**How Does this Help Again? Economic evaluation and homelessness policy**
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**Introduction**

There is some evidence in Australia of a renewed interest in what economic analyses might have to offer social policy generally, and the homelessness sector in particular.

Understandably, the use of economic analysis in the realm of homelessness service provision has been a source of some concern. Economic analysis requires consideration of costs (a large proportion of which are the wages and salaries of workers in the sector) and outcomes from programs and interventions (which have barely begun to be evaluated). It may include benchmarking, a controversial and politically fraught activity.

Many participants in the sector will feel that consideration of economic outcomes or costs and benefits is ethically objectionable; that human rights principles should be underpinning responses to homelessness, not notions of economic efficiency.

Resource allocation decisions are, however, inescapable. There are many things we might want to do, but only limited resources with which to do them. At a systems level, a decision to give Service A more funds means that less funds are available for other services. At the agency level, decisions have to be made regarding which clients to serve and how to allocate time, accommodation and other resources between them. Reliable evidence about the respective costs and benefits of different interventions and programs helps these decisions to be made on a ‘rational’ basis. While there are limits to the role economic analysis can and should play in decision making, it has a role and therefore it seems a reasonable goal to make the information or evidence it produces as transparent and relevant as possible.

This paper is part of a project to build foundations for the systematic development of costing analyses for the homelessness sector. These foundations are to be built on contemporary understanding of homelessness as a dynamic phenomenon, and guided by the ultimate policy goal of fostering substantial outcomes for clients.

**Pathways a brief introduction**

Investigation of homelessness as a dynamic process is concerned with ‘the patterns of, and conditions affecting, the entry into, exit from, and return to homelessness’ (Piliavin et al. 1996). Understanding the circumstances and events that commonly lead to homelessness helps identify ways of preventing either initial or repeated episodes. Understanding people’s trajectories through homelessness and the circumstances and factors that assist or block their attempts to find stability helps develop more effective ameliorative and resettlement strategies. A longitudinal perspective also promises more informative evaluation of whether interventions (alone or collectively) lead to substantial improvements in the circumstances of

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clients over time, or whether they remain in precarious situations. And, of particular importance to economic evaluation, understanding the consequences of homelessness as they amass and compound over time can help in the design of interventions that avoid or minimize the worst of these consequences.

The National Homelessness Strategy discussion paper (May 2000) identified the policy relevance of pathways research as follows:

> Our increasing ability through data and research to map pathways that lead to homelessness, particularly for high risk groups, should now make developing and implementing early intervention strategies easier. It should also be able to inform us not only how, but also when and where, to intervene (FaCS 2000, 14).

While up to this point the focus of research had been on identifying pathways and developing early intervention for young people, the discussion paper argued that the perspective could be extended to other segments of the homeless population. More broadly, the interest in research on pathways into homelessness reflects the Australian government’s ‘ultimate goal’ to ‘work towards the prevention of homelessness’ while remaining ‘fully committed to strengthening assistance at the crisis end’. The cost-effectiveness of early intervention has the proverbial warranty of ‘a stitch in time’ (a large gain relative to the investment), while support for preventive strategies more widely defined is anticipated to pay dividends because:

> Australian governments spend hundreds of millions of dollars each year dealing with the effects of homelessness. Its full cost to the community, most particularly to the individuals and families concerned, is incalculable (FaCS 2000,14).

The discussion paper also signalled the government’s intention to place ‘greater emphasis on long-term pathways out of homelessness’ as part of a program of welfare reform underpinned by the promotion of social and economic participation. It argues that the success of both preventive and ameliorative strategies depends on partnerships between and within governments, between government and the community, and between service providers.

This is the context in which exploration of the costs and pathways of homelessness was proposed as a policy tool.

An integral part of pathways research is the exploration of people’s movement through government and non-government services, including patterns of preference and rejection. This provides a useful foundation for developing policy relevant costing. This work highlights the issue of cost shifting between services and service systems. It has been clear for many years that the homelessness service system bears the costs of the failure of other, generally better resourced service systems. Most of the people who request assistance from homelessness services have been clients of other services, such as the health system, Centrelink, housing, child protection or the criminal justice system. In turn, homelessness can result in additional demands on these same service systems in both the short and the long term.

