



## HUMAN COSTS AND LOST POTENTIAL: THE REAL COST OF YOUTH HOMELESSNESS

"Supporting young people is first and foremost a huge economic opportunity that can generate benefits for the whole society"

**CENTRE  
POINT**

**ENDING YOUTH  
HOMELESSNESS**



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Centrepoint would like to express gratitude to the Centre for Economics and Business Research, whose analysis forms the core of this report.

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# Executive Summary

For over 50 years, Centrepont has supported homeless young people to access stable housing, gain skills and employment and achieve their goals. In doing this, Centrepont has witnessed the human cost of homelessness, and seen how it affects young people who, through no fault of their own, have limited or no access to safe and secure accommodation.

Through Centrepont's direct work with young people, we recognize their incredible potential. However, too often the barriers created by homelessness make it harder for them to achieve their goals. In this way, homeless young people regularly have few options but to access costly public services and support from third sector organisations as a means of promoting their independence.

For this reason, Centrepont commissioned the Centre for Economics and Business Research to estimate the true cost of the crisis affecting thousands of young people. This report includes an analysis of the costs associated with homeless young people incurred by the government and our society as a whole. To achieve this, the report adopts a counterfactual comparison approach, by comparing the population of homeless young people with the general population aged 16-24. Through this, we identify the additional costs that can be attributed solely to homelessness.

**Overall, it is estimated that the total annual cost of homeless young people amounts to more than £8.5 billion, an average of £27,347 for each young homeless person.**



Given the widespread impact that homelessness has on a young person's life, these costs are multi-layered. As such, these costs can be divided among the following factors:

- Approximately **70 per cent** is due to **short-term loss** from being unemployed and not contributing to societal economic output; **lost productivity** in the long-term (estimated at **£5.4 - 6.0bn annually**) – this represents the opportunity cost of what young people could have achieved had they not been facing the challenges of homelessness;
- Among the direct costs for government services, the increased **criminality rate** and cost of criminal justice represents the biggest burden for taxpayers amounting to **£846 million annually (ten per cent** of the total);
- **Homelessness services** account for **more than five per cent** of the total cost or **£493 million a year**;
- Additional costs for **social security** (e.g. Universal Credit, housing benefits and other claims) and the **NHS** both represent **around five per cent** of the total cost, respectively **£473 million a year** and **£456 million a year**;
- Additional costs for **mental health services** and **substance misuse services** account for slightly more than **one per cent each**, corresponding to **£141 million annually** and **£125 million a year**.

As highlighted above, direct costs for the government in supporting homeless young people only represent 30 per cent of the total amount, with the remaining 70 per cent caused by the fact that young people facing homelessness are less able to meaningfully contribute to national economic output. Currently each pound spent on additional government services for homeless young people has a multiplier effect: this means that government spending can create benefits more than double the expenditure on average, showing also that the government can increase its support to homeless young people, as the generated benefits would exceed the increased costs.

These findings deliver a clear message for government and policy-makers: increase the support for homeless young people to enable them to successfully transition to adulthood and contribute to national economic output. Moreover, these findings show that **supporting vulnerable young people is not only a moral duty, but also a huge economic opportunity to reduce government spending and increase national economic output.**

## Annual cost of youth homelessness by component type, in absolute and per-head terms (2021/22 prices)

Cost Type	Total Cost (per annum) [nearest £1,000]	Per-Head Cost (per annum) [nearest £1]	Share
Output Loss due to Inactivity/ Unemployment	£5,534,844,000	£17,711	64.8%
Criminal Justice	£845,956,000	£2,707	9.9%
Homelessness Services	£492,648,000	£1,576	5.8%
Lower Productivity	£478,094,000	£1,530	5.6%
Social Security	£472,744,000	£1,513	5.5%
NHS Health Services	£456,179,000	£1,460	5.3%
Mental Health Services	£140,886,000	£451	1.7%
Substance Misuse Services	£124,540,000	£399	1.5%
<b>Total*</b>	<b>£8,545,891,000</b>	<b>£27,347</b>	<b>100%</b>

\*Difference due to rounding

Note: Economic losses from being unemployed/out of labour force utilises estimates from a scenario whereby an individual is homeless for a five-year time period. Estimates on the economic losses associated with a period of homelessness spanning one-year and three-years are detailed later in the report.

All 'per-head' costs in this report represent an average across the entire population of homeless young people, rather than of those who used a particular benefit or service. The true per-head cost of an individual utilising a substance misuse service, for example, will be much higher than the figures shown above.

The benefit of this approach is that it gives a sense of macro level cost, but it is important to remember that the per-head cost reflects the midpoint of a broad range of individual costs. For example, a young person who is sofa surfing and not accessing any support services will have a relatively low per-head cost – particularly in the homelessness and health services categories. On the other hand, high needs young people who are in complex needs accommodation and accessing multiple support services, such as mental health and substance misuse services, will have considerably higher costs per-head than the average.



