Beating Apple? Analyzing Social Investment in Preventing Juvenile Delinquency

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Abstract

The purpose of this article is to explore and explain the economic benefits associated with faith-based juvenile intervention and prevention efforts. We've seen that there is a huge untapped market for social investment in Opportunity Youth, 6.7 million young Americans who are disconnected from productive education and employment opportunity. Experts calculate this market at $6.3 trillion, and at $23.1 billion in a local area like Memphis alone. We've seen that social investment return analysis can offer a useful tool for understanding the financial significance of initiatives organized to meet a social good. This article applies social investment analysis to Opportunity Youth investments. We've seen that extraordinary rates of return are available, especially among entrepreneurial, comprehensive community-based initiatives that build social-cognitive skills, offer social, spiritual or cultural supports, and tap community and network synergies.

Key words: juvenile delinquency intervention, prevention, economic benefits of prevention

Introduction: What Investment Beats Even Apple Computer?

Imagine you are given a choice between two investments. The first investment choice is Apple Computer in the Steve Jobs heyday from 1997 to 2011. The second choice is Antoine McClain, a hypothetical/composite 16-year-old African-American male who has dropped out and is in trouble with the law, the kind of young man who is referred to the Juvenile Intervention and Faith-Based Follow-Up (JIFF) organization in Memphis. Which investment should you choose?

It seems like an obvious choice. The financial performance of Apple Computer is storied. Over its lifetime, the value of Apple stock has gone up over 11 times more than the market. If you could somehow go back in time to the summer of 1997 and buy stock just when Steve Jobs retook the reins, you'd benefit from one of the great growth runs in history. From that time until Jobs passed away in 2011, Apple stock grew 4,300% or 43 times the market. That kind of return seems unbeatable.

The alternative choice doesn't appear that attractive. Antoine and other JIFF participants aren't hipster tech entrepreneurs. JIFF offices aren't shiny like Apple Stores, and Memphis isn't Silicon Valley. But if we take a harder look, Antoine and JIFF offer a huge social investment benefit that's not immediately apparent. As an "Opportunity Youth," Antoine has been disconnected from the mainstream educational and employment systems that would enable him to work and make a productive contribution to the economy and community.

At the same time, his trouble with crime and the criminal justice system and his demands on various health, educational and social services cost the public plenty in spending on institutional bureaucracies.

And there are significant costs to victims of any crimes, and to diminished local economies of communities that suffer from higher crime rates.

So if those costs are avoided, and if the talent and potential of an Opportunity Youth like Antoine is tapped at normative levels, the available returns are enormous. Expert research gathered and summarized by the Corporation for National and Community Service (CNCS, 2012), and confirmed by similar research out of Vanderbilt and the University of Chicago (JIFF, 2014, Chicago, 2012), has put a dollar value on the successful development of each Opportunity Youth. For each Opportunity Youth success, experts calculate the social return on investment from $1.01 million to $1.28 million. The dollar investment required to achieve such returns is relatively little. The Juvenile Intervention and Faith-based Follow-Up is an example. JIFF is a non-profit, community-based juvenile justice organization that works with some of the toughest Opportunity Youth in Memphis, mobilizing volunteer mentors, tutors and coaches to help young people get reconnected and into positive, productive paths. JIFF has accomplished a 73% reduction in crime recidivism among youth like Antoine, while accomplishing significant education improvements 76% of the time (Watson, 2014). These transformations have cost an average of only $14,000 per success.

Relating this cheap investment with this extraordinary economic impact, the rate of return on an Opportunity Youth like Antoine comes out over 9,100%, or 91 times the investment. In short, the second choice, the 9,100% return on investment in Antoine, is worth almost double the 4,300% return that that investment in Apple offered at its peak. A social investment in Antoine bests an investment in Apple -- by a lot. This is not a straight comparison, of course. Simple financial investment is not the same as social investment. The returns on Apple come in the form of share prices for stock you can sell for direct personal financial gain. You can't cash Antoine in. Yet the kinds of returns created by Antoine's success may be even more rewarding. Those returns come in the direct form of his production, reduced taxes and public spending on services, and eliminated victim costs, and in the indirect form of Antoine's increased contributions to strengthened communities and economies. Returns like that can be multiplied over time, as economic impacts enable further social successes, and further social successes generate even greater economic impacts. Even with these differences, the same principles hold true whether for social or simple financial investment: when you can, invest in something that returns more than you've got. When you can get $91 for every dollar you put in, that's making back a lot more than you started with. That's an investment worth looking into.

