

Investing in Children

The case for diverting Czech government finances away from institutions towards families and communities



Summary report

Foreword

Investing in children: why money matters

No country can afford to waste money. Yet every year, the Czech Republic spends large sums of public money on residential institutions for vulnerable children. Over 80 years of research demonstrates that institutions are harmful to children's development. They are also far more expensive than community-based systems of care which enable children to live in families, with greater opportunities for happiness, health and stability, and significantly improved outcomes throughout their lives. Institutionalisation is also a violation of children's rights under both the UN Convention on the Rights of the Child and the UN Convention on the Rights of Persons with Disabilities.

The Czech Republic has made considerable progress over the past decade to improve alternatives to institutionalisation for children. However, large numbers of children continue to be admitted to harmful institutions. This report will show that children and families could instead be supported in far greater numbers in their communities if the finances were organised differently.



Purpose of this report

The process of deinstitutionalisation is complex, and managing the financial aspects can be particularly challenging. Governments in many countries still believe that providing care and protection to children through institutions is the most cost-effective option. They sometimes fear that community-based support will be more expensive and therefore unsustainable in the long term. However, evidence from countries that have reformed their approaches to care shows that systems which rely on institutions are far more expensive to run than those which rely on community-based services. Crucially, a considerable body of research demonstrates that community-based, family-focused services result in significantly better outcomes for children.

The purpose of this report is to:

- set out the evidence about the harm that institutions can cause, and present the case for community-based alternatives to institutional services
- highlight the progress made so far in the reform of children's services in the Czech Republic
- identify the significant resources within the current system of care for vulnerable children in the Czech Republic
- assess the main challenges and barriers to further reform, and identify possible solutions.

The report details the findings from Lumos' research, which has shown that far greater numbers of children and families could be supported with high-quality, cost-effective alternatives to institutionalisation, using the resources that are currently tied up in institutions. These findings support those of the growing body of research demonstrating that supporting children and families in the community is more financially sustainable and results in better outcomes for children, families and communities.

It is hoped this report will be of use to:

- the Czech government
- the Czech regional authorities
- the European Commission
- other stakeholders and countries interested in learning from the reform process in the Czech Republic.

Methodology, data sources and limitations

The report is based primarily on official government data supplied by the Ministry of Education, the Ministry of Labour and Social Affairs (MOLSA), the Ministry of Finance and the General Secretariat of the Labour Office. Information on the numbers of children in institutions was obtained through freedom of information requests from the institutions themselves. Two providers of community-based services supplied in-depth information about their services.

The methodology for the analysis of the cost-effectiveness of the residential system was developed in consultation with Professor Jan Pavel, Professor of Public Finance at the University of Economics in Prague.

Due to limitations in the availability of data, the public expenditure calculated for the different forms of care should be treated as best estimates based on the data available.

Introduction

Institutions: harmful and costly

An estimated eight million children live in residential institutions and so-called orphanages around the world.⁽¹⁾ Research suggests that at least 80% of these children are not orphans but have at least one living parent.⁽²⁾ In 2018, more than 8,000 children in the Czech Republic lived in institutions; less than one percent were orphans.⁽³⁾

80 years of research – including ground-breaking studies from the Czech Republic – have shown that being raised in an institution, instead of a family, harms the physical, emotional and educational development of children. It limits their life chances – and the harm is often irreversible. (4) Longer-term outcomes for those who have grown up in institutions are often poor: they are more likely to be affected by mental health problems, homelessness, drug and alcohol misuse, high-risk sexual behaviour and criminal behaviour. (5) Meanwhile, evidence has shown that outcomes for children raised in non-institutional settings are consistently better than for children raised in institutions.

Children are frequently placed in institutions because their families are affected by poverty and live in inadequate housing, because their parents need support with parenting, or because they have a disability. (10) However, adequate provision of services within the community can often prevent family separation by supporting families to address the challenges they face.

International standards and conventions have recognised that institutions are not in children's best interests and that they violate their human rights. The UN Convention on the Rights of the Child (CRC) affirms that, as far as is possible, all children – including children with disabilities – have a right to live with their families, and that it is the primary responsibility of parents and legal guardians to protect and care for their children. Significantly, the CRC states that it is the responsibility of the state to support parents to fulfil their parental obligations.

In recognition of the harm caused by institutions, the EU has prohibited the use of European Structural and Investment Funds (ESIF) for the maintenance, renovation or construction of residential institutions.

