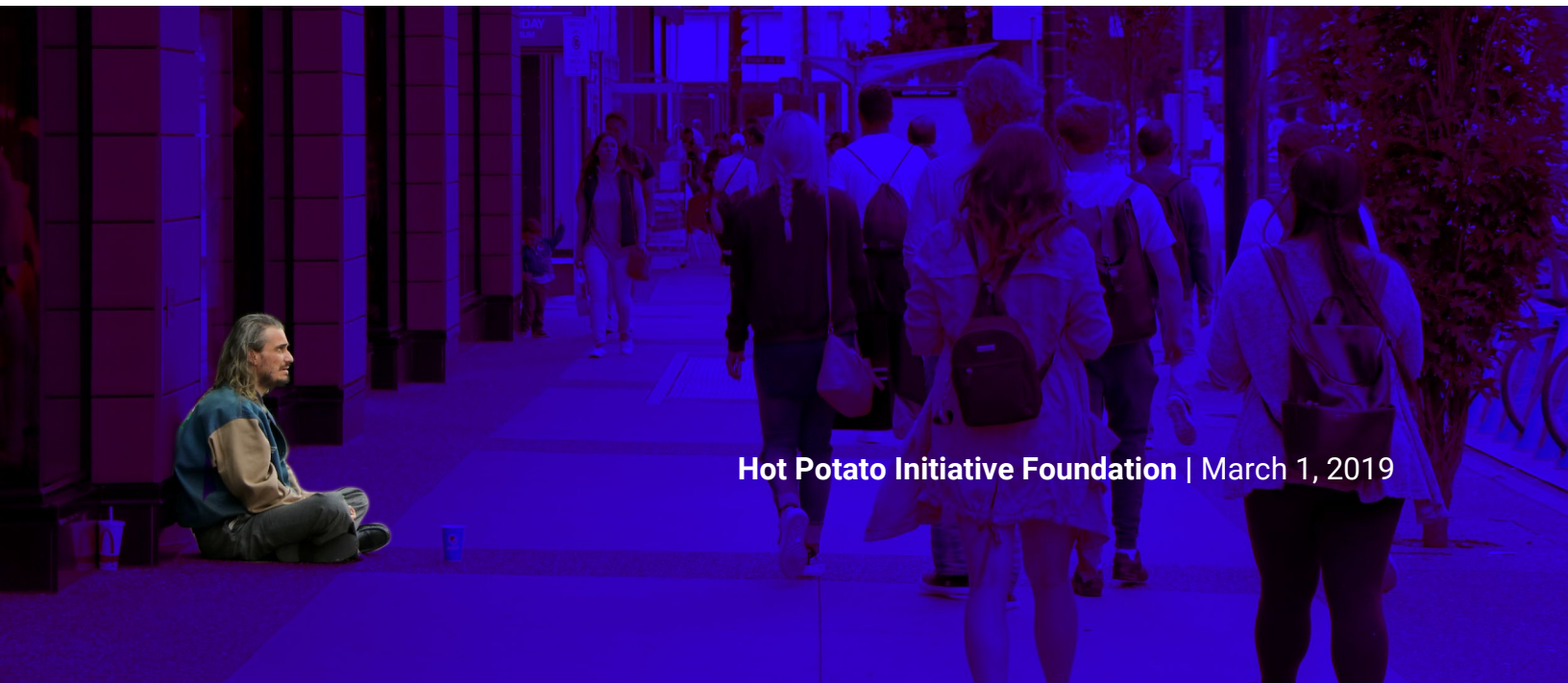


# HOT POTATO INITIATIVE

## THE ECONOMICS OF HOMELESSNESS WHITE PAPER



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# THE ECONOMICS OF HOMELESSNESS