# 1. Introduction

From a moral and ethical point of view, there are few that would disagree with the premise that we should support young people who are facing homelessness. Not having access to stable and safe accommodation affects the mental and physical well-being of young people, as well as the future of our society as a whole<sup>1</sup>. However, it is also important to provide an economic justification for the taxpayers' money spent on financing homelessness support and the additional burden on other government services.

Therefore, in November 2022, Centrepont commissioned the Centre for Economics and Business Research (CEBR) to conduct an analysis of the cost faced by the government, and ultimately by taxpayers and society as whole, of the presence of thousands of young people facing homelessness in the UK. This includes direct social security costs, homelessness service costs, costs to wider public services, including healthcare and the criminal justice system, and losses stemming from being unemployed or inactive, including that of lower productivity and losses in tax revenue due to being out of work.

The principal analytical approach applied in the analysis involves a counterfactual comparison. This incorporated a comparison of the population of homeless young people with the costs associated with public services utilization of the wider 16-24 population. Holding the assumption that the difference in use across the two groups is primarily due to homelessness, it was possible to discern costs for each of the components mentioned above. A detailed breakdown of the methodology employed for each component is provided in the respective component sections. Due to data

limitations, significant challenges arose in identifying the true costs of homelessness for some components. In particular, the identification of the counterfactual which is needed to move from estimating gross costs to estimating the additional or net costs proved challenging in a few instances. For certain components, the unavailability of reliable data on young people, homeless or otherwise, resulted in instances whereby analysis had to rely on less robust counterfactuals, such as comparing the homeless population with the general population.

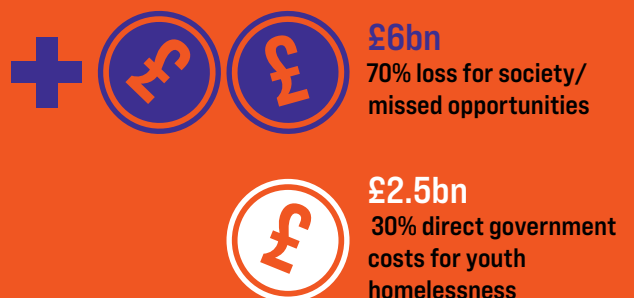
The approach also included estimating the size of the homeless youth population in the UK. This includes those who approached their local authority for homelessness assistance (statutory homelessness), rough sleepers and those classified as hidden homeless i.e. sofa surfers etc. While estimates on statutory homelessness in England and the devolved nations are regularly published, these figures do not provide an accurate account of the true population as many homeless young people do not seek assistance from local authorities. This means that many homeless young people do not show up in official figures. As such, it was deemed necessary to develop a model to estimate the size of the population of young people facing hidden homeless. In particular, estimates on core and wider homelessness by Crisis' Homelessness Projections<sup>2</sup> formed the base of this model, before segmenting them based on existing literature<sup>3,4,5</sup> to attain estimates on the number of hidden youth homeless households. According to our estimates, there were 276,963 homeless youth households in the UK in 2021/22, which in turn translates to 312,504 homeless young people in total.

## Estimated number of homeless youth households, by age and household type

Age Split	Estimated Number of Households	Household Type (No. of households)				Estimated number of young people
		Single	Couple	Lone Parent	Others	
16-17	35,917	30,400	1,609	3,551	357	40,551
18-24	240,876	203,874	10,793	23,817	2,391	271,953
<b>Total</b>	<b>276,793</b>	<b>234,274</b>	<b>12,402</b>	<b>27,369</b>	<b>2,748</b>	<b>312,504</b>

Overall, the estimates suggest that the cost of homeless young people to the public sector and the wider economy amounts to £8.5bn per annum. Using the estimates for the number of homeless young people in the UK, this would translate to a per-head cost of £27,347 per annum. Approximately 70 per cent of this amount can be attributed to the fact that young people facing homelessness are often unemployed or economically inactive and do not contribute to economic output. In particular, while the government spends £2.5bn every year for homeless young people, the society as a whole loses £6bn at the same time. Currently each pound spent in additional government services for homeless young people has a multiplier effect of 2.4 – meaning that expenditure has the potential to create, on average, benefits more than double what it is spent.

Losses due to missed opportunities are more than double direct government costs



## 2. Homelessness services

In the UK, responsibility for tackling homelessness is devolved and each nation has adopted different duties to those who approach them for help. The services provided and their relative costs arise from the duties established by relevant legislation (e.g. the Homelessness Reduction Act in England), which include duties to conduct an assessment of each individual and support eligible individuals to find suitable accommodation.

England<sup>6</sup>, Scotland<sup>7</sup> and Wales<sup>8</sup> have all published estimates on central government expenditure on homelessness and homelessness services administration. While data for Northern Ireland is unavailable, an estimate was derived by scaling the Scottish Government's expenditure on homelessness with a ratio of Northern Ireland's to Scotland's public sector spend on housing for 2020/21<sup>9</sup>.