Opportunity Youth: A $6.31 Trillion Value Market

The size and nature of the Opportunity Youth market has come under attention recently, and it is enormous. The Corporation for National and Community Services (CNCS) defines "Opportunity Youth" this way: "Opportunity youth are typically defined by what they are not doing, i.e. they are neither accumulating human capital in school or college nor accumulating labor market skills by working." (CNCS, 2012, p. 5) Juvenile justice data and study is extensive in this country, leading researchers to be able to make summative analyses of complex circumstances and trends in education, employment, and service demands. In a milestone 2012 study for the Corporation for National and Community Service and the White House Council for Community Solutions, "The Economic Value of Opportunity Youth," Belfield, Levin and Rosen calculated a combined immediate and lifetime tax and social benefit of $1.01 million per successful Opportunity Youth. With a current cohort of 6.7 million Opportunity Youth, and discounted to prevent value, they calculate the aggregate value of this market at a staggering $6.31 trillion dollars.

The numbers are just as significant when considered at a local level. In Memphis, for example, George Lord of the University of Memphis (SCM, 2013) calculates a population of 28,000 Opportunity Youth, and a total local market of $23.1 billion. There are two factors in the size of this market, a "lost opportunity" factor and an "expensive service" factor. The first factor accounts for the untapped economic productivity and human capital potential when the talents, skills, and insights of young people are not developed through education and employment. Normatively educated and employed, 6.7 million youth could make a tremendous contribution to our society's economy and quality of life. That's not counting the prospect of some undiscovered Steve Jobs types in the cohort. The second factor accounts for the costs of additional public and non-profit services that must be spent and raised when disconnected youth deal with challenges to health, mental health, family development, and daily living. Many of these services are provided by large institutional bureaucracies under heavy workloads in inefficient operating systems, so effectiveness is expensive to produce.

Experts recognize gradations of opportunity "intensity" within the Opportunity Youth market. They account for relative levels of part-time work and education in an Opportunity Intensity Index (CNCS, 2012, p. 10). And in their findings they distinguish between "chronic" opportunity youth, who aren't in school or work at all after the age of 16, and "under-attached" opportunity youth, who may pass in and out of school and work without progress or benefit. CSNS finds about half of opportunity youth in each of these categories.

Further intensity is described among those youth who are caught up in crime and the criminal justice system, such as the Opportunity Youth served by the Juvenile Intervention and Faith-based Follow-Up initiative. Focusing on such youth, the University of Chicago Crime Lab (Chicago, 2012) and Mark Cohen of Vanderbilt University (JIFF, 2014) factor in victim costs and the costs of criminal justice system responses. Cohen in particular arrives at a net lifetime opportunity of between $1.28 million and $1.53 million each, a comparable and even higher figure than the CNCS study produced. Because of the size of this market, a relatively small organization like JIFF can produce a $55 million social investment return, working with 100 youth, a $600,000 budget and a lot of volunteers.

Understanding Financial Significance Using Social Investment Returns

The analysis of social investment returns is becoming more widespread as policymakers; funders and investors look for guidance on government spending and tax policy, voluntary and non-profit initiative, and social enterprise development. Like cost-benefit analysis and economic impact analysis, social investment analysis means to put a dollar value on efforts which are designed for larger impact in the public good, at least as we use the term here. There are significant benefits to this approach, and some limitations to consider.

Here's how social investment return analysis helps guide strategy and decisions:
It's asset-based and solution-oriented. Traditional policy analysis and social program development has been need-based and problem-oriented. The traditional tool of the social worker or planner has been the Needs Assessment, which frames participants as needy and frames decision-making as responding to the extent of a problem. This approach leads to some negative consequences, including the patronization of participants and a failure to recognize participant and community assets and strengths. And by focusing on describing a problem, need analysis does little to suggest a solution. It suggests a helplessness that can actually discourage practical response. The analysis of social investment returns focuses on opportunities for action instead. Participants and communities are viewed for their assets and potential to contribute. The analysis of return requires a practical solution to analyze. This reframing itself helps shift policy leadership from helplessness to opportunity.