Changing service utilization patterns so as to enable the resources of the service system as a whole to be used more productively has different implications for the resources of different ministerial portfolios. The department that reaps the benefits of reform might not be the one that pays for it. This is true also in relation to level of government (will the federal government or the state governments ‘pick up the tab’?). Adopting whole-of-government
approaches to service delivery requires sophisticated economic analyses to guide the requisite re-allocation of resources.

Investigation of homelessness pathways has also drawn attention to the impact of informal supports from family, friends and local communities on people’s homelessness trajectories. Pathways costings have begun to map out the resource flows between sectors, consistent with recognition of the importance of partnerships in preventing and ameliorating homelessness, and the role of the private and not-for-profit sectors.

In general, research on homelessness and housing pathways has much to offer costing work and economic evaluation in this field. Firstly, it helps understand the negative impacts and consequences (hence ‘costs’) of homelessness as these amass over time and the ways in which interventions succeed or fail in deflecting or diminishing these cost consequences. An understanding of the dynamics of homelessness at both the individual and population level provides a basis for anticipating the economic logics of homelessness interventions. Secondly, pathways research has evolved a rich source of longitudinal methods, both qualitative and quantitative, that can be adapted for economic evaluation and costing work. Finally, studies of homeless trajectories provide secondary data and theoretical generalizations to input into simulation models.

**Economic Evaluation and Homelessness**

Despite periodic interest from governments, research bodies and homelessness advocates in quantifying the costs of homelessness, few economic evaluations or costing studies have been done. Only one Australian study published in the last ten years attempted to derive an aggregate estimate. This was a small-scale study funded by the Queen’s Trust which explored the costs and benefits of a proposed national program of school based early intervention, principally through assessment of the lifetime costs of early school leaving (Pinkney and Ewing 1997).

While costing research and economic evaluations in the field are starting to appear, progress is slow. This is partly attributable to ambivalence among practitioners, policy makers and researchers about drawing on economic arguments to support what are seen as essentially humanistic goals. Since economic arguments are more readily found for advancing prevention and early intervention initiatives, there are also longstanding concerns that the corollary will be an unwarranted lessening of support for ‘safety net’ services assisting individuals in crisis. The unease about the broad policy impact of a greater application of economic evaluation to the policy debate is also fuelled by more specific concerns about possible negative consequences of ‘efficiency’ analyses in performance evaluation for the homelessness sector. The conceptual and methodological quandaries raised by the goal of assessing the costs and benefits of homelessness present a second set of obstacles. There remains the difficulty of knowing how best to proceed.

To date most attempts to assess the costs of homelessness in Australia have taken the form of lists of disparate types of cost (or negative impacts) borne by homeless individuals, the local and broader communities, taxpayers and governments. These analyses emerged from recognition of the increasing size and shifting profile of the homeless population. The strategy was to draw attention to the wide-ranging social, economic and financial and human costs borne by the broader society where it failed to take responsibility for addressing the needs of those experiencing homelessness. Arguably, even where dollar costs were estimated, the actual numbers were not very important. The aim was instead to give an indication of the
multiplicity of ill-effects of the ‘new homelessness’ and hence to garner public support for homelessness programs by appealing to an uneasy combination of sympathy and self-interest.

A good example is to be found in Our Homeless Children, the Report of the National Inquiry into Homeless Children by the Human Rights and Equal Opportunity Commission (the Burdekin Report 1989). This important report included the first attempt to identify the economic costs of child and youth homelessness in Australia. Subsequent attempts by Carter (1990) and Dixon (1993) followed this model closely. The aim was not to develop an aggregate estimate of cost, but more generally to draw attention to the economic consequences of inaction. A few years later, one of the few attempts to quantify costs and derive an aggregate figure focused not on the costs of youth homelessness per se, but on those arising from resulting educational underachievement and early school leaving (Pinkney and Ewing 1997). As an ex ante evaluation of a proposed national strategy to increase welfare provision in schools, this study was spared the complexities of costing an existing service response.

