Costing in Context

Strategic choices in economic analyses of homelessness responses in the USA, Canada and the UK

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1. Introduction

Building on the review undertaken by Berry et al. (2003) for the National Homelessness Strategy, this working paper explores some of the strategic choices faced in the conduct and commission of costing work undertaken in relation to responses to homelessness in the USA, Canada and the UK. We consider the economic arguments and research drawn upon by governments and advocacy groups to propose or justify shifts in focus from crisis to more preventive strategies, and from temporary to more permanent ‘solutions’ to homelessness. The paper discusses the policy and advocacy environment in which economic arguments for reform have been shaped and indicates the social and research infrastructure drawn on by researchers in the three countries. Studies that have been prominent in recent policy debate at the national level have been singled out for more detailed discussion in the attached Appendix. Our investigation provides a basis for identifying the strategic purposes of costing work in homelessness policy debate as well as drawing attention to the infrastructure of research and advocacy required to drive it in productive directions.

In the USA, research on this topic is well established. An instance is the publication in 2002 of the UPENN evaluation of public service cost savings resulting from the New York New York supportive housing program, perhaps one of the most widely cited economic evaluation of homelessness policy to date, represents the culmination of a five-year study. The origins of this study go back even further to the authors’ collaboration with the Corporation for Supportive Housing in the early 1990s (the CSH helped to negotiate the authors’ access to the state and federal administrative databases required for the study). This is one of several economic analyses from the same research group using large administrative data sets that have had considerable impact on homelessness policy debate, including the controversial Bush administration ‘Ten year plan to end chronic homelessness’. Increasingly homelessness advocacy organizations in the US have been able to back their arguments for policy reform with economic arguments grounded in rigorous empirical research.

The Canadian government similarly funded two studies to derive national estimates of the societal costs of homelessness, following earlier costing work undertaken by city and provincial governments. Neither of these two projects achieved their original aims, but Australia has much to learn from the pitfalls and strategies identified by the participating researchers.

In England, the Social Exclusion Unit set about accumulating information relevant to identifying the societal costs of social exclusion from its inception in 1997. Homelessness was defined as the ‘sharp end’ of social exclusion and much of the early costing work supported by the Blair Government was conducted under this broader rubric. The recent shift in emphasis of homelessness policy away from ‘rough sleepers’ (signalled in More than a Roof) was accompanied by renewed interest in quantifying the costs of statutory homelessness. The Office for the Deputy Prime Minister commissioned two costing studies in 2003 to investigate the costs of family homelessness to families, local authorities, and the local communities. Building on the work of homelessness researchers, the approach adopted in these studies has sought to move away from stereotypical conceptions of the consequences of homelessness, instead attempting a more fine-grained empirical analysis of the impacts on families of periods spent in temporary accommodation (B& Bs and private hotels). At the same time, the policy shift has given the advocacy group Crisis cause for concern that the
expansion of local authorities’ statutory duties may not extend to many of its own constituency of ‘single’ homeless individuals. Crisis and the New Policy Institute recently published a report enumerating ‘single homelessness’ and developing a series of case study pathways costings to examine different policy scenarios.

2. United States

Not surprisingly, the majority of cost studies relevant to homelessness have been undertaken in the USA, but it is the close nexus between advocacy and academic work there that is of greater interest. Some of the most theoretically informed and methodologically innovative research has also been carefully geared to policy debate. The work of Dennis Culhane and his team at the Center for Mental Health Policy and Services Research (University of Pennsylvania) has been particularly influential. The New York/New York Agreement cost study undertaken by the Center with support from the Corporation for Supportive Housing has set a new benchmark for costing work in the homelessness field (Culhane, Metraux and Hadley 2002). The Center has also pioneered the use and integration of homelessness and other administrative databases to explore key policy questions and this has greatly expanded the capacity for quantitative evaluation, including economic evaluation, from a ‘whole of government’ perspective.

In both the UK and Canada, central governments have recently initiated projects to investigate the costs and benefits of homelessness interventions at a national level. Canadian researchers have produced a substantial body of work over just a few years, and the incremental development of costing information and analysis in that country provides a useful example for Australia to consider. Homelessness advocacy groups and academics in the UK have a long history of interest in costing research, and recent empirical research into the costs of residential instability promises new insights.

Studies from the three countries that have been prominent in recent policy debate at the national level, or else commissioned with a view to informing that debate, have been singled out for more detailed discussion. The methods and findings of selected studies are described more fully in Appendix I and listed in Table 1. Our examination of costing work in each country raises different issues for future Australian research and these are highlighted where relevant throughout the remainder of the report. The discussion will assist research funders and homelessness advocacy groups in Australia to identify the types of cost study and economic argument relevant to broad policy goals, as well as highlighting methodological issues and examples to inform research design.

2.1. Introduction

In his address to the conference of the National Alliance to End Homelessness in July 2001, the Secretary of the Department of Housing and Urban Development (HUD) commented that the federal government could claim only limited progress in tackling homelessness, despite funnelling more than $13 billion ‘into easing the plight of the homeless’ since 1987: ‘It is time for the federal government to stop simply maintaining the status quo and invest in more permanent solutions to the challenge of homelessness’ (Martinez 2001). The solution HUD had in mind was to provide supportive housing for the chronically homeless. The Interagency Council on the Homeless, dormant for five years, was reactivated and charged with overseeing the Bush administration’s goal of ending chronic homelessness in ten years.
This represents an important shift in policy debate and activity. The initiative has been welcomed by the National Alliance to End Homelessness (NAEH), the Corporation for Supportive Housing (CSH) and the National Alliance for the Mentally Ill (NAMI), amongst others. Advocates of the new policy have drawn heavily on economic arguments and the findings of recent cost studies which point, on the one hand, to the chronically homeless as a subset that accounts for a disproportionate part of public services costs associated with homelessness and, on the other, to the capacity of supportive housing to reduce these costs and free up resources elsewhere.

The policy shift has not been universally endorsed. In a letter to the Interagency Council in July 2003, the National Coalition for the Homeless, the National Association for the Advancement of Colored People and twenty-four other national, state and local groups argued that the focus should be on the causes not just the symptoms of homelessness, and called for Congress and the administration to address the needs of all homeless people. The Initiative was said to be particularly misguided at a time when ‘the affordable housing gap is at a record high and the economic recession is forcing many people out of work and into homelessness’. The main objection was that focus on chronic homelessness deflected attention from poverty as the underpinning structural cause of residential instability and from the broad agenda of reform seen as necessary to tackle it.¹

This critique reflects a division in American policy debate evident since homelessness re-emerged as an issue of national concern in the early 1980s. Though there have been attempts to make a case on economic grounds for reducing ‘mass’ homelessness through affordable housing, income support and welfare reform, the discourse on repeat and long-term homelessness has proved more fertile ground on which to seed economic arguments with immediate political appeal. For a variety of reasons, including funding availability, cost analyses have tended to focus on homeless persons with disabilities. Before going on to look at this costing work we will consider the development of advocacy and government interests in the costs and benefits of strategies to tackle homelessness.

### 2.2. Interests in the costs of homelessness

The recession of 1981-82 saw a marked increase in demand for homeless assistance, along with a shift in the profile of shelter clients from what had been largely single men to increasing numbers of families, children and single women. Prior to this, assistance had been provided to the city homeless in the main by charitable and religious organizations based in old ‘skid row’ neighbourhoods (Burt et al. 2002). The early response, largely from city and local governments, to the ‘new homelessness’ was to expand the provision of emergency shelter and meal services, as if rallying in the aftermath of an earthquake or other natural disaster. Likewise, the first federal contribution was through the Emergency Food and Shelter Program in 1983 (Blasi 1990). For the most part, clients received little assistance other than the basic ‘three hots and a cot’ (Culhane 1992; Burt et al. 2002).

The number of shelters almost doubled between 1984 and 1988, with growth in some of the big cities even more pronounced. In Philadelphia, for example, daily bed capacity rose from

¹ The Coalition has reservations about the very term chronic homelessness, seeing it as a stigmatizing label that perpetuates the idea that individual deficits were to blame for what was more appropriately understood as an outcome of structural disadvantage. The more neutral ‘long-term’ homelessness, though not capturing the original meaning, has since been adopted by other advocacy groups, including the Corporation for Supportive Housing and the National Alliance to End Homelessness.
only 250 in 1982 to 5,400 in 1988. Growth in expenditure on homelessness assistance was even more dramatic. There was an estimated increase from $300 million to in excess of $1.5 billion; where government (at federal, state and local levels) provided one-third of this amount in 1984, the proportion had increased to two-thirds in 1988 (Culhane 1992, 429). Funding from Congress via the Stewart B. McKinney Homeless Assistance Act of 1987 (the first significant federal funding targeted at homeless persons) provided for an extra growth spurt in the shelter system in the late 1980s (Burt et al. 2002).

**Beyond shelter**

In his review of shelter reform, Culhane (1992, 431) argued that, even allowing for the right-to-shelter laws of the early 1980s, the most convincing explanation for this nationwide growth was as an unplanned but convenient response to the decline in welfare services. Shelter functioned as a second-class welfare system for ‘persons unserved and underserved by other public agencies’. However, rising public expenditures pushed state and local governments to question both the effectiveness and the long-term viability of their shelter systems. Many cities initiated reforms aiming to reduce the numbers of homeless and costs of shelter. For the most part, they did this by trying to make shelters ‘more effective and efficient systems of transitional care’.

At the federal level, in addition to funding emergency assistance initiatives, the McKinney Act provided for transitional and permanent supportive housing for individuals and families with disabilities and supported some outreach and eviction prevention initiatives. While growth in emergency shelter capacity slowed between 1988 and 1996 (the year of the most recent national survey) there was a rapid expansion in the new network of transitional and permanent housing, which by 1996 had reached the same number of ‘beds per night’ as for emergency shelter in 1988 (Burt et al. 2002). Initially there was no requirement on communities to demonstrate how this funding for homeless assistance would be used, and few demands were made on providers to help people to move out of shelters once admitted. Funds for emergency shelter, food and outreach were (and continue to be) distributed by formula. Those for transitional and permanent supportive housing were distributed by national competition in which proposals for funding were submitted on a provider-by-provider basis. Starting with the 1994 funding cycle, HUD changed the nature of this competition to try to encourage planning and coordination of homeless assistance programs at a community-wide level. It did this by requiring ‘communities’ (which could include one or multiple jurisdictions) to come together and develop a single application for HUD funding, demonstrating their attempts to work towards a ‘Continuum of Care’ (CoC). This continuum would ideally include ‘prevention, outreach and assessment, emergency shelter, transitional housing, permanent supportive housing and affordable housing, plus supportive services in all components’ (Burt et al. 2002, ix).

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2 These figures on capacity and cost were developed by HUD on the basis of two national shelter surveys and are presented in HUD (1989) *A Report on the 1988 National Survey of Shelters for the Homeless*, Office of Policy Development and Research.
HUD promoted the CoC concept throughout the 1990s, placing the onus on communities to integrate mainstream housing and welfare services with their homelessness specific assistance efforts. Likewise, in 1994 the Interagency Council on the Homeless argued against ‘institutionalizing a separate support system for the homeless population’ in favour of improving access to mainstream services as ‘components of comprehensive community planning and economic development’ (cited in Shinn and Baumhol 1999). The ultimate aim was to ‘put an end’ to homelessness rather than simply ‘manage’ the problem through the shelter system.

During the late 1980s and the 1990s, the emergency shelter system itself underwent a notable change in philosophy. Following their 1994 evaluation of emergency shelter and services in receipt of funding under HUD’s Emergency Shelter Grant Program (covering a substantial proportion of the nation’s shelter capacity), Feins and Fosburg (1999, 5) concluded that shelter providers ‘currently see their mission as opening the front door to the Continuum of Care, so that their clients are started on a path toward stable living. They found that ‘Few, if any, of the shelters fit the conventional image of a bare-bones, dormitory-style, night-only shelter’ and that it was common to find shelters delivering a wide range of on-site services. This said, recipients of grants under the program spent on average less than a third of the possible 30 percent of total funding on preventive activities such as rental payments or legal services to help avoid eviction (Martinez 2001).

