

The cost and net benefit of homelessness programs

HOMELESSNESS PROGRAMS IMPROVE HOUSING, HEALTH, SOCIAL RELATIONSHIPS AND, MORE MODESTLY, EMPLOYMENT OUTCOMES OF CLIENTS. THE PROGRAMS YIELD AVERAGE COST SAVINGS TO GOVERNMENT OF \$3685 PER CLIENT PER YEAR BY REDUCING THE USE OF NON-HOMELESSNESS SERVICES, THOUGH THIS ONLY PARTLY OFFSETS PROGRAM COSTS.

KEY POINTS

- Homelessness programs were generally effective in stabilising accommodation, improving access to health services, improving social relationships and general satisfaction with life. Improvements in employment were more meagre, and most homelessness program clients were still reliant on welfare payments.
- People experiencing homelessness were often high users of government non-homelessness services (e.g. health, justice and welfare), with mean costs ranging from \$18 201 per client per year (for tenant support clients) through to \$44 147 (for single men's supported accommodation clients). The very high mean cost is in part driven by welfare payments and those people who had significant contact with institutional services, such as hospital or incarceration.
- Although the mean cost of non-homelessness services is very high, prior to seeking homelessness support, many people incurred low health and justice costs. The distribution of health and justice costs is highly skewed: a significant minority exhibit very low health and justice costs while some individuals had very high costs, resulting in median costs lying well below mean costs.

*This bulletin is based on research conducted by **Dr Kaylene Zaretsky** and **Professor Paul Flatau** at the AHURI Research Centre—The University of Western Australia. This research measured, for the first time, the cost and net benefit of homelessness programs at a national level.*

- The mean cost of health, justice and welfare services used by clients of homelessness support programs was lower after a period of support. The associated potential savings to government, or cost offset to homelessness program cost, was estimated at \$3685 per client per year.
- Homelessness programs for single women achieved very significant net benefits, with the costs of providing the programs offset by reductions in health, justice and welfare costs. However, in most cases the offsets did not cover the full costs of the programs.
- Funding programs for women and those escaping domestic violence actually saved governments money in the short term, making these programs highly cost effective.
- Net savings were not apparent for programs for single men and tenancy support recipients where costs (especially for health) can increase markedly in the short term. However, the economic case for interventions is robust since all programs resulted in improved client outcomes, although it may take several years before outcomes are sufficiently stabilised for associated savings to be observed.

CONTEXT

This project examined the effectiveness of homelessness programs in Western Australia, New South Wales, Victoria and South Australia in improving welfare, health, housing, justice and employment outcomes of clients. It measured how such programs reduced burdens on other forms of government expenditure, thereby achieving cost savings to the government.

RESEARCH METHOD

Primary data on client outcomes was collected via a longitudinal survey of clients in inner city, suburban and major regional centres. Of the 204 clients examined at the baseline survey, 61 were re-surveyed 12 months later. Clients included those accessing supported accommodation for

single men, supported accommodation for single women (including those escaping domestic violence), tenancy support programs and a small sample of street-to-home and day centre program clients. Data about the costs of programs was collected through a survey of 16 agencies that provided homelessness programs.

KEY FINDINGS

Improved outcomes for clients of homelessness programs

Homelessness programs helped clients achieve positive outcomes overall, and around 95 per cent of clients considered the support period to be either very important or important. Positive changes included: more stable accommodation, generally improved access to health services, improved social relationships and general perceptions of overall satisfaction with life.

There was improved access to a stable income source and a very small improvement in employment outcomes. Welfare payments remained the main source of income for most respondents in the follow-up period. The lack of improved financial situation means clients are vulnerable to future housing problems.

Client use of non-homelessness services

On average, clients of homelessness programs were heavy users of non-homelessness services, particularly health, justice services and welfare payments. The mean cost of non-homelessness services used in the 12 months prior to receiving support was higher than the Australian population by between \$44 147 per client per year for single men's services and \$18 201 per client per year for tenancy support clients.

Mean health and justice costs were high, driven by a small number of clients—particularly those using high cost hospital and mental health services, or those with high cost justice contacts (e.g. incarceration). Prior to the baseline support period, many clients had little or no contact with health and justice services and incurred very little cost.