Beyond the homelessness area, there has been renewed interest in developing studies that quantify costs, largely to provide economically based arguments for more resources. These studies aim to identify the costs (whether financial, economic, social or a combination) of an identified social problem, with recent examples including domestic violence, unemployment, child abuse, early school leaving, bipolar disorder and juvenile crime. Analyses may include estimates of program or service costs, but the aim is not to evaluate the effectiveness of these programs. Some studies arrive at a final, aggregate dollar cost and some quantify social and intangible costs as well as economic and financial costs that are already in dollar terms. We suspect that advocates of ‘cost-benefit’ study within the sector often have this type of analysis in mind; strictly speaking, however, these do not qualify as CBAs (see discussion below).

Although estimates from these studies often make the headlines, they have a number of drawbacks. As an advocacy tool, they are often designed simply to calculate a big number to attract public attention, with the aim of persuading decision makers that this implies large potential savings that could offset the costs of ameliorative programs or interventions. Decision makers are unlikely to be convinced by estimates derived from these analyses, since they are invariably (albeit to different degrees) underpinned by questionable assumptions. Recent years have seen a flourishing trade in developing the estimated costs of social ills, with the unfortunate appearance of pitting one problem against another; e.g. does youth homelessness cost society more than child abuse. There is a real danger that large estimates with little empirical grounding will undermine rather than enhance the credibility of cases for additional resources and action.

Once in the public domain, such costings tend to take on a life of their own, with the importance of the assumptions underpinning them forgotten and even the costs to which they refer misconstrued. An example is recent reporting in Adelaide’s Advertiser (6 Jan. 2003, 8) of a study undertaken four years earlier on the costs of early school leaving (King 1999). Under the headline ‘$2.6b tax bill to look after school drop-outs’, the report misconstrued the cost estimates in the study as simply increased welfare payments and used it to point to the burden these young people place on the community, rather than the stake the community has in assisting the young people concerned.

More importantly, such analyses provide no guidance on appropriate policy responses. Knowing that the costs of homelessness (however conceptualized) are $2.7 billion or $4.2
billion does not assist in fashioning better responses. This realization no doubt partly accounts for the sector’s ambivalence towards ‘economic evaluation’. The economist’s role is apparently to come up with a number (in isolation) to help develop a case for more resources but not to assist in the arguably more important task of allocating these resources to specific programs or interventions.

**Definitions and distinctions**

At this point it is useful to consider the technical distinctions made by economists to distinguish between approaches to economic evaluation. As with most categorizations of this type they are useful up to a point, although the distinctions between the approaches are fuzzier in practice.

The key concern of economics is the allocation of scarce resources to satisfy unlimited wants. Economic evaluation is seen as supplying the information that would enable decisions to be made about how to use these resources. It is rational in that it provides a systematic means of comparing the costs of an activity or program with its outcomes or benefits. In economic terms, it would not be rational to proceed with a program whose costs outweighed its benefits.

Economists generally draw a basic distinction between economic evaluation (of which there are several well known types, including cost-benefit analysis and cost-effectiveness analysis) and costing. The distinction is that economic evaluation involves systematic attempts to compare the costs and the benefits of interventions or programs, whereas costing concentrates solely on the cost side of the ledger.

Sefton et al. (2002) outline the defining features of economic evaluation as follows:

- It focuses on a specific intervention or program;
- It involves a systematic assessment of both costs and outcomes;
- It includes some sort of benchmark or point of comparison (say, a ‘business as usual’ response with an alternative, or a comparison between two proposed alternatives);
- It attempts to combine costs and outcomes in the final analysis.

The principles underpinning economic evaluation, and which guide this notion of ‘best use of scarce resources’, are generally seen to derive from welfare economics. For Byford and Sefton (2002, 7):

> Welfare economics is concerned with the analysis of conditions under which policies may be said to have improved societal wellbeing relative to alternative courses of action. The keywords are: *relative, societal* and *wellbeing*. Evaluations should be comparative in nature, societal in scope and concerned with the resulting wellbeing of the individuals involved. Not all evaluations will achieve all the aims of welfare economics, but **this is the ideal against which evaluations should be judged** and the standard for researchers to aim for.