Following this, statutory homelessness data for each country was used to assess the share of youth households across all homeless households. Running the assumption that central government expenditure on homelessness services is evenly distributed across all households, the expenditure values for each nation were scaled using the above derived shares to yield the final expenditure values on homeless young people only.

Across the UK, government expenditure on homelessness services amounted to just under £500 million. A large majority (92%) consists of expenditure in England, likely due to the relatively larger population size of England compared to the other three UK nations. Scotland sees the second-highest expenditure, at £22.4 million, followed by Northern Ireland and Wales, at £12.4 million, and £4.5 million respectively.

In comparison, England accounts for 85 per cent of the statutory youth homelessness population in the UK. This is followed by Scotland (9%), Wales (6%) and Northern Ireland (1%). As such, the analysis suggests that central government spending, while it is related to population size, is not strictly proportional to it.

### The cost of homelessness services across the country

Scotland - £22.4m (4.5%)

Northern Ireland - £12.4m (2.5%)

England - £453.3m (92%)

Wales - £4.5m (0.9%)

**£493m per year**  
5.8% of total cost

# 3. Social security

Benefits are payments made to individuals under the social security system run by the Department for Work and Pensions. The various benefits are designed to meet different kinds of need. Since 2012, most working-age benefits, which many young people facing homelessness receive, have been replaced by Universal Credit. However, young people living in supported, sheltered or temporary accommodation receive housing benefit in addition to Universal Credit. For young people living in the private rented sector the support for housing costs is already incorporated in the monthly Universal Credit payment. In this section, a counterfactual comparison is used to identify the additional costs incurred by the Department for Work and Pensions and local authorities to support young people facing homelessness.



**£473m per year**  
**5.5% of total cost**

## 3.1 Universal Credit

Since 2012, the majority of working-age benefits in the UK have been gradually replaced by Universal Credit, a single monthly payment to support living and housing costs for those who are unemployed, unable to work, or working on a low income<sup>10</sup>.

The estimates on Universal Credit expenditure for homeless young people were derived by splitting the estimated population of homeless young people into representative households, namely by age, household type and economic status. Data on the former two was derived as part of the previously mentioned estimate for the population of homeless young people, while data on the latter, namely those not in employment, education and training (NEET), was directly collected from Centrepoin service users' data. Subsequently, a Universal Credit allowance was assigned based on household characteristics, with the allowance figures sourced from the Government's guidelines<sup>11</sup>.

Following this, these households were compared with similar households in the wider youth population. In particular, this comparison allowed for analysis of the difference between the shares of those considered NEET for each representative household, assuming that in a counterfactual scenario whereby the analyzed young people were not homeless, they would exhibit similar characteristics as the wider youth population<sup>12</sup>. This comparison demonstrates that homelessness is a key cause behind the difference in economic activity between homeless young people and their peers in the wider population. Moreover, it provides an opportunity to estimate how much youth homelessness is costing the Treasury in terms of claims.

Given that we are looking at how an alleviation of homelessness can change costs pertaining to social security, some groups are not incorporated into these calculations. For example, a lone parent in full time education is entitled to Universal Credit, but an alleviation of homelessness will unlikely change the fact that they will still receive benefits. Hence, such groups are not considered as part of the calculations. Similarly, for those that have declared themselves as disabled or having a long-term health condition, there is a strong

likelihood that this small subset of homeless young people will still be claiming Universal Credit even if their homelessness situation were to be alleviated.

Equally, Universal Credit is received by the subset of homeless young people who are employed but are on low wages. It is possible that within this group, an alleviation of homelessness provides them with the opportunity to earn enough such that they are not eligible to claim Universal Credit. Nonetheless, it was not possible to map this group due to lack of available wage data pertaining to homeless young people.

Altogether, the estimates indicate that **homeless young people cost the Treasury almost £400 million a year in extra Universal Credit claims**. This represents one per cent of the total pay-outs attributed to Universal Credit, according to the Department for Work and Pensions (DWP) expenditure and caseload data<sup>13</sup>. Correspondingly, this translates to **111,263 extra claims per year, with these extra claims making up almost four per cent of the total Universal Credit claimants in the UK**.