Benefits to government of homelessness support programs

The mean cost of health, justice and welfare services used by clients of homelessness support programs was lowered after a period of support. The associated potential mean savings to government, or cost offset to homelessness program cost, was estimated at \$3685 per client per year.

The cost offset varied by cohort, and in some instances an increase was observed. All cohorts reported a slight increase in welfare payments, associated with a decrease in time where no income was received. Costs increased for those clients whose health issues had previously not been addressed.

A small number of clients had large reductions in non-homelessness services costs (e.g. reduced prison costs) after engaging with homelessness support programs, but for most clients the change in non-homelessness services costs was not extreme.

Government costs of specialist homelessness support

Table 1 provides a summary of the costs and net benefit of homelessness programs.

For supported accommodation services, recurrent funding was \$3022 per client per year, but this increased to \$4890 per client per year once the opportunity cost of capital employed in providing client accommodation and indirect recurrent costs was considered.

Although health costs *increased* for single men under the program (by average \$4620 per client per year), justice costs fell dramatically by \$6447 per client per year. The mean reduction in non-homeless costs was \$1389. This means the program cost for single men's supported accommodation services were partly offset, resulting in a whole of government recurrent cost of \$1633 per client per year, or \$3501 per client per year when considering all costs.

For single women's services, the program cost was completely offset by mean savings in the non-homelessness area (mainly in the area of health). Net savings on recurrent funding were made of \$5898 per client per year, or savings of \$4030 per client per year once all costs were considered.

For tenancy support programs, direct recurrent funding averaged \$1970 per client per year. Costs associated with health, justice and welfare actually increased under these programs (mainly

TABLE 1: HOMELESSNESS PROGRAMS: GOVERNMENT COST/CLIENT (STATES) NET OF CHANGE IN COST OF NON-HOMELESSNESS SERVICES (2010–11)

| | Supported accommodation | | Tenancy support |
|---|-------------------------|----------------|-----------------|
| <i>Government program cost/client (\$)</i> | | | |
| Recurrent program funding | 3,022 | | 1,970 |
| Recurrent program funding, indirect recurrent cost* plus opportunity cost of capital | 4,890 | | 2,027 |
| <i>Change in cost of non-homelessness services—Cost offset/client (\$)</i> | | | |
| | Supported accommodation | | Tenancy support |
| | Single men's | Single women's | Tenancy support |
| Mean change—health justice and net welfare payments | -1,389 | -8,920 | 1,934 |
| <i>Government program cost/client, net of mean change in cost of non-homelessness services (\$)</i> | | | |
| Net direct recurrent program cost | 1,633 | -5,898 | 3,904 |
| Net direct and indirect recurrent cost* plus opportunity cost of capital | 3,501 | -4,030 | 3,961 |

* Indirect costs include government administration costs and costs of property maintenance and management.

due to increased uptake of health services). The net increase in non-homelessness cost resulted in a whole of government cost of \$3904 per client per year, or \$3961 when capital costs were included.

POLICY IMPLICATIONS

A significant minority of clients of homelessness services are not generating major costs to government, and therefore successful interventions do not produce large cost savings. Despite low health and justice costs for some homelessness people, net savings on the whole are generated even in the short term, and good outcomes for the vast majority of clients are being experienced. This more measured position represents the economic case for homelessness interventions.

Because homelessness support programs for women are highly cost effective, there is good argument for ensuring sufficient funding for such programs. Even where cost savings from non-homelessness services do not cover costs of homelessness programs for other groups, such as for single men and tenancy support programs, good outcomes for the vast majority of clients were experienced and so there are strong arguments for continuing such programs.

For some groups (e.g. for single men), health costs increased in the 12 months after the client was first surveyed. This suggests the group under-used health services while homeless, and that accessing a program and increasing the use of services reflected a response to unmet need. Cost savings might be expected over a longer period when health problems have been stabilised.

More can be achieved with employment options for homeless people given the low rate of transition to employment for those in the study. Achieving jobs for homeless people should be a major focus of homelessness policy in the future.

Limitations of the study (e.g. lack of control group, short period of study) make it difficult to assess the full value of the programs to clients and to calculate the full cost savings for clients over a longer period. Future studies will need to access longer term data, preferably from a larger sample.

FURTHER INFORMATION

This bulletin is based on AHURI project 82014, *The cost of homelessness and the net cost of homelessness programs: a national study*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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