## WHITE PAPER

Ivan Chiang



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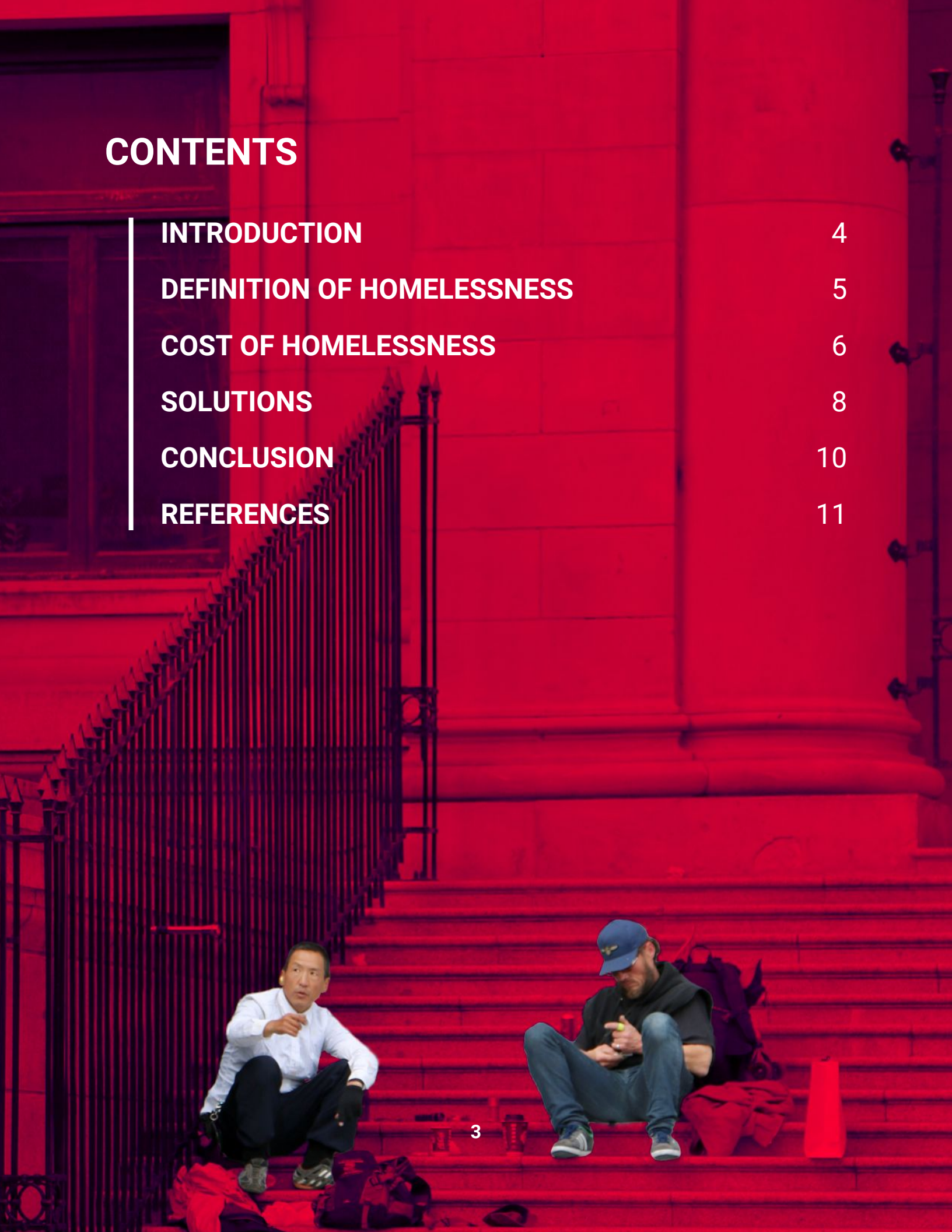
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**The Hot Potato Initiative** is a youth-led movement working to eliminate the toxic stigma around homelessness & rally everyday citizens to take action.

Learn more at [hotpotatoinitiative.ca](https://hotpotatoinitiative.ca)

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## INTRODUCTION

According to the United Nations' Universal Declaration of Human Rights, "Everyone has the right to life, liberty, and security" (United Nations General Assembly, 1948). Yet, over 35,000 Canadians are homeless on a given night, facing hunger, violence, and a torrent of health issues (Gaetz, DeJ, Richter, and Redman, 2016). Existing infrastructure and support systems are overwhelmed, ill-equipped to handle the crisis. It is evident that immediate and substantial action must be taken on a legislative and governmental level in order to address the homelessness crisis. However, this contentious issue has become extremely politicised, with detractors protesting the left-leaning social welfare programs and public policy decisions that have been presented as potential solutions (Rice and Prince, 2000).

Consequently, it is crucial to argue not merely on the basis of ethics and social responsibility, but also to analyse the logical and objective ramifications of continued inaction. While this issue indeed poses deeply troubling social consequences for Canada, the argument for addressing homelessness becomes particularly cogent with consideration of the economic implications that would result from allowing it to continue in its current trajectory. This white paper will explore these economic implications.

### THE NUMBERS

# 35,000+

CANADIANS ARE HOMELESS EVERY NIGHT

# DEFINITION OF HOMELESSNESS

In the context of this paper, the definition of homelessness is “the instability of housing and the inadequacy of income, health care supports, and social supports” (Homeless Hub, 2009). When examining the economics of homelessness, it is essential to acknowledge the underlying causes of the issue. Homelessness in Canada is the cumulative outcome of three components: systems failures (the failure of systems that support vulnerable groups), individual factors (matters of personal circumstance), and structural factors (Gaetz, Donaldson, Richter, and Gulliver, 2013). It is the latter—structural factors involving socioeconomic issues such as institutionalised discrimination and lack of affordable housing—that governmental solutions most often attempt to address.