Progress towards the CoC ideal across the country has been at best uneven. In their recent evaluation of 25 communities, Martha Burt and her colleagues from the Urban Institute identified several stages of sophistication in community efforts to develop an integrated ‘system’ (Burt et al. 2002). In the first stages, they tended to be preoccupied with addressing the needs of those who were already homeless, whereas more advanced communities had ‘begun to move towards stopping the flow into homelessness’. Preventive efforts are also described in stages. Early efforts tended to focus on encouraging mental health, substance abuse and corrections agencies to plan for discharge and to organize stable housing and supports where needed. Communities were also relatively quick to develop assistance programs to avert eviction and to handle problems of imminent homelessness. Few of the communities reviewed were seen as successful in fully integrating mainstream agencies and systems, though advances had been made. The sticking point for all was ‘severe lack of affordable housing’, including permanent housing for single people with disabilities:

With possibly one or two exceptions, none of the communities we visited appears to have reduced the entry of newly homeless people into the system, or the overall volume of homeless people served by the system. To do so will require addressing the two ends of the CoC, prevention and affordable housing (Burt et al. 2002, 148).

2.3. Economic arguments to end ‘mass’ homelessness

At least since the National Coalition for the Homeless emerged in 1984 with a mission to ‘end homelessness’, advocates and researchers have argued that governments’ response to homelessness should focus on these ‘two ends’ of the CoC spectrum. But where a pressing concern for the key funders of homelessness assistance was to manage the costs of an

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3 Only communities that had relatively high ranking in the competition for HUD funding were chosen for review. These were selected from urban and rural jurisdictions, ranging in size from whole states, through clusters of counties, to individual cities and counties. The largest metropolitan areas, including New York city, were not included.
expanding shelter system, economic rationales for more substantial solutions to the problem of ‘mass’ homelessness could only reassure governments that the rewards would be reaped in political heaven. In its 1992 report on homelessness prevention, the National Alliance to End Homelessness suggested there was ‘every indication’ that prevention programs could be cost-effective and alluded to an ‘up-front investment that could result in substantial future savings’ but was not able to supply any empirical evidence (NAEH 1992). It concluded that while the solution was well known (affordable housing, adequate incomes and comprehensive social services for those who need them) it would be costly to implement and did not have the commitment of the nation.

The same conclusion was reached by Culhane (1992) following his review of shelter reform in major cities during the 1980s. He argued that the cost-cutting experiments of many cities in response to rising demand for shelters were often based on faulty logic, and challenged reformers to answer fundamental questions about the purpose of the shelter system: Was it intended as ‘an emergency or custodial system of care’ and was it to be ‘a temporary or permanent organizational adaptation to the crisis in the welfare state’? If preference was for a temporary system of emergency assistance, then this meant the shelter incidence rate and the length of stay must be reduced. With a focus on Philadelphia, Culhane weighed each reform effort against this ultimate goal. Initially there was growing advocacy for affordable housing in the city as a way of reducing shelter costs (and as a means of shifting costs to federal and state levels of government). Giving homeless persons priority for public housing was one response, along with targeted use of housing subsidies. But this did not impact on the incidence of homelessness, and hence the demand for shelter. Like many other cities, Philadelphia instituted eviction prevention programs and provided emergency funds for relocation to address this problem, but the demand for housing assistance proved too great. Reformers turned back to the shelter system and tried to find ways of reducing length of stay by increasing demands on clients. Culhane warned that this should not be seen as an end in itself since it would likely exacerbate residential instability and therefore perpetuate demand for shelter into the future. He argued that the ‘best hope’ of reducing demand (and hence shelter costs) in the long term would involve preventive efforts such as emergency assistance and rent subsidies, and that only a broad program would meet the needs of the precariously housed and avoid the perverse incentives of means tests. The costs of providing a comprehensive housing subsidy program adequate to close the ‘affordability gap’ in the city had earlier been estimated at $360 million per annum (Dolbeare 1988). Culhane acknowledged this to be considerably more expensive ‘than the cost of “micromanaging” the housing crisis by running a $15m shelter system and $1.3m emergency assistance fund’. ‘Lack of political will’ is again identified as the major obstacle to enacting this longer-term vision and making significant headway on the problem of homelessness.

Shinn and Baumhol (1999, 10) conducted a similar analysis at the national level in their important ‘rethink’ of the logic and evidence of various forms of homelessness prevention. In the context of a stronger economy (and following a change of government) they were more optimistic in presenting the case for the economics of ending mass homelessness through a broad program of providing housing subsidies to all ‘worst-case’ households. They argue that while the costs would be substantial ($22.5 billion was estimated for 1995), these represent

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only a fraction of the tax expenditures that subsidize home ownership, the benefits of which accrued predominantly to wealthier members of society.

**Cost-effectiveness of intervention targeted to people at imminent risk?**

The second prong of Shinn and Baumhol’s economic argument in favour of a broad-based attack on poverty related homelessness is to throw doubt on the seemingly stronger case for the cost-effectiveness of preventive efforts targeting those at imminent risk of homelessness.

In addition to its emphasis on the need for universal strategies to alleviate poverty and provide affordable housing, the Interagency Council (1994) advocated strategies to prevent foreclosure or eviction, ameliorate domestic conflicts to forestall potentially violent resolutions, provide supportive services for physically and/or emotionally disabled individuals, and plan for soon-to-be-released prison inmates and hospital patients. It stated that these were ‘significantly less costly strategies than providing emergency food and shelter for homeless individuals and families’ (cited in Shinn and Baumhol 1999). On the basis of a critical review of the research evidence, Shinn and Baumhol concluded such statements were more often ‘articles of faith’ than grounded in empirical investigation.

In the early 1990s, governments funded several studies to assess the cost-effectiveness of programs to prevent eviction or mortgage foreclosure. Shinn and Baumhol consider four studies including an evaluation of the HUD Emergency Shelter Grants Program (Feins, Fosburg and Lock 1994), a report presenting cost and evaluation information from a large number of state and local homelessness prevention efforts (Schwartz, Devance-Manzini and Fagan 1991), and what are seen as more sophisticated evaluation studies of eviction prevention programs in Washington state (McIntire, Layzer and Weisberg 1992) and New York state (New York State Department of Social Services 1990). All studies found eviction prevention strategies to be cost-effective, with many demonstrating significant cost-savings arising from reduced shelter use. However, Shinn and Baumhol argue that ‘without more rigorous experimental evaluations, it is hard to credit the results’. Rigour here is seen to necessitate a longitudinal approach since ‘calculation about specific costs and benefits requires data about the extent to which clients of the programs avoid homelessness over the long run and the extent to which they would have become homeless in the absence of the programs’. Most studies did not collect follow-up data to see whether program participants maintained their housing; instead, assumptions were made about the short-term and long-term success rates and about the numbers who would have lost their homes and gone on to shelters and stayed for the maximum allowable period. In some studies there was also a failure to include the costs of administering the program and other funds outside the immediate program required to help clients maintain stability.

Shinn and Baumhol argue further that programs to prevent eviction and foreclosure, even if widespread and successful, would reach only a minority of families – those whose homelessness arises from eviction – and would rarely reach single individuals. Similar

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5 These programs were generally aimed at families and provided a combination of services including cash or loans, budgeting and financial advice, legal services, mediation or negotiation between residents and landlords or mortgage holders, and advocacy.

6 The New York State Department of Social Services study, The Homelessness Prevention Program: Outcomes and Effectiveness (Office of Program Planning, Analysis and Development and Office of Shelter and Supported Housing Programs, New York), developed a model to project what would have happened to participants in the eviction prevention program in the absence of this intervention.
arguments are made for the other ‘indicated prevention’ strategies advocated by the Interagency Council for the Homeless. The authors’ aim is not to discount the value of ‘timely’ intervention, but to suggest that these strategies may not be cost-effective in the straightforward sense of trading eviction prevention program costs for shelter costs\(^7\) and that, consequently, governments should lower their expectations about this as a quick and relatively inexpensive fix to the problem. They recommend that homelessness prevention efforts be reoriented to projects aimed at ‘increasing the supply of affordable housing, sustainable sources of livelihood and the social capital of impoverished communities’. While these approaches required more up-front expenditure, the available evaluation evidence is seen to suggest that ‘the most effective levers for homelessness prevention are instruments of housing and income’ (Shinn and Baumhol 1999, 23). A response can only be ‘cost-effective’ if it achieves its goal.

In July 2000 the NAEH published its important Ten Year Plan to End Homelessness. One of the aims of the plan was to ‘call attention to the gaps and hidden costs in our nation’s current approach to homelessness’ (NAEH 2002). It argued that strong economic rationales were needed to give to mainstream services to ‘demonstrate that although shifting responsibility for homeless people to the homeless system may seem to be cost-efficient, it is actually more costly over all’. But while the plan advocated a shift towards broader based preventive efforts, the research evidence it presented to support its economic arguments tended to focus on interventions targeted to groups at risk of imminent or ongoing homelessness and their impact on the use of emergency and acute care services. These are the sorts of cost arguments that underpin the shift in federal policy to chronic homelessness.

2.4. Economic arguments to end chronic homelessness

The chronic homelessness initiative

In his 2001 announcement of the plan to end chronic homelessness, the Secretary of HUD emphasized that the goal of preventing homelessness would be as high a priority as housing those already homeless. This meant ‘ensuring that individuals who pass through mainstream social services – like the mental health, welfare and criminal justice systems – do not move out of those services and back into homelessness’ (Martinez 2001). Here reference was clearly to prevention of repeat homelessness rather than initial episodes. The rationale was ‘that helping these people land on their feet early on is less expensive, and less taxing on the system, than supporting them as members of the homeless population’.

In the enactment of HUD’s FY 2001 budget, Congress stated its intention that ‘HUD and local providers increase the supply of permanent supportive housing for chronically homeless, chronically ill people over time until the need is met’ (cited in Culhane, Metraux and Hadley 2002, 141). A series of initiatives followed.\(^8\) The Notice of Funding Availability

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\(^7\) The authors suggest that analyses might also consider: other costs to families who lose their homes and enter shelter (loss of belongings, difficulty in maintaining jobs); costs for stabilizing families after shelter; and benefits to others, such as landlords, when tenancies are secured. All of these factors would tend to demonstrate greater cost-effectiveness.

\(^8\) Congress stipulated that 30 percent of funds under the McKinney-Vento Act be targeted to permanent housing for homeless persons with disabilities. This was followed by the announcement of the Collaborative Initiative to End Chronic Homelessness in 2002 and the Samaritan Initiative in 2003, both involving combined funding and participation from three departments (Housing and Urban Development, Health and Human Services, and Veterans Affairs) to develop permanent supportive housing.
for the Collaborative Initiative to Help End Chronic Homelessness identifies its target population as follows:

A chronically homeless person is defined as ‘an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more OR has had at least four (4) episodes of homelessness in the past three (3) years.’ A disabling condition is defined as a diagnosable substance use disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions (NOFA, Federal Register 27 Jan. 2003).

Supportive housing and the facilitation of research by the CSH

The chronic homeless initiatives followed a concerted campaign by advocacy groups, particularly the CSH, to advance more permanent solutions for single homeless persons with disabilities in the form of service-enriched or supportive housing. The proposed solution rested on decent affordable housing and ‘a carefully managed network of focused medical, social and psychological services, aimed at preventive care and timely, effective response’ (Proscio 2000).

Supportive housing was pioneered in New York city in 1989 and the first New York/New York Agreement for Housing the Homeless Mentally Ill was negotiated between city and state the following year. This was a response to the increase in demand for emergency shelter and mental health services in the city during the 1980s (Houghton 2001). To be eligible for NY/NY housing, tenants had to have a diagnosis of severe and persistent mental illness (schizophrenia, major depression or bipolar disorder) and to have been recently homeless in city shelters or on the streets.

