

Research for **communities**

Costing an Ounce of Prevention

The Fiscal Benefits of Investing in Inner-City Preventive Strategies

Which is better from an economic point of view: spending money to prevent problems, or holding down expenditures on prevention and bearing the costs of problems after they arise? One way of answering this question is to attempt to determine the costs to individuals and to society as a whole—of particular social issues, and then to compare those costs with the costs of prevention. In research done on the costs to themselves and to society of young women entering the sex trade, it has been found that it makes good economic sense to invest in prevention. Though this study is in no way a comment on deservingness of services for people who are currently engaged in the sex trade, the publicly funded resources expended to support individuals are quite extensive. These costs are ‘saved’ by successful prevention programs. This article summarizes the research, carried out by Linda DeRiviere, which is published in full in the Canadian Centre for Policy Alternatives-Manitoba’s *State of the Inner City Report 2007*.

Detailed calculations were made of some of the economic costs incurred as the result

of young, and primarily Aboriginal, women having engaged in the sex trade during their adolescence and early adult years.

In one aspect of this work, calculations were made of the private costs to the individual involved in the sex trade, in particular, the costs related to the employment effects in the mainstream labour market after a person leaves the sex trade. It asks, did individuals earn lower incomes in mainstream employment after leaving the sex trade, than the incomes earned by those who did not engage in such activities? In a second aspect of this research, calculations were made of some of the costs incurred by various government and non-profit agencies from the individual’s use of public services. In other words, what costs did these agencies incur as the result of peoples’ involvement in the sex trade?

AN OUNCE OF PREVENTION

Let us consider the case of an economic cost analysis linked to the evaluation of a

The public investment is recouped if fewer than two youth who participated are prevented from becoming involved in prostitution.

pilot prevention program, which was located in the Lord Selkirk Park area in the North End of Winnipeg. One of its many activities was to provide a drop-in club for children who are at high risk of engaging in the sex trade. It was primarily Aboriginal youth who had participated in the program.

The program may have dissuaded some of them from entering the sex trade, and/or from getting involved in gangs, drugs and other associated activities. The question is: how does one go about costing such social issues? In this project, some long-run cost-avoidance figures were calculated. There was another group of people (former sex trade workers) who could provide information on the actual outcomes from sex trade involvement, which would be used to calculate some of the potential cost savings to society for the children who are diverted from the sex trade. This was the reason for collecting a unique data set of information from former sex trade workers.

A POUND OF CURE

In-person interviews were conducted with sixty-two former sex-trade workers who are primarily Aboriginal women. The participants self-selected into the study.

The study findings are that sex-trade workers in this sample left prostitution with low levels of education and training, as well as a low attachment to the formal labour market. The study's participants face several employment-related challenges, in large part due to chronic sex-trade-related physical and mental-health conditions. Consequently, they incurred substantial private costs in terms of losses from income-earning activities in the formal labour market

after exiting the sex trade. These general findings are consistent with the sociological literature, which suggests that there are certain consistencies such as the likelihood of illicit drug use and running high risks of contracting serious health conditions.

It is not the intent in this article to stereotype transitioned sex-trade workers as doomed to ill-health and living in poverty. Many former sex workers are gainfully employed and self-sufficient in the mainstream. Likewise, many are engaged in meaningful initiatives—volunteer and paid—in the community by helping those who are contemplating an exit from the sex trade. The study findings reveal the daily reality of a substantial number of former sex trade workers who struggle with the ongoing stressors of addiction and much personal pain from the earlier events in their lives, which were in all likelihood preventable.

Some of the sex-trade-related health issues that afflicted former sex-trade workers in this study include:

- Ongoing addictions-related issues: 75.8 per cent of the participants reported being vulnerable to relapse where it concerns addictions
- Depression: 35.5 per cent
- Hepatitis viruses (in particular, Hepatitis C): 29.0 per cent
- Emotional trauma and anxiety attacks: 58.1 per cent
- Chronic fatigue: 6.5 per cent
- HIV/AIDS: 4.8 per cent

It was calculated that, collectively, the

study participants will have lost an estimated 844 full-time equivalent years in the formal labour force after exiting the sex trade. This is despite the fact that the majority of the respondents had developed some attachments to the labour market prior to entry into the sex trade. Other findings include:

- 27 per cent of the respondents reported being in the labour force, but most of them earned on average at least \$2.50 per hour less than similarly employed women (primarily Aboriginal women).
- 23 per cent of the participants had a long-term disability (from serious illness) preventing future participation in the labour market.
- 34 per cent of participants had serious work limitations due to ongoing physical and mental-health issues.
- The fiscal consequences of labour market earnings losses are very often a lifetime dependence on income assistance and other public services.
- \$5.3-million (in 2003 dollars) of lifetime earnings was lost to the study's respondents.