This concept of an ideal economic evaluation to be aspired to and the existence of a hierarchy of economic evaluation types is commonly held by economists, as we will see in the next section where we examine the systematic review conducted by AHURI.

In considering the different forms of economic evaluation, the technical distinction between them lies not so much in the types of cost or cost bearer they are concerned with, but in their
respective treatment of the outcomes or consequences of the program or intervention being evaluated. In Australia the debate about good practice in costing has centred on the respective merits of cost-benefit and cost-effectiveness analysis, although this has not followed strictly technical distinctions between the two.

The methodology (if not practice) of CBA is seen to best embody the principles of welfare economics because it attempts a comprehensive or holistic view of social costs and benefits. CBA converts both the costs and the outcomes (or ‘benefits’) of a program into dollar terms. The process of valuing outcomes in monetary terms has been controversial in the health and social welfare areas, both from an ethical point of view (it is inappropriate to measure, for example, the value of a human life in dollar terms) and from a measurement point of view (how should this be done – a problem that pertains to a diverse range of outcomes that do not have an obvious market value). Cost-effectiveness analysis does not try to monetize outcomes; it measures them in a ‘natural’ unit, in this case, life-years gained. This is the key distinction between these two forms of analysis.

In theory, CBA enables comparison of interventions across different sectors (say, an education outcome, with a health outcome or a housing outcome). This is possible as outcomes are all measured in dollar terms. Those projects or programs for which the benefits outweigh the costs (in technical terms these have a benefit-cost ratio greater than one) should proceed. Where there is a budget constraint, the projects or programs with the largest benefit-cost ratios should be undertaken first. In practice this is rarely done, because of the difficulties of measuring the value of their outcomes or ‘benefits’ in dollar terms.

The development of CBA was in the context of program comparisons, whose outcomes or consequences were less disparate. There is no tradition of comprehensive CBA in the social welfare area, largely due to the difficulty of monetizing non-program costs and benefits. Cost-effectiveness analysis has been adopted where it was considered inappropriate or difficult to estimate monetary values for a program’s outcomes or consequences (Fisher et al 2001, 2).

Two other forms of economic evaluation need to be considered here. The first is cost-saving or cost-offset analysis, where the emphasis is on quantifying the costs that can be avoided by a particular intervention or program. Despite their methodological limitations these studies can play a significant role in informing policy making. The second is cost-minimization studies that involve identifying costs of programs or interventions to identify the least cost alternative.

Turning now to ‘cost studies’, these tend to be defined in terms of their exclusive focus on costs rather than program outcomes or benefits. There are two categories. First, there are cost studies that are a partial economic evaluation. In such cases the purpose is to identify the costs of a specific intervention without going on to weigh them against the outcomes or ‘benefits’ of the intervention. These studies may be focused on direct monetary costs of programs (whether to governments or others). However, in accordance with the principles of welfare economics, they may take a broader conception of program costs.

A second set of cost studies are those not concerned with specific policy interventions or programs. These aim instead to identify the costs (whether financial, economic, social or a combination) of some identified social problem or phenomenon.
Cost Benefit Analysis and Homelessness

In the previous section we discussed the broad economic approaches available for analyzing the homelessness field and suggested that CBA was widely thought to best reflect the ideals underpinning welfare economics.

In mid-2002 the National Homelessness Strategy commissioned a team of researchers from the Australian Housing and Urban Research Institute (AHURI) to undertake a review of Australian and international reports on cost-effectiveness and cost-benefit studies of homelessness and homelessness policy and service responses. In addition to an assessment of the methodological strengths and weaknesses of existing studies, this was intended as a scoping exercise to make ‘recommendations for the most appropriate methods to be used in the Australian context’ and to ‘provide a basis for constructing a brief for a full-scale Australian study’.

