability.

She failed at school. She is thus more or less automatically disqualified from much of the labour market. She lacks energy and is tired and a little dejected. Ulla is currently 25 years old.

Early adulthood

Ulla has had periods of both sick leave and unemployment in spite of her young age. At the moment she is registered on long-term sick leave. She is depressed. She did not receive a lot of support from home during her school years. She did not do well during the senior level of compulsory school and her time on an upper secondary level individual programme only confirmed her failure. She has not felt good for many years.

Ulla is something of an expert at getting by in life. She manages to scrape by on a minimum of financial resources. She is supported by her partner, gets some help from her parents; she occasionally receives study assistance and every now and then financial assistance. Despite her ability to get by, she is accumulating debts, which has resulted in debt collection demands and contacts with the enforcement service. As she has payment defaults registered, she cannot get any credit; she is not accepted by landlords and cannot take out any loans.

Her dealings with the school health services, the youth clinic, etc. were good during her time

at school. Contact with the 'adult' services has proved more difficult. Now she has to go via the care centre and she feels invisible. She gets medicine, but does not feel as though she receives any support. The good support she previously received from the Child and Youth Psychiatry Service has not been followed up on the part of the adult psychiatry service.

Probable future

Just like Olle, we can sketch out a scenario based on what we know of Ulla's life history so far. Ulla's exclusion will probably accelerate in the coming years unless something significant happens.

- She will get involved in various projects (getting started, job seeking activities, computer skills centre, etc.) for three to six months that do not work and she will fail once again.
- She goes on occupational rehabilitation and takes on temporary work within the home-help service.
- She has children at an early age.
- There is a risk of her withdrawing from other people. Social services have taken an interest as she comes from a family that is already known to them.
- Her body is starting to ache more and more. Her anguish and tension has transformed itself into real pain.

The profile of Ulla's long-term future is just as clear-cut as it is negative. The likelihood of her entering society must be considered to be very slight if no extraordinary initiatives are applied. She appears to be sentenced to long-term – in the worst case scenario lifelong – exclusion, supported by society in one form or another. There is much to suggest that she will receive

her first temporary sickness compensation sometime around the age of 30 and after that financial assistance from the municipality, in the long run perhaps permanent sickness compensation. The path there is marked out by numerous investigations and initiatives. No one ever really manages to find out what Ulla's real problem is, but society capitulates in the face of the apparently impossible task of helping her get back on track. Some explanations for her situation may include:

- no empowerment
- low self-esteem
- a weak support network socially, even within her family
- no educational history, which means that she is not particularly 'employable'

But essentially, and with the right preconditions, she has a significant and currently hidden potential.

Short- and long-term costs for Ulla

Ulla's exclusion is quite different to Olle's. However we can nonetheless see in the table below that the cost of this exclusion is quite high. With everything included we are talking about SEK 600,000 on an annual basis. As with Olle, this primarily relates to lost production values and the cost of support.

Diagram 14 shows that in Ulla's case it is the Swedish Social Insurance Agency that bears the greatest of these costs. We can anticipate that this is due to the cost of activity compensation and eventually sickness compensation. The municipality's costs may primarily relate to some periods of financial assistance. As regards the county council, their costs primarily relate to care initiatives within the primary care and outpatient psychiatric service.

