



FEANTSA

Impact of anti-crisis austerity measures
on homeless services across the EU

June 2011

Impact of anti-crisis austerity measures on homeless services across the EU

FEANTSA Policy Paper

■ European Federation of National Associations Working with the Homeless AISBL

Fédération Européenne d'Associations Nationales Travaillant avec les Sans-Abri AISBL

194 Chaussée de Louvain ■ 1210 Brussels ■ Belgium ■ Tel.: +32 2 538 66 69 ■ Fax: +32 2 539 41 74 ■ office@feantsa.org ■ www.feantsa.org



FEANTSA is the European Federation of National Organisations Working with Homeless People. The more than 120 members of FEANTSA come from 30 European countries and are non-governmental organisations which provide a wide range of services to homeless people including accommodation, social, health and employment support. FEANTSA is the only major European network that focuses on homelessness.

The aim of the present paper is to give an insight into the impact that austerity measures adopted in response to economic downturn in most of the EU Member States have on the homeless sector and, on the not-for profit services working with homeless people. The global financial crisis which began in 2008 has caused a sharp rise in levels of poverty and unemployment as a consequence of plummeting economies. The governments have introduced austerity measures aiming at reduction of public spending by cutting the budgets of, *inter alia*, housing and social services thus affecting severely the homeless sector. The cuts came in a difficult situation for the services, which already were struggling with increased demand coming from the populations impoverished by the crisis. It has to be emphasized, that the trend of cutting public social spending and limiting the welfare state's contribution in most of the EU countries is a phenomenon predating the crisis which has only been reinforced by the anti-crisis policies. Therefore, when referring to the austerity measures, FEANTSA implies not only the policies and cuts that were officially introduced in response to the crisis but also wider political trends in the social and homeless sector which were the pre-course of the economic downturn.

Analyzing the social impact of the austerity measures in a comprehensive manner and drawing general cross-European conclusions is a challenging task given the lack of consistent data collected at the national level, and the fact that Member States are not monitoring this impact systematically. Additionally, each Member State adopted an independent response to the crisis in form of, usually, fiscal consolidation measures accompanied by changes in policy management and policy focus, which are, in turn, enrooted in trends of limiting the welfare state predating the crisis. Furthermore, an analysis of impact on services intervention in the homeless sector has to control for the complexity of homelessness as a phenomenon which ranges from its most extreme forms of sleeping rough, to inadequate and insecure housing, therefore the service responses to those situations are multiple and differ according to the policy context. This paper acknowledges these difficulties and draws from evidence collected by FEANTSA members, namely the national and regional umbrella organisations of not-for-profit providers of services to homeless people across Europe as well as from secondary statistical data, where available.

The structure of the current paper is twofold; in the first place it gives a brief account of trends in homelessness across Europe in terms of shifts in demand and changes in profile of homeless people. Secondly it looks at different elements of austerity measures from the perspective of the homeless sector and the impact of those anti-crisis austerity measures on homeless services such as changes in levels and ways of funding, changing the ways of working, shifts in policy focus; higher demand and changing profiles of the users just to name the few.

1. Impact of the crisis and the austerity measures on homelessness

The deep economic downturn and austerity measures have led to the increase of the levels of poverty and social and housing exclusion across Europe. The effects on homelessness and poverty seem to be worse in 2011 than in previous years since the impact of the crisis and the austerity measures seem to have a strong time lag effect. The poverty impact is the worst in countries that faced the biggest falls in terms of GDP and which have the highest unemployment rates. According to the Report on the Social Impact of Fiscal Consolidation from 2011 housing and related services emerge as one area which has been particularly adversely affected by the economic and financial crisis. This is often reflected in increases in evictions, homelessness, growth in waiting lists for social housing and increased indebtedness in relation to key utilities such as heat and water.¹

1.1. Shifts in demand for services and in profiles of users

The crisis has not affected everyone to the same degree. The services working with the homeless people across Europe identify a higher demand for a certain type of services as well as an emergence of new profiles of homeless people, namely families with children, youth and immigrants.