It's quantitative. In their nature, social initiatives target social benefits that are generally thought of in qualitative and non-financial returns. For example, we might say a program is designed to "make a community safer," or "improve an individual's chances for success." These indicators are good, real and important. Still, decision-makers seeking to invest financial and other resources sometimes seek more tangible and specific information to guide their decisions. Not all benefits of social investments can be expressed that way, but some can, and social investment analysis seeks to identify and quantify those benefits in discrete economic terms.

It covers direct and indirect returns. With simple financial returns, benefits flow directly to the investor. Returns on social investment tend to vary and may be expressed in more than one term. Some returns might be expressed more directly, in terms of potential tax savings to a government, for example, or in terms of direct revenues earned by a social enterprise with a "double bottom line." Other social investment returns are expressed more broadly, in terms of the impact on the economy, for example.

It's appropriate to entrepreneurial approaches. Traditional social policy analysis tends to bias toward large-scale, bureaucratic response. The message is that a big problem must require big government institutions. But the analysis of social investment returns is equally valid for grassroots, entrepreneurial approaches. Ratios, percentages, and rates of return apply regardless of scale. An investor seeking a rate of return might find that rate in an entrepreneurial initiative, and might find it attractive for that reason. These are things to consider about social investment return analysis.

It's not qualitative. The flip side of the advantage of quantitative expression, mentioned above, is the unsuitability of social investment returns for expressing some important qualitative benefits. Some things should be done because they are important, not because they can be measured.

For many social investments, expressed qualitative benefits serve as a kind of "bonus;" investors may be drawn to invest because of quantitative returns, and then are then sold by the added prospect of larger intangible social benefits.

It usually doesn't cover underground and negative economy considerations. Most economic analysis fails to account for aspects of the underground economy, and this can also happen with the analysis of social investment returns. Beyond that, there can be uncounted negative aspects of analyzed activity where some participants benefit by damaging others. For example, we might count the victim costs of crime but not include any earning benefits to criminals. Social investment return analysis generally regards such negative benefits as a net waste, not necessary to measure. But there is a movement to try to include both underground and negative economic elements in the analysis.

It's less useful for narrower applications and cost recapturing. Because social investment return analysis expresses results in concrete financial terms, some investment tools have been designed to try to recapture narrow aspects of those benefits to help fund the investment. Tax Increment Financing, for example, assumes that positive real estate development will increase property taxes, among other things, and dedicates future increased property tax revenue from a project to collateralize a loan to finance the upfront cost of the development. Reversing that approach, Social Impact Bonds generally assume that a social initiative will reduce government spending of a certain type, and dedicate some of those savings to finance the development of the initiative. But this approach can be problematic. Often, potential savings in government spending and tax demand can only be expressed in average terms rather than marginal terms. For example, it would be hard to say how much government spending would be saved by the reduction of one criminal offender. Presumably, we'd still have a criminal justice system at some level even if there were no crime at all. In cases like this, it is better to understand social investment returns on average, in terms of reducing the pressure on the government to spend and grow institutional bureaucracies.

It doesn't describe broader impacts and generativity. Different social investment return analyses include different levels of benefit information, but the broadest benefits are generally harder to include. For example, one study of Opportunity Youth might focus on the costs and benefits of crime reduction, while another might also include educational and employment advancement. Some might even include a "multiplier effect" to account for some of the synergistic benefits of economic productivity. But if social investments really take hold, experts observe generative, snowballing impacts that can't be predicted, such as healthy neighborhood growth, technological and business innovations, shifts in majority and adult perspectives and knowledge from working with healthy youth, or downturns in racism and discrimination. Such generative benefits go beyond what social investment returns can be expressed, despite their significant value.

In sum, the analysis of social investment returns is most appropriate for understanding the general economic benefits of particular social improvement strategies, and for describing those benefits in monetary terms that can be helpful and compelling to the public and to financial decision-makers.