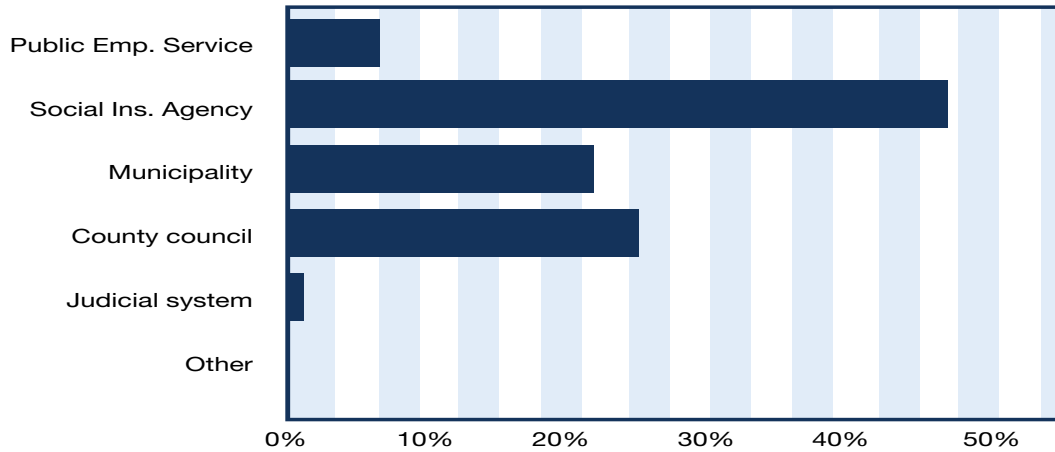
There are significant long-term costs for Ulla, shown in the diagram 16 and table 17. Although she is essentially not more than what would be described as moderately marginalised, the long-term costs are considerable. These involve more than 13 MSEK. Basically the explanation for this is that she had encountered problems by the time she was at compulsory school and has not subsequently managed to enter or gain access to the labour market.

A question that inevitably poses itself in this respect is: how unnecessary is this situation? Ulla is certainly not a young girl without resources. On the contrary: she is not unintelligent, she is not mentally ill, she is not a substance misuser. Her life would probably have been completely different if she had received the right support and in the right context. She may represent tens of thousands of young people who have not managed to enter adult life for reasons as diffuse as hers. This raises the next question: what is the value of preventing this?

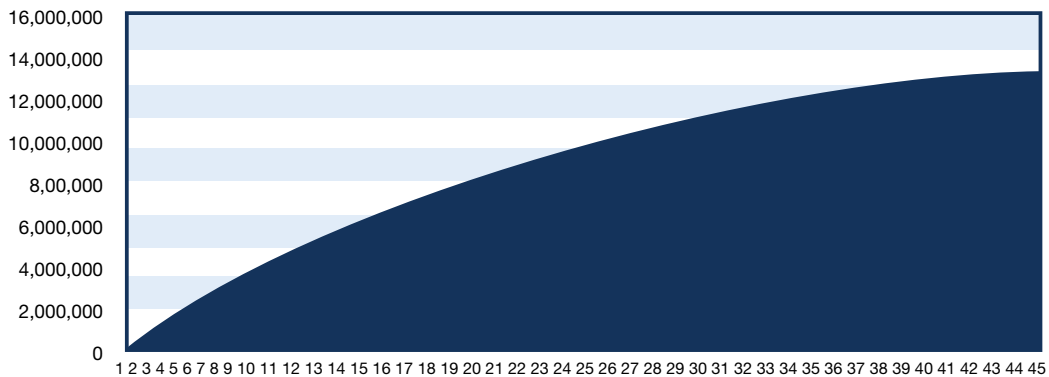
14. . The annual cost of Ulla's exclusion in Swedish kronor

| | Costs | Production value | Total |
|----------------------------|----------------|-------------------------|----------------|
| Public Emp. Service | 20 000 | | |
| Social Ins. Agency | 146 667 | | |
| Municipality | 68 250 | | |
| County Council | 77 633 | | |
| Judicial system | 3 750 | | |
| Other | 900 | | |
| Total | 317 200 | | |
| | | 302 400 | 619 600 |

15. Percentage allocation between various stakeholders of the annual cost of Ulla's exclusion



16. The long-term cost of Ulla's exclusion in Swedish kronor and number of years



17. The long-term socioeconomic value of breaking Ulla's exclusion at various points in time (in Swedish kronor)

| Gain for the individual | | | | | | | |
|-------------------------|---------|-----------|-----------|-----------|-----------|------------|------------|
| Number of years | | | | | | | |
| | 1 | 4 | 10 | 15 | 20 | 25 | 45 |
| Gain | 7619 60 | 2 339 046 | 5 226 531 | 7 164 511 | 8 757 389 | 10 066 618 | 13 351 662 |

Gains from breaking Ulla's marginalisation

Table 17 shows the accumulated gains, at various points in time, of preventing Ulla's exclusion for a couple of years or in the long term. The gains are just over 2 MSEK if we consider that her exclusion will continue for four years. The gains will be more than 13 MSEK if we consider that her exclusion will be lifelong.