Reports from different countries show an **increase in vulnerability of families with children to evictions** and repossessions. In Italy, a one in four families cannot afford to pay their mortgage monthly repayment rate, in Wales FEANTSA members report an increase from 14% in 2010 to 21% in 2011 among adults responsible for paying rent or a mortgage who are cutting back on the amount they spent on heating to meet their housing costs. In Spain the percentage of people who said that they had been late over the past 12 months with household expenses such as mortgage payments or electricity bills has increased to 7.7% in 2011 from 4.7% in 2005 while homeless people face long delays in accessing services, according to Caritas Spain it takes an average of 65 days for the state's social services to respond to people in severe need.

Two social categories which seem to be the most severely affected by the crisis are **internal EU migrants** who constitute a large proportion of those sleeping rough in cities of the UK, Germany, France or the Netherlands and the **youth** currently facing rocketing levels of unemployment, particularly in the South of Europe but also in countries like Austria. The demand for services coming from young people has increased significantly in accommodation services, the city of Vienna has increased the number of places in emergency accommodation by almost 50% between 2009 and 2010 to respond to a growing demand, especially from young people – the proportion of users under 30 years amounts up currently to over 30% of the homeless population. The average age of homeless people who use services directed to youth has also decreased over the past ten years in Vienna from 27 to 22 years. Additionally FEANTSA members report high levels of **“hidden homelessness”** among young people who are unable to secure independent living situation and are staying with their families or friends often in overcrowded conditions. This is particularly the case of Greece and Portugal.

¹ H. Frazer and E. Marlier, *Social Impact of the Crisis and developments in the light of fiscal consolidation measures*, CEPS/INSTEAD



A **greater demand for social housing** has been observed in many countries, in Ireland the demand in 2011 has increased with an estimated 100,000 households in need of social housing compared to 56,000 households in 2008. This is also true for preventive services like counseling on mortgage and debt management as well as tenancy support. Greece has seen a 20% increase in demand for the homeless services in general. The figures have also increased in the UK - in Wales homelessness is increasing across the country and demand for advice services remains at a record high.

Another new category of population at the risk of housing exclusion are **middle class families** from whom a growing demand for social housing has been reported. This group was not a typical category of homeless and housing service users, but with high levels of unemployment and decreasing benefits they find themselves in vulnerable positions. Reports from across Europe also note **increasing numbers of working poor and people working on precarious contracts** or without employment contracts whatsoever which limits their access to stable tenancy.

Against this background, it is clear that the austerity packages summarized below come in the moment of increasing poverty and risk of homelessness, where, contrary to the measures employed, people should be supported in (re-)gaining independence.

2. Austerity measures from the perspective of homelessness and homeless services

All EU countries, albeit to different degrees, have been touched by the economic downturn. Also, in the majority of the Member States austerity measures in form of public expenditure cuts have been introduced hitting particularly strongly social, housing and healthcare services. In order to set the context for the current analysis, it is crucial to underline, that cuts of expenditure and provision of social services as well as a certain shift of paradigm in relation to the broader social policy started in Europe before the financial crisis of 2008. It seems that the economic downturn has on one hand triggered and reinforced the political trends preceding it, and on the other, it can be argued, that the crisis is being used as an excuse to deeply limit public spending on the services of general interest, particularly the ones, for the most economically disadvantaged groups, like the homeless people. The cross-EU trend towards reduction of the welfare state has now been systematised to take a form of austerity measures. These measures vary across states and so does the social impact - countries with strong social nets and well developed national or regional homeless strategies seem to be less negatively affected than the States where social security systems are weaker and commitment to eradicate homelessness was less serious.

Austerity measures are mostly associated with fiscal consolidation measures and cuts in public spending, however they are accompanied by other changes, which may have an equally detrimental effect on poverty, and such forms of extreme poverty like homelessness. Those changes are: shifts in policy focus (funding emergency accommodation rather than housing-led interventions; reducing programmes promoting employability of homeless people); reforms of social security systems (enforcement of conditionality principle and means-tested benefits); changes in ways of funding of services by public bodies (increased

use of tendering with minimum price criterion); imposing strict rules of measurement of outcomes of the services, change in funding methods (from purchasing to tendering)..The sections below give a brief account of those shifts.