Growing Demand for Social Investment in Opportunity Youth

There is growing interest in social investments in juvenile justice and youth development, driven by both economic and social pressures. Local, state and federal governments are spending record sums to police, prosecute and incarcerate record numbers of criminal offenders. Secondary and post-secondary schools are facing their own well-documented budget tensions. Despite advances in targeted workforce development, employers say they see a skills gap between the labor force and today's jobs. The widening inequality in income and especially assets calls out for the development of young talent. At the same time, urgent public and social concerns directly and indirectly publicize Opportunity Youth weekly, whether around race relations and policing as in Ferguson, around mass shootings as in Newtown, around the immigration of young people on the borders, or around spiking poverty, violence, and drugs in many inner-city neighborhoods, rural communities and reservations.

The Obama administration and philanthropic partners have made My Brother's Keeper (MBK, 2014) a pillar of national policy, to "build ladders of opportunity for boys and young men of color." Complementary federal investments in workforce development, immigration, and veteran's affairs also target Opportunity Youth. State and local governments and non-profits are also strengthening efforts in this area. Attention and resources are coming together around advanced approaches that can tap and protect the talents of young people.

Advanced Approaches and the JIFF Example

JIFF, the Juvenile Intervention and Faith-based Follow-Up initiative in Memphis, is an example of the kind of advanced approach gaining interest in this environment. A relatively small organization with roots in the church, JIFF brings together young people who have been referred by the juvenile criminal courts with dedicated volunteer mentors and staff experts. In a 4-month intensive intervention, participants work on all aspects of development, from personal and residential security, physical health, emotional wellbeing and individual motivation to college preparation and job search-specific training. Participants who successfully graduate from this transition receive longer-term follow-up from JIFF case mentors coordinated with community prevention and development programs. Successful JIFF participants may become Ambassadors to help with successive cohorts.

A key to the JIFF success is a "progressive independence and accountability" approach. Participants receive a strong intervention after being cited for serious crimes, and all participants are respected for their individual strengths, perspectives, and circumstances. As the intervention continues, participants earn their longer involvement through demonstrated interest and responsibility. The path to success is individual and clear, and positive steps are rewarded with new opportunities. Continued development is framed and supported through personal spiritual growth and community engagement. Things get better as you get better.

This customized and comprehensive approach is designed to empower participants to break out of destructive cycles and to reduce criminal recidivism. Success is remarkable: where 59% of Juvenile Court offenders end up back in court for criminal offenses, only 16% of JIFF participants have repeated, a positive reduction of 73%. At the same time, 76% of participants have improved their education attainment, with an average increase of one full grade in reading ability. As mentioned above (JIFF, 2014; Watson, 2014), the average cost of this intervention is only $14,000 per successful participant, with an opportunity benefit of $1.28 million each, leading to a social investment rate of return of 9,100% or 91 times the investment.

Analyzing Returns on Opportunity Youth Investment

How does one understand and evaluate the potential for social investments like JIFF? Social investors naturally want guidance on what kinds of juvenile justice efforts to support. The Corporation for National and Community Service report says, "In order to draw on the potential of opportunity youth, it will be necessary to make cost-effective, targeted investments" (CNCS, 2012, p.2). However, that's not actually true. The cost of the status quo with Opportunity Youth is so great, and the lost opportunity for productivity so significant, that even relatively marginal approaches would be worth supporting. A program like JIFF would be about a 2:1 social investment winner even if only 2 out of 100 participants succeeded, or if the program cost were 50 times as high.

The real decision is not to choose which effort to support, but to choose to take action. The scale and significance of the opportunity leaves plenty of room for a multiplicity of efforts, a variety of approaches and a range of investments. What's important is to reject the status quo and to invest in positive juvenile justice efforts when and where one can. The biggest investment issue is usually politics, where charged environments can make public investments difficult no matter how strong the return. But this opens opportunity for social investors, grassroots groups and like-minded partners, who can make powerful, leveraged impacts with relatively limited investments. And, there have been advances in juvenile justice practice and understanding over the past 20 years. It is reasonable to want to invest in rewarding efforts, and doing so rewards further good practice. Here are some successful program factors to consider when making an investment:

Consider social investments in juvenile justice initiative which:

Build on "social-cognitive" skills as well as academic and job skills: The University of Chicago Crime Lab cites Kenneth Dodge and Cynthia Frame at Indiana University (Dodge, 1982), whose research indicates that social–cognitive skills like self-control, conflict resolution, future orientation, and social information processing "predict success in school and the labor market, as well as improved health and reduced criminal involvement." (Chicago, 2012, p. 2) This suggests benefits from efforts focusing on holistic personal development, like JIFF's "Head, Heart, Health, Home, and Hire" pedagogy and progressive rewards approach (Watson, 2014).