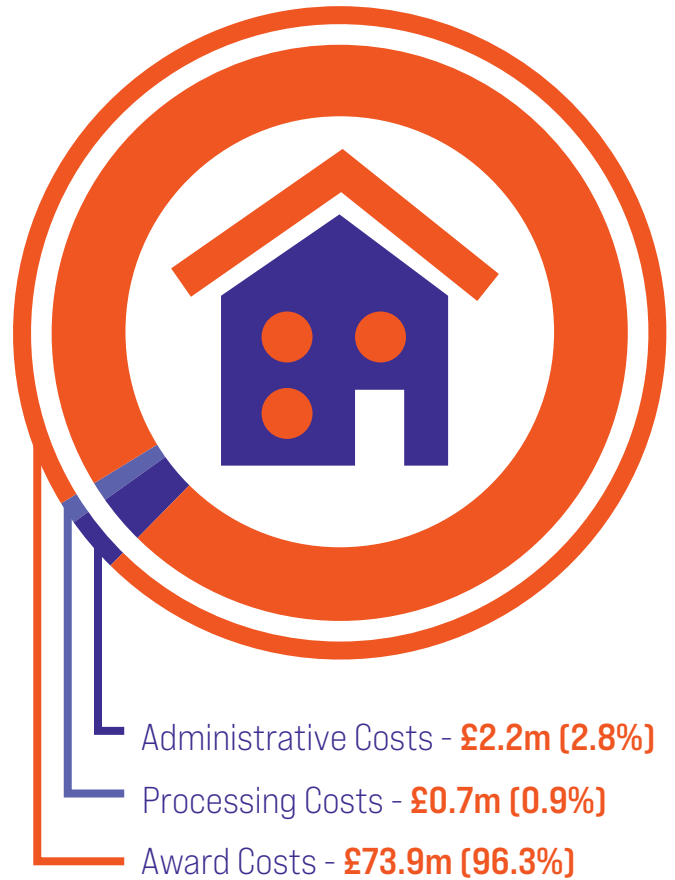
## 3.2 Housing Benefits

With the rollout of Universal Credit, new claims for housing benefit can only be made if an individual has reached State Pension age and/or is in supported, sheltered or temporary housing<sup>14</sup>. Given that the former does not apply to young people in general, the analysis focused on estimating the number of young people living in supported, sheltered or temporary accommodation to obtain the total amount of housing benefit pay-outs.

While the statutory homelessness figures for each of the four UK countries provide an estimate on the number of households in temporary accommodation, only those for England provide an age breakdown. Given the lack of other data, it was assumed that the share of youth households in temporary accommodation against all households in temporary accommodation in Wales, Scotland and Northern Ireland were similar to that in England<sup>15</sup>. This enabled us to derive an estimate of the total number of youth households in the UK who are residing in supported accommodation. Following this, unit cost estimates on average housing benefit award and housing benefit application fees were applied, produced by the Greater Manchester Combined Authorities' Cost-Benefit Analysis (CBA) model, to find the associated costs related to housing benefit award and processing<sup>16</sup>.

These costs were augmented by adding the additional element of the administration costs related to housing benefit. However, only England<sup>17</sup> and Scotland<sup>18</sup> publish estimates on expenses pertaining to housing benefit administration. In order to filter out how much of this was aimed at homeless households, and homeless youth households in particular, we scaled the total expenses using the ratio of the number of households in temporary accommodation to the total number of housing benefit cases (available via the DWP's expenditure and caseload data). To further segment this for youth households, we conducted a second scaling exercise using the share of all youth households in temporary accommodation figure. As such, the final estimate for **housing benefit amounts to £76.8 million annually**, with the majority of it stemming from housing benefit awards.

### Housing benefit costs unpacked



## 4. Healthcare (NHS)

The calculations for the healthcare costs of homeless young people are split into three main parts: mental health services, alcohol and drug misuse services and general health services. The methodologies for calculating the cost accrued due to each of the above three services are largely similar, mainly involving a comparison between the usage of each of these services by homeless young people and wider population group.