The CSH was established in 1991 and provides financial and technical assistance to help not-for-profit organizations develop supportive housing (Houghton 2001). It has initiated programs in eight states and localities to assist homeless and at-risk families and individuals with needs relating to mental illness, substance abuse and chronic illness such as AIDS. From the mid-1990s the CSH turned its attention to homeless persons with substance abuse and mental health problems who were not ‘in recovery’. These were some of the people hardest hit by shelter reforms in the 1980s, since participation in treatment was often a condition of shelter entry. In addition, early models of supportive housing tended to target tenants who were ‘housing ready’. Consequently the CSH began to develop ‘low demand’ housing as a solution to chronic homelessness and its ‘crushing effect on public health costs’ caused by the ‘high costs of ineffectual treatment and re-treatment, arrest and release, hospitalization and discharge’ (Proscio 2000).

One of the stated roles of the CSH is to develop research evidence to encourage and inform local efforts to establish supportive housing. As the only national intermediary dedicated to furthering the development of supportive housing it has also helped fund and facilitate research geared to advocacy at the national level. The CSH has been quick to recognize the potential value of cost studies to further its cause. The initial idea for the NY/NY Agreement cost study was hatched by its authors in their early association with the CSH (ten years prior to its realization in 2002). The CSH also assisted economic evaluations of demonstration projects in San Francisco (Proscio 2000), Connecticut (Arthur Andersen LLP et al. 2002) and Minnesota (Tilsen 1998).9 All four studies include analysis of the impacts of supportive housing on public services. Together they suggest that individuals participating in the

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9 The San Francisco and Connecticut studies are reviewed in Berry et al. (2002).
programs reduce their use of emergency and acute health services, and are less likely to be hospitalized, incarcerated or require emergency shelter.

Other cost studies facilitated by the CSH consider the wider potential benefits of supportive housing in enhancing people’s capacity to undertake training and earn income, and as a site for the development of employment services (Long and Amendolia 2003). CSH research also looked at the positive impact of supportive housing building projects on neighbourhood property values as a means to overcome NIMBY (‘Not in my back yard’) objections to low-income housing developments (Arthur Andersen LLP et al. 2002). Another group of studies compared the cost-effectiveness of different approaches to providing service-enriched housing.10

Ongoing federal interest in researching those ‘most difficult to help’

While heightened research activity over the last five years or so has certainly helped promote the cause of the supportive housing industry in the federal government, the chronic homelessness initiative also represents ongoing federal interest in this area. From the outset, the McKinney Act directed federal government agencies to sponsor research relevant to the ‘most difficult-to-help’ groups within the homeless population and authorized funding to identify effective models of care that could help those with persistent mental health and substance abuse problems maintain stable housing. There is consequently a relatively large evaluation literature on programs targeted at this group, including cost-effectiveness studies of a range of treatment programs and approaches to outreach and case management (Burt 1999, 16). A significant portion of this research has been initiated and funded by the Department of Veterans Affairs through the Northeast Program Evaluation Center directed by Robert Rosenheck.11 An estimated one-third of the population of adults experiencing primary homelessness had served in the armed forces, and of these, some 43 percent have a diagnosis of severe and persistent mental illness, and an even greater proportion (69 percent) are estimated to have a substance abuse disorder (VA Health Services Research and Development Service 1999). About a quarter of the annual VA mental health expenditure is spent on the care of homeless veterans.

When the Secretary of HUD first announced that the ‘great new American enterprise’ was to ‘provide homes for the chronically homeless’ he alluded to the nation’s earlier mission to put a man on the moon by the end of the decade (Martinez 2001). Congress has since called for the development of an additional 150,000 units of permanent supportive housing, and cities and counties across the nation continue to pledge their commitment to the goal of ending chronic homelessness in ten years (see Interagency Council for the Homeless website). While this plan might be seen as a greatly scaled-down version of the NAEH’s own ten year plan to end ‘homelessness’ in its entirety, it is important to realize that the number of persons estimated to fall within the disputed category of chronic homelessness represents a very considerable proportion of the population of those experiencing (literal) homelessness at any point in time. The policy paper New Partnerships for Ending Homelessness released by the

10 Culhane, Metraux and Hadley (2002) investigated the cost implications of maintaining key services on and off site in their study of housing models in New York. Building on this work, Gulcar et al. (2003) (supported by New York based Pathways to Housing, Inc.) assessed the housing, hospitalization and cost outcomes for homeless individuals with psychiatric disabilities participating in the no-demand ‘Housing First’ program compared with the more traditional CoC model.

11 The Center is the Evaluation Division of the National Center for Post-Traumatic Stress Disorder (created in the Department of Veterans Affairs in 1989).
NAEH, CSH and others in July 2003 cites a figure of 200,000 to 250,000 ‘long-term (or chronic)’ homeless individuals. Based on estimates of homeless families and individuals across the USA (from the 1996 federal survey) we can estimate that chronically homeless single adults comprise between one quarter and one third of the total point in time homeless population, and between 36 and 45 percent of homeless adults.12

2.5. Public services cost and cost-savings analyses

Three ‘sets’ of costing research and argument have been drawn upon by government and others in their advocacy for the recent chronic homelessness initiatives and more broadly in the case for targeting assistance to homeless persons with ‘disabling conditions’ such as mental illness, drug addiction or chronic illness. These arguments have overwhelmingly focused on implications for public services expenditures. The first set points to the high demand and relatively high cost to emergency and acute care services resulting from the patterns of service use characteristic of chronic homelessness. The second set of arguments and evidence shows how interventions targeting chronically homeless persons impact on these patterns of service utilization and work to reduce the costs borne by these services as a result. Recent focus has been on the potential of supportive housing to help people regain stability and hence avoid the heavy and often inappropriate use of emergency services (while increasing the use of outpatient health and other preventive supportive services). This evidence is the more critical for policy because it illustrates the potential public savings of action (rather than simply the costs of inaction, reducible or otherwise). And thirdly, arguments are made to demonstrate a favourable balance between the costs and cost-savings of providing these interventions. This paper examines some of the key pieces of economic research that have fed into these debates at the national level.

Patterns of shelter utilization: an economic typology of homelessness

In its formal resolution to endorse the administration’s plan to end chronic homelessness, the National League of Cities cited the fact that ‘research indicates that persons experiencing chronic homelessness use a disproportionate share of the federal resources targeted for homeless assistance’.13 The research alluded to was undertaken in the mid-1990s by Dennis Culhane and Randall Kuhn and involved an analysis of patterns of emergency shelter use by adults in New York and Philadelphia. The interpretation of this work in policy debate has helped cement the notion of ‘chronic homelessness’ as a distinct subset of homeless experience. It has also helped foster a fundamentally economic perspective on classification since chronic homelessness is differentiated from other types on the basis of clients’ use of service resources.

The basic aim of the research was to identify the number, proportion and characteristics of the high-end or ‘heavy’ consumers of the shelter system in each city and to subject the commonly employed typology of chronic, episodic and transitional homelessness to empirical test. It took advantage of the capacity of administrative databases to track individual clients’ use of public shelters across each jurisdiction and across time (from 1986 in New York and 1991 in Philadelphia). A more detailed discussion of the impact of this study, along with its methods and findings, can be found in Appendix I.

12 Culhane, Metraux and Hadley (2002, 140) estimated there were 112,000 homeless single adults with severe mental illness across the country at a point in time and as many as 280,000 chronic users of emergency shelter.
In both cities, chronic clients comprised about 10 percent of the emergency shelter population and accounted for about half the shelter days over a given period (see Appendix I). Despite the far greater numbers of transitional shelter users, the impact of chronic clients on the overall load borne by the system was markedly greater. This was seen as indicative of an inefficient and ineffective response to this group because it meant that a service intended for emergency and short-term assistance was being used as a default form of long-term accommodation. Kuhn and Culhane argued that if chronic shelter users were transferred to community housing programs, clients would be better served and this would also generate significant savings for the shelter system, freeing up more emergency resources for their intended function.¹⁴ ‘Episodic’ clients also used a disproportionate amount of shelter days and were anticipated to make heavy demands on other acute and emergency services by ‘alternating shelter stays with bouts of street homelessness, hospitalization and incarceration’ (Kuhn and Culhane 1998, 14).

The three clusters are seen to incur different types of public services costs and, by implication, to require different forms of economic and analysis to develop evidence in support of more appropriate interventions. This is summarized in Figure 1. At this point we can note that the definition of chronic homelessness embodied in the administration’s funding eligibility requirements collapses persistent and episodic shelter use into its one category of chronic homelessness. This has the advantage of drawing on both economic rationales simultaneously.

¹⁴ The question of whether or not the additional costs shifted onto housing and support systems as a result of this activity would be offset by savings from public shelter was left for Culhane’s later evaluation of New York supportive housing (discussed below).
Figure 1: Logic of public services costs and savings applied to chronic, episodic and transitional clients of emergency shelter for single adults

<table>
<thead>
<tr>
<th>Pattern of shelter use</th>
<th>Current service response</th>
<th>Appropriate services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHRONIC</strong> Clients who rarely leave the shelter system over long periods of time</td>
<td>Heavy and inappropriate use of shelter</td>
<td>Transferring this relatively small group to permanent supportive housing is anticipated to substantially reduce demand on the shelter system and free services up for their intended function</td>
</tr>
<tr>
<td></td>
<td>Longitudinal tracking of shelter use needed to demonstrate disproportionate consumption compared to other shelter users ('heavy user' analyses)</td>
<td></td>
</tr>
<tr>
<td><strong>EPISODIC</strong> Clients who move in and out of emergency shelter frequently, suggestive of ‘institutional circuits’</td>
<td>Heavy and inappropriate use of a range of acute and emergency services</td>
<td>Better targeting of transitional housing and residential treatment programs to this relatively small group to make for more efficient use of these high cost resources and to reduce demand on costly emergency/acute services</td>
</tr>
<tr>
<td></td>
<td>Longitudinal tracking of utilization of shelter and other services in health and criminal justice needed to show high joint public services costs (heavy user analysis of range of service systems and/or multiple service and systems analysis)</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSITIONAL</strong> Clients who use the shelter for a short time, only once over a long period</td>
<td>Shelter is seen to be largely fulfilling its emergency function for this group, though recourse to it is indicative of a failure of the mainstream welfare ‘safety net’</td>
<td>A similar intensity of service seen to be unnecessary for the majority who are able to extricate themselves from shelter with existing supports (though this may incur costs of its own)</td>
</tr>
</tbody>
</table>


The research also investigated the client characteristics associated with shelter use patterns. The findings were seen to add weight to the idea that the clusters of chronically, episodically and transitionally homeless represented distinct subgroups in the sheltered population, defined not just by use patterns but also by clusters of demographic and health characteristics (though this distinctiveness was less marked than later allusions to the findings might suggest). On this basis, Kuhn and Culhane suggest the results could be used to assist in targeting interventions to the different groups.

The National Coalition for the Homeless has objected to the use of Kuhn and Culhane’s analysis in policy debate. The rationale that targeting assistance to ‘chronically homeless’ persons would “free up” more emergency shelter beds for the remaining 90% in need is said to be disingenuous because ‘new people will continue to join the ranks of the “chronically homeless”’. Moreover, any shifting of resources away from preventive efforts would make it ‘more difficult for other vulnerable populations to access the resources needed to escape deep poverty and homelessness’ which in turn ‘creates the preconditions for non-disabled people to develop disabilities and to be at future risk of homelessness’ (NCH 2002).