The final report, Counting the Costs of Homelessness, argued that ‘a full and adequate approach would require a very large study and entail a very significant commitment of resources’ (Berry et al. 2003). The ‘first best option’ was based on the disciplinary ideal of a comprehensive social cost-benefit analysis and it noted that ‘a concerted effort would need to be made to measure the benefits across the domains of successful interventions, using the traditional methods for evaluating non-marketed outcomes’ (Berry et al. 2003, 17). While the data collection methods were left unspecified, the report proposed a study that would, as near as possible, reflect the overall homeless population of Australia, in terms of household type, population segment and degree of homelessness (from people at risk of homelessness, to those experiencing primary, secondary and tertiary homelessness).

This review helped develop the thinking for the costs and pathways study and established ‘comprehensive social cost benefit’ as the ideal. Two research questions determined its scope and were used to identify ‘gaps’ in each of the studies selected for assessment (Berry et al. 2003, 3):

- What are the costs to a) the individual, b) governments and c) the broader community of contemporary patterns and levels of homelessness in advanced industrial countries?
- What are the costs and benefits of alternative policy interventions by government to reduce homelessness in the portfolio areas of a) housing and homelessness services, b) health, including mental health and welfare services, c) justice and d) education, training and employment?

The authors were not optimistic about the possibilities for achieving its ‘first best option’ of a comprehensive analysis of costs and benefits in the Australian context. The review of international literature failed to locate a methodology or approach that could be adopted since ‘all of the extant studies suffer from limitations and gaps, both with respect to the robustness of the methodology and the scope of the findings’ (Berry et al. 2003, 17). The AHURI Research and Policy Bulletin accompanying the report noted that ‘no single study has approached a comprehensive analysis of this field, encompassing impacts across and within the several domains involved’ (AHURI 2003). The review team sees the explanation for this omission in the nature of homelessness itself. As a complex social and economic condition, with several domains of impact and interaction:

A full and adequate approach would require a very large study and entail a very significant commitment of resources. In particular, a concerted effort would need to be...
made to measure the benefits across the domains of successful interventions, using the traditional methods for evaluating non-marketed outcomes. Appropriate sets of assumptions would need to be drawn and tested. Relevant data or proxy data would have to be gathered, again across all the impact areas and domains (Berry et al. 2003, 17).

Berry et al (2003) acknowledge that, given ‘real-world resource constraints’, a full and adequate approach is unlikely to be undertaken. The ‘second best option’ then is inevitably a compromise in these terms. Apart from some general methodological advice, the suggestions regarding the requirements of this option reassert the need for a comprehensive study, hence:

- The services included must cover the major domains or programs: housing assistance, health, welfare, justice, education and employment assistance;
- Primary data collection should extend over a time period long enough for service usage to stabilize;
- A range of household types should be included in the study, including families with children. As near as possible, these should reflect the overall homeless population in Australia;
- The segmented sampling frame should include people at different points on the homelessness continuum, but concentrate on those in or at imminent risk of primary or secondary homelessness.

The study team recognized that resource or indeed policy priorities may require it to limit scope to particular domains of costs and benefits or categories of homeless people.

There is no discussion in the report of the purpose of conducting a comprehensive study of the costs of homelessness and the benefits of interventions to reduce or ameliorate it. However, the authors do identify three aspects of the policy environment that explain the interest in such a study:

- Homelessness has become entrenched;
- The needs of homeless people place additional demands not only on homeless persons’ services but also on other human service systems;
- There is broad consensus that the growth of homelessness in Australian society is a bad thing.

As pointed out earlier there is no tradition of comprehensive social CBA in the homelessness field. Berry et al identified only thirteen studies published in English that involved valuing the costs and benefits of homelessness interventions in money terms, none of which were comprehensive across the domains identified. This underscores findings by Sefton et al. (2002) in their systematic review that less than one in twenty economic evaluations in the UK social welfare field between 1991 and 1996 were CBAs, and that in the health care sector, where economic evaluation is more common, the proportion of evaluations of this type are actually falling. Adopting as an ideal a form of evaluation so rarely undertaken in practice does not seem sensible.