**£722m per year**  
8.4% of total cost

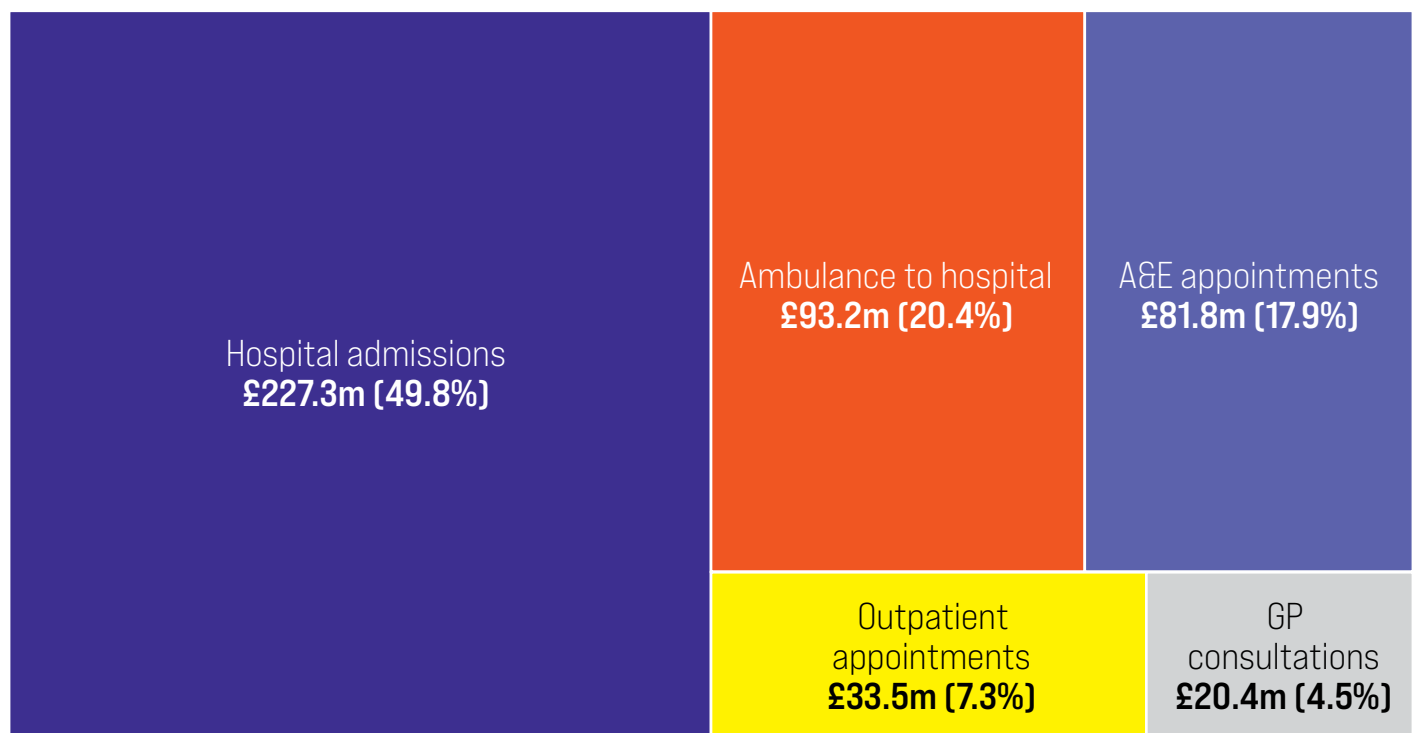
### 4.1 General health services

Publicly available data was used to determine the usage of general health services by both homeless young people, and the wider UK population. The main source for the former was a report from Crisis (though this was specifically focused on health services usage by single homeless people)<sup>19</sup>, while data on the latter utilized multiple NHS sources. The usage of such services was split into five main components: general practitioner appointments, outpatient appointments<sup>20</sup>, accident and emergency (A&E) appointments<sup>21</sup>, hospital admissions<sup>22</sup>, and ambulance services<sup>23</sup>. Costs were then estimated by taking the difference in the frequency of usage of each of these services across the homeless youth population and the wider UK population and then applying the unit costs for each of the components from the Greater Manchester Combined Authorities' CBA model (rebased to 2021/22 prices)<sup>24</sup>. This assumes that homelessness was the primary contributor to this difference.

Overall, **the cost of homeless young people to general health services is expected to amount to approximately £456 million.**

It must be noted that these calculations for the cost accrued via general health services is the only calculation that did not involve an age-adjusted wider population comparison. The lack of available data meant that general health services usage of homeless youths were compared to the service usage by the wider UK population. Accordingly, given that the wider population usage is skewed by service usage of individuals in older age brackets, the estimated amount is likely an underrepresentation of the additional costs incurred for the NHS by the youth homeless population.

#### Breakdown of general health services by type of cost



## 4.2 Mental health services

The estimates for costs derived from the usage of mental health services relied on a comparison between the usage of mental health services by homeless young people and the usage of mental health services by the wider youth population. NHS Digital publishes statistics on the number of young people in contact with NHS-funded secondary mental health, learning disabilities and autism services. Comparing this count to population estimates allowed us to derive the share of young people in contact with mental health services (10%) in general<sup>25</sup>. Meanwhile, given the lack of concrete data on the usage of mental health services by homeless young people in particular, Crisis' estimates on the share of single homeless individuals in contact with mental health services was used (25%)<sup>26</sup>.

Estimates of the extra costs accrued when mental health services interact with the population of homeless young people have been achieved by applying a similar comparison to that utilised for general health services. Due to data limitations, the number of contacts with mental health services was compared only across the two groups: the population of homeless young people and the general youth population. This meant disregarding the frequency of appointments and type of treatment used, both of which would likely differ across the two groups, and produce estimates lower than the true figure. To mitigate for this potential discrepancy, and account for group characteristics, different unit costs for each of the two groups were applied. Thus, Crisis' estimate on the annual average cost of mental health service usage by a single homeless person (£2,409) was used for the homeless young people. Similarly, Greater Manchester Combined Authorities' CBA model estimate on the average annual cost of service provision for people suffering from mental health disorders (£813) was applied to the wider youth population<sup>27</sup>. The rationale for assigning homeless youths with a higher unit costs stems from the fact that: 1) homelessness has been associated with poorer mental health outcomes, which substantiates the need for treatment options (e.g. stay in psychiatric wards) that tend to be more expensive<sup>28</sup>, and 2) higher health care costs are most strongly associated with mental health disorders<sup>29</sup>.

**Overall, the annual cost of mental health services usage caused by youth homelessness amounts to slightly under £141 million.**

Lastly, it should be noted that the level of recorded service use is not necessarily reflective of service need, and that across both groups there will be considerable numbers of young people who require mental health services but lack the access to them and/or are unwilling to seek help. While this does not change the approach when determining a cost estimate, given that we are looking at service use, it does show that any cost estimates are likely to be under-representative of the true figure for mental health service needs for homeless young people.

