Economic calculation models for interventions within the welfare areas

Key Findings



Rasmus Højbjerg Jacobsen and Beatrice Schindler Rangvid

VIVE

Key Findings

This report describes a range of economic calculation models for initiatives within the welfare sector. The identification of these models is based on extensive searches for such models—both in academic and non-academic literature—and conducted in several major languages.

The models share several common features. First and foremost, they take a long-term perspective when assessing the economic impact of initiatives, which are typically aimed at vulnerable citizens. These initiatives can vary widely, from those targeting juvenile offenders to keep them out of prison to those supporting individuals with physical disabilities. The models typically include both the cost of the initiative itself and a range of subsequent economic consequences, such as effects on education, the labor market, and healthcare, ultimately calculating a total discounted value.

However, when examining the data foundation, the identified models fall into two groups:

Nordic Models Use Register Data

Two Nordic models—the Danish social investment model *SØM* and the Norwegian model *Utenfor-regnskapet*—use individual-level register data to identify target groups for welfare initiatives and to determine the economic variables which the models can calculate. In the Nordic context, the focus is primarily on publicly funded benefits within the social and healthcare sectors. In both models, users must manually input effect sizes for the initiative being analyzed.

Other Models Use Literature and Hypothetical Scenarios

Several models developed in Anglo-Saxon countries (USA, UK, Australia, and New Zealand) do not rely on individual-level data, as such data is typically less accessible than in Nordic countries. Instead, they use hypothetical scenarios—such as projected educational attainment or labor market participation and the resulting income streams—which are then incorporated into the economic assessment of an initiative. The estimated effects are usually based on a combination of user-inputted values and values derived from existing literature.

The largest and most well-known of these models is the WSIPP model from Washington State, USA. This model relies on detailed literature reviews and, when possible, meta-analyses to identify the best possible effect size estimates for its calculations. Additionally, uncertainty is assessed using Monte Carlo simulations of the

effects. This approach makes the calculations highly reliable and thorough but also resource-intensive.

Several other models apply similar principles to a lesser or greater extent but with less detail than the WSIPP model. These include the Dartington model (a British adaption of the WSIPP model), the Manning Cost-Benefit Tool (Australia), the Rapid CBA Tool (Australia), and the Treasury's CBAx Tool (New Zealand).

In several countries where searches were conducted, no models similar to those described above were found. This applies to Germany, France, Austria, Switzerland, and the Netherlands. In these countries, there has been increasing awareness of the topic of investing in people and how to quantify such investments, but no significant model development has taken place.

All models found are described in detail in the report for inspiration for future model developers.

Facts about the Report

The report is based on extensive searches in different languages.

The aim has been to find as many models around the worlds as possible.

We have limited the searches to areas typically covered by public sectors in Nordic type welfare states such as social interventions and those similar to these.

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