Progress towards deinstitutionalisation in the Czech Republic

The process of moving away from an institutionalised system towards community-based care is called deinstitutionalisation. It involves:

- replacing institutions with a strong network of community-based services to support vulnerable children and families
- reuniting institutionalised children with their families
- preventing other children from being admitted to institutions
- providing high-quality alternative care for children who are unable to remain with their families.

A comprehensive system of community-based services will include respite care, day centres, early intervention support, after-school clubs, personal assistance services, support to access cash benefits, domestic violence shelters and other social support activities. Some of these services will be targeted towards children and families with specific needs, while universal services – which include schools and health services – should be inclusive, available and accessible to everyone, regardless of whether or not they have a disability and irrespective of their ethnic or cultural heritage. Both universal and targeted services are essential elements of a successful system of community-based services.

When a comprehensive system of community-based services is available and accessible to everyone, family separation and institutionalisation can be prevented, as children and their families can get the support they need within their own communities.

While there is still some way to go towards complete deinstitutionalisation in the Czech Republic, there have been encouraging signs of a cultural shift in thinking. National child protection legislation states that family support should be the first option for vulnerable children, followed by substitute family care, with institutions as the last option when all other alternatives fail.

The Czech government should be applauded for reforms which have resulted in far better provision of community-based and financial support for children with disabilities and their families. These efforts have prevented many potential admissions of children and young people with disabilities to institutions, and have resulted in a decrease in the number living in residential settings, from 1,063 in 2009 to 497 in 2017.

Additionally, increased funding and training for child protection services, alongside improvements to the foster care system, have provided more family-based alternatives to institutionalisation in cases where the courts have decided that children cannot live with their birth families. Many of the developments have been underpinned by the National Action Plan for the Transformation and Unification of the System of Care for Children in Need, which the government approved in 2009, and the National Strategy to Protect Children's Rights and the Action Plan for its implementation, which followed in 2012.⁽¹¹⁾

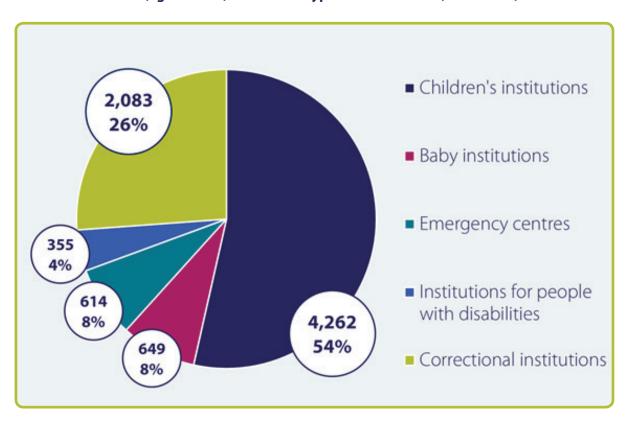
Despite this, the Czech Republic continues to rely on institutions as part of its child welfare system, and there are several challenges which must be overcome to ensure that children can remain with their families wherever possible.

Key findings(12)

The scale of the problem

Despite decreases in the numbers of children in institutions for children and adults with disabilities, and in correctional institutions, the number of children living in institutions remains high. This is primarily because of the lack of progress towards deinstitutionalisation in children's institutions, which provide residential services for children without disabilities or challenging behaviour. The highest proportion of institutionalised children live in children's institutions.

Number of children (aged 0-18*) in different types of institutions (2017/2018)

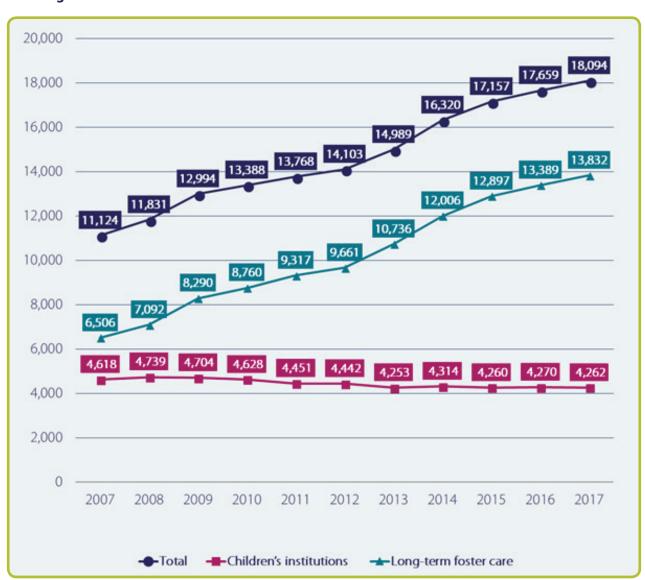


*The 4,262 residents in children's institutions include 375 young adults over the age of 18.

