

# Agenda

## Advancing economics in business

### You can't put a value on friendship. Or can you?

**What are the economic impacts of befriending people? In December 2015 Oxera completed a pro bono project for the St Vincent de Paul Society (SVP), which looked at the economic impacts arising from befriending. While it was not possible to robustly quantify all of these impacts, our analysis nonetheless suggested that society benefits by approximately £3 for every £1 spent by the SVP**

The SVP is an international Christian voluntary organisation that was founded in 1833 in Paris. The SVP works to tackle poverty and provide practical assistance to individuals and families in need. The England and Wales branches of the SVP have been active since 1844 and consist of around 10,000 volunteers. The main activity of the SVP is visiting and befriending—assisting vulnerable people directly through visits to domestic residences, care homes, hospitals and prisons.

The SVP approached Pro Bono Economics for assistance in understanding the economic effects of its activities, and Pro Bono Economics put it in contact with Oxera. This article looks at the results of Oxera's project for the SVP.<sup>1</sup>

### The work of the SVP

The SVP offers visiting and befriending across 1,100 parishes in England and Wales, with around 10,000 volunteers making approximately 420,000 visits in 2014.<sup>2</sup> The purpose of visiting and befriending is to support those in need in whatever way is necessary. The main mechanism through which support is provided is through personal contact between volunteers and those in need. This support can be both moral and practical.<sup>3</sup>

The SVP seeks to befriend vulnerable individuals in seven main groups:

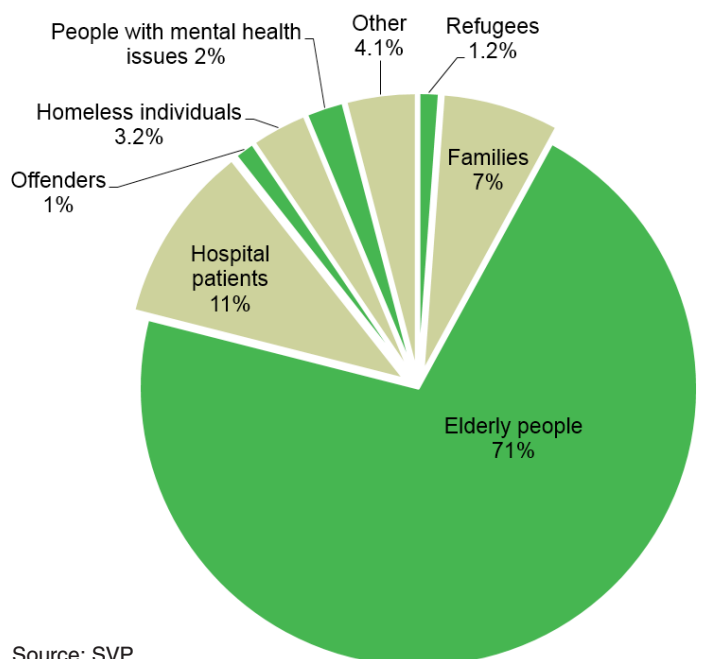
- elderly people, in their own homes and in residential homes;
- people staying long term in hospital;
- families (particularly single parent families, and those with parents who have mental health issues);
- homeless people;

- offenders;
- refugees;
- people struggling with mental health issues.

Figure 1 provides a breakdown of the beneficiaries of the SVP's visiting and befriending activities.

The main goal of the SVP volunteers during visits is to be a source of support and happiness for those in need.<sup>4</sup> During visits, the SVP's volunteers may engage in conversation, discuss issues and problems that the individual is dealing

**Figure 1 Types of visiting and befriending activities in 2013**



with, help with tasks around the home (including gardening and decorating), assist with shopping trips, have discussions with utility companies, assist in completing official forms, and help to check whether those they are visiting are receiving the benefits that they are entitled to.

In certain cases, the SVP may provide small amounts of financial support, usually for food, heating or rent. This generally occurs only after a visit from a volunteer, and is largely dependent on the financial resources of the local volunteer group.<sup>5</sup> Volunteers may also assist with providing or sourcing basic necessities including food, furniture and appliances.<sup>6</sup>

## The 'economist's approach'

Oxera used an 'economist's approach' to defining the relevant costs and benefits of visiting and befriending—in particular, by comparing observed outcomes with a hypothetical counterfactual scenario in which the befriending services provided by the SVP did not exist. In addition, we considered a range of non-financial costs and benefits, including improvements in quality of life and the opportunity cost of time spent volunteering. The analysis presented in the study is therefore a social cost–benefit analysis, rather than a purely financial assessment.<sup>7</sup>

## The benefits of the SVP's work

The research identified the following five direct impacts of visiting and befriending on those receiving the visits, which result mainly from the relationship that develops between the volunteer and beneficiary:

- improved mental health;
- better navigation of 'the system';
- enhanced skills training;
- enhanced educational opportunities (education and employment);
- direct provision of basic necessities.