PUBLIC COSTS ARISING FROM INVOLVEMENT IN THE SEX TRADE

Once an individual engages in the sex trade, the lifelong government-funded costs are substantial.

Three of these costs are: costs to the justice system, costs of drugs/alcohol addictions and treatment, and health costs. In other words, if a young person gets involved in

the sex trade, that involvement will lead to higher societal costs related to the justice system, drug and alcohol addiction and treatment, and health care. If, by contrast, a young person is prevented from entering the sex trade, then these costs are potentially 'saved'.

JUSTICE SYSTEM

There is a very high probability that the sex-trade worker will have many conflicts with the law. Therefore significant justice system costs are incurred. These include police, courts, legal-aid services, costs of incarceration in remand or a correctional facility, youth detention, and community supervision (probation services).

DRUGS AND ADDICTIONS

One significant finding of the study was that 14.5 per cent of participants had not used drugs or alcohol before the initial entry into the sex trade. Another 53.2 per cent of the participants said that they used alcohol or some of the lighter drugs (less addictive), such as marijuana, before engaging in the sex trade, but it was typically casual use. Indeed, we need to keep in mind that around half of Canadian youths report using alcohol or drugs. Another 33 per cent of participants believed that they developed an addiction before entry into the sex trade. But they mostly used alcohol.

However, once involved in prostitution, the use of substances progressed in most cases to an addiction to more harmful and expensive drugs. Addictions are a huge barrier to making the transition into mainstream society, and prolong the transition process.

**CANADIAN CENTRE
FOR POLICY
ALTERNATIVES-MB**

309-323 Portage Ave.

Winnipeg, MB

Canada R3B 2C1

ph: (204) 927-3200

fax: (204) 927-3201

ccpamb@policyalternatives.ca

www.policyalternatives.ca

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The full *State of the Inner City 2007* report is available from the Canadian Centre for Policy Alternatives—Manitoba.

The exit process entails immeasurable amounts of public resources for the treatment of drug and alcohol addictions, other therapies (counseling), income assistance and housing support (though again, this is in no way a statement of deservingness of services).

DIRECT HEALTH COSTS

Costs are incurred for treatments, including addictions and mental-health services; hospital emergency centres; doctors' and surgeons' fees; prescription drugs; dental costs from heavy drug use and poor health habits; and costs of treatment for hepatitis or HIV AIDS. Frequently, the participants required medical attention related to the physical and sexual violence intrinsic to sex-trade work.

DOES PREVENTION PAY?

A final question is this: does prevention pay? Taking a lifecycle perspective in terms of fiscal costs and a cost-avoidance approach to economic evaluation, can the government recoup its current funding to a prevention strategy, which is designed to dissuade entry into the lifestyle of a sex worker? The fiscal cost estimates of this study revealed that the total financial investment in the prevention program is recouped by the government if fewer than two youth who participated in the children's club are prevented from becoming involved in prostitution (the average is 1.6 youth). If the program even had only a minor impact on reducing participation in the sex trade, it paid off.

Further, calculations revealed that the current value of the social assistance paid out to former sex-trade workers who have

serious illnesses, which prevent them from participating in the workforce, would cover a further six years of funding to a prevention strategy. Likewise, preventing the affliction of the HIV/AIDS and the Hepatitis C virus on sex workers in Winnipeg could potentially pay for 17 years of prevention services to the community.

WHAT SHOULD WE CONCLUDE FROM THE STUDY?

The economic cost-based framework used in the study illustrates that engagement in the sex trade is not only a private issue. The public also incurs significant costs. And the costs estimated above are likely the tip of the iceberg, since they do not even touch on the intergenerational effects of exploitation.

Besides the diversion from prostitution, a prevention emphasis may have spawned multiple lifelong benefits for youth, such as how to avoid sexual abuse, how to stay away from gangs and drugs, how to deal with inter-personal conflicts, and information about alternatives to prostitution. These types of early interventions help to build children's self-esteem and to connect them with their culture, which may well lead to improved lifetime productivity from higher education and earnings and reduced conflicts with the law.

In this sense, prevention services provide great value to society. Given the fact that there are hundreds of youth sex-trade workers in Winnipeg, these cost assessments have implications of paramount importance for evaluating the priorities of public policy on investments in prevention programs.