The number of children and young people in children's institutions decreased by only 8% between 2001 and 2017. Since the child population has also decreased during this time, the prevalence of institutionalisation of vulnerable children aged 3–18 has remained at 27 children per 10,000.⁽¹³⁾

In 2017, there were 142 children's institutions in the Czech Republic, housing a total of 3,887 children and 375 young adults (4,262 residents in total).

Number of children and young adults (without disabilities) in children's institutions and long-term foster care



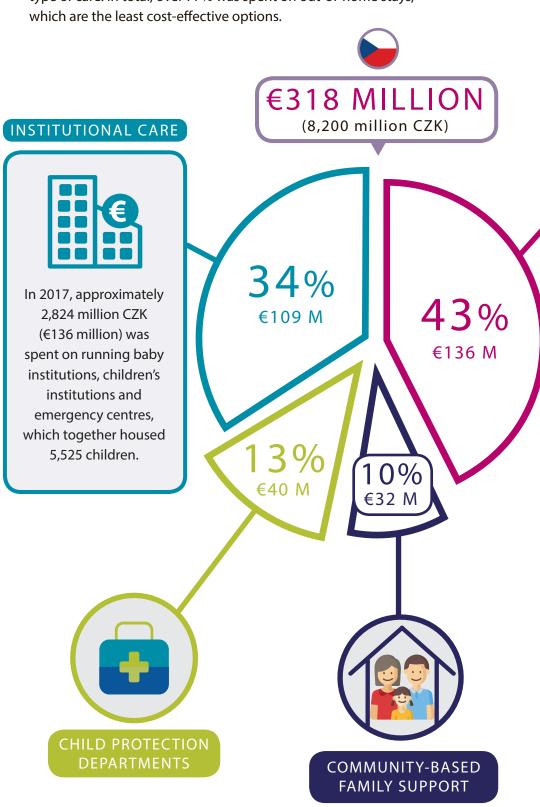
Although the number of children in long-term foster care almost doubled between 2007 and 2017, this is not reflected in lower numbers of children in children's institutions.

This means that the overall number of children without disabilities living in children's institutions and long-term foster placements increased by almost 7,000 (63%) between 2007 and 2017.

The cost of institutions compared to community-based alternatives

Care for vulnerable children without disabilities

In 2017, the Czech Republic spent 8,246 CZK (€318) on care for **vulnerable children without disabilities**. This chart shows the public spend on each type of care. In total, over 77% was spent on out-of-home stays, which are the least cost-effective options.



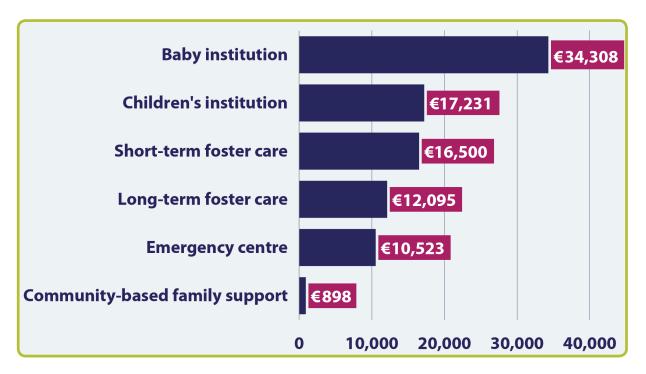
FOSTER CARE



While foster care is an essential part of any child welfare system, almost 15,000 children are in foster care in the Czech Republic. This number is very high and many of these children could be looked after by their families if adequate community-based support were available.

Institutions are not only an expensive way of looking after vulnerable children, they are also the least cost-effective, given that children's outcomes are often so poor. Supporting children and families through community-based services is the least expensive, and most cost-effective, option – given that children's outcomes are generally far better.