2.1. Cuts in public budgets

Governments all around Europe are cutting financing of social services and, in consequence, the public funding of homeless interventions diminishes. In some countries the cuts have already been imposed, in the United Kingdom around 60% of homeless organizations reported cuts in 2011, while half expects further cuts this year², in the Czech Republic the budgetary cuts amounted for 15%-20% for all social sector, in Ireland, the capital social housing budgets have been reduced since 2008 by 67%, from €1.38bn to €450m. The impact on social housing output has only been somewhat offset by the introduction of the leasing schemes. The impact of cuts on the special needs capital budget has resulted in projects being halted and delayed; the budget of the governmental scheme for housing for people progressing out of homelessness (CAS scheme) has been decreased from €145m in 2010 to €75m in 2011. This scheme providing homes for the most marginal and vulnerable is a continuing priority for capital investment to meet critical social infrastructure deficits.

In Austria, the social budget of Styria province, including budget for homeless services, was cut by 25%. In other countries umbrella organizations of not-for-profit homeless services have managed to secure funding at previous levels for the upcoming year with the fear of having it diminished in the near future (France, Germany); in some states the future cuts to take place next year have already been announced (England). The situation in Greece is particularly alarming, the homelessness sector was very much affected by the crisis, half of the services were closed down and many of the staff were laid off.

In the past several years, mostly before the crisis, a certain number of countries have set up strategies to eradicate and end homelessness and have launched ambitious actions towards this aim; these were namely Ireland, Scotland, England, Wales, Finland, Portugal, Denmark, Sweden and France. Economic crisis has delayed reaching the goals of eradicating homelessness and with the austerity measures ambitious targets are in some cases being modified. On the other hand, existing strategies have prevented, at least, immediately, large cuts of funding for homeless services which took place in countries with more fragmented, piecemeal approaches. Therefore homeless services in countries with no homelessness strategies are less protected from the cuts. Additionally the need to introduce austerity measures has been used as an excuse by governments not to commit to ambitious homelessness strategies, for example in Poland a draft strategy was abandoned while in the making.

² Figures according to Survey conducted by the Homeless Link in June 2011, full results are available here <http://www.24dash.com/news/housing/2011-07-01-Nearly-80-of-homelessness-services-hit-by-funding-cuts-new-research>

2.2. Changes in ways of funding of services by public bodies

A) Increased use of public tendering

Next to cuts of funding, also the ways in which public money is being spent on services are changing. Various accounts show that local authorities change methods of commissioning of services and in the context of reduced budgets turn increasingly to public tendering, too often with the sole criterion of the lowest price. Given the administrative burden of the procedures, the commissioners prefer to work with a smaller number of bigger providers which results in sidelining of the small NGOs. In consequence, small NGOs risk closing down which will inevitably lead to generating a service gap for certain types of narrowly specialised interventions adapted to the needs of a small group of people. This trend has very negative consequences for the users which find themselves with a smaller degree of variety and flexibility of the services.

B) Use of Structural Funds

Furthermore, another alarming trend has been observed, particularly in the new Member States which are the principle beneficiaries of Structural Funds. The governments have a tendency to reduce or entirely scrap funding for those types of interventions which can be financed by the ESF. The later is largely employment-tilted and in principle should be used to finance side projects and not core activities of the not-for-profit homeless service providers. Organisations which have their previous sources of funding replaced by the ESF are forced to adapt their ways of working to meet the administrative and technical requirements. This has a strong impact on the quality of working conditions and service delivery in the organisations.

