New model to inform social investments in Denmark

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The new Danish socio-economic investment model (SØM) can provide economic analysis to anyone interested in how a social policy affects the public economy in both the short and longer term and what the economic costs and benefits of particular social investments are.

Description

In October 2015, a majority of political parties allocated resources to establish a model to calculate the socio-economic consequences of preventive social measures and evidence-based interventions, also known as social interventions.

In January 2018, the socio-economic investment model (Socioøkonomisk Investeringsmodel, SØM) was launched.

Implementing and running evidence-based social interventions is costly, but such interventions can contribute to improving people's lives. Moreover, they can lead to savings in the public sector and also to more tax revenue if citizens get employed.

For example, if an intervention reduces drug abuse this can impact on the public economy in various ways. Studies have demonstrated that in periods without drugs, drug abusers use less health services, are less sick and have fewer accidents – which results in fewer emergency room visits and hospitalisations. Social interventions may thus have economic returns (besides human returns).

SØM consists of two main parts:

- A calculator of interventions costs and budgetary consequences. Here the user enters the figures that the assessment will build on. The figures concern the costs of interventions, effect on participants, and other effects on the public economy. Economic consequences can include social security, use of health services, expenditure caused by crime and use of shelters, etc.

- A knowledge database about the effects of social interventions and estimates to calculate economic consequences for different target groups. The size of estimates relies on effect studies undertaken in Denmark and elsewhere. Moreover, the database has estimates for economic benefits and economic costs as well as a time profile, i.e. an estimate of how long the economic consequences are likely to last.

The calculation goes through five stages. First, the user identifies the target group of the policy programme and assesses to what extent the group matches a target group in the knowledge database. Second, they enter the number of people who will participate in the intervention and the cost of the intervention. Third, they enter an assessment of effects on participants based on information available in the knowledge database. Fourth, they decide on the types of consequences to be included in the calculation. Fifth, the results are presented.

The calculation may inform policy-making. For example, by comparing the economic consequences of different variants of a programme on a given target group or by comparing the

impact of a given programme on different target groups.

The economic costs and benefits are then allocated to the relevant competent authorities whereas both municipalities and the state receive revenue from taxes. In the Danish context, competent authorities are generally: municipalities for social measures and primary and secondary education; municipalities and regions for health expenditures; and the state for crime and social security. This shows how investments made in one programme, typically by municipalities, have short- and long-term benefits for the regions and the state.

SØM is available online in Excel (Socialstyrelsen, 2018). It can be used by anyone with an interest in the short- and long-term impact of social interventions on the public economy. It is particularly relevant not only for municipalities and regions, but also for foundations and NGOs in the social field.

There are a number of case studies that illustrate the potential of using SØM in different ways. For example, Jacobsen & Verner (2018a, 2018b) have used it to analyse resource programmes for people with mental illness and simultaneous abuse and to study earlier employment measures in crisis centres.

At the moment, SØM concerns interventions focused on the adult population. A second model, planned for 2019, will include interventions related to children.

Outlook & commentary

SØM has been much anticipated. The user courses were fully booked instantly, and the Ministry of Social Affairs has launched a call for tenders for the organisation of SØM courses to respond to the strong demand.

It is too early to predict whether SØM will lead to more social investments. However, with SØM proponents of social interventions now have a powerful instrument in their hands that can underpin evidence-based policy proposals.

Similarly, the extension of SØM to include children next year is likely to attract a lot of attention. Early childhood programmes are already an integral part of the Nordic welfare model to reconcile work and family life, but if their economic value over the life-cycle can be properly quantified, this may help reduce further cuts in family policies.

Further reading

Jacobsen, Rasmus Højbjerg & Mette Verner (2018a), "Forløbsprogram for mennesker med psykisk lidelse og samtidigt misbrug" [Ressource programme for people with mental illness and simultaneous abuse], Copenhagen: Socialstyrelsen & VIVE.

Jacobsen, Rasmus Højbjerg & Mette Verner (2018b), "Fremskudt beskæftigelsesindsats på krisecentre: Eksempel på anvendelse af SØM" [Earlier employment measures in crisis centres: Example of how to use SØM], Copenhagen: Socialstyrelsen & VIVE.

Socialstyrelsen (2018), "Den Socialøkonomiske Investeringsmodel" [The Socioeconomic Investment Model], available at https://socialstyrelsen.dk/tvaergaende-omrader/socialstyrelsens-viden/som.

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