The NCH’s objection reflects an ongoing debate regarding the causes and consequences of long-term homelessness. Kuhn and Culhane’s research has added new evidence by showing

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NCH (Feb. 2002) Poverty Versus Pathology: What’s chronic About Homelessness? Also see the NCH’s more recent up-date of its opposition in Questions and Answers About the ‘Chronic Homelessness Initiative’, <http://www.nationalhomeless.org/chronic/chronicqanda.html>.
(through the retrospective longitudinal capacity of database tracking) that patterns of chronic and episodic service use may begin from the start of a person’s contact with the shelter system rather than simply being a reflection of the ‘later stages’ of homelessness. It suggests the public services costs arising from government failure to respond more adequately to the needs of these groups will also be relatively large, pointing to a strong economic rationale for the prevention of ongoing or recurrent homelessness.

The NCH sees the interpretation of this ‘heavy user’ analysis as perpetuating a band-aid approach, deflecting attention from broader solutions such as those embodied in the Bringing America Home legislation and ‘founded on the principles that people need affordable housing, livable incomes, health care, education and protection of their civil rights’. The National Alliance to End Homelessness, on the other hand, believes the targeting of chronic or long-term homelessness is a first step towards generating interest by members of Congress and others in its more comprehensive Ten Year Plan to end ‘homelessness’ in its entirety (NAEH Annual Report 2002). The NAEH strategy is one of prioritizing scarce resources. In a context where broad-based public support for low-cost housing and increased income support payments is unlikely, this strategy is certainly more pragmatic. The priority also recognizes the lack of public sympathy and welfare support otherwise shown to single people with disabling conditions such as drug dependency.

Inappropriate and inefficient use of other service systems

To recap, the work by Culhane and Kuhn located a subgroup of the sheltered population who were more likely to be coping with disabling health or substance abuse issues and who made markedly disproportionate demands on the emergency shelter system. A second group of analyses considers the extent to which people experiencing homelessness are ‘heavy and inappropriate’ users of other costly remedial and emergency services. If the numbers of homeless clients are small compared to other client groups, even if their use of these services is relatively high, they may not be perceived as a particularly problematic group. In the case of health services, however, demonstration of inefficient and inappropriate use by even a small number can spark interest if it suggests others in the community are experiencing a reduction in the availability or quality of services as a result. Speaking of the ‘public health crisis of homelessness’, Proscio (2000, 4) notes that by the mid-1990s administrators began to ‘zero in on the enormous cost of treating medical or psychiatric emergencies for this hardest-to-serve population’. This is where the focus of cost research has been.  

Two cost studies (Rosenheck and Seibyl 1998; Salit et al. 1998) have been widely cited.  

Both are based on large samples of homeless and non-homeless clients derived from health service databases. The first study, funded by the Department of Veterans Affairs, focused on...
homeless veterans with severe mental illness. Rosenheck and Seibyl surveyed more than 9,000 patients on entry to acute mental health care units of veterans’ hospitals. They found that some 35 percent were homeless upon admission and that the annual cost of care for homeless veterans with severe mental illness, substance addiction or both was $3,200 higher than for housed veterans. A key interest here is the failure of more preventive health responses to reach this group.

The second study, published in the *New England Journal of Medicine*, investigated the hospitalization costs associated with homelessness in New York city (Salit et al. 1998). Funds were provided for the study by the New York City Health and Hospitals Corporation along with a number of university medical colleges. Salit and colleagues analysed hospital-discharge data on more than 18,000 admissions of homeless adults to public general hospitals, comparing their length of stay and associated costs with those of other low-income adults. They found that, having controlled for illness type and severity, homelessness was associated with longer stays and hence substantial excess costs per admission. This was understood to reflect the fact that hospitals kept homeless patients longer than they otherwise might because there was no suitable place for them to go once they had been discharged. Excess costs were particularly high for psychiatric patients, amounting to at least $17,500 per admission (based on costs for sub-acute care, and therefore a conservative estimate). One strategy recommended to reduce costs was an increase in the supply of supportive housing for homeless persons with persistent mental illnesses (Salit et al. 1998, 1739).

Beyond the use of single services, ethnographic work on homelessness has started to document the costs and consequences of failing to intercept the ‘institutional circuits’ travelled by some homeless persons with mental health problems (Hopper et al. 1997). Other researchers have investigated these pathways using administrative data (Culhane and Metraux 1997). Cost-offset analyses of supportive housing, however, have provided the most widely cited evidence to show the high costs of a crisis and reactive response to this form of ‘chaotic’ homelessness. This work has started to quantify the demand made by chronically homeless persons across multiple service systems, culminating in the NY/NY cost study.

**New York/New York Agreement cost study: integrated database research**

A clear indication of the public salience and perceived importance of this study is that previews of its findings released in 2001 were featured by the *Wall Street Journal*, the *New York Times* and CNN and NPR news networks. Since then, it has been widely cited by national advocacy groups (including the CSH, NAMI and NAEH, who all used the results to lobby Congress) and by local and state governments across the country in their activities in support of the administration’s goal of ending chronic homelessness. The methods and findings are described in greater detail in Appendix I.

The study assesses ‘the impact of public investment in supportive housing for persons with severe mental illness’ (Culhane, Metraux and Hadley 2002, 107). It traces the use of emergency shelters, health and criminal justice services in New York city of more than 4,000 homeless persons placed in housing funded under the NY/NY agreement for a period of two years before the placement and two years after. The data came from eight city, state and federal administrative data archives, electronically merged for the purposes of the project, using unique client identifiers in each of the databases. The main aim was to assess whether and to what extent reductions in the use of emergency and acute services across the city offset the costs of providing the supportive housing.
The study found that the savings in public services expenditures resulting from placement in the NY/NY housing offset 95 percent of this cost. This is identified as ‘a striking result’ given the magnitude of the cost involved in establishing and running the program. Arriving at this figure involved four costing exercises to assess:

- The aggregate demand made by homeless persons experiencing severe mental illness on the range of public services prior to the placement;
- The impact of the supportive housing placement on that demand;
- The direct costs of supplying and operating the housing and associated supports (derived in collaboration with the city and state agencies responsible for funding);
- The balance between costs and cost-savings.

The use of cost-offset (or cost-savings) approaches to make a case for improved services for chronically homeless people has been controversial in the USA, just as it has been in Australia. In his review of evaluation studies of innovative programs for service delivery to homeless persons with severe mental illness, Rosenheck18 (2000) argued that while these new approaches tended to produce reductions in the use of emergency and acute health services, and were more effective on other criteria, they were generally more expensive than existing approaches, and certainly more costly than the provision of subsidized housing alone. The exception appeared to be for subgroups that were particularly heavy users of health services prior to the intervention, where savings from reduced use potentially offset the financial costs of initiatives. For less heavy service users, there were fewer public service reductions, and interventions worked as intended to increase clients’ use of preventive outpatient services.

For Rosenheck, the danger of pursuing cost-offset approaches was that interventions shown not to be ‘cost-effective’ in these straightforward terms might consequently not get the public support they warranted on the more fundamental grounds of improving the quality of life of program participants. This leads Rosenheck to argue that economic evaluation in this area should turn to cost-benefit approaches and find ways of measuring people’s valuation of the non-financial benefits obtained by program participants and the broader society (an argument endorsed by Berry et al. (2003) in Australia).

This is not the preferred path of Culhane and colleagues.19 Rather than looking at the wider range of benefits from supportive housing, the NY/NY cost study aimed at a more definitive appraisal of its public services costs and cost-savings. The study is said to provide ‘a uniquely broad and more comprehensive test’ in comparison to previous research (Culhane, Metraux and Hadley 2002, 138). This is attributable to two characteristics. First, the breadth lies in the tracing of clients’ contact with multiple services and service systems. Other studies had tended to focus only on a single service (generally within the health system), which understated the extent of demand on public services arising from the ‘crisis response’ to homelessness (and was also unable to identify significant cost-shifting20 between systems and

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18 Rosenheck is also currently responsible for conducting the national outcomes performance assessment of the Chronic Homelessness Initiative.
19 Metraux is quoted as commenting, no doubt tongue in cheek, that since the team were ‘not economists’ they were unable ‘to calculate the social cost of things like having to step over somebody sleeping on a grate’ (Marcus 2001).
20 Culhane et al. (1998, 15) give the example that an overall reduction in hospital in-patient use by homeless persons in a given geographical area might actually reflect an increased rate of incarceration, shifting costs from the health to the criminal justice systems.
services). Multiple systems analysis is consequently seen to maximize the chances for demonstrating the cost-effectiveness of alternative interventions.

Second, the study employed a more robust (quasi-experimental) research design and analysis than earlier cost-offset analyses of supportive housing, at least judged by the standards of quantitative methodology. This is largely attributable to the use of administrative data which the authors argue provides ‘the only practical means of obtaining information on a large number of homeless persons over an extended period of time and with accurate data on service consumption across multiple systems’ (Culhane, Metraux and Hadley 2002, 112).

The study is presented, and certainly qualifies, as a genuine empirical exploration into the cost-effectiveness or otherwise of the supportive housing program under consideration. Culhane comments that the findings ‘probably came as a surprise even to the people who launched the NY/NY initiative’ (Marcus 2001). There is considerable political clout in being able to say that ‘Strictly on the basis of the direct cost reductions measured here and compared with the annual cost of the housing, the NY/NY initiative was a sound investment of public resources’ (Culhane, Metraux and Hadley 2002, 138, our emphasis). Arguably, even if the offset had been much lower, the methodological rigour of the study and its city-wide coverage, in combination with the transparency of its focus on public services costs and cost reduction, would have made it a powerful lobbying tool because its findings are seen to reflect ‘real’ potential savings.

Most importantly, the findings reinforce the case for policy makers and taxpayers to take a ‘whole of government’ perspective on both the funding of homelessness interventions and the accountability of funders. The main message taken from the study by advocacy groups has been that ‘it costs about the same to keep a person homeless as it does to provide supportive housing’ (e.g. NAMI website). Few taxpayers would fail to agree in principle with the idea that better value for the homelessness service dollar is to be gained from ‘ending’ homelessness through supports and long-term accommodation rather than ‘perpetuating’ it through emergency shelter, health and criminal justice services. By facilitating multi-system analyses, governments can help render themselves accountable to the public, including that portion experiencing or at risk of homelessness (Culhane et al. 1999).

The key policy difficulty is seen to lie in shifting funds ‘from one set of purposes (health, jails, prisons) to another (housing or housing support services)’ and consequently from one jurisdiction to another.21 Having identified, with some considerable precision, the cost to taxpayers of government inaction on this issue, the study poses the challenge for governments and departments to work together to fund a national program of supportive housing. The chronic homelessness initiatives launched by the federal government suggest this challenge has not gone unheeded.

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21 The authors elsewhere are reported as hoping ‘to convince the Department of Health and Human Services, the federal agency which stands to save the most money from housing the mentally ill homeless, to help the much smaller Department of Housing and Urban Development pay for supportive housing’ (Marcus 2001). However, the potential for offsetting the costs of supportive housing is also argued to add weight to the argument for new dollars, rather than reprioritizing existing homelessness assistance to supportive housing. This remains a bone of contention.
2.6. Summing up: a research agenda based on administrative data?

The economic analyses and cost studies most widely cited in national policy debate in the USA have been those based on large samples derived from longitudinal administrative datasets, involving complex statistical analysis and, certainly in the case of the NY/NY study, considerable logistical difficulty. However, some policy commentators have suggested that these sorts of studies have had too great an influence on the debate.

Regional and national analyses

One of the criticisms raised by the National Coalition for the Homeless regarding the ‘heavy user’ analyses undertaken by Culhane and Kuhn, for example, was the tendency for those citing the work in policy debate to talk in general terms about ‘the chronically homeless’ representing 10 percent of all homeless people and using up 50 percent of all homeless services, where the research itself only referred to single adults, in two major cities, and looks exclusively at emergency shelter use. The Coalition concludes that the study findings should ‘not be used as the basis for national policy’ and makes the point that one of the consequences of inappropriate generalization of the results to other locations and other homeless subgroups is that ‘communities are being forced to overlook the results of their own needs assessments in order to meet federal mandates to serve “chronically homeless” people’ (NCH 2002).