Did everything work out for Ulla?

Ulla was able to choose whether she wanted to participate in a project. NUEVO is based on allowing the needs of the participants to form the development of the operation at both an individual and an overall level. A relationship is created and the personal goals, which are set between each guidance counsellor and participant, are allowed to take the time and resources required. During this project, Ulla met guidance counsellor who helped her to improve her self-confidence and become aware of her opportunities. Ulla has had regular contact with a psychologist. The different skills of the staff involved in the project mean that Ulla feels that she is receiving support based on her needs, and that staff are aware of all of her problems.

In total, 127 participants have completed the NUEVO project and there are currently 174 active participants. 27 per cent of those who have completed the project are working and 24 per cent are studying. One in three people have not completed the project owing to ongoing substance misuse being discovered some time afterwards or because an individual is feeling so low mentally that he or she needs professional help outside the project. No one is released from the project without being transferred to something else based on the needs of the participants. The project is planned for 500 participants over three years at a cost of SEK 50,000 per person.

Let us assume that this project had cost SEK 500,000 per person to implement, i.e. 10 times more than NUEVO. Would that have been expensive? Yes, although it depends on what it is compared with.

If we consider that the aim of the project is to break the risk of lifelong exclusion, how good does it have to be to be considered a 'financially profitable social investment'? On one side of the scale, there is a certain cost of 0.5 MSEK while on the other uncertain revenue of 13 MSEK if we succeed. A simple basic calculation indicates that if we are successful in one in 26 of the cases (i.e. in four per cent of the cases) then the investment is just about achieved. However, the outcome is much better than that. It is thus worth doing, not only humanly but also economically. It would still be a good investment if Ulla continued to need support afterwards for a period of four or ten years.

NUEVO is a three-year regional cooperation project between five municipal authorities in East Central Sweden: Norrköping, Uppsala, Eskilstuna, Västerås, and Örebro. The project is directed at unemployed young people between the ages of 18 and 29 who have received financial assistance for a long time and who have special needs. The objective is to offer support that will lead to a job and self sufficiency, based on the needs of the young people. The project will promote increased collaboration and an exchange of knowledge between the stakeholders and cooperating parties who will come into contact with the target group. The project is a full-time activity financed by ESF.

Comparing Ulla and Olle

We have now studied the costs of exclusion for two young people who illustrate different profiles of marginalised young people: Olle, who has pretty difficult problems albeit not of the worst kind, and Ulla, whose problems are significantly more common – slightly less pronounced, but just as long-term. However, as we are looking at the socioeconomic effects of their exclusion, there are a number of significant similarities:

- First of all, there are significant lifelong costs for both of them, involving a figure of between **10 and 15 MSEK**
- A significant proportion of these effects comprise the **production losses** that arise as a consequence of them not being able to access the labour market
- Another major cost item is the cost of their lifelong **support**
- The **Swedish Social Insurance Agency and the municipality** are usually the public stakeholders with the most to lose from this exclusion
- Thus these are the stakeholders who would have the most to gain from preventing this exclusion
- Surprisingly, the financial involvement of the employment office is not great. This is because these young people are not drawing unemployment benefit and they are **not deemed to be available for the labour market**

However, there is nevertheless one difference.

