

# OPPORTUNITIES IN TRANSITION:

An Economic Analysis of Investing  
in Youth Aging out of Foster Care

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## Summary Report



Marvin Shaffer, PhD, Principal Investigator  
Lynell Anderson, CPA, CGA, Family Policy Researcher  
Allison Nelson, Research Associate

## **FOREWORD:**

For most young people, family is there to lend a hand with things like rent, groceries, and support as they make the first few steps into adulthood. Unless they've been in foster care.

Fostering Change commissioned this research to provide an economic perspective on the challenges and opportunities associated with youth aging out of government care. Over three reports we consider: (1) current educational, economic, social and wellness outcomes; (2) the costs of those outcomes; and (3) the costs of increased supports in relation to the potential savings and benefits they offer.

This series of reports offers important new insights into the economic consequences and issues for youth aging out of care. To our knowledge, no previous study in BC has attempted to estimate the costs of current outcomes and the potential benefits from better preparing and supporting youth from care in the early years of their adulthood.

The findings are very clear. First, youth aging out of government care do not receive the same financial, social and other supports that most young people receive from their parents. Second, educational, economic, social and wellness outcomes are poor for many youth aging out of government care. Third, the immediate and long-term costs of these adverse outcomes are very high — hundreds of millions of dollars every year. Last, the cost of increased supports is small relative to the potential savings and benefits to youth from care, and to society as a whole.

We hope that by providing this research we offer clear evidence that a basic package of support is justified to improve outcomes for youth aging out of foster care across BC.

### **Advisory Committee**

Fostering Change would like to extend special thanks to our advisory committee for their insights, knowledge, and expertise during the development of these reports.

Linda Hughes, Associate Deputy Representative, Office of B.C.'s Representative for Children & Youth

Tami Currie, A/Assistant Deputy Minister, Ministry of Children & Family Development

Adrienne Montani, Executive Director, FirstCall BC

Meredith Graham, Youth & Family Development, St. Leonard's Society

Drew Stewart, Director, Aunt Leah's Place

Sanja Simic, Executive Director, Conconi Foundation

Lana Quinn, Director, Trevor Linden Foundation

### **Staff:**

Mark Gifford, Director, Youth Engagement, Grants & Community Initiatives, Vancouver Foundation

Trilby Smith, Lead Evaluator, Youth Engagement, Grants & Community Initiatives, Vancouver Foundation

Fostering Change is an initiative of Vancouver Foundation to improve policy, practice and community connections for young people in British Columbia transitioning from foster care to adulthood. In consultation with community and young people, we are developing and promoting solutions that increase supports for young people aging out of care. For more information about our work please visit [www.fosteringchange.ca](http://www.fosteringchange.ca).

# EXECUTIVE SUMMARY

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The challenges youth aging out of foster care in British Columbia today face are great, the outcomes poor, and the costs of those outcomes substantial. But it needn't be this way. The cost to address this issue is relatively small — much smaller than the potential savings and benefits that improved supports can generate for the youth themselves, government, and society as a whole.

## BACKGROUND

Approximately 1,000 youth age out of government care and youth agreements each year at age 19. Most do not have foster or family homes to go to; they are on their own. In contrast, parents across BC typically provide their own young adults the opportunity to continue living at home beyond 19, along with a host of financial and other supports.

While pursuing education or looking for work, young people from care in our communities lack the financial resources to meet basic needs, have difficulty finding housing, and often struggle with mental health issues. In other words, evidence from BC and elsewhere shows that youth aging out of care lack the support and services to transition successfully to adulthood.

## PURPOSE

The purpose of this study — Opportunities in Transition — is to:

- (i) document what is known about the outcomes for youth aging out of care
- (ii) estimate the costs of adverse outcomes
- (iii) identify measures that could improve outcomes and assess their incremental costs in relation to the potential benefits they may generate

## KEY FINDINGS

- Educational, economic, social, and wellness outcomes for many youth aging out of care are poor compared to most young people.
- The costs of adverse outcomes for youth aging out of care are very high — between \$222 and \$268 million for the cohort of 1,000 youth aging out each year — plus significant intangible costs.
- There is broad agreement and recognition that increased support for youth aging out of care from age 19 through 24 is required to help meet living costs, pursue further education, and connect with their communities for personal, cultural and social support.
- Significant proportions of youth aging out of care experience special needs, substance abuse issues, and the challenges of early parenting — review and enhancement of specific service and facilities is needed.