Annual public spend per child across different services for children without disabilities (2017/2018)



Lumos' analysis of financial data from 2017 shows that approximately 2,684 million CZK (€103 million) is spent annually on running baby institutions and children's institutions, which together house around 5,000 children. The same funds could instead be used to enable over 100,000 children to live with families in the community.

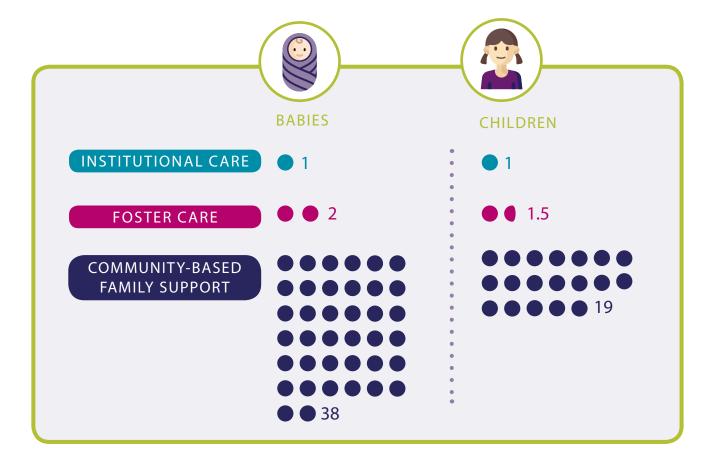
If just the money spent on unoccupied places in institutions was instead directed towards community-based services, it could support around 10,000 vulnerable children whose needs might not otherwise be met.

Comparative costs of care for vulnerable children (2017)

One year of community-based family support costs 23,282 CZK (€898) per child.

For the amount spent annually per child in a children's institution, 19 children could be supported in the community.

For the amount spent annually per child in a baby institution, 38 children could be supported in the community.



In the Czech Republic, long-term foster care is offered as an alternative form of care for children who might otherwise be placed in children's institutions. A one-year stay in long-term foster care costs the state 133,540 CZK (€5,137) less, on average, than a one-year stay in a children's institution. Short-term foster care is typically used for younger children who would otherwise be placed in baby institutions. A one-year stay in short-term foster care costs the state 463,000 CZK (€17,808) less than a one-year stay in a baby institution. Foster care is not only less expensive, but is also more cost-effective than institutional care, as children's outcomes are far better than those of children looked after in institutions.

The overall number of children in foster care has increased significantly in recent years, reaching a total of almost 15,000 in 2017. This increase has primarily been due to an increase in the number of foster carers and an improvement in professional standards surrounding foster care. While high-quality foster care is an important part of any system of children's services, the issue in the Czech Republic is one of scale and whether placing a child in foster care is necessary in so many cases. Foster care should be used as a means of looking after children who are genuinely unable to remain with their birth families, even when adequate community-based support is in place.

Foster care is more expensive per child than family and community-based support. 14 children could be supported to live with their birth families in the community for the amount spent annually per child in long-term foster care. Investing in family and community-based support would mean that more children could remain with their families, with foster care used only when the child genuinely has to be removed from their birth family.

The number of children in out-of-home care is increasing. If the trend continues to grow at its current rate, public expenditure on care for vulnerable children without disabilities is expected to grow by around 540 million CZK (€21 million) each year in the coming years. By 2022, it is estimated to reach around 8,246 million CZK (€317 million) – 2,701 million CZK (€104 million) higher than in 2017.

Poverty and social vulnerability as drivers of institutionalisation

Poverty and social vulnerability are significant drivers of children's institutionalisation in the Czech Republic. The prevalence of institutionalisation is twice as high in deprived regions than in less deprived regions.





MORE DEPRIVED REGIONS

Includes the following criteria:
Highest level of long-term
unemployment and the highest
number of families who have
received poverty relief benefits for
more than 2 years.

LESS DEPRIVED REGIONS

Includes the following criteria: Lower numbers of people in long-term unemployment, on benefits, or with debts.



OUT-OF-HOME CARE



Number of children in institutions per 1,000 children in the region



Number of children in institutions per 1,000 children in the region

Those living in deprived or socially-excluded areas are more likely to be experiencing poverty. (15) Many families have been forced, through poverty and a lack of other options, to leave their homes and move into hostels and other types of inadequate housing. (16) Living in such challenging situations can make it difficult for families to meet their children's basic needs, and can put children at risk of being removed and placed in institutions. This highlights the need for sufficient service provision for families experiencing poverty, so they can access the support they need to address the challenges they face.