Take a comprehensive approach: Challenges for Opportunity Youth persist in part because various negative factors aggravate and compound each other: for example, community segregation leads to poor education which aggravates poverty which contributes to poor health, and so no. Stronger juvenile justice efforts deal with all of these things and create alternative, positive synergies between good education, good health, employment, income-generation, community-building, and so on.

Are more community-based and less institutional. Traditional public and even non-profit youth bureaucracies are designed to handle large caseloads, but are expensive and less effective at empowering individual change. Community-based initiatives like JIFF can leverage significant volunteer and complementary community resources, while remaining flexible enough to approach each participant as an individual.

Tap spiritual, cultural, and social strengths. Because of the negative synergies of life for Opportunity Youth in disinvested communities, successful juvenile justice efforts provide alternative sources of personal strength and community support. Efforts, which provide tangible and effective alternatives, are often focused around personal spiritual development, or incorporate particular racial or ethnic cohesion, or plug into existing social organizations and networks.

Leverage community and network synergies. Standalone programs can be successful, but the scale and complexity of the context indicate that programs will be more successful when organizations are willing to partner and collaborate toward a larger, collective impact. The Aspen Institute, for example, (Aspen, 2014) has followed up on the CNCS report on Opportunity Youth to create an Opportunity Youth Network designed to support and leverage the work of comprehensive youth development efforts across organizations.

Regardless of these considerations, investors should recognize that different juvenile justice initiatives could fill different niches in different ways in different contexts. An initiative like JIFF fulfills a critical “break-out” path for young adults caught up in crime. Another program might also provide a valuable role in helping young adults escape criminal involvement in the first place. Another might build youth leadership to organize neighborhoods and communities against crime and for healthy community living. Still another might contribute by supporting stable long-term education and training for young people who are on the margins.

All of these are legitimate approaches with the potential to tap some of the extraordinary market for Opportunity Youth development. Such approaches are not in competition or conflict with each other, but actually support and complement each other. There is no one magic solution, and in fact a healthy system would include a variety of initiatives. So there are many rewarding investments to be made, which together make up a larger whole. Investing in one helps all.

Conclusion: Beyond 9,100%.

Does an investment in a juvenile justice initiative like JIFF make economic sense? We’ve seen that there is a huge untapped market for social investment in Opportunity Youth, 6.7 million young Americans who are disconnected from productive education and employment opportunity. Experts calculate this market at $6.3 trillion, and at $23.1 billion in a local area like Memphis alone. We’ve seen that social investment return analysis can offer a useful tool for understanding the financial significance of initiatives organized to meet a social good. Applying social investment analysis to Opportunity Youth investments, we’ve seen that extraordinary rates of return are available, especially among entrepreneurial, comprehensive community-based initiatives that build social-cognitive skills, offer social, spiritual or cultural supports, and tap community and network synergies. We’ve used the Juvenile Intervention and Faith-based Follow-Up initiative as an example of an advanced “intervention and progressive accountability” approach, producing a return of 9,100% on investments of just $14,000 per successful participant.

A 9,100% rate of return is extraordinary, besting even the storied growth of stock in Apple Computer in its greatest growth period. This is a useful comparison to understand the financial significance of a social investment like JIFF. There is one other difference worth considering in conclusion. When you purchase already-issued share in a publicly traded stock like Apple, you may benefit or lose from the changes in stock price. But the company itself carries on operations regardless of the stock price. Stock prices matter to the firm, in terms of shareholder support and in terms of raising or lowering the value of a company's other direct equity. Still, your investment is indirect to the firm’s ability to do business.

But social investment is direct. Investing in Antoine helps Antoine. Investing in JIFF or other social initiatives actually provides the funds necessary to continue or grow the invested efforts. Not investing supports the status quo, and could even make things worse. Social investment is truly an investment. The real decision is to act!

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