Basic or pure forms of economic evaluation do not take us very far in thinking about how to tackle the sorts of evaluation needed in a field such as homelessness in particular jurisdictions. The test of ‘comprehensiveness’ is not particularly useful. Given the multidimensional nature of homelessness and the range and variability of responses to it, it is not
feasible, as the report points out, to develop a comprehensive social cost benefit. Any attempt to do so would involve such an array of assumptions and cover so many intervention types that it is hard to imagine that its outcome would be any more than a ‘headline’ number to be used as a device to argue for greater funding.

Berry et al. suggest that the challenge for future research is to look beyond financial impacts on government. This has some merit, but a more pressing issue, as it links to decision making and resource allocation, is measuring and understanding the costs of homelessness programs and interventions. It is an area about which very little is known and where it is clearly not possible to rely on overseas research.

Financial analysis is important in its own right. The principles of welfare economics do represent a more sophisticated ethical approach to allocation issues – decisions about ‘the best use of scarce resources’ – but economic evaluation is and should only ever be one element in a decision making process. Furthermore, the principles of welfare economics do not always translate well in practice. This means that CBA is fine in theory, compromised in practice, and often unconvincing politically. Therefore, the question is about the information needs of decision makers (at all levels) who have to deal with budgets and competing demands.

Consequently, while we appreciate the benefits of broader economic thinking to assist decision making, we reject the idea of a hierarchy of types of economic evaluation. Cost-savings approaches in the homelessness field are not necessarily narrow; rather, their aim is to track financial implications from a ‘whole of government’ perspective. While studies adopting these approaches may not be ‘comprehensive’, or even cost-benefit studies, some of them could help to guide decision making.

In our view the unrealizable ideal of a comprehensive social CBA is clouding our view of the best way forward. This is because many issues are not reducible to choice of methodology. We appear to be trapped between two extreme positions. On one hand is the outright dismissal of economic evaluation in the homelessness field on ethical grounds. On the other is an aspiration to an ideal type of evaluation that would surmount all political and broader policy concerns, an economic machine for decision making. The two positions keep the debate in stasis.

**Moving Forward**

The challenge becomes then identifying policy relevant methods of assessing the costs and benefits of homelessness interventions. There are three broad perspectives or points of focus within the wider pathways literature, with different implications for thinking about the negative consequences of homelessness. The first focuses on the process of becoming homeless and how people become entrapped in homelessness, highlighting the costs of chronic homelessness as the backdrop against which potential benefits should be identified. The second emphasis is on the transitions in and out of (literal) homelessness and draws attention to the cost implications of distinct patterns of service use and the specific costs associated with residential instability and inadequate accommodation, rather than street homelessness. The third focuses on the experience of homelessness in the wider context of people’s lifetime accommodation history and tends to point more broadly to the analysis of the costs of homelessness as one component of marginalization or social exclusion.
One of the most common types of cost study, particularly in the USA (see the work of Dennis Culhane), centres on the estimation of the costs of ‘heavy and inappropriate’ use of emergency and acute services in the areas of homelessness, health and criminal justice. Inappropriateness of use refers to the service not being used for its intended purpose, which in turn is suggestive not only of inefficiencies but also of ineffective responses from the client’s point of view. The service costs of this ‘crisis’ response to homelessness are then compared to the costs of implementing more preventive approaches (for example, promoting the use of mainstream health services) or more permanent ‘solutions’ (longer-term support and accommodation options).

The economic case for preventive and ameliorative services to be developed is generally one of reducing cycling between expensive systems of emergency and acute care. Arguments are also aimed at action on the part of mainstream services (for example, mental health, alcohol and other drugs services, and aged care). Since these are people for whom long-term or ongoing supported accommodation may be needed, costing focuses on the benefits of service reduction (or increased use of preventive services) rather than looking to increases in employment.