- 60% of youth in care are aboriginal — meaningful engagement with aboriginal leadership, communities, families and young people is needed for the design and delivery of culturally appropriate and effective support.
- All youth aging out of care require a basic package of increased supports for living costs, education, community connections, and social support.
- A basic package of increased supports can build on existing services and programs including:
  - » increased resources for organizations that already provide mentoring, social support, and community connections
  - » expansion of efforts to waive adult high school program or university tuition fees and address other education costs
  - » adapting Agreements with Young Adults (AYAs) to deliver cost of living supports to more youth aging out of care continuously from 19 through 24
- The cost of such a basic package of increased supports available from age 19 through 24 is estimated at \$99,000 per youth aging out of care (which averages \$1375 per month).
- The total incremental government funding requirements for a basic package of increased supports from age 19 through 24 is estimated at \$57 million.
- Studies in other jurisdictions suggest that the benefits of improved educational outcomes from increased support will, in themselves, pay for the incremental funding requirements.
- Even if there was no recovery of the incremental funding requirements, the \$57 million translates to \$33 per household each year (\$2.75 per month) in order to give young people this level of support.

## CONCLUSION

Youth aging out of foster care in BC deserve the same support and opportunities as all young people. It's about fulfilling a public promise we have made to all young people taken into government care.

Beyond the moral arguments, the economic benefits alone — reduced need for income assistance, higher earnings and more taxes paid by these youth, reduced government health care, criminal justice-related and other service expenditures — will exceed the costs of this investment.

As the following report indicates, providing better “Opportunities in Transition” for youth aging out of foster care in BC through a basic package of supports is easily within our means. We should not hesitate to do so.

# THREE REPORTS: A BRIEF SUMMARY

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The analysis on which the findings and conclusions summarized above are based is presented in three separate reports: the first on outcomes, the second on the cost of adverse outcomes, and the third on the opportunities and case for increased supports.

The major findings of these three reports are briefly summarized below.

## REPORT 1 OF 3: EDUCATIONAL, ECONOMIC, SOCIAL, AND WELLNESS OUTCOMES

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What happens after youth age out of foster care in BC?

Due to a lack of systematic tracking in place, the outcomes reported in this study are based on a number of surveys, in some cases with relatively small samples, undertaken in BC and elsewhere. Yet despite limitations in the data, clear patterns emerge with respect to a wide range of economic, social, and wellness indicators.

### **Lower educational attainment**

High school graduation rates for youth aging out of care are far lower than those of most young people. In 2013/14, only 32% of BC youth aging out of care had completed grade 12 with a Dogwood diploma at age 19 compared to almost 84% among the general population. While a significant number of youth aging out of care go on to complete grade 12 after aging out, studies in BC and elsewhere indicate that the graduation rate remains low — closer to 50-70% for youth aging out of care (most likely in the lower end of that range in BC).

The differences between youth aging out of care and most young people are even more marked in post-secondary education. Youth aging out of care undertake post-secondary studies at roughly half the rate of the general population and are even less likely to enrol in a university program, with university graduation rates one-sixth or less than the general population.

### **Lower rates of employment and income**

Employment rates for youth aging out of care are low and concentrated in low-paying jobs. There is a high degree of reliance on government assistance, and income from all sources is very low — often below the poverty line. Most young people aged 20 to 24 have low incomes, but they tend to rely on family for additional financial support. Low incomes generally persist for youth aging out of care, while most other youth realize the benefits of education and early work experience in increased earnings over time.

### **Disproportionate homelessness**

Inadequate or transient housing is a common experience shared by many youth aging out of care due to a lack of family or foster homes, combined with poverty level incomes. Only 10% to 20% of youth aging out of care live with their foster family or relatives and 45% of youth aging out of care in one BC study indicated they had suffered homelessness at some point. By comparison, 60% of all 20 to 24 year-olds and over 40% of all 20 to 29 year-olds live in their parental homes, and homelessness rates are many times lower.

### **Greater involvement in criminal justice system**

While in government care, youth have much greater involvement with the criminal justice system than most young people and this trend appears to persist after they age out — particularly in the initial years. Almost 70% of youth aging out of care in a BC study reported involvement with the criminal justice system in the first year after aging out.

### **Higher rates of early pregnancy**

Many young adults today are postponing raising a family and having fewer children than a generation ago due to affordability concerns, education and career pursuits, and other factors. In contrast, youth aging out of care have relatively high pregnancy and parenting rates, exacerbating the challenges they face and, in many cases setting in motion the same cycle of poverty and government care that they experienced.

**Low incomes generally persist for youth aging out of care, while most other youth realize the benefits of education and early work experience in increased earnings over time.**

### **Substance abuse among street-involved youth**

There is no evidence of excessive use of alcohol or disproportionate use of marijuana among youth aging out of care. However, there is disproportionate use of street drugs. Almost 50% of street-involved youth with substance abuse problems in an on-going Vancouver study have had some care experience. The outcomes for street-involved youth with respect to homelessness, involvement with the criminal justice system, being subject to violent crime, and wellness are particularly poor.