The wealth of resources currently tied up in the system of care in the Czech Republic could instead be used to provide good-quality community-based services and alternative types of care and support to enable over 100,000 children to live in families in the community.

These alternatives to institutionalisation are far more cost-effective and have better outcomes for a greater number of children and families.

Barriers to progress

- The current network of community-based services is inadequate in the face of growing need, particularly as the number of children living in deprived areas is increasing. Analysis of data about children's admissions into state care in the Karlovy Vary region of the Czech Republic shows that social factors are important drivers of institutionalisation. This highlights the importance of ensuring there is enough community-based support for children and families, so that out-of-home placements can be prevented unless genuinely necessary.
- There is significant regional variation in the availability of community-based family support workers. Higher numbers of these workers are associated with lower rates of admissions to institutions. Having sufficient numbers of workers is particularly important in deprived areas where poverty is endemic and admission rates tend to be higher.
- Mutual mistrust and a lack of cooperation between child protection departments and community-based service providers, alongside a lack of awareness in some child protection departments about available community-based services, is hindering the prevention of out-of-home placements.
- Some admissions to institutions are a result of social work assessments and decision-making that do not take into account the child's best interests. Sometimes this is due to a lack of good-quality training, support and tools. Effective assessment is further undermined by the fact that social workers mostly undertake assessments alone and make recommendations without supervision or consultation with colleagues or supervisors. This is except for at case conferences, where professionals meet to share information and decide what action is needed.
- In 2018, 23% of children placed in baby institutions were admitted on the basis of contracts between parents and institutions. These contracts eliminate the involvement of the child protection departments and the courts, and do not give parents the opportunity to learn about what support is available to help them look after their child at home.

- Funding for institutions has not yet been adequately ring-fenced and reallocated to community-based services. This is, in part, due to the fact that the health and education sectors (who run the baby institutions and children's institutions, respectively) did not participate in the reform process driven by the National Strategy to Protect Children's Rights and the National Action Plan for 2012–2015. A strong commitment to reform and good coordination between the health, education and social sectors would allow resources from the institutional system to be ring-fenced and transferred between different government departments to support the development of community-based services.
- There is little financial incentive for the Ministry of Labour and Social Affairs (MOLSA) to increase its funding for community-based services as an alternative to institutions, because MOLSA would not recoup any financial benefits from funding these more cost-effective services. Any savings from a reduced reliance on institutions would instead stay within the Ministries of Education and Health, who fund the institutions. Additionally, there is no legislation that obliges the Ministry of Finance to provide funding for community-based services relative to demand. The money MOLSA is able to secure through negotiations from the Ministry of Finance for these services is not based on identified need and tends to be inadequate.
- The pace of reform may have been slowed by two financially-driven incentives to sustain the institutional system. The first is a possible impetus to 'fill up' institutions; as the overheads stay the same whatever the occupancy, a greater number of residents reduces the cost-per-child. The second is a reluctance to 'waste' the financial investments that have already been made in institutions, particularly in the buildings themselves.

Conclusions

There will always be a need, in any system, to protect children who are abused or neglected, and this may require temporary or permanent separation from their birth families. However, the evidence presented in this report suggests that separation is unnecessary for the overwhelming majority of the 23,000 vulnerable children in the Czech Republic who live apart from their families, often in harmful institutions, and for entirely preventable reasons.

It is clear that institutions – especially those for babies – are the most expensive, most detrimental and least cost-effective form of 'care' for vulnerable children, including those with disabilities. For the same cost, thousands more children and families could be supported each year if the Czech Republic shifted funding irreversibly away from institutions and towards community-based services which keep families together. Community-based services will remain under-developed while parallel systems (institutions running alongside community-based services) are in place.

There is a clear need for professionals and policy makers in the Czech Republic to fundamentally rethink their approach to supporting vulnerable children – in particular, to recognise that too many children are still being separated unnecessarily from their birth families. This is especially important given the high prevalence of children in state care in the Czech Republic compared with many other high-income countries.

The analysis in this report shows that there is a considerable amount of money in the current system which, if used differently, could achieve reform and fund community-based services to meet the individual needs of thousands of children and families. However, reform is often challenging, and there are a number of barriers to be overcome. For example, there is a reluctance to close institutions in which money has previously been invested, and a continued lack of effective coordination between the health, education and social sectors is likely to prevent the ring-fencing and redirecting of resources from the institutional system towards community-based services.