The most straightforward of these service pathways or ‘heavy user’ analyses explore patterns of crisis shelter utilization with a view to finding evidence of inefficient and inappropriate use, for example, as a long-term accommodation option. Where a minority of clients show disproportionate use of these accommodation resources, and where this represents a significant portion of available resources, this suggests the development of more effective solutions might also yield significant savings for the shelter system.

Pathways literature asks the question, which as yet is not fully resolved, as to the existence and nature of ‘distinct’ pathways, into, through and out of homelessness. These need not, and probably do not, follow clear demographic lines. Are there economically distinctive pathways? With a costing study, there are two important considerations:

- The ways in which different types, severity and stages of homelessness or different segments of a homeless population incur different types or magnitude of costs (whether financial or otherwise);
- The nature of the economic case that one would wish to make about a given subpopulation of people experiencing homelessness.

Both qualitative and quantitative research has suggested that different subgroups have ‘different service use patterns, and are consequently likely to incur different costs and respond differently to and require different interventions (different need)” (Mars et al. 2001).

Pathways costing approaches share three interrelated characteristics:

- They identify costs by tracing the activities and experiences of homeless or at risk individuals and families;
- They quantify costs by linking these instances to unit costs;
- They trace the accumulation of these cost instances over time.

The first characteristic highlights the methods of developing a costing framework. Pathways approaches involve an accounting of costs and benefits from the perspective of those experiencing (or avoiding) homelessness. This emphasis becomes important when interest is in the service costs of homelessness. There are three main sources of information on service
costs: service providers, funders of services and clients of services. Pathways approaches collect service costs data at the client level, by tracing instances of service use over time.

It is possible, for example, to survey public and private agencies that deliver services to homeless persons (either exclusively or as one part of a broader clientele) to assess the level of expenditure on this client group. This was the approach adopted by Coppus and the IBI Group (2003) in their assessment of the ‘societal cost of homelessness’ in Calgary, Canada. Alternatively, cost information can be collected at the funder level (from public accounts of government at the different levels and from budgetary information of non-government organizations). The strength of both provider and funder level approaches lies in being able to identify aggregate expenditures. Estimating the extent of expenditure (both government and non-government) on homelessness services is an important aspect of public accountability, and where costs are documented as increasing over time, this information has been used by governments and homelessness advocates to question the effectiveness and/or value for money of prevalent approaches. Otherwise, such information is of limited value in aiding resource allocation. Information is needed to link expenditures with outcomes of funding. Funder budgets are inevitably restricted on both these criteria, although where there is provider level data collection there is considerably more scope.

Information on cost instances is not limited to service use, but can be collected on an extensive range of cost incurring instances and resource uses. These might include drawing on informal supports of family or friends, for example, receiving financial support or accommodation. This may be a positive which can be supported by governments or may in some instances be seen as jeopardizing the stability of the second family.

The second characteristic of pathways approaches is that they quantify costs by linking cost instances to unit costs. In order to estimate a value for these cost incurring instances, we need to have information on the cost per unit of the service or resource being used. Depending on the sorts of costs and benefits of interest to the researcher, this may be a cost per eviction, a cost per hour of service use and so on. Cost incurring instances can be divided into probabilistic or persistent. Probabilistic costs are those where there is a risk of incidence or conditions or events that carry a cost (e.g. need for health services, contact with criminal justice, episodes of mental illness ). Costs that persist over time include periods in transitional accommodation and time spent waiting for a critical service.

Research will be needed to define the unit cost measure, for example, of a visit to a hospital emergency department. There are several approaches: the emphasis could be on average costs, or marginal costs, or social opportunity costs. For instance, the additional costs of treating a homeless person in emergency may be almost nil, since doctors and nurses still have to be there, as does the emergency facility. Also, since costs are likely to be examined over time, it is necessary to account for cost inflation (e.g. CPI, health component of the CPI, health GDP deflator). For example, per diem costs have been calculated for some residential based interventions for homeless people in Toronto (Pomeroy and Dunning 1998). In some cases, services costs will have to be calculated; in others, the relevant agency may provide them (Mars et al. 2001)

Pathways costings enable ‘what if’ scenarios to be played out: what if waiting times were less, or what if the person accessed support at this point rather than that point? The policy relevance of these approaches lies in being able to compare alternative pathways (simulated or real) and their respective costs and benefits in different service or service system scenarios.
Ultimately what governments and services need to know is what costs can be reduced or prevented through different or better policies and programs.