### **Physical and mental wellness**

There may be some difference in physical wellness for youth aging out of care as compared to the general population. However, where differences would appear to be most pronounced is with respect to mental health. A majority of the youth aging out of care in different study samples reported mental health concerns or symptoms.

### **Unacceptable premature loss of life**

The challenges and mental health condition of children and youth in care as well as those aging out result in far too many cases of premature loss of life. Death rates for youth aging out of care in BC are 6.5 times the general population, or 3.2 to 4.5 deaths per 1,000 youth. It is a tragic and unacceptably high rate of premature loss of life.

## REPORT 2 OF 3: THE COSTS OF THE ADVERSE OUTCOMES

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What are the costs associated with the adverse outcomes experienced by youth aging out of care?

Costs are driven by three interrelated factors: low educational attainment, poverty, and poor mental wellbeing. Low educational attainment limits employment and earnings potential, thereby reducing tax payments and increasing the need for income assistance. Low educational attainment and the poverty with which it is highly correlated are also associated with above average health and criminal justice-related costs. Poor mental wellbeing exacerbates the costs of low educational attainment and poverty and, particularly in conjunction with substance abuse, it can markedly increase health, criminal justice and other government service-related costs. Mental wellbeing also imposes severe costs on youth — in extreme cases leading to premature loss of life.

Our report finds a total estimated cost of \$222-\$268 million is associated with the adverse outcomes experienced by youth aging out of care — an average \$222,000 to \$268,000 per youth aging out of care each year. As well, there are the very significant costs not estimated in dollar terms: the wellness and the incremental health care expenditures youth aging out of care uniquely experience (beyond the costs associated with high school drop-outs and poverty); the immediate and intergenerational costs of high early pregnancy and parenting rates; and the costs of homelessness and homelessness compounded by substance abuse.

### **Lost earnings of between \$142 to \$180 million due to educational attainment gap**

Based on census data indicating differences in earnings by level of educational attainment, we estimate that the lifetime cost of not closing the educational attainment gap between the 1,000 youth aging out each year and grade 12 graduation, post-secondary participation and university graduation rates of the general population is between \$142 to \$180 million. At least 30% of this cost is borne by government in foregone tax revenues alone.

### **Health care costs of \$32.4 million to youth aging out of care, and \$16.5 million in incremental system costs**

Studies indicate that one of the costs of dropping out of high school is poorer health and reduced life expectancy. Based on the estimated impact on quality life years and a US Food and Drug Administration estimate of the value of a quality life year, the health cost to youth from care due to their low graduation rate is \$32.4 million.

**Costs are primarily driven by three interrelated factors: low educational attainment, poverty, and poor mental wellbeing.**

There are also higher health care expenditures borne by government — we estimate incremental health care expenditures for youth aging out of care in British Columbia due to poverty at \$16.5 million. Studies clearly demonstrate that per capita public health care expenditures are higher for people with lower incomes. Because youth-aging-out-of-care incomes are low — with virtually all youth aging out of care living with poverty level incomes from age 19-24 — and those not completing high school likely to remain in poverty over their entire lives, health care expenditures for youth aging out of care are disproportionately high.

### **Criminal activity costs of \$11.5 million**

Studies indicate that there is a link between poverty, literacy rates, and the incidence and costs of crime. Based on estimates of the impact of poverty on criminal activity and the total cost of crime in British Columbia, including both criminal justice system-related expenditures and victim costs, it is estimated that the incremental cost of crime due to poverty is \$860 per person.

Applying that per capita incremental cost during the first five years of aging out, when these youth are almost all living with poverty level incomes, and to those who do not complete high school (and therefore are likely to remain in poverty), results in a total youth-aging-out-of-care criminal activity-related cost of \$11.5 million (\$2 million in incremental government expenditures and \$9.5 million in incremental victim costs).

### **Multidimensional costs associated with young parenthood, and intergenerational poverty risks**

Available data on relative rates of early pregnancy and parenting for youth aging out of care versus the general population are too limited to develop reliable dollar estimates. Nevertheless, the costs are multi-dimensional and significant for youth-aging-out-of-care parents and taxpayers. There are also intergenerational costs — an estimated 20-25% of the children raised in poverty will remain in poverty.

### **Individual and social costs of homelessness and substance abuse**

Data for this study are too limited to provide reliable estimates of the costs of homelessness, and homelessness compounded by substance abuse, but these too are multi-dimensional and significant. For youth, there are costs in wellness, quality of life, and vulnerability to violent and other crime. For taxpayers there are very high incremental health care, criminal justice-related, shelter, counselling, and other service costs. And for society as a whole, there is the cost simply in the awareness of and concern about these unacceptable conditions and outcomes for youth in the community.