Burt raised a similar concern in her review of research on the demographics and geography of homelessness in the USA, warning that ‘even expensive methodologically sophisticated studies cannot produce consistent findings because the reality of homelessness varies a good deal with the geographic location of interest’. While recognizing that these studies have a place in national policy debate to answer specific research questions, she suggests the information they produce is not very useful for local service planning and recommends instead that local decision makers should attempt to collect their own data ‘using less than perfect but a good-enough method, collect it with sufficient regularity and thoroughness that it becomes a useful tool for decision making’ (Burt 1999, 8).

The Continuum of Care funding mechanism instituted by HUD in the mid-1990s, in concert with the concerns of larger cities to manage the growth and provision of emergency services, gave an impetus for the establishment of community-wide homelessness information systems. This has been further stimulated by the recent requirement from Congress that communities funded under the CoC initiative create the capacity for producing unduplicated counts of homeless service users across a jurisdiction, by service type. Following its evaluation of the initiative, the Urban Institute urged the federal government to take a leadership role on this issue (Burt et al. 2002). Culhane and his colleagues at the Center for Mental Health Policy and Services Research have similarly helped promote an understanding of the importance of developing inter-agency information systems for planning and administration purposes at provider, program and system levels. The Center hosts the Homeless Services Management Information Systems Data Users Group which provides resources for researchers, service providers, program administrators and policy makers who are working with homelessness data and implementing automated information systems. These resources include methodological and statistical guidance. In their overview of ‘practical methods’ for analyzing patterns of shelter use relevant to program administrators and service providers, for example, Metraux and Culhane (1999) explain a range of analyses...
and associated techniques of varying sophistication, not only those requiring expertise in regression techniques which are used extensively in their own studies.  

This work and the ‘flagship’ studies produced by the Center have helped inspire smaller-scale efforts across the country. ‘Heavy user’ analyses are now commonly undertaken in the homelessness field, albeit with less sophisticated statistical techniques. And as cities and counties develop their ten year plans to end chronic homelessness, more modest variants of the NY/NY cost study are already emerging to provide impetus and information for the development of supportive housing projects. This combined activity will enable national debate to be informed by an overview of local diversity.

**Beyond chronic homelessness?**

Costing work in the USA has focused largely on those experiencing long-term or chronic homelessness. What scope is there for expanding its methodological insights to other subgroups and types of homelessness? Culhane and Metraux (1997) provide some clues in their influential policy research agenda for the use of administrative data, summarized in Appendix E. This identifies particular promise for the use of integrated database research:

- First, in assessing the effect of homelessness on related public systems;
- Second, in assessing the effect of related public systems (and policy reform) on the use of homeless services.

In the first case, linking client information across services and service systems could demonstrate to ‘mainstream’ services the extent of demand made by clients of homelessness specific services, often on the mostly expensive and stretched parts of their service systems. The NY/NY cost study does this to good effect. Recent Canadian research has adopted similar techniques to explore the demands on public services made by ‘episodically’ homeless youth and families (Mars et al. 2001). This work points to the need for integration of homelessness information systems with a different set of databases, including income support and child protection services, and over longer periods of time.

The second, and relatively unexplored, set of uses for integrated database research opens up the possibility of gauging the impact and costs borne by the homelessness assistance system as a result of policy failures in mainstream service systems, including emergency, remedial and preventive services across all areas of health, education, criminal justice and welfare. Recalling our earlier discussion of attempts to use economic arguments to advocate for

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23 Other academic research centers have also worked in their local areas to produce small-scale analyses of the costs and benefits of homelessness interventions. In Detroit, Paul Toro and the Research Group on Homelessness and Poverty at Wayne State University has a long history of work using survey approaches. Their recent work investigates changes in the costs of homelessness over time. A study was undertaken in Detroit in the early 1990s and again ten years later, both based on samples (N=249, N=221) of homeless adults (with and without dependent children) recruited from shelters and soup kitchens. Taking inflation into account, only the cost and usage of outpatient services had significantly changed over the period. See [http://sun.science.wayne.edu/~ptoro/markbicost.pdf].

broad-based preventive strategies as a means of tackling poverty related homelessness, integrated database research has considerable potential to advance the empirical foundations for this debate. For many years, commentators in the USA (as elsewhere) have pointed to the reductions in welfare and income support provision as key causal factors in the growth of homelessness. In the late 1990s federal and state welfare reform threatened to further exacerbate the demand on emergency shelter. As Friedman, Hayes and McCormack (1999, 17) point out, this has largely been a matter for conjecture, but by linking homeless services and other administrative data the extent to which people excluded from welfare benefits are showing up in shelters could be investigated empirically:

This information would be useful for informing policy makers about the extent to which specific welfare reforms are shifting costs from one part of human service system to another, that is, from cash assistance to shelter programs, providing them with the information they need to make policy corrections (Friedman, Hayes and McCormack 1999).

Research has already been conducted along these lines, although without going the next step of quantifying the extent of cost-shifting. For example, Culhane et al. (1997) integrated shelter and welfare databases to evaluate the impact on homelessness of two laws enacted in Pennsylvania that restricted access to General Assistance welfare benefits.

Finally, while the research agenda proposed by Metraux and Culhane has clearly borne and will continue to bear much fruit for policy analysis and economic evaluation, research based on administrative data has the unavoidable drawback of excluding those who do not use homelessness services. This limitation has been emphasized in the UK context where recent policy in both England and Scotland has started to address the question of ‘hidden’ homelessness (Pickering et al. 2003). Our discussion of cost studies in the UK considers attempts to investigate this issue using other approaches.
3. **Canada**

In Canada research on the costs of homelessness has in many cases been led and funded by government. Most of this activity has occurred since 1997 when the Toronto Homelessness Action Task Force identified ‘a total absence’ of relevant cost studies. Initial interest came from municipal and provincial governments often working with homeless advocacy groups and charities. More recently, the federal government funded two cost studies as part of the National Homelessness Initiative (NHI). The first project was initially intended to have national scope, though a decision was made in the early stages to focus on Toronto. The second project was expanded from a study already underway in the cities of Calgary and Edmonton. Neither project was able to achieve its research goals, although both make significant advances on previous work as well as drawing attention to potential pitfalls. We start our discussion with a consideration of the policy interests and political pressures that have driven (and impeded) costing research in the various jurisdictions.

3.1. **Interests in the costs of homelessness**

Governments at all levels have urged a shift from emergency responses to more preventive and long-term solutions and this has provided the key impetus for costing work. Homelessness has had a high profile in public debate in Canada since the late 1990s. Municipal governments have borne the brunt of criticism for the perceived failure of the shelter system to provide an adequate response. Toronto, Calgary and Edmonton (in that order for 2003) had the highest number of emergency shelter beds per 1,000 population. In all three cities, the community sector is responsible for the delivery of most hostel services (with funding from municipal and provincial governments and from charitable organizations). During the consultation on the research agenda for the NHI, both Calgary and Edmonton ranked analysis of the societal costs of homelessness as first priority.

In Calgary, capacity and use of shelters have been increasing at least from 1998 (when the first data became available). Concerns were expressed at this time that the expanding system was not responding to the changing needs of new groups experiencing homelessness: intact families, aboriginal people, women not in abusive relationships or the elderly (Arboleda-Flores and Holley 1997). Likewise in Toronto, interest in the costs of homelessness emerged in the context of ‘unprecedented demand’ for shelter services. The newly elected mayor set up a Homelessness Action Task Force in January 1998 in response to the growth of homelessness and its increasing visibility on the streets.

The Task Force was charged to investigate the role of the hostel system for different segments of the homeless population. While it recognized that drop-in centres served as ‘entry points to the broader social support system’ and that shelter outreach services ‘linked homeless people to existing supports and services’, it pointed to evidence that, once in the shelter system, people found it very difficult to re-establish themselves in the community, and that services intended for emergency purposes were increasingly being used as long-term accommodation and support (Mayor’s Homelessness Action Task Force 1998). Lack of

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25 The National Secretariat on Homelessness set aside a budget of $3.5 million for research and related activities. At the end of 2000, following consultation with academics, practitioners and representatives from federal government departments, the secretariat developed a research agenda and solicited research proposals.
adequate and affordable housing in the city was identified as the root cause of this problem. In its final report, *Taking Responsibility for Homelessness: An Action Plan for Toronto*, the Task Force recommended that resources be ‘redirected from providing hostel spaces to helping people find and maintain permanent housing’ and suggested working towards a reduction in the number of hostel spaces by 10 percent each year until the total reached half the base number for 1999 (Mayor’s Homelessness Action Task Force, 1998 190). This plan was conditional on the provision of ‘a sufficient new supply of supportive and low-cost housing’. Jurisdictional gridlock on the issue of public housing was seen as a major impediment to progress, particularly since the federal government was in the process of devolving responsibility for this onto the provinces.

Over the next four years, the shelter system in Toronto continued to expand and there was no obvious reduction in the extent of rough sleeping. This presented a political as well as a policy dilemma for the city. The *Toronto Sun* (14 April 2002) ran a special report in which the mayor and city government were accused of catering to ‘a burgeoning homeless bureaucracy’ whose self-preservation led to perpetual advocacy for yet more crisis beds. The lead article argues for ‘a moratorium on the construction of any new shelters until this city does a thorough review of whether it’s getting value for the $100 million it’s spending on shelters now’. Lack of reliable data regarding both the size of the homeless population and the extent of public and private expenditure on homeless assistance is seen as a key problem. The paper set itself the task of following the ‘homeless money trail’ in the city and concluded that ‘there’s more than enough money in the system now, if only it were allocated wisely’ (*Toronto Sun*, 7 April 2002).

In this context, the capacity to develop alternative economic analyses is important both for municipal government and homeless advocates, whether to identify more accurately ‘where the money goes’ and illustrate the productive value of current expenditures, to argue for greater (provincial and federal) resources to address the wider problem of poverty related homelessness, or to identify the diseconomies of ‘forcing people off the streets’ and into treatment. While the city of Toronto was being taken to task over its apparent failure to move beyond a crisis response, the research team commissioned by the National Secretariat for Homelessness to undertake a more systematic analysis of the costs of homelessness in the city was struggling to garner the necessary support from both sector and government stakeholders to implement its study.

This recent interest by the federal government in the societal costs of homelessness reflects concern at the cost and ineffectiveness of shelter based responses. The NHI has also emphasized that, for many people experiencing homelessness, achieving independent living will require ‘more than just providing a roof’. The first three-year phase of NHI funding was

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26 See http://www.canoe.ca/CNEWSFeatures0204/14_homeless6-sun.html. The titles of the articles (all between 7 and 14 April 2002 and largely penned by Sue-Ann Levy) give a good sense of the general complaint ‘High cost of homeless’, ‘Help for the homeless: How much is enough?’, ‘Break the cycle: More money, more advocates – and still more homeless’, ‘Good intentions – but is it humane to fill their bellies and leave them on the street’, ‘Big apple “model”: New York gets homeless off streets’, ‘“Tough love” the answer’, and ‘We can fix the homeless crisis: Does the council have the guts?’.

27 This investigation arrives at a total annual figure of $186 million, including expenditure from government (at all levels) and from charitable organizations (4 percent of the total) across the spectrum of homeless services. Emergency shelters are said to account for slightly more than half the total. A cost per homeless person of $32,631 is calculated, based on an estimated (presumably point in time) homeless population of 5,692 (500 of whom are said to be rough sleepers).
used to address the ‘most pressing needs’ by investing primarily in emergency shelters and services. A second three-year term was announced in 2003, focusing on ‘longer-term solutions such as transitional and supportive housing’ to enable homeless individuals and families to ‘achieve greater self-sufficiency and reduce their dependency on emergency shelter use’.  