## 4.3 Substance misuse services

Substance misuse services are highly specialized and integrated alcohol and drug services delivering treatments and recovery to people facing addiction to different substances. The calculations for substance misuse service costs follows on from the methodology employed for estimating the cost of general health services and mental health services usage. The analysis is based on a comparison between the usage of substance misuse services by homeless young people and the wider youth population. The government publishes statistics on young people in treatment for substance misuse<sup>30</sup>, while the Scottish statistics on homeless young people for 2020/21 include an estimate of the share of homeless young people likely to be in contact with drug/alcohol workers<sup>31</sup>.

Comparing the two populations, in conjunction with unit cost estimates from the Greater Manchester Combined Authorities CBA model for the average cost of drug and alcohol misuse, led to estimates on the extra cost for substance misuse services due to homeless young people. The CBA model split the costs into two main types: 1) fiscal, which details costs or savings to the public sector that are due to the provision of the service, and 2) societal, which tracks wider gains to society such as improvements to health, educational attainment, access to transport or public services, safety, or reduced crime. Accordingly, this model helped in estimating both the direct and indirect costs of substance misuse for homeless young people.

The figures for this service type suggest a higher cost of drug rehabilitation services, compared to similar services for alcohol. This could be due to a variety of reasons, including the use of Scottish rates for the entirety of the UK, given Scotland's higher prevalence of problem drug use compared to England, and the informal means used to procure drugs<sup>32</sup>.

Altogether, **the additional costs attributed to the usage of substance misuse services is estimated to be just under £125 million**, of which half of it (£62.1 million) is attributed to fiscal costs and the other half (£62.4 million) is appraised as cost to society.

### Breakdown of substance misuse services cost, by type of substance and type of cost

Substance	Direct Costs [nearest £1,000]	Indirect Costs [nearest £1,000]	Total [nearest £1,000]
Drugs	£50,831,000	£53,644,000	£104,475,000
Alcohol	£11,294,000	£8,772,000	£20,066,000
<b>Total*</b>	<b>£62,125,000</b>	<b>£62,415,000</b>	<b>£124,540,000</b>

\*Difference due to rounding

# 5. Criminal justice

The estimates on the cost to the criminal justice system involve comparing the offending rates for the homeless young people against their peers aged 16-24 in the wider UK population. The former (13%) was collected through Centrepoint service users' data, in the five-year period from 2018 to 2022. Meanwhile, the latter (1%) was obtained from statistics of the Ministry of Justice and the Youth Justice Board of England and Wales<sup>33</sup>.

In this way, figures were obtained for the youth offending population, compared to their peers. Drawing on the assumption that the higher offending rate is primarily caused by their homelessness in turn allowed us to estimate the costs of homeless young people to the criminal justice system.

The estimated cost was augmented to account for the frequency of offence(s). This was done by splitting the population of proven offenders into three groups: first time entrants, the costliest ten per cent (who can be interpreted as serial reoffenders), and those in-between, with shares calculated using relevant youth offending statistics<sup>34</sup>.