- Olle's way of living incurs costs for the judicial system as a consequence of his substance misuse and criminality. For this

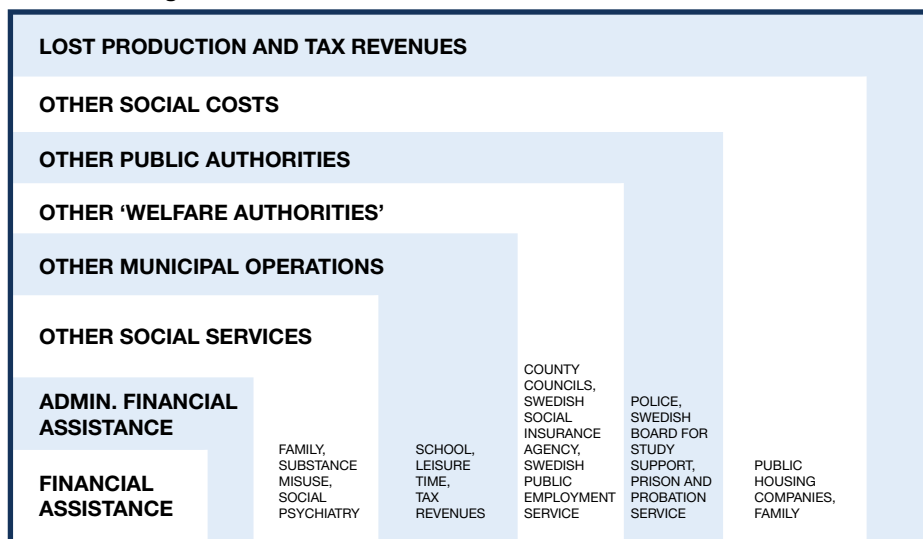
reason, Olle's costs and initiatives are slightly more expensive when compared with Ulla's, both in the short and long term

There are probably significantly more Ullas than Olles in Sweden. But overall they constitute an extremely large group. In other contexts we have found that for every group of 100,000 newborn children, it is a reasonable assessment that if their future exclusion is like today's adult generation this will involve around 12,000 people, 5,000 with major problems.

In a study of coordination associations conducted for the Swedish Agency for Public Management (Nilsson & Wadeskog, 2008), *Den osynliga och diffusa rehabiliteringspotentialen* [The invisible and diffuse potential for rehabilitation], SEE & Swedish Agency for Public Management) and which really focussed on multifactorial problem clients like Olle, we found that the actual cost of these individuals varies between SEK 175,000 and 375,000 per year and individual, averaging at around SEK 270,000 per year. The cost varied depending on gender and age.

The difference between the stated and actual cost of these clients thus amounts to more than 300 per cent or a factor of three. If a position were to be adopted on the value of rehabilitating Olle or Ulla from a financial perspective, there is some difference depending on whether the annual effects of this amount to SEK 80,000 or 270,000.

18. The iceberg effects of exclusion



Consequences of a poor overall picture

This results in:

- only seeing some of the costs of exclusion
- underestimating these costs
- not seeing how the actual costs are allocated between different stakeholders in society
- we must thus estimate the value of prevention, previous initiatives and successful rehabilitation
- this will result in decision-makers not having a correct basis on which to make decisions regarding this kind of issue
- inaccuracies in this decision guidance document may amount to several hundred per cent

Overall, this may result in society's initiatives relating to prevention, previous initiatives and rehabilitation being substantially underdimensioned in relation to what would be best from a socioeconomic perspective.

Breaking exclusion

Ulla and Olle have the same problem, which comprises many different components, and several different perspectives in the work must be woven together in order to provide support. If society is to work with people like Ulla and Olle, it is important to be aware that one precondition for applying a holistic approach is to include all relevant perspectives. There is a kind of basic principle that lays down that: **multiple problems require multiple competences**. Successful work thus requires a holistic approach and sustainability and a team with all-round competence. This should be a stable team that includes competences from several different stakeholders, such as schools, the Employment Service, the social insurance office,

the psychiatric services, social services, school health services, etc.

Helping Ulla or Olle does not primarily entail the provision of more resources. Society has invested unprecedented resources both in her and Olle. It involves doing the right thing in the right context.