These agencies require the means to estimate the economic impact not only of different policy responses but also of different degrees of policy success and failure. A total ‘costs of’ figure may grab headlines but is 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. Completing such calculations requires knowledge of unit costs associated with particular cost episodes or incidents that arise in connection with homelessness.

Where policy aims to ‘make changes to a pathway to enable homeless people to achieve particular outcomes’ (Clapham 2003, 126), then this method enables the cost implications of interventions at different points in time to be assessed. We can think of this as a series of stages. The first stage is to decide on the costs most relevant to the given population or type of homelessness. Previous costing research, particularly where based on a strong quantitative research design, can be helpful in identifying the likely cost drivers. With less studied groups, exploratory research may be needed. Eberle et al (2001), for example, conducted a survey of service providers to ascertain the likely services used by recent migrant families who were using the homeless shelter system.

The second stage of assessing the cost implications of intervention involves identifying for an individual or group the sorts of costs that are of interest. This involves the development of pathways costing frameworks. Cost-savings or cost-offset approaches have tended to dominate, though the range of cost bearers included in these studies differs. While all the cost studies we considered in our study look at ‘direct’ public service costs and cost savings (benefits), others also include costs and savings to the private and non-profit sectors (for example, eviction costs to landlords of private rental). There is also a growing interest in costs borne by homeless individuals and families, as this impacts on their capacity to move out of homelessness. Aside from public service cost reductions, some studies also consider changes in revenue to governments (through the taxation system as a result of employment).

Once reliable information has been collected on service use, resource use and other episodes or incidences seen to incur a cost, a value must be assigned to these incidences. This involves estimating unit costs for both probabilistic and persistent cost instances. Primary research may be needed; for example, Kenway and Palmer (2003) develop a costing of a failed tenancy in their work. There may be existing sources such as the compendium *Unit Costs of Health and Social Care* developed by the Personal Social Services Research Unit in the UK.

This leads us to a very broad family of possible studies that differ according to various factors: population groups and types of homelessness, types of economic evaluation or costing, time frame, types of costs and benefits considered, types and range of ‘interventions’ considered, and methods used to developing costing frameworks.

**Conclusion**

This paper has argued that there has been little economic analysis undertaken in Australia in the field of homelessness and homelessness service provision. This, at least in part is due to a highly polarized debate between those who reject outright the applicability of economic evaluation to this area and those that advocate an ideal type of evaluation that would surmount all political and broader concerns; an economic machine for decision-making.
Consideration of the pathways and costing research suggested that the ideal of an all-encompassing study was misconceived and, along with it, the aim of producing a single ‘balance sheet’ of costs and benefits at the national level. This research points to the need for different costing approaches according to particular patterns and types of homelessness experience. It also suggests that analysis of the costs of alternative pathways through homelessness is best done with reference to specific service contexts.

The work of costing and economic evaluation in any area is incremental, building on both empirical work and conceptual development. This applies to modelling as to primary research based evaluation. However our work found that basic information on the direct costs of delivering homelessness service interventions was either not in existence or else not publicly available.

Building a sound knowledge base for the systematic development of costing research and economic evaluation relevant to the sector cannot be accomplished unilaterally or in a single project. It depends on the interest and active participation of the homelessness sector as well as the mobilization of the broader research community. To achieve this, work is needed to develop a shared understanding of the range of pathways costing approaches and their relevance to policy evaluation and development.

To provide greater clarity on the areas of economic analysis that might benefit from future research input there needs to be recognition of the different types of demand for good costing and economic information. Providers of homelessness services increasingly report threats to their financial viability and capacity to deliver quality services because of new and rising cost pressures. At the same time, program administrators at the state and federal levels are searching for ways to rationalize their allocation of funds to homelessness services by taking greater account of the relative costs of different types of service delivery.

References
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