Research sponsored by the government of British Columbia in partnership with the city of Vancouver into the causes and consequences of homelessness was more proactive. It served to further justify provincial government policy of building new permanent affordable housing, particularly supportive housing. The comparative work undertaken as part of the study was seen to illustrate the soundness of this strategy since it showed the growth of homelessness to be less marked in British Columbia than in other provinces. This conclusion was strengthened by findings of the exploratory study into the relative costs to the provincial government of supportive housing compared with the ‘business as usual’ scenario of heavy use of the emergency shelter and hospital systems (Eberle et al. 2001c).

3.2. Costing approaches and priorities

The first studies conducted by the Toronto Homelessness Action Task Force and the Calgary Homeless Foundation sought to identify the high-end consumers of emergency shelter. Both discovered a subgroup that consumed in excess of their proportionate ‘share’ of resources, though this was more pronounced in Toronto where 17 percent accounted for almost half the shelter spaces over the period of analysis. Substance abuse and severe mental illness were identified as characteristic of this subgroup, and the Task Force argued that by expanding the supply of supportive housing the city could “solve” almost half the housing problem (Homelessness Action Task Force 1999, 18). While the Task Force had information on which to assess the costs of developing low-income housing (a key part of its action plan), there was a notable lack of information regarding the direct financial costs of providing support and accommodation to homeless persons in the city. The work subsequently commissioned from Pomeroy and Dunning (1998) sets out estimates of the per diem expenditures of existing crisis, transitional and longer-term accommodation options, separating residential from support service costs. From this, the Task Force was able to make a rudimentary but compelling case that ‘prevention is more cost-effective than emergency response’, simply by comparing the unit cost of emergency shelter (between $30 and $70 per night per person) and supportive housing (between $13 and $36 per day). It predicted significant indirect and long-term public services savings that would offset the cost of its action plan, including ‘reduced hostel use, lower welfare caseloads and reduced demand on the health care system’.

British Columbia study (Eberle Group, 2001)

The research team responsible for the British Columbia cost took up the Task Force’s challenge of estimating the indirect service costs of homelessness, this time in Vancouver and with a focus on costs to the provincial government (Eberle et al. 2001c). The difficulty of assessing the costs of inaction was seen to lie in finding a way of investigating the service system ‘as a whole’. To tackle this problem, the team devised a case study methodology to explore the pathways of fifteen homeless individuals through the health, criminal justice and income support systems over the course of a year. This is detailed in Appendix I.

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29 Pomeroy and Dunning (1998) developed a matrix conceptualizing accommodation and support options incorporating dimensions of support intensity and residential independence and privacy. Their report, Housing Solutions to Homelessness: Cost-Benefit Analysis of Different Types of Shelter, is reviewed in Berry et al. (2003).
As anticipated, the study found that, on average, those without permanent shelter (many of whom were managing drug addictions and chronic health problems) were heavy consumers of the most expensive elements of the health care and criminal justice systems when compared to those in supportive housing (Eberle et al. 2001c). At the same time, it drew attention to considerable diversity in service use within the sample: if the few intense users of services were removed from the homeless sample, the financial argument for supportive housing would falter. This finding highlighted the need to develop methods that would give rise to more robust estimates of the average cost to public services of ‘keeping someone homeless’.

**NHI study (Eberle Group, Toronto, 2001-03)**

Early in 2001 the National Secretariat on Homelessness (NSH) commissioned a second team headed by Margaret Eberle to undertake a study aimed at producing ‘a defensible estimate of the social and economic costs of homelessness on Canadian society to inform future policy development’ (Mars et al. 2001). No Canadian study to this point had attempted to estimate the aggregate societal costs of homelessness at the city or regional level, let alone the provincial or national level (IBI Group 2003). While the British Columbia report had recommended an extension of the case study methodology (with a larger sample and broader cross-section of service pathways), draft findings from the New York/New York cost study had raised expectations about the potential for a large-scale quantitative study. The research team opted for a quantitative pathways approach, tracking service use (retrospectively) through health, social service and welfare administrative databases.

The team argued that the complexities of providing a sound quantitative estimate at the national level exceeded resources available, and suggested that the task would be better broken down into more manageable projects that could be tackled as part of a broader research program (Mars et al. 2001). Despite downsizing the project’s scope, they encountered considerable difficulty in their attempts to secure the collaboration of data holders and homelessness service providers. The project clearly illustrates the risks of initiating multi-systems database research in this area without the necessary lead-in time to scope databases and negotiate with data holders and other stakeholders, and without sufficient budget to withstand setbacks. It suggests that, at least in the early stages of establishing capacity for this sort of research, funding and implementation on an individual project basis is unlikely to be successful.

While no empirical estimates have arisen as yet, the project has made an important contribution to the methodological debate, suggesting ways of expanding the application of public services cost-offset approaches from ‘chronic’ homelessness to the experience of short-term and episodic homelessness (Mars et al. 2001). The team also set out principles for a policy relevant approach to costing based on assessment of the costs of homelessness ‘in the context of appropriate services’. These arguments are described in Appendix I, together with the proposed research design and implementation difficulties.

**NHI study (Coppus/IBI Group, Calgary and Edmonton, 2002-03)**

A second project supported by the NSH to investigate the societal costs of homelessness also weathered a series of setbacks, although the original plan was seemingly more modest. Rather than track the individual service use pathways of recipients as the Eberle Group had attempted to do, the Calgary/Edmonton project set out to collect information directly from service providers on the amounts they expended on homeless clients. The intention was to
develop estimates of the average cost per person, per type of service provider and per subset of homeless population, in order to supply ‘critical data to help service providers and funders develop business cases for providing and prioritizing services to the homeless’ (Coppus/IBI Group 2003). This ruled out the more standard approach of collecting aggregate budget information from funders, whether government or non-government.

One of the key difficulties encountered by the researchers was that of obtaining costing data of sufficient quality from homelessness service providers since ‘most agencies lacked the accounting and recording systems required to provide the detailed data necessary’. Combined with the unexpected absence of unduplicated tracking data, this meant that the cost per person approach had to be replaced with a simplified total agency cost approach. However, the study did produce aggregate estimates of the costs of homelessness for the two cities and for urban Canada, pointing to the ‘high costs’ of a reactive response to homelessness. In support of further work along the lines initiated by the Eberle Group, the final report concludes that ‘more research is urgently required to understand the pathways into, through and out of homelessness, and to quantify the financial benefits that would accrue to society from a reduction in homelessness’. This study is summarized in Appendix I.

### 3.3. Summing up

City, provincial and central governments in Canada, often in association with charitable organizations such as United Way and the Calgary Homeless Foundation, have funded several cost studies aimed at supporting more preventive and long-term ‘solutions’ to homelessness. Lack of support from homelessness service providers, combined with ongoing problems in generating homelessness service use and costing data, have impeded empirical research. However, researchers have repeatedly emphasized the importance of developing a capacity for longitudinal analysis of homelessness service and other administrative data, and the most recent efforts by the National Secretariat on Homelessness appear to have put this firmly on the government’s homelessness research agenda.

### 4. United Kingdom

The UK government has significantly broadened the focus of its homelessness policy in recent years. Where for more than a decade successive phases of the Rough Sleeper Initiative were oriented towards reducing street homelessness, in March 2002 the government announced its plan to address less visible forms of homelessness and the circumstances of those living in insecure and temporary accommodation. There has been a heightened emphasis on family homelessness and an expansion of the categories of vulnerable groups to whom local authorities are obligated to provide accommodation ‘until a settled home is

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30 Our discussion refers largely to England. While the Scottish Executive has sponsored a considerable body of homelessness research, we have not located any costing studies from this source. Policy and legislative reform discussed in this paper applies to England and Wales. ‘Government’, unless otherwise stated, refers to the national (Westminster) government.

31 The term ‘temporary accommodation’ (TA) is most commonly used to refer to commercially run bed-and-breakfast hotels, but also includes hostels or women’s refuges, privately leased or rented housing, and other forms of housing (including local authority and housing association homes) let on a temporary basis.
found’. Under the Homelessness Act 2002, they are required to prepare homelessness strategies to plan and develop accommodation, information and support services. In this way, the government aims to improve its capacity for homelessness ‘prevention’, with particular emphasis on families and individuals at risk of recurrent homelessness (Anderson 2003, 18).

These new directions have sparked interest in the costs and potential savings of tackling ‘hidden homelessness’. The Homelessness Directorate (2003) reported that local authorities across England spent £186.3 million on homelessness services in 2001-02 and argued that ‘if homelessness can be prevented through early intervention then the significant cost of meeting the needs of homeless people can be reduced’. The Directorate commissioned two studies in 2003 to explore the preventable costs of statutory and family homelessness. In the same year, the homelessness advocacy group Crisis published a study estimating the numbers and costs of ‘single homelessness’ in the UK, urging the government to broaden its policy focus still further. This paper takes a closer look at the context and approach of these studies. Like the policy agenda that prompted it, this research reaffirms the early emphasis of New Labour that homelessness is best conceived as cause and consequence of social exclusion – the ‘sharp end’ of social exclusion, in the words of the Prime Minister. We conclude with a brief consideration of this perspective in costing work and highlight one interesting attempt to model the lifetime costs of social exclusion for a cohort of teenagers.

4.1. Interests in the costs of homelessness

Cost studies in the UK, as with homelessness research more broadly, have followed the distinction between statutory and non-statutory homelessness introduced by the Housing (Homeless Persons) Act of 1977. The Act imposed an obligation on local authorities to provide permanent housing to homeless people deemed in priority need and judged not to be intentionally homeless. The distinction was translated roughly into ‘family’ and ‘single’ homelessness (since the largest portion of those categorized ‘in priority need’ were families with dependent children). It meant that homeless assistance was provided under a two-track system (Anderson 2003). Those who did not meet the criteria of statutory homelessness could seek help at crisis hostels and refuges, often provided by the voluntary sector, or else try their luck at private hotels and bed-and-breakfasts. In theory, families and other priority groups were entitled to permanent housing, but during the 1980s, as the public housing sector shrunk and the number of applicants increased, local authorities increasingly resorted to private hotels and bed-and-breakfasts as (often extended) temporary placements.

Temporary housing or council housing?

The number considered homeless under the Act doubled between 1978 and 1987, and peaked during the recession of 1991 (Pleace and Quilgars 2003, 190). As a consequence, the numbers placed in bed-and-breakfasts also rose dramatically. Over the years, these commercially run establishments grew into an integral yet informal and unregulated

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32 These new groups include young people (aged 16-17 years, where family breakdown is seen as beyond repair), people escaping family, racial or other forms of violence, and those leaving an institutional background in statutory care, the armed forces or prison (DTLR 2002a).
33 See foreword to the SEU’s 1998 report, Rough Sleeping.
34 Since the Homelessness Act 2002 extended local authorities’ duty to provide housing to people in a wider array of circumstances, the overlap between non-statutory and single homelessness is no longer as pronounced. The advocacy group Crisis recently argued that ‘single’ homelessness (including couples without dependent children) remained a meaningful category since these people would still be most likely to lose out under the new legislation (Kenway and Palmer 2003).
component of the homeless assistance system. They often had minimal or no facilities, were badly maintained and afforded their residents little privacy or security. Public attention was drawn to the appalling conditions in many bed-and-breakfasts by an article in *New Society* in 1986 and this was duly followed by academic and government research on the health and educational consequences for children and their families.

At the height of this expansion in the numbers of statutory homeless, the advocacy group Shelter noted that no government or department to that point had considered it necessary to investigate the costs of homelessness. Shelter commissioned its own study, *Homes Cost Less Than Homelessness* (Burrows and Walentowicz 1992), which brought together available data on the health impacts of bed-and-breakfast and other temporary accommodation. It made the case that temporary housing for homeless people was more expensive than permanent council housing, called for a switch in policy from temporary to permanent solutions, and made suggestions about how additional permanent housing could be financed. Instead, the government tried to increase the quality of temporary accommodation and reduce its costs by leasing private sector properties. A study by Rosalind Edwards (1995) suggested this proved very costly to the families so housed.35

**Single homelessness and rough sleepers**

Homelessness advocacy and research during the 1980s tended to position itself in opposition to government policy and emphasized the consequences for those homeless and vulnerable individuals not covered by the legislation (Pleace and Quilgars 2003). As in the USA, it was argued that a ‘new homeless’ problem had arisen, one that could be clearly linked to the tightening of welfare provision. Those affected included low-income people with limited job opportunities and unable to afford suitable housing (a situation exacerbated by the abolition of grants for rent deposits and furniture, and of board and lodging payments) (SEU 1998). Young people were also prominent among the new homeless, and it was argued that cuts in income support left many unable to afford accommodation once they had left, or were forced to leave, the parental home.