We must review **the structures governing the initiatives**. This ranges from how we organise ourselves to our control systems and systems for follow-up and the allocation of resources. It is impossible to work over the long term in an organisation that is steered by, and which encourages, short-term results. This work will not be effective or employ a holistic approach in an organisation that prioritises sector interests. Effective work structures must be created and effective methods applied if work at the level of the individual is to function in respect of this type of problem. This in its turn presumes that the preconditions for this are in place at a structural level (see, for instance, Nilsson & Wadeskog, 2008d). There must be some form of **organisational structure** that permits actions based on a holistic approach and cooperation. This may involve anything from amalgamated offices in a municipality to different kinds of coordination association or municipal association. Examples of this can be found in our reports on the municipalities of Härryda, Upplands-Väsby and Leksand and in a report produced by the National Board for Youth Affairs entitled *Vägarna in [The Ways In]* (2009).

We must also address **the methods for our operations**. We must use methods that both produce effects and which are cost-effective. It is possible for young people like Olle and Ulla to have a good life, both as young people and as adults. This requires a **knowledge-based or evidence-based method of working**. In order to manage this, we need to find, develop, use and apply methods that are effective and which work.

Work must also be based on a **reasonable and well thought-out scale of values** so that we do not through our aim of helping Ulla and Olle in the short term build in to their lives a state of helplessness and a dependency relationship with the public systems. This involves finding a fair (and tough) balance between a pathogenic and salutogenic approach to their situations.

From a societal perspective, we will use the resources placed at our disposal by taxpayers much more effectively than is currently the case and the economic gains will be significant.



Method

The following calculations are based on two cases – Olle and Ulla. These cases are based on real people but personal details have been changed to prevent identification. This may mean that not every concrete detail is correct but that they broadly correspond to the experiences we found in around twenty or so studies on this subject.

The calculations are based on models that we developed during a number of assignments reported in the reference list at the end of the report. The Handbok till förenklad socioekonomisk analysmodell [Manual for a simplified socioeconomic analysis model], *Idéer för livet* [Ideas for Life], 2010, is recommended for those who would like an easy way of finding out about this methodology. A more detailed description can be found in the report *Handbok i socioekonomiska bokslut* [Manual in Socioeconomic Accounts], NUTEK 2008.

We have estimated a production loss based on monthly pay of SEK 18,000. This has been based on a low level of pay (usually in the public sector) but not on an initial salary, which would be misleading as we are looking at lost lifetime earnings. Average pay was just over SEK 20,000 in the Swedish Trade Union Confederation's Wage Report for 2007. We have chosen a figure below this level on the grounds of prudence.

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Notes

¹ It is important to remember that the number of people in the labour force will grow as the population grows – though not as a proportion of the population where it reduces as a consequence of, for example, a low birth rate. www.scb.se/aku

² That is, an income that is less than 60 per cent of median income. 'Economic standard' (or disposable income per consumption unit) is a measure used to measure the household's income, adjusted to the household's dependants. This means that the household's disposable income is divided by a consumption unit scale, where the value of the scale depends on the composition of the household. Consequently, this measure not only describes how high incomes are, but also the economic standard of the household, taking into account both the income and composition of the household. Youth Today 2010, Swedish National Board for Youth Affairs 2010.

³ It may be important to note two things about this diagram. The first is the major seasonal variations, which are primarily due to when the school year within the educational system ends. The second is that the 'unemployed' group includes both those looking fulltime for a job and those studying but looking for work at other times.

⁴ Referred to as gross national product contribution, GDP contribution



Young people outside the labour market

A socioeconomic discussion

This is a summative report about the costs of exclusion. It discusses the way we plan and finance public measures. The author Ingvar Nilsson is a well-known Swedish authority on socioeconomic modelling and calculations.

The report is produced by Theme Group Youth which is assigned to compile knowledge from ESF-projects run during 2007-2013. Many projects comprise cooperations between several actors in the public as well as in the private sector. To learn more about us visit www.temaunga.se

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