Ask an Economist: Homelessness and the effect of 'Housing First' programs

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Elior Cohen's findings demonstrate that Housing First can be a rehabilitative and cost-effective means of addressing homelessness.

Homelessness has rapidly grown in U.S. cities, with more than 1.4 million Americans using homeless services at least once a year. On any given night, approximately 580,000 individuals in the United States are homeless. Over the last several years, implementation and funding of "Housing First" programs for homeless individuals have steadily increased. These programs provide housing assistance without preconditions as a platform for rehabilitation. However, despite the increasing popularity, there has been limited evidence of the programs' effects on socioeconomic outcomes.

Kansas City Fed Economist Elior Cohen explored the rehabilitative impact and cost effectiveness of Housing First programs. His findings were published in a March 2022 Research Working Paper.

What has driven the rise of Housing First programs?

Homelessness is associated with multiple adverse outcomes that can impose heavy administrative and financial burdens on public agencies and local governments, with some estimates showing that the average cost of direct public services alone is $83,000 per homeless person per year.

To help address these issues, Housing First emerged as an alternative to more traditional and linear housing assistance systems based on such conditions as treatment, sobriety or service participation. The Housing First approach is based on the idea that housing stabilizes a person's life and thus serves as a platform for rehabilitation. Combined private and public funding for these programs, which can include such assistance as rental subsidies and support services, more than doubled over a 10-year span, reaching more than $18 billion nationally in 2019.

How was this research study conducted?

There has been mixed evidence regarding the impact of Housing First programs on housing stability and homelessness compared with traditional care. There also has been little evidence regarding the effect on non-housing outcomes (crime, employment and health, for example) due to a lack of comprehensive longitudinal data on individuals experiencing homelessness, non-random selection of participants into Housing First programs, and challenges in conducting randomized controlled trials.

This study used a newly constructed panel dataset comparing outcomes for single adults experiencing homelessness who received Housing First assistance to those who did not. This comparison was made possible by linking administrative records across multiple public service agencies in Los Angeles County, California, including the homeless response system, health services, and the sheriff's department, among others. These links were used to create a panel dataset at the case-month level containing public service histories of all single adults experiencing homelessness who sought assistance from homeless services providers in Los Angeles County between 2016 and 2017.

What were your findings regarding the socioeconomic effectiveness of Housing First?

This study produced three main results. First, these programs reduce future interactions with the homeless support system. Through analysis of available data, I estimate that participation in Housing First programs lowers the probability of returning to the homeless support system within 18 months by 23 percentage points and a return within 30 months by 15 percentage points.

Second, the programs positively affect a wide range of non-housing outcomes. Specifically, Housing First assistance reduces the probability of being in jail within 18 months by 95 percent, the probability of having a criminal charge by 85 percent, the probability of receiving emergency cash assistance by 80 percent, and the probability of relying on social benefits by 35 percent. Additionally, I find no significant relationship between Housing First assistance and health services utilization.

Third, I provide descriptive evidence that both short-term (rapid re-housing) and long-term (permanent supportive housing) Housing First programs generate positive effects for recipients.

Why are these results important?

The findings detailed in this paper demonstrate that Housing First can be a rehabilitative and cost-effective means of addressing homelessness. Overall, these findings have important implications for policy debates regarding eligibility, duration, and targeting of Housing First assistance to individuals experiencing homelessness.

One important policy question is whether the positive effects of housing are cost-effective. Calculations presented at the end of the paper show that program costs are offset by direct savings to public agencies within the first 18 months alone, which I compute as savings from reduced use of public services and increased employment. Lastly, this paper also relates to the growing literature in economics on the effect of housing policies on family and individual outcomes.