Street homelessness presented an immediate political problem for the Conservative government. From the late 1980s through the early 1990s there was a very visible rise in the numbers of people of all ages sleeping rough in the big cities, particularly in London where an estimated 2,000 could be found on an average night (SEU 1998). The government responded with the Rough Sleepers Initiative (1990) and the Youth Foyers Program (1993). In both cases the aim was to do more than simply expand the numbers and capacity of emergency shelters, but to develop entry points for assistance that would help people leave homelessness and avoid dependency on emergency services (Pleace and Quilgars 2003, 191).

During this period, advocacy groups and government departments undertook studies to identify the costs of responding to homelessness through emergency services. The most prominent was a large study commissioned by Shelter to investigate the use of a London emergency ward by homeless and non-homeless persons (North, Moore and Owens 1996), based on analysis of the clinical records from all visits over the course of a year. ‘Homeless’ clients (who comprised about 6 percent of the total) were defined in three groups: those with

35 Edwards argued that the failure of the government’s efforts reflects its narrow focus on the public cost of homelessness, while neglecting costs accruing to the families affected. This is a small-scale research study, based on interviews with homeless families (39 mothers, 17 fathers) in the London area.
‘no fixed abode’, those residing at a shelter, and those staying temporarily at a bed-and-breakfast. Some 57 percent of visits by homeless clients were defined as ‘inappropriate’ for an emergency department, which compared to between one fifth and one quarter of visits by the general population. The cost of inappropriate visits to this single hospital for the year was estimated to be about £82,100, with potential saving to the National Health Service of about £60,000 if the needs of homeless persons were attended to through more appropriate and less costly parts of the health service, including general practitioners. The study also noted that homeless patients with mental illness were sometimes kept in hospital, at a cost of £900 to £1,000 per week, because they had nowhere else to go.

The Rough Sleepers Initiative had some success in reducing visible homelessness. By 1998 there were few teenagers or elderly people sleeping rough, and the numbers on an average night in the London area had dropped to about 400 (SEU 1998). The Initiative was extended to other areas of England when Labor first came to office, and in 1998 the Social Exclusion Unit (SEU) set the target of reducing rough sleeping in England by at least two-thirds by 2002 (from a point in time baseline of 1,850 people) (SEU 1998). Rough Sleeping (July 1998) was the first major report produced by the SEU. Following consultation with service providers and advocacy groups, the SEU concluded that there should be ‘an equal if not greater emphasis on prevention’ and that in the event that initial episodes of homelessness could not be avoided, ‘early intervention with new arrivals to the streets’ was critical to avoid its reoccurrence. At the same time, the SEU reported that the number of ‘direct access’ hostels in London had declined from about 9,500 in 1981 to about 2,700 at the end of the 1990s. It emphasized there were very few available places on any given night, at least in London, but encouraging the types of hostel that would prove both attractive to the range of clients and operate to assist resettlement (rather than perpetuate ‘the rounds’) was to remain a persistent policy problem.

One of the difficulties lay in the lack of capacity to monitor and influence the nature of service provision. An important outcome from the SEU’s report was an initiative (undertaken by the Rough Sleepers Unit) to develop an automated information system to track clients’ use of homelessness assistance in the London area. It seems likely that providers of crisis services (NGOs in the main) will enter into more formal reporting and accountability requirements as a result of new funding arrangements with local authorities:

Some traditional aspects of voluntary provision are now firmly viewed as being totally outdated and inappropriate, and are consequently unlikely to be supported within local homelessness strategies. Most notably, ‘soup runs’ and basic shelter provision are seen as maintaining, rather than challenging, street homelessness. Westminster government is asking difficult questions as to the rationale behind NGO provision of support to those on the street while state policy is firmly set on removing homeless people from the street (Anderson 2003, 19).

From the outset, critics drew attention to the narrowness of the government’s focus on street homelessness. They were accused of ignoring the findings of longitudinal research which showed rough sleeping to be one (often temporary) circumstance in a wider experience of

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36 The aim was to monitor people’s pathways into homelessness to identify and evidence the shortcomings of other services and institutions such as the defence forces, child protection and mental health institutions, and to track their trajectory following contact with the homelessness service system: Did people get needed services? How long did it take to move into longer-term accommodation and what happened to the tenancy? (SEU 1998).
precarious living (Pleace 2000; Pleace and Quilgars 2003). It was argued that the focus on rough sleepers would make barely a dint in this broader problem. Value for money was also questioned. Just before the target to reduce the number of rough sleepers was reached, the *Guardian* published figures showing that ‘every rough sleeper off the streets has cost between £25,000 and £50,000’, adding somewhat optimistically that this would be enough ‘to buy each a decent dwelling, outside London at least’ (Walker, 1 Nov. 2001). The article drew attention to the mushrooming of charities in the ten years or more of the Initiative’s operation to administer funds devoted to street homelessness (in London the number quadrupled from 500 to 2000). Pointing to the ‘tight policy-making nexus’ that had evolved between the ‘homelessness industry’ and the government, Walker argued that there was a ‘mismatch’ between the policy response and the social problem it was purportedly designed to resolve. If there were still people sleeping rough, it was not for lack of beds.  

**Back to bed-and-breakfasts (and the search for less costly options)**

A few months later, the *Guardian* was highlighting lack of value for money elsewhere in the government’s approach to homelessness. ‘The high cost of dead end living’ pointed to the rising numbers of people living in bed-and-breakfasts said to be up to three times more expensive than better-quality temporary housing and lacking the supports offered by hostels (Branigan, 8 July 2002). The government’s own figures showed more than 12,000 people housed by local authorities in bed-and-breakfasts at the end of 2001, with almost half of these being families with dependent children (DTLR 2002a). The homelessness organization Crisis estimated that at least five times this number self-referred to bed-and-breakfasts ‘either because they’ve failed to get help with housing, or because they’re unaware of their rights’ (Branigan, 8 July 2002). The number of people living in temporary accommodation arranged by local authorities had increased each year since the end of 1996. The government anticipated that, as local authorities grappled with their new responsibilities under the Homelessness Act and worked to address the needs of the larger numbers entitled to housing assistance, there would be additional pressures to house people in temporary accommodation, including bed-and-breakfasts, at least over the short term.

In March 2002 the government made a commitment that within two years ‘no family with children should have to live in a B&B’ and developed a new performance indicator for local authorities ‘to measure the average length of stay in B&B accommodation and hostel accommodation of households which include dependent children or pregnant women who are unintentionally homeless and in priority need’ (DTLR 2002a). A year later, the Homelessness Directorate noted that the cost of providing bed-and-breakfast accommodation had risen from £12.5 million in 1997-98 to £52.8 million in 2001-02 (representing more than a quarter of the total net expenditure on homelessness services). There was consequently a pressing need for sound empirical research on better quality and better value alternatives to enable local authorities to meet their obligations under the new legislation (DTLR 2002b).

**Repeat tenancy breakdown**

A second issue that cast doubt on the effectiveness and cost-effectiveness of prevalent responses to homelessness was mounting evidence of repeated tenancy failure among

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37 The previous Christmas, Louise Casey (then head of the Rough Sleepers Unit and former deputy director of Shelter) accused Crisis of exaggerating the problem of unmet demand for emergency beds as a way of raising donations (Vasagar, *Guardian*, 1 Jan. 2001).

38 This commitment came with the qualification ‘except in an emergency and for no more than six weeks’ (ODPM 2003).
families once housed. The evaluation of Shelter’s ‘Homeless to Home’ tenancy sustainment service for homeless families in Sheffield, Bristol and Birmingham showed that 57 percent of participants had been homeless on at least one prior occasion (Jones, Pleace and Quilgars 2002). The study also evidenced the extensive degree of support required by many families to maintain their housing. This raised the question of the costs of failing to recognize that many families required considerably ‘more than a roof’ to end residential instability. The Supporting People initiative represents a significant response to this need.\(^{39}\)

The government’s policy document *More than a Roof* highlighted the inadequacy of existing information systems to monitor the use by families and other statutory homeless persons of relevant services in the local area. It noted that the trigger reasons for homelessness given by families to local authorities often ‘obscure a complex chain of events that preceded the homelessness acceptance’ and that recurrent homelessness among families was consequently not being picked up (DTLR 2002a). It is likely that, under the new performance measurement and monitoring regime for housing related support services introduced by Supporting People, local authorities will come under increasing pressure to develop their administrative data collections to enable a more preventive response to recurrent homelessness.

4.2. Costs of insecure and temporary accommodation

**Costs of family and statutory homelessness (ODPM, 2003-04)**

In 2003 the Homelessness Directorate commissioned two cost studies to inform both strategic policy making and arrangements for commissioning housing and other support services at the local level:

Good practice in local authorities already points to a clear case for an ‘invest to save’ approach. The research findings on costs will help inform work to reduce or avoid these costs completely through a preventative approach to homelessness (Homelessness Directorate 2003).

The Directorate first commissioned the Institute for Public Finance to investigate the short and long-term costs of statutory homelessness. The brief was to:

- Collate existing data on the costs of statutory homelessness to service providers and to homeless households and their children;
- Estimate the costs of statutory homelessness to service providers, in terms of the direct housing costs of temporary accommodation and related support;
- Make the best possible estimate of the likely longer-term cost to the public and to families themselves of becoming homeless and being placed in temporary accommodation, such as in terms of poorer health and educational attainment;

\(^{39}\) From April 2003 housing and social services departments across the UK were required to work with health and criminal justice to address the support needs of vulnerable people in the local community (DTLR 2002a). The Initiative introduces new procedures for providing support to a variety of special needs groups including those considered at risk of homelessness. Key client groups are: older people; people with learning difficulties, people with mental health problems or disabilities; women escaping domestic violence; young homeless people; and vulnerable people struggling with their accommodation. The Initiative will fund housing related support services through a single fund coordinated by local authorities (who are required to develop a Supporting People program for the jurisdiction). The type of provision offered includes housing management, housing related support (such as independent living skills), home care, meals services and personal care (Kenway and Palmer 2003, 7; Anderson 2003).
• Assess the cost-effectiveness of different forms of temporary accommodation used to house homeless households (Homelessness Directorate 2003).

The report is currently in draft form. It draws together evidence from previous costing work and includes detailed analysis of statutory and other statistical data from local authorities. While the remit of the study is ‘statutory homelessness’, its focus appears to have been on families with dependent children. No primary data collection was undertaken.

The second cost study forms one component of a much larger project to investigate the ‘causes, impacts and costs of family homelessness’. The research is intended to inform the implementation of Supporting People and other new programs aimed at preventing family homelessness. The University of York’s Centre for Housing Policy is leading the project, in partnership with BRMB International Social and Public Sector Research and York Health Economics Consortium (YHEC). The main study will feature a large survey of family homelessness in England. An extensive feasibility phase has already been conducted. The aim of the cost component is to consider the costs of family homelessness in the short and longer term, and also to provide data on the cost-effectiveness of the various types of temporary accommodation and support services used by homeless families. Here ‘homelessness’ refers largely to the experience of living in, and moving between, temporary accommodation. The intention is for cost information to be derived from a retrospective survey of homeless families, interviews with providers of temporary accommodation, and publicly available datasets (O’Reilly/YHEC 2003). Aggregate costings will be derived by linking instances of resource use to relevant unit cost information. Further details of this project are given in Appendix I.