## THE DEFINITION

### HOMELESSNESS

*The instability of housing and the inadequacy of income, health care supports, and social supports*

## THE CAUSES

**SYSTEMS  
FAILURES**

**INDIVIDUAL  
FACTORS**

**STRUCTURAL  
FACTORS**

## COST OF HOMELESSNESS

From an economic standpoint, the impact of homelessness on Canadian communities is significant and overwhelmingly negative. The primary contributors to the economic impact of homelessness include both explicit costs to society such as emergency shelters, soup kitchens, and other homeless support services, as well as economic externalities—costs that result from increased stress on secondary services such as the medical, policing, and criminal justice systems. A 2007 estimate of explicit costs pegged the total financial burden of homelessness to the Canadian economy at over \$4.5 billion per year (Gaetz, 2012).

**EXPLICIT  
COSTS**

**ECONOMIC  
EXTERNALITIES**

**\$7 BILLION PER YEAR TOTAL**

According to a technical paper published by the Wellesley Institute, the average monthly cost of housing a homeless individual in a shelter is \$1,932 (Wellesley Institute, 2006). Yet, this number pales in comparison to the \$10,900 for housing the same individual in a hospital, or \$4,333 in jail. These figures are noteworthy given the overrepresentation of homeless individuals among both hospitalized and incarcerated populations. Homeless

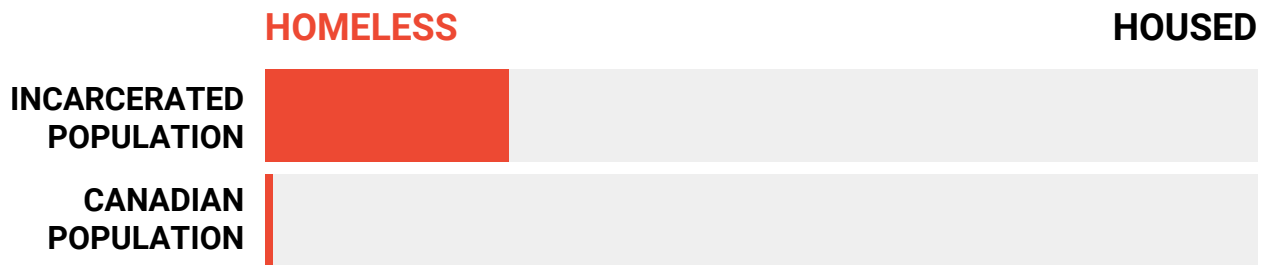
**70%**

**MORE LIKELY TO  
VISIT DOCTORS**

individuals are 70% more likely to visit doctors offices and have a higher chance of being diagnosed with and requiring treatment for a variety of health issues (Gaetz, 2012). Moreover, 30% of homeless individuals suffer from mental illness (Nelson, Aubry, and Lafrance, 2007).



A study conducted in Toronto concluded that roughly between 19.3% and 22.9% of people jailed for a minimum of five nights were homeless at the time of incarceration (Kellen et al., 2010). Comparing these rates with the proportion of Canada’s population that is homeless—235,000 Canadians out of a total population of 36 million or 0.65%—it is abundantly clear that homeless individuals are disproportionately accessing medical and justice systems (Gaetz et al., 2016). In 2016, the average cost of maintaining an offender in a correctional facility was \$116,000 (Correctional Service Canada, 2017). An extensive study conducted across 5 Canadian cities found that the annual costs to society of treating homeless people with mental illness averaged to \$59,000. Taken with these externalities among others, the total cost of homelessness grows to an excessive \$7 billion annually (Gaetz et al., 2013).