The analysis then considered the economic effects arising from these impacts. For example, the literature identifies that improved mental health can result in reduced healthcare costs, improved labour market outcomes,<sup>8</sup> and less reliance on social security, through the logic outlined in Figure 2 below.

In addition to these economic effects for recipients, there is evidence that the volunteers benefit from their participation in visiting and befriending through increased life satisfaction, decreased depression and psychological distress, better physical health, and lower mortality rates later in life.<sup>9</sup>

While these effects are based on economic logic and a review of the relevant literature, quantifying them can be challenging, for two main reasons.

1. There is a lack of robust evidence on the scale of the 'unit' effects—i.e. the effect of one hour of volunteering or a single parcel of food. The number of volunteers, number of recipients and hours of volunteering are the most readily available metrics concerning visiting and befriending activities. However, there is little empirical evidence that links the quantity of inputs (e.g. a volunteer's time) to the *quantity* of change in outcomes. It is clear that there is value associated with each hour of volunteering, but it is not clear what this value actually is (nor how the incremental value of an additional hour changes as the number of hours is increased).
2. It is challenging to isolate the specific impact of befriending on social outcomes, given the number of factors that could potentially influence these outcomes. For example, consider a single mother who is unemployed and suffering from depression. She contacts a charity and begins to receive weekly visits from a volunteer. She also begins attending college. A year later, her depression is gone, she has completed a college course, and she has a job. It is clear that she has a better quality of life, has improved labour market prospects, and is no longer receiving National Health Service (NHS) care to treat her depression. However, it is not clear to what extent these changes can be fully attributed to the fact that she was befriended, and to what extent they are due to her attending college,

**Figure 2 Economic benefits from improved mental health**



Note: The diagram is illustrative only and is not intended to provide an accurate depiction of the relationships between these steps, which are likely to be non-linear and to exhibit a degree of feedback.

Source: Oxera.

which she *might* have done anyway. This example highlights the difficulty in defining the appropriate counterfactual scenario and thus in demonstrating that the visiting and befriending activities result in observed improved outcomes.

It is due to these two issues that the study quantified only a small proportion of the economic effects of the SVP's befriending activities. Three economic benefits were identified that could be quantified with a degree of confidence: the reduced healthcare costs to the NHS; the improved quality of life of the beneficiaries; and the increased satisfaction for volunteers conducting the visits. Some quantifiable economic costs were also identified: the opportunity and monetary costs for the volunteers involved; and the administrative costs of running the SVP. This article focuses on just one of the benefits: the reductions in healthcare costs arising from reduced levels of depression associated with befriending.

## An example: reductions in healthcare costs

To calculate the value of the reduced healthcare costs resulting from the SVP's befriending activities relative to the counterfactual of the befriending services not existing, we calculated how much a reduction in depressive symptoms in a single elderly person saves the healthcare system in a year, and multiplied this by an estimate of the number of elderly people suffering from depression who are visited/befriended by the SVP. The study focused on elderly people for two reasons: this group accounted for over 70% of all SVP visits in 2013, making it the group that receives the highest proportion of all visiting and befriending activities; and there is significantly more data available on elderly people as a group compared with the other groups typically befriended by SVP volunteers.

It is estimated that an individual suffering from depression costs the NHS around £42 per year.<sup>10</sup> Furthermore, it is estimated that 20% of all older people suffer from depression.<sup>11</sup> Therefore, of the approximately 54,000 elderly people that the SVP visits annually, almost 11,000 are likely to suffer from depression (although this may be a conservative estimate, as individuals who receive a visiting and befriending service are possibly more likely to suffer from depression than the average older person, as they would otherwise have been less likely to have accessed the service). While it is unlikely that all depressive symptoms in every elderly individual suffering from depression and visited by the SVP will be entirely alleviated, this is likely to be offset to some extent by the greater proportion of people with depression who receive visiting/befriending services than those with depression in the population as a whole. Consequently, a 100% 'success rate' was assumed.

It also seems likely that, for many individuals who benefit from the visits, the benefits to the NHS will be sustained over a period of time. In this case, the avoided costs to the NHS of the SVP's befriending activities amount to over £460,000 per year, as shown in Table 1.

This is only one of the three mechanisms that were quantified: Table 2 below summarises the benefits and costs quantified that are associated with befriending activities that involve only elderly people, and thus provides details of the relationships between the costs and benefits of the SVP's single largest activity. Two versions of a benefit–cost ratio are presented: one where volunteering is both a cost and a benefit to the volunteers themselves; and one where both the costs and the benefits to the volunteers are excluded. In both cases the benefit–cost ratio is between 2.5 and 3.