While every country has its own unique circumstances, achieving effective coordination between different government departments and at different levels is a common challenge. This is particularly the case when it comes to the coordination of funds. There are 'lessons learned' and good practice examples from several countries which may assist the Czech Republic during its process of deinstitutionalisation. What those systems have in common is an approach to child and family assessments and services that put children's needs at the heart of decision-making.

Recommendations

Recommendations for the Czech government

The Czech government should take steps to avoid family separation, which includes prioritising the development of community-based services so that children and families can access the support they need in the community. The proposed social housing law, which prioritises support for vulnerable families, should be passed and enacted so inadequate housing ceases to be a driver of family separation. The government should also ensure that there are sufficient good-quality alternatives to institutions, including different types of foster care, adoption services and small group homes. These are more cost-effective and result in better outcomes for children.

At the same time, the government must develop and implement a plan to close all institutions. Funds currently being spent on institutions should be ring-fenced and reinvested in alternative and community-based support services. For this to happen, there needs to be effective coordination between the health, education and social sectors, and consideration given to how financial decision-making structures can work to ensure that spending supports alternatives to institutions.

A well-funded communications strategy at the national level is essential to promote a better understanding of issues around deinstitutionalisation, to create a stronger voice for reform at all levels, and to instigate a change in the way the issue is addressed.

Civil society should be provided with technical support and capacity building, so they can be fully involved in the reform process.

Crucially, the individual needs of each child must be assessed and prioritised throughout the reform process, and their outcomes monitored and regularly reviewed. Any children living in institutions with unrelated adults must be given alternative solutions as a priority, as this living situation raises safeguarding concerns.

Recommendations for European donors

The European Commission (EC) should ensure compliance with ex-ante conditionality 9.1 in Regulation 1303/2013, which promotes social inclusion and prioritises investment in the transition from institutional to community-based services. ESIF-funded deinstitutionalisation programmes should ensure that community-based services, which prevent the separation of children from their families and promote the reintegration of institutionalised children, are developed alongside alternative care services. A proportion of ESIF funds should be allocated to ensure that reforms and children's outcomes are properly evaluated.

The EC should ensure that, when ESIF contracts with governments are drawn up, they include a commitment by the government to ring-fence savings made in the state's budget through the reduction in the use of institutions and reinvest them in alternative and community-based services. Countries should be required to undertake regulatory reform of their financing mechanisms to better support children's services, whilst ensuring they take into account international best practice.

ESIF-funded deinstitutionalisation programmes should include a targeted communications and awareness-raising strategy to influence planned reforms. When developing plans, countries should be informed about accepted best practice and common issues faced in the deinstitutionalisation process.

Funding from other European donors, such as Iceland, Liechtenstein and Norway Grants, should – in the spirit of the EU's legislation on the use of ESIF – ensure their funding is used to support the transition to family and community-based support, rather than prolonging the life of institutions.

The EC should ensure that governments act in accordance with the European Code of Conduct on Partnership, securing the effective and meaningful involvement of civil society at all stages of the design, implementation, monitoring and evaluation of ESIF Operational Programmes and Progress Reports.

Recommendations for all donors

Donors must ensure that current and future funding does not contribute to the institutionalisation of children, by prioritising and investing in good-quality community-based support for children and families and other alternatives to institutionalisation. Their internal policies and regulations should restrict the use of funds for renovating and building institutions, instead prioritising the transition from institutional to community-based services.

Donors should develop guidance documents for grant managers and governments to ensure that deinstitutionalisation programmes include all children, and to avoid common pitfalls in the deinstitutionalisation process. They should work to establish shared donor principles and recommended practices in relation to funding services for vulnerable children and families. These should be based on evidence of practices and systems that result in the best outcomes for children and the most efficient use of invested funds.

They must ensure that funding and programming reaches all children, including those with disabilities.