The theoretical emphasis of the cost component is on identifying ‘only those additional resources used as a result of the period of homelessness’ (O’Reilly/YHEC 2003). This perspective suggests the analysis of costs will pay careful attention to the sequence of events and to the ways in which the experience of specific types of residential instability work to compound and perpetuate existing disadvantage, for example, in its impact on access to services. It also marks a move away from the tendency when making general economic arguments in support of homelessness prevention to see the costs as ultimately those of street homelessness. The personal costs incurred by families as a result of stays in temporary accommodation will also be investigated. A third neglected area that appears likely to be addressed in this study is that of the costs of recurrent (‘episodic’) and persistent (‘chronic’) homelessness for families, rather than for individuals.

**Costs of single homelessness (Crisis/New Policy Institute, 2003)**

In December 2001, Crisis began its campaign to draw attention to ‘hidden homelessness’ among its constituency of single homeless persons, with ‘an army’ of people ‘leading lonely, sad and frightened lives in hostels, bed-and-breakfasts, squats and on friends’ floors’. While both Shelter and Crisis have welcomed the government’s new policy direction, neither shares the optimism expressed by the Homeless Directorate that the requisite growth in supply of affordable homes could be achieved through the private rental sector (Branigan, Guardian, 8 July 2002). Shelter made the point that even if local authorities could find the resources to accommodate homeless families in more adequate housing, ‘thousands of couples and single people will continue in hotels’. Crisis questioned the ‘the implicit assumption that families

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40 The Office of the Deputy Prime Minister has indicated it does not wish to release any information on the project until it is published. (Contact Alison Higgins Alison.Higgins@odpm.gsi.gov.uk.)
are more vulnerable than, say, a drug user with schizophrenia’ – the infamous bed-and-breakfast would be no more adequate a response for this person than for a struggling family.\(^{41}\)

As part of its campaign, Crisis commissioned the New Policy Institute to develop an estimate of the number and associated costs of single homelessness to make an economic case against what it saw to be a continued bias against this group. The report estimated that, across the UK, between 310,000 to 380,000 people without dependent children were homeless (Kenway and Palmer 2003, 8). Given this, the cost of inaction, inadequate action or tardy action by the government is anticipated to be considerable. No aggregate costing is developed:

> What is important here is not the total cost of homelessness – we are definitely not looking to make a statement like ‘single homelessness costs Britain £X billion pounds a year!’ Statements like this get the headlines, but they are not much use in working out how much might be saved if, say, the amount of time that homeless people have to wait in temporary accommodation could be reduced by, say, two weeks (Kenway and Palmer 2003, 30).

As with the Centre for Housing Policy study, the preferred approach is to identify particular cost incidents or episodes incurred by persons over time that can then be linked with unit cost information. This is done with hypothetical case histories, developed following a wide ranging review of the existing research on pathways into, through and out of homelessness. In this modelling exercise, the quantification of costs is secondary to the identification of the costly consequences and economic illogic of prevalent responses to homelessness. However, the scenarios help identify specific ‘costly’ episodes and occurrences. A decision was made to quantify only ‘hard’ costs, that is, those in which ‘resources are spent or lost and which have a direct monetary effect’ whether borne by public, private or voluntary sectors. This is argued on the grounds of policy relevance as well as data availability: ‘while the soft costs can sometimes be considerable, it is unclear whether a large soft cost would be all that helpful in persuading the state to spend what would be “hard” money on an initiative aimed at preventing such costs from actually arising’ (Kenway and Palmer 2003, 41).

Importantly, Kenway and Palmer (2003, 45) argue that when the purpose is to cost homelessness ‘in order to measure the savings to be had from reducing it’, then the costing ‘should start with the most certain costs’, where the direction of causality is clear. These are identified as the costs of eviction and of hostel or other temporary accommodation. Health and criminal justice related costs are seen to be less certain since these could be attributable wholly or in part to other problems (for example, a turn to alcohol following the death of one’s spouse, or prior involvement with crime) that predate the loss of stable accommodation. This focus also reflects the researchers’ interest in residential instability, rather than literal homelessness, with which ill health and participation in crime are more directly associated. They do suggest, however, that more attention should be given to the costs of unemployment, even though the direction of causality may again be difficult to decide.

### 4.3. Costs of social exclusion and early disadvantage

While recent costing research in the UK has emphasized the importance of differentiating cause from consequence, a different perspective might be adopted. In discussing possible

\(^{41}\) In the USA, the concern of advocacy groups such as the NCH has been in the opposite direction, that is, to question the assumption that individuals with ‘disabling conditions’ were any more vulnerable or in need of assistance than families or young people.
options for a Canadian study of the societal costs of homelessness, for example, the Eberle Group argues that direction of causality is not critical for deciding which costs may legitimately be included: homelessness is associated with certain conditions or circumstances which in turn are associated with certain costs, and for the purpose of analysis it matters only that ‘the incidence of these conditions or circumstances is correlated with homelessness and that these conditions do result in certain costs’ (Mars et al. 2001). In this case, the aim was to ensure coverage of the widest range of cost factors, taking the view that a sufficiently large aggregate estimate would attract public attention and support, leaving the question of causality to subsequent work. The persuasiveness of this strategy naturally depends on the specifics of the policy and political context, but a general point can be made. Where researchers use ‘homelessness’ as a short-hand expression for vulnerability and disadvantage, disentangling the sequence of events tends to be a less prominent concern. This raises a question as to the suitability of the concept of homelessness to express the sort of multiple disadvantage and inequity intended.

In the UK, as in Europe more widely, these arguments have been framed within a broader discourse of social exclusion. Homelessness is seen both as an outcome (or ‘cost’) of social exclusion and as one of its most extreme manifestations. Coles et al. (2002, 14) explain that social exclusion ‘is now used as a generic “catch-all” phrase concerned with syndromes of disadvantage’. The government has defined it as ‘what can happen when people or areas suffer from a combination of linked problems such as unemployment, poor skills, low income, poor housing, high crime environments, bad health and family breakdown’. One of the imperatives for addressing social exclusion was the recognition that it accounted for ‘a large chunk of public spending’ (SEU 2001). Since its inception in 1997, the SEU has collated and disseminated information relevant to documenting these costs, including ‘the cost of delivering individual services or initiatives; the long-term costs of failing to take early preventative action; and the wider costs to society of serious social exclusion’ (SEU 2003).

The early focus of the government’s attempts to estimate the costs of various dimensions of social exclusion was on youth issues such as truancy and school exclusion, teenage pregnancy and, most importantly, being ‘NEET’, that is, not in education, employment or training during the teenage years. In the SEU report Bridging the Gap (1998), the term NEET is used interchangeably with that of social exclusion. Later the Policy Action Team on Young People (part of the National Strategy for Neighbourhood Renewal) pointed to a large minority experiencing a range of acute problems including illiteracy, homelessness, mental illness, drug addiction and repeat offending (PAT 12 2000). SEU’s interest was not so much in ‘youth’ and youth policy as in ‘the compounding impact of early disadvantage in later life’ (Coles et al. 2002). This form of social exclusion was intuited to incur a significant public expenditure cost. While estimates for problems such as drug use and conduct disorder had been derived, the Policy Action Team argued that there was not enough information to produce a combined ‘costing’ of all the deleterious outcomes of exclusion, and further advised that the temptation to ‘simply add up these costs in an attempt to arrive at some notional headline figure’ should be avoided (PAT 12 2000). Ideally, a costing approach

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42 Personal correspondence with the research group, December 2003.
43 In the USA, the concept of poverty serves a similar role and remains the preferred term of advocacy organizations such as the National Coalition for the Homeless. As its former president Gary Blasi (1990) pointed out, images of literal homelessness tend to engender more public sympathy than images of poverty, but one consequence of framing the issues in terms of homelessness was to perpetuate the idea that provision of ‘shelter’ would fix the problem.
would illustrate the combined and ongoing effects of the ‘syndrome of disadvantage’
experienced by this minority of young people, in order to get a sense of the costs of not
providing a suitably timely and ‘joined up’ response.

**Costing the life-time pathways of NEET young people (DfEE, 2002)**

One study that explores ways of quantifying social exclusion is *Estimating the Cost of Being
“Not in Education, Employment or Training” at Age 16-18* (Godfrey et al. 2002). This was
commissioned by the Department for Education and Employment (DfEE) to support its bid
for funding to develop ways of reducing the numbers of NEET young people in the context of
a major transformation of support services for 14 to 19 year olds. The study, undertaken by a
team from the Social Policy Research Unit (University of York), aimed to go beyond
standard costing work in which the benefits of encouraging young people to remain in
education, training or employment were conceived and measured solely in terms of the
enhanced employability resulting from better educational qualifications. Benefits are also
seen to lie in reducing the risk of poor health, drug abuse and crime.

Godfrey and colleagues employ both cohort and hypothetical case study models to explore
the costs of being NEET between the ages of 16 and 18 in the current, medium and long term.
The cohort approach enabled an estimation of aggregate costs against which the costs of
prospective initiatives to reduce social exclusion amongst this group could be offset. The
use of hypothetical case studies allowed for an investigation of how the different outcomes
and consequent costs might combine and accumulate in a single life. While the cohort study
involved quantification of both public finance and resource costs (valued in opportunity cost
terms), only public finance costs were estimated in the case histories. The researchers see
these modelling exercises as a starting point for discussion, rather than as sound estimates of
future costs. A description of the project is included in Appendix I.

4.4. Summing up

The UK government has been active since the early 1990s in building up a reservoir of
research and information allowing for increasingly sophisticated modelling of the costs of
social exclusion and homelessness. Advocacy groups such as Crisis and Shelter, along with
academic researchers, have provided an important source of ‘alternative’ economic analysis
of policy responses, as in the USA. The use of administrative data has been less prominent in
homelessness research in the UK, although this is likely to change as the capacity of local
homelessness information systems expands to meet the reporting and accountability
requirements accompanying recent legislative changes.

5. Concluding remarks: policy relevant approaches

For more than a decade, advocacy groups, governments and independent researchers have
developed economic arguments and evidence to propose or justify shifts in policy from
‘crisis’ to preventive strategies, and from temporary to more permanent ‘solutions’ to
homelessness. Despite this broad commonality of impetus, cost studies are rarely directly
comparable within, let alone between, countries since they explore the impacts of different
types of homelessness, different types of interventions, for different segments of the homeless
population, within very different service and cultural contexts. None of the studies attempts
to incorporate all this diversity in a single analysis.

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44 An estimation of the costs of delivering existing and further initiatives required to reduce the costs
of being NEET is left for another study.
A tendency in recent costing work, particularly in the USA and Canada, has been to divide the population according to patterns of homelessness for which a common economic argument can then be developed, usually based on the associated patterns of service utilization. While the terminology is not consistent between countries, three distinctions are commonly employed: chronic homelessness (ongoing and long-term), episodic homelessness (repeated but temporary) and transitional homelessness (a ‘one-off’ relatively short-lived experience, though it may be part of a broader experience of residential instability).

Recent cost studies are aimed at deriving estimates that can inform policy direction, rather than being designed principally to raise awareness and public sympathy through ‘headline grabbing’ figures. A common strategy used by researchers to trace costs and benefits has been to map the pathways of homeless individuals (and increasingly, families) as they draw on public services and informal supports.

Ultimately, the focus and method of cost research will depend on policy context, information needs and the strategic purposes of the study. The relevance of the various economic arguments and the promise of different approaches to assessing costs and benefits to Australian policy debate need to be decided on a more case by case basis.

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45 Given the prevalence in Australia of a staged model in which ‘chronicity’ is viewed as the logical, albeit contingent, end point of a homeless career, it is important to emphasise that the category is used in the cost studies considered here to describe the experience and pattern of homelessness and not necessarily a particular stage (though the pattern and associated costs may be understood to change with the duration of homelessness).


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Levy, S.-A. High cost of homeless (Toronto). *Toronto Sun*


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