**Table 1 Value of avoided NHS costs**

|   |                 |
|---|-----------------|
| Number of beneficiaries of SVP visiting and befriending activities per year | 76,566          |
| Percentage of all visits to elderly individuals                             | 71%             |
| Percentage of elderly people suffering from depression                      | 20%             |
| Estimated annual cost to the NHS of a depressed individual                  | £42.5           |
| <b>Reduction in NHS costs</b>   | <b>£461,900</b> |

Note: Numbers may not sum due to rounding.

Source: Oxera analysis, based on SVP data and analysis from Knapp, M. (2013), 'Building community capital in social care: is there an economic case?', *Community Development Journal*, 48:2, pp. 313–31.

**Table 2 Benefits and costs of the SVP's visiting and befriending activities (£'000)**

| Benefits   |               | Costs                                   |              |
|--|---------------|---|--------------|
| Reduced healthcare costs                             | 462           | Monetary cost of volunteering           | 828          |
| Improved quality of life                             | 2,265         | Opportunity cost of volunteering        | 5,082        |
| Increased wellbeing in volunteers                    | 14,885        | Administrative costs of running the SVP | 234          |
| <b>Total benefits</b>                                | <b>17,612</b> | <b>Total costs</b>                      | <b>6,144</b> |
| <b>Net benefits</b>                                  | <b>11,467</b> |   |              |
| <b>Benefit–cost ratio</b>                            | <b>2.9</b>    |   |              |
| <b>Net benefits (excl. volunteering)<sup>1</sup></b> | <b>1,665</b>  |   |              |
| <b>Benefit–cost ratio</b>                            | <b>2.6</b>    |   |              |

Note: Numbers may not sum due to rounding. <sup>1</sup> This excludes from the calculation the increased wellbeing of volunteers and the opportunity cost of volunteering.

Source: Oxera analysis.

The estimates in Table 2 are likely to be conservative, as they cover only two of the main types of benefit that occur from befriending (the reduction in depressive symptoms and the benefits that accrue to volunteers). As described qualitatively in the report, there are several other effects that lead to subsequent economic impacts that have not been quantified, but are likely to be material.

## Conclusions

The study for the SVP (and other similar work done by economics consultancies—see the Pro Bono Economics website<sup>12</sup>) demonstrates that economic analysis can, albeit

with some challenges, be applied to activities that would not normally be seen as 'economic activity', and can thus demonstrate the impact that the activity has. This provides a useful input to decision-making, for both the government (in all its guises) and those providing the relevant services, in allocating resources to different activities. Without this evidence, there is a risk that activities that are not normally seen as 'economic activity' suffer in a time of constrained budgets. This type of analysis should go some way to demonstrating that the 'dismal science' is not as dismal as is often portrayed, and can actually be a force for good in society.<sup>13</sup>

<sup>1</sup> Oxera (2015), 'Economic impact of visiting and befriending', prepared for the St Vincent de Paul Society, 15 December, <http://www.oxera.com/Latest-Thinking/Publications/Reports/2015/Oxera-identifies-economic-welfare-improvement-of-%C2%A3.aspx>.

<sup>2</sup> See SVP website, 'Who We Are', <http://svp.org.uk/WhoWeAre>, accessed 14 August 2015; and data supplied by the SVP.

<sup>3</sup> SVP website, 'What We Do', <http://svp.org.uk/WhatWeDo>, accessed 14 August 2015.

<sup>4</sup> For more details, see SVP website, 'Who We Are', <http://svp.org.uk/WhoWeAre>, accessed 14 August 2015.

<sup>5</sup> For more details, see SVP website, 'Requests for Help', <http://svp.org.uk/RequestsForHelp>, accessed 14 August 2015.

<sup>6</sup> For more details, see SVP website, 'What We Do', <http://svp.org.uk/WhatWeDo>, accessed 14 August 2015.

<sup>7</sup> The relevant literature was reviewed to identify the economic effects of visiting and befriending in general, and the resulting framework was applied to the SVP's activities to provide a quantification of their costs and benefits. No primary research was conducted, and our conclusions are based on a review of the available literature, combined with information provided by the SVP.

<sup>8</sup> King's Fund (2008), 'Paying the Price: the cost of mental health care in England to 2026'.

<sup>9</sup> Thoits, P.A. and Hewitt, L.N. (2001), 'Volunteer Work and Well-Being', *Journal of Health and Social Behavior*, **42**, June.

<sup>10</sup> Knapp, M. (2013), 'Building community capital in social care: is there an economic case?', *Community Development Journal*, **48**:2, pp. 313–31.

<sup>11</sup> Mental Health Foundation (2007), 'The Fundamental Facts – The latest facts and figures on mental health', 2007 edition.

<sup>12</sup> <http://www.probonoeconomics.com/>.

<sup>13</sup> See, for example, Thompson, D. (2013), 'Why Economics Is really Called "the Dismal Science": the (not-so-dismal) original myth of a ubiquitous term', *The Atlantic*, 17 December, <http://www.theatlantic.com/business/archive/2013/12/why-economics-is-really-called-the-dismal-science/282454/>.