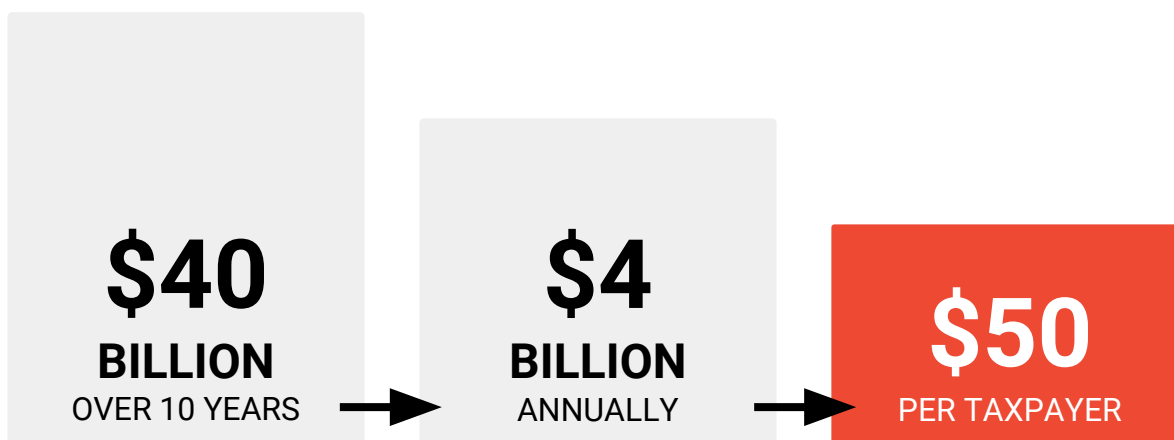
## OPPORTUNITY COST OF HOMELESSNESS

Evidently, the cost of homelessness is an immense economic burden upon society, representing close to half of the \$16 billion Canada spent on business subsidies in 2013 to stimulate economic growth (Lester, 2016). The opportunity cost of allowing homelessness in the country to continue on its current trajectory is enormous. If policymakers continue to neglect to make the necessary and worthwhile investments to bring about change on a fundamental level, they are also electing to forgo the possibility of allocating that \$7 billion towards a range of other government spending that could bolster the Canadian economy, including the aforementioned business subsidies.

## SOLUTION

The clear consensus among the academic community is that the most realistic, effective, and cost-efficient plan of action lies with affordable housing. In *The State of Homelessness In Canada 2017*, a research paper jointly released by the Canadian Observatory on Homelessness and Canadian Alliance to End Homelessness, recommendations outline an increased federal investment in the Housing First affordable housing initiative to \$43.79 billion over 10 years, through an expansion in affordable housing stock, housing benefits, and affordable housing tax credits (Gaetz et al., 2016). In their recent 10-year National Housing Strategy, the federal government of Canada has detailed a \$40 billion plan that closely resembles this recommendation and is projected to reduce chronic homelessness by 50% (Government of Canada, 2017).

### THE PLAN



While a seemingly overwhelming figure, \$40 billion over ten years works out to merely \$4 billion a year, which is an annual investment of only \$50 per Canadian taxpayer and considerably less than the \$7 billion total annual cost of homelessness (Gaetz et al., 2016).



## SAVING COSTS

Affordable housing plans offer clear economic benefits to Canadian taxpayers. A University of New Mexico study found that the reduced demand for public services as a result of reducing chronic homelessness through affordable housing led to a 78% return on investment; for

**78%**  
RETURN ON INVESTMENT

every \$1 spent on the program, a cost savings for public services of \$1.78 was realized (Guerin and Minssen, 2016). A different study found that of the homeless who were previously heavy users of hospitals, Housing First produced a significant reduction in emergency department access and jail bookings, saving on average \$36,579 per individual per year (Srebnik, Connor, and Sylla, 2013).

## GENERATING OPPORTUNITIES

While the savings are clear, perhaps the most compelling argument for investment in affordable housing is to consider the economic opportunities it would generate. A Scottish study found that an affordable housing plan that “delivers 12,000 homes per year

### THE POTENTIAL

*“an affordable housing plan that ‘delivers 12,000 homes per year could sustain up to 19,000 [construction] jobs and generate £2.6 billion of economic output’”*

could sustain up to 19,000 [construction] jobs and generate £2.6 billion of economic output” (Shelter Scotland, 2015). With the recently released National Housing Strategy outlining the construction of 100,000 new affordable housing units over 10 years (Government of Canada, 2017), the positive economic impact of the demand for

these homes will reinvigorate the national housing and construction market, whose stagnation has been responsible for a stall in Canadian economic growth (Bloomberg, 2017).

## **CONCLUSION**

As homelessness is a controversial social issue that is interwoven into the fabric of many Canadian communities, it is important to not only appeal to the general public, but also to present policymakers with objective economic cost-benefit analysis. It is evident that allowing homelessness to continue is not only detrimental to the social welfare of Canadians, but also to the nation's economy, with substantial yet avertible costs to public infrastructure and services. Affordable housing plans such as Canada's National Housing Strategy clearly present the taxpayer substantial savings at negligible cost and produce thousands of jobs for the Canadian economy. Thus, regardless of political partisanship, the economics of homelessness are clear: it is in the collective interest of all Canadians to eliminate homelessness.

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