- (1) The exact number of residential institutions and the number of children living in them is unknown. Estimates range from over 2 million: Moccia, P. (ed.) (2009). Progress for Children: A Report Card on Child Protection. New York: UNICEF, to 8 million: Pinheiro, P.S. (2006). World Report on Violence Against Children. New York: UNICEF. These figures are often reported as underestimates, due to a lack of data from many countries and the large number of unregistered institutions.
- ⁽²⁾ Csaky, C. (2009). *Keeping Children Out of Harmful Institutions: Why We Should be Investing in Family-Based Care*. London, UK: Save the Children, p7. www.savethechildren.org.uk/sites/default/files/docs/Keeping_Children_Out_of_Harmful_Institutions_Final_20.11.09_ 1.pdf [accessed 2 Oct 2015].
- (3) Lumos calculations based on data from the Education System Statistical Yearbook 2016: www.uiv.cz [accessed 16 Jun 2016].
- (4) Berens, A.E. & Nelson, C.A. (2015). The science of early adversity: is there a role for large institutions in the care of vulnerable children? *The Lancet*. 386(9991): 388-98. www.thelancet.com/journals/lancet/article/PIIS0140-6736(14)61131-4/abstract [accessed 6 Oct 2015]. See also Lumos (2015) [factsheet] *Children in Institutions: The Risks*. www.wearelumos.org/content/children-institutions-risks [accessed 01 Nov 2016].
- (5) Gilbert, R., Widom, C.S., Browne, K., et al. (2009). Burden and consequences of child maltreatment in high-income countries. *The Lancet*, 373(9657): 68-81. www.thelancet.com/journals/lancet/article/PIIS0140-6736(08)61706-7/abstract [accessed 7 Mar 2016].
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- (8) Vorria, P., Papaligoura, Z., Sarafidou, J., et al. (2006). The development of adopted children after institutional care: a follow-up study. *Journal of Child Psychology and Psychiatry*. 47(12): 1246-1253. www.onlinelibrary.wiley.com/doi/10.1111/j.1469-7610.2006.01666.x/abstract [accessed 3 May 2017].
- (9) Harden, B.J. (2002). Congregate care for infants and toddlers: Shedding new light on an old question. *Infant Mental Health Journal*. 23: 476–495. www.onlinelibrary.wiley.com/doi/abs/10.1002/imhj.10029 [accessed 1 Aug 2018].
- (10) Faith to Action Initiative (2014). Children, Orphanages, and Families: A Summary of Research to Help Guide Faith-Based Action, pp6-7. www.faithtoaction. org/wp-content/uploads/2014/03/Faith2Action_ResearchGuide_V9_WEB.pdf [accessed 01 Nov 2016].
- (11) Národní strategie ochrany práv dětí [National Strategy to Protect Children's Rights]. www.mpsv.cz/files/clanky/14309/NSOPD.pdf [accessed 16 June 2016].
- $^{(12)}$ All currency conversions used the exchange rate $\in 1 = 26$ CZK.
- (13) Lumos calculation based on data from the *Education System Statistical Yearbook*: www.toiler.uiv.cz/rocenka/rocenka.asp [accessed 16 May 2018], and the age distribution of population available from: www.czso.cz/documents/10180/61566208/1300641807.xlsx/eb643fe8-4392-433e-a087-f9805558b137?version=1.0 [accessed 25 May 2018].
- ⁽¹⁴⁾ These improvements followed an amendment to the Child Protection Act in 2012.
- (15) Gabal Analysis and Consulting (2015). *Analýza sociálně vyloučených lokalit v ČR [Analysis of Socially-Excluded Areas in the Czech Republic]*. www.esfcr.cz/07-13/oplzz/analyza-socialne-vyloucenych-lokalit-v-cr-1 [accessed 16 Jun 2016].
- (16) For example, see:
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Jan Pavel, Professor of Public Finance at the University of Economics in Prague, supported the development of the research methodology and financial modelling and reviewed the report. The research methodology was based on a model developed by Lumos CEO, Georgette Mulheir.

The pictures used in this report were created by children participating in activities run by the Czech National Youth Parliament, on the theme of children's rights.

About Lumos

At Lumos we are fighting for a world without orphanages and institutions. A world where families can stay together and children have the loving care and protection they need. Lumos is a force for change. We demonstrate the dramatic harm to healthy childhood development caused by institutionalisation and the overwhelming benefits of the alternative: community and family care.

We tackle the root causes of family separation – poverty, trafficking and discrimination – and reunite families. We speak up on behalf of the eight million children trapped in orphanages and other institutions worldwide to transform care, so every child can thrive in families and communities. 80% of these hidden children are not orphans and we prove that, with the right support, they can stay with their families.

Named after the light-giving spell in Harry Potter, Lumos was founded by J.K. Rowling in 2005. Find out more at www.wearelumos.org