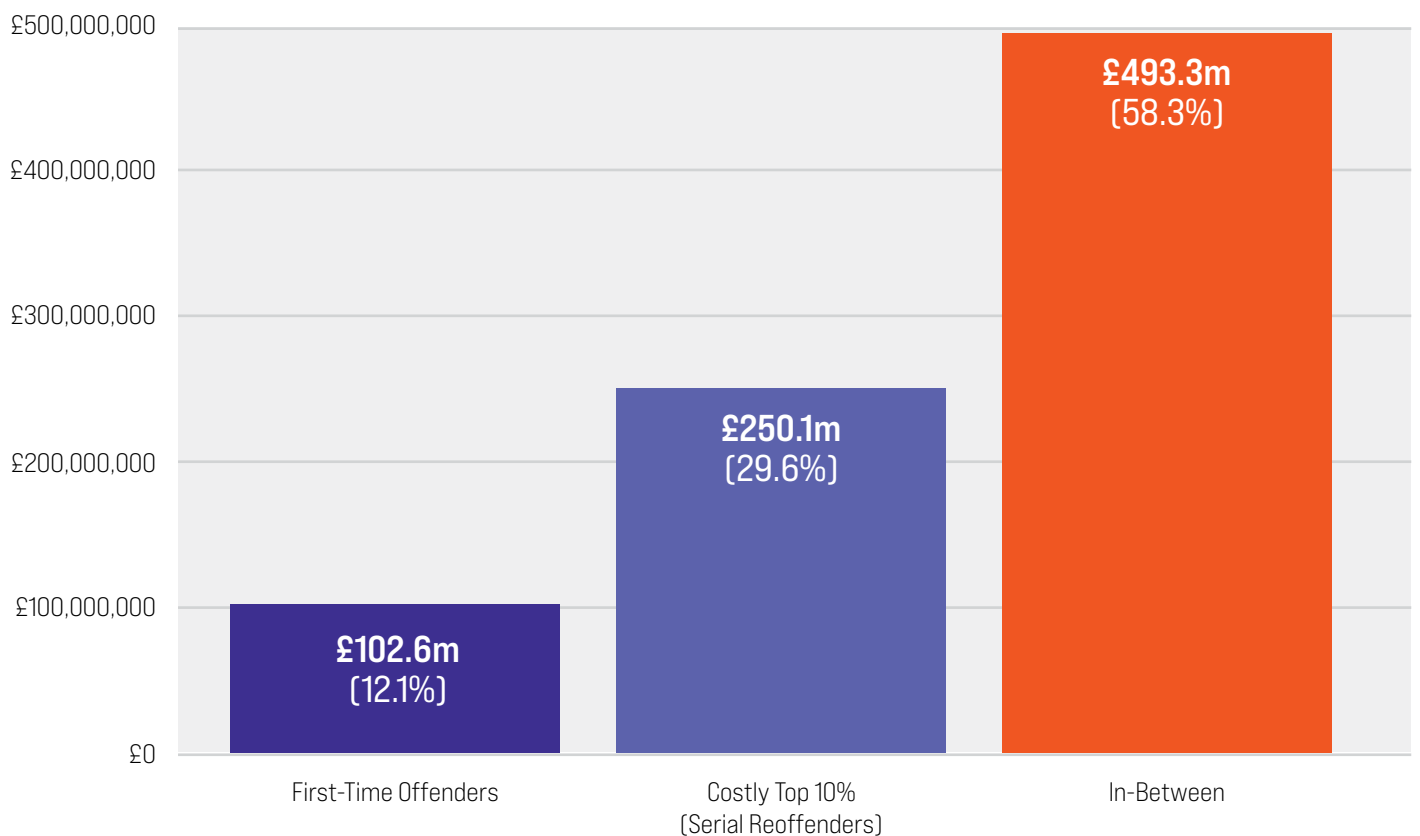
The Ministry of Justice has previously produced estimates on the unit costs for the above offending groups. Accordingly, the relevant unit costs were assigned to each group based on the Ministry of Justice's estimates (rebased to 2021/22 prices), which in turn enabled us to calculate a final figure on the costs of homeless young people for the criminal justice system<sup>35</sup>.

In total, **youth homelessness is estimated to cost the criminal justice system £846 million a year**. This includes staff direct time, which is a considerable proportion of marginal costs to the system. These estimates, however, do not account for societal costs of crime (e.g. stolen/damaged property, physical and emotional harm to the victim)<sup>36</sup>, while also excluding the cost of unrecorded crime.



**£846m per year**  
9.9% of total cost

## Breakdown of criminal justice costs by type of offender



## 6. Lost potential caused by homelessness

The economic losses from being unemployed/economically inactive can be separated into two categories. The first is the immediate loss of worker economic output while they are not in the labour force or are unemployed, measured in lost gross value added (GVA) contributions, which include the tax revenue loss for the government. The second impact is the effect of being jobless on productivity over time, which has longer-term implications for UK economic output (and hence also GVA contributions). Three different scenarios are used throughout this section, while in the rest of the report only the five-year homelessness scenario is used.



**£6bn per year**  
70.4% of total cost

### 6.1 Short-term loss due to economic inactivity

To derive an estimate, scenarios were drawn whereby young people become homeless at a certain age and remain so for a period of time before they experience intervention. For the sake of the analysis, three main time periods were: a single year of unemployment/inactivity, three years and five years. This is due to the limitations associated with mapping the exact length of time young people are out of work due to homelessness, not least due to lack of data.

Looking at each age from 16-24, the potential economic loss was modelled with each time period of being inactive/unemployed due to homelessness. This was done by using data on the median worker salary for each age range<sup>37</sup> and applying an average ratio of GVA to compensation of employees (COE) figures<sup>ii</sup>. The total estimated cost, in the form of **lost output**, lies in the range **between £5.3bn and £5.5bn a year** on average. This value is inclusive of the Government's 3.5% present value discount rate, which represents the investment rate of return that is applied to the present value calculation<sup>38</sup>. **On a per-head basis, this loss ranges from £17,014 to £17,711 annually.**

The economic inactivity due to homelessness has a significant impact on government revenues in terms of tax loss. Using a ratio of total HMRC receipts to total intermediate demand in the UK<sup>39</sup>, the **associated tax revenue loss was estimated to range from £1.6bn to £1.8bn per year** (or over £5,700 for each young homeless person). Considering our methodology, this tax loss should be considered a subset of the total economic cost associated with being out of work, due to both a reduction in the labour force due to the homelessness condition and the relatively lower taxable GVA contribution once the homelessness condition is resolved.