2.3. Coordination of policies and austerity measures

FEANTSA members already before the crisis have signalled that fragmentation of responsibilities for policymaking and implementation in the area of housing and homeless services between national, regional and local levels constituted a barrier to employing effective solutions. This barrier to ending homelessness has become alarmingly strong with the introduction the austerity measures which entail cuts designed at the central level and implemented at the local level, often separately for housing and accommodation and social services for homeless people. There is growing evidence of significant progress being lost to the incapacity of coordination between relevant administrative units. For example, those Member States which before the crisis went in the direction of integrated approaches encompassing, next to support in accommodation also employment, healthcare or income support are now turning away from this approach. Coordination of budget cuts between different sectors remains very challenging to European governments.

2.4. Shift in policy and service focus – need to prioritize

Another general trend consists of cutting budgets for non-emergency and non-accommodation services. The argument often heard is that the policymakers feel safer reducing financing for the interventions where the effects will not be immediately visible. Funding is being cut especially for non-emergency accommodation interventions, like employability, integrated approaches, but also for housing interventions. In Scotland, the services that are being cut the most are the prevention and floating support with low intensity.

Reduction of funding of employment and employability services is expected to have a very strong negative long term effect. Labour market integration of homeless people has always been challenging, now, with high levels of unemployment for all, job opportunities for vulnerable groups are even more limited which is being further reinforced by the principle of conditionality of unemployment benefits.

Experts and practitioners from the homeless sector warn about the time lag effect of austerity measures on poverty and homelessness. Reduction of public spending on preventive and non-accommodation homeless intervention may not have an immediately visible effect today, but it will contribute to the rise of poverty and housing exclusion in the long-term at the same time failing to provide social safety nets. Already before the crisis housing stocks for people facing housing exclusion were too low to meet the demand. In the past several years the situation has additionally aggravated. In spite of empty buildings available due to recession, evictions and repossessions, local authorities are unwilling to invest in turning them into housing units due to high costs and late return rate.

2.5. Focus on outcomes and not on quality

The increased use of public tendering by the commissioning bodies in the context of funding reductions may have a detrimental effect on the quality of services provided to homeless people. Local authorities often seek savings by selecting bids on the basis of the lowest price criterion. In order to cut the costs, the organizations are sometimes forced to reduce the number of their staff members or their salaries. In Greece the situation is particularly dramatic; there is not enough money to pay staff members. Services have to turn to taking volunteers, 50% of staff was made redundant in the past years which makes quality of services very hard to sustain.

Additionally, contracts signed in consequence of tendering procedures are assessed on the basis of numerical outcomes of the interventions which are usually measured by such indicators as the rate of participants successfully integrated into the “open” labour market. This is an inappropriate tool of measuring homeless interventions results, especially in the context of high unemployment rates for the general population.

3. Solutions

3.1. Cost-effectiveness of homeless services

Given the pessimistic outlook of the changes brought by the crisis and the austerity measures, the organizations working in the homeless sector have mobilized around the idea of developing an appropriate methodology of measuring cost-effectiveness of their interventions which takes into account the specificities of the sector. For example DEPAUL UK Research completed a study which shows that Local Authorities could save over £9K per person if they funded homelessness prevention services now³.

3.2. Development of social housing stock

One of the consequences of the financial crisis is the decrease in prices of properties and empty housing stock available. Enlarging social housing stock could be one of the opportunities brought by the economic downturn. The challenge remains in convincing the appropriate public bodies, as well as other potential funding parties to invest in such undertakings.



FEANTSA is supported by
the European Community Programme for Employment and Social Solidarity (2007-2013).

This programme was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA and EU candidate and pre-candidate countries. To that effect, PROGRESS purports at:

- providing analysis and policy advice on employment, social solidarity and gender equality policy areas;
- monitoring and reporting on the implementation of EU legislation and policies in employment, social solidarity and gender equality policy areas;
- promoting policy transfer, learning and support among Member States on EU objectives and priorities; and
- relaying the views of the stakeholders and society at large.

For more information see:
http://ec.europa.eu/employment_social/progress/index_en.html

The views expressed herein are those of the authors and the Commission is not responsible for any use that may be made of the information contained herein.

³ "Can we afford not to", DEPUAL UK Report available here: [here](#)