### **Premature loss of life costs of \$21 to \$28 million — not including human suffering and moral cost**

Government guidelines recommend assigning a value of \$7 million per life saved or lost when evaluating proposed regulations or investments. At \$7 million per life, the cost of the higher death rate for youth aging out of care totals some \$21 to \$28 million. This, of course, is not a measure of the human suffering and moral cost, but does indicate an amount of resources government should allocate to reduce the risks of these deaths to be consistent with other decision making.

## REPORT 3 OF 3: OPPORTUNITIES FOR INCREASED SUPPORT

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What opportunities could improve outcomes for youth aging out of care, and how much will they cost in relation to the potential benefits they may generate?

Overall, there is strong alignment between the findings in the research and the input and recommendations from the BC Representative for Children and Youth, youth from care, and others including Vancouver Foundation, in calling for improvements in living cost, educational, and social/connectedness support.

In a 2014 report, the BC Representative for Children and Youth noted that existing processes and resources for youth leaving care do not adequately support a successful transition to adulthood. There is a lack of financial, educational, and emotional assistance. Youth aging out of care in BC have expressed the same fundamental concerns. Instead of being a time of opportunity in education, training, and career development, aging out raises concerns about meeting basic needs and losing services, support, and connections.

### **Research shows support over time works — if it's gradual, flexible, and adequate**

A number of research studies have examined how extending care and support can improve outcomes. The research also indicates however, that sufficiently long timelines and flexible and adequate support is required in order to maximize participation and benefits.

According to studies from BC and elsewhere, youth from care need to have a gradual and extended transition to adulthood in the same way most young people do.

**Youth from care need to have the same gradual and extended transition to adulthood that most young people enjoy.**

### **A basic package of supports built on existing services and programs**

Increased resources for organizations that already provide mentoring, social support, and community connections can enable them to serve more youth aging out of care and extend their reach. Continuation and expansion of university and philanthropic efforts that waive tuition fees and help defray other education costs, as well as the elimination of adult high school program fees, can be important components of support for enhanced youth-aging-out-of-care education. And Agreements with Young Adults (AYAs) could be adapted to deliver cost of living supports to more youth aging out of care for longer periods of time.

AYAs are currently available to youth aging out of care between age 19 and 24 for up to 24 months in total. Building on this, AYAs could be made continuously available from 19 through 24, with eligibility criteria broadened and funding levels increased to support as many youth aging out of care as possible. The broad availability and level of funding for AYAs should be designed to eliminate the need for youth aging out of care to go on income assistance as they transition to adulthood.

### **Additional support totalling \$57 million — to improve outcomes and reduce costs of \$222 to \$268 million**

The total incremental funding requirement (net of estimated income assistance and existing AYA cost savings) would be \$57 million for the cohort of youth aging out each year. This is based on a funding requirement for a basic package of increased supports over a six-year period (age 19 through 24) estimated to total \$99,000 per youth-aging-out-of-care participant. We assume that 80% of the eligible 1,000 youth aging out each year would participate in these funding supports at age 19, falling by five percentage points in each of the following five years.

The costs of the adverse outcomes with the current level of supports are estimated to total \$222 to \$268 million for the cohort of 1,000 youth aging out each year. In addition, there are the costs of adverse outcomes that were not monetized including the very significant costs of disproportionately high early pregnancy and parenting rates, homelessness, and homelessness compounded by substance abuse. The benefits of the increased supports will derive from the improvement in outcomes and consequent reduction in these monetized and non-monetized costs.

### **Reducing the educational attainment and earnings gap alone would easily offset \$57 million**

Closing only 32% to 40% of the educational attainment and earnings gap, with its cost of \$142 to \$180 million, is all that is needed to offset the estimated \$57 million incremental funding requirement. A well designed and implemented program should be able to achieve that and hopefully much more.

### **No additional taxes required**

It is very likely that no additional taxes would be required to support \$57 million of incremental funding — the improvement in youth-aging-out-of-care outcomes and consequent tax and service benefits should be sufficient to offset it.

But even if there were a shortfall for the increased supports, there is little doubt the value people place on the improvements. A 2016 Vancouver Foundation study found more than 70% of British Columbians are in favour of extending financial supports for youth aging out of care until age 25. For the basic package of supports outlined in this report, people's willingness to pay would only have to be about \$33 per household per year — \$2.75 per month — to cover an incremental funding requirement of \$57 million.

### **Broad social benefits**

Adequate, flexible living cost support plus increased funding for social supports and community connections, combined with educational support that eliminate financial barriers to furthering education, could greatly improve outcomes for youth aging out of foster care.

Improved support offers a wide range of benefits — improved quality of life and wellness for youth aging out of care, increased taxes and reduced service expenditures for government, reduced crime victim costs, and arguably most importantly, the societal benefit of ensuring youth aging out of care are given support that will reduce the great disadvantage and costs they face compared to most young people.

Copies of all three full reports and a complete bibliography can be downloaded at [www.fosteringchange.ca/resources](http://www.fosteringchange.ca/resources).

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