#### Economic loss of unemployment/inactivity by period of homelessness

Time period	Short-term loss from being inactive (per annum) [nearest £1,000]	Short-term loss from being inactive (per head per annum) [nearest £1]
<b>1 Year</b>	£5,317,065,000	£17,014
<b>3 Years</b>	£5,446,320,000	£17,428
<b>5 Years</b>	£5,534,844,000	£17,711

i GVA, or gross value added, is a measure of the value of production in the national accounts. Conceptually it can be considered the value of what is produced, less the value of intermediate goods and services used to produce it. GVA is distributed in three directions – to employees, to shareholders and to government. It is often used as the proxy for the contribution of a sector or industry to GDP: strictly this relationship is  $GVA + Taxes\ on\ products - Subsidies\ on\ products = GDP$ .

ii Compensation of employees (COE) or employee compensation, is the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter. This consists of wages paid to employees; employers' actual social contributions (excluding apprentices); employers' imputed social contributions (excluding apprentices); and employers' social contributions for apprentices.

## 6.2 Long-term loss due to economic inactivity

The effects of economic inactivity or unemployment are also felt through a lower GVA contribution, stemming from the fact that their experience, skills and productivity are lagging-behind compared to peers who are not homeless and in work. This analysis looks at a persistent lag of productivity between young people who have been unemployed/inactive due to homelessness and the average GVA contribution of the wider 16-24 population. Assuming that the homeless youth workforce would have been out of work for a specified time, the model assumes that, due to the skills gap, the employees lag the same number of years behind in terms of productivity. This means, for example, that a 23-year-old worker would produce the same as an 18-year-old who has never experienced homelessness and economic inactivity, in the five-year homelessness scenario. Similarly, a 19-year-old worker would produce the same as an 18-year-old who has never experienced homelessness and economic inactivity, in the one-year inactivity scenario.

In these scenarios, an assumption of partial relative convergence in productivity is made<sup>40</sup>. As GVA per worker increases over time, some of the initial loss will be bridged. However, productivity remains below where it would have been until around the age of 50, at which point the data suggests that average productivity per worker peaks. From this point onwards, it is assumed that the average productivity of the individual under each scenario is equalized. Put another way, the economic output of the 'actual' and 'counterfactual' workers is equal by this stage, irrespective of the lost years of employment.

Under this scenario, the estimated annual cost of the reduction in productivity across all ages from 16 to 24 ranges from £125.7 million in the one-year homelessness scenario, to £478.1 million in the five-year homelessness scenario. That is, for the five-year homelessness scenario, over the theoretically assumed career length of 51 years, **the homelessness period is forecast to reduce the size of the economy by £478.1 million each year due to long-term productivity loss**, on average.

### Economic loss of unemployment/inactivity, productivity loss, by period of homelessness

Time period	Short-term loss from being inactive (per annum) [nearest £1,000]	Long-term productivity loss (per annum) [nearest £1,000]	Total Loss (per annum) [nearest £1,000]
1 Year	£5,317,065,000	£125,662,000	<b>£5,442,727,000</b>
3 Years	£5,446,320,000	£336,224,000	<b>£5,782,544,000</b>
5 Years	£5,534,844,000	£478,094,000	<b>£6,012,938,000</b>



# Key Recommendations

## The government should:

- ✓ **Provide under 25s living independently with the same Universal Credit rate received by over 25s.** The Universal Credit standard allowance for under 25s is over £16 less a week than that for over-25s. However, young people under 25 living independently experience the same issues and face the exact same living costs as someone over the age of 25.
- ✓ **Make work pay in supported housing** equalising the taper rate for people in supported accommodation by decreasing the 65 per cent taper rate for Housing Benefit to 55 per cent, as well as increasing the applicable amount that young people can earn before losing their full Universal Credit allowance. We estimated the total benefits generated by this policy change to be over £12 million, with savings for the Treasury, as well as increased employment for thousands of young people living in supported accommodation.
- ✓ **Provide grants to apprentices and those on traineeships aged 16 to 25 who cannot live at home** to help cover the costs of travel, other work-related expenses as well as their living costs. The low minimum wage for apprenticeships is insufficient to cover the costs of independent living, and traineeships are completely unpaid. Additional financial support is required to ensure that apprenticeship and traineeship programmes, which can have positive, long-term labour market returns, are accessible to these groups.
- ✓ **Invest in further promoting and making traineeships more accessible**, as a vital stepping stone for those young people who are ready to enter the workplace but need to build skills and experience. Supporting young people to complete qualifications would provide them with an earnings premium in later life and increase their chances of finding better paid, stable employment.
- ✓ **Increase resources for underfunded services.** Some services, e.g. mental health support, have been historically underfunded and it is not surprising they represent only a small fraction of the total costs associated with youth homelessness as many young people are not even able to access them.
- ✓ **Make sure age-disaggregated data for the expenditure of every government service is available and accessible to all.** Accessible and good quality data on young people is very challenging and no review and control on public services can be successful without this crucial information.



While in the short-term some of these recommendations might result in an increase in costs for the government, supporting young people to maintain their accommodation, achieve stability and find suitable jobs will reduce the opportunity cost from unemployment and inactivity caused by homelessness.

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