Hidden Cost of Inadequate Housing

A community that lacks safe, decent, and affordable housing for households in lower income brackets is actually paying a variety of hidden costs. The nature of these costs is easier to identify than the costs themselves. A number of papers have appeared in the literature describing various ills that affect the families that are poorly housed. The research project discussed below was commissioned by the Royal Institution of Chartered Surveyors and completed in 1997. The research team undertook the difficult task of assigning a value to the costs associated with the poor quality housing. Although the research was conducted in the United Kingdom, the results clearly focus attention on the fact that poor quality housing that is allowed to exist in a community actually results in a substantial cost to that community.

The major findings of the study are summarized in this newsletter. The inquisitive reader that is interested in the details of the methodology and results may want to request a copy of the complete report. The source for ordering the report is presented at the end of the newsletter.

Description of the Research

The study was based on two public housing projects that were built over a twenty-year period beginning in the late 1940s. One of the complexes (“Limehouse Fields”) consists of a mixture of single-family houses, low-rise apartments, and high-rise apartments. The other complex (“Ocean”) consists of four eight-story apartment buildings with 95 units in each building. Although both complexes were considered luxurious when constructed, both have deteriorated badly due to a combination of poor design, hasty construction, and insufficient maintenance. The complexes are now considered to be some of the worst housing in the area.

The information used in the analysis came from three main sources: (i) a survey of 107 out of 996 households between November 1995 and March 1996, (ii) a series of interviews with local service providers (e.g., health, education), and (iii) a variety of documentary evidence.
Types of Cost

Three types of cost to the community were investigated: increased financial costs (e.g., more policing), reduced welfare of the residents, and reduced welfare of other citizens of the community. The latter two categories are harder to quantify; but, they are no less important and therefore are frequently ignored.

Cause & Effect

The researchers had to deal with matters that resulted from the collective effect of many causes. For example, low income may be the cause for poor quality housing and low income may be caused by the lack of marketable skills. The lack of marketable skills may be related to inadequate or incomplete education. It is therefore clearly difficult to assign the blame strictly on housing conditions. One of the interviewees indicated that the sheer number and diversity of their problems, of which housing was a major one, overcame the residents. It became clear to the researchers that housing was one of a host of problems; however, it was clearly one of the most significant problems. The result seemed to be that the tenants chose to ignore other problems until their housing problem could be resolved. This observation in itself was significant. It indicated that solving people’s housing problems would improve their decision making capacity relating to other things, say, education.

Health

The incidence of illness was based on the survey of the 107 household (525 people) plus an additional survey of households in improved housing in a nearby third complex (“Paddington”). The six most frequently reported illnesses were coughs & colds, aches & pains, asthma bronchial, digestive disorders, and stress & depression. When reporting these illnesses, the people were asked if they felt that their illness was related to their housing. Eighty-four percent claimed that their illness was related “very close to” or “had a lot to do with” their housing conditions. The average number of illness episodes in the 150-day survey period was 2.62 per household in the target areas versus 0.36 in the Paddington sample. Another aspect of illness is duration of the episode. In the target areas, 34 percent of the sample consider themselves to be ill all of the time.

These illness episodes resulted in 209 physician consultations, 183 prescriptions, and 184 hospital visits, either on an in- or out-patient basis. In terms of 1996 prices (and converting to dollars from British pounds), these health activities priced out between $58,000 and $71,100. The average cost per household for the five-month winter period was just over $600. This value was inflated to a conservative annual number by multiplying by 1.4 to yield $844. Based on the data collected in Paddington, the annualized health cost was $118 per household.

These results indicated that, at least in the residents’ minds, their housing circumstances had a direct relationship to their health. It also was clear that the frequency and cost illness episodes were higher in the poor quality housing areas than in the improved housing area. Although it is difficult to assign a cause-and-effect relationship, the evidence strongly suggests that some degree of relationship does exist, even if only in the residents’ minds.

Anecdotal evidence of the impact of poor quality housing comes from drug detoxification centers. According to the interviews with service providers, a “de-toxed” patient returning to the poor housing conditions of the two target areas is almost doomed to relapse. Drugs dull the reality of life, including the poor housing conditions. In a separate interview, a school nurse was convinced that poor housing played an important role in both health and education. The nurse reported that parents are overwhelmed by the number of different problems they face. Since housing is of prime importance, the children would miss dental and vision appointments because the parents were focused on their housing difficulties.

Education

Educational attainment in the target areas stands at half the national average. The long-term effect of this situation is that poor educational qualifications are likely to lead to lower earning capacity over a lifetime. This under-achievement in the two target areas is recognized by local government. As a result the area receives local government support of over $1,400 per primary school child and $1,919 for secondary school children. These figures are based on the system of
standard spending assessments, part of the revenue support system for local government. However, an additional educational need (AEN) indicator serves as a multiplier for each local authority and is based on a number of factors such as proportion single-parent families and proportion of families receiving income support. In the target areas, the AEN indicator is 2.804, the highest in the country. The lowest AEN indicator is 0.622 in another part of the same country.

Educational support funds also provide free school meals for qualified children. Two-thirds of the children in the target areas are entitled to free meals. This subsidy represents $206 per primary school child and $282 per secondary school child.

Although housing quality is not directly taken into consideration when computing the educational support received by local governments, it is clearly related to the end result. The researchers indicated that the omission of housing quality from the support formula has more to do with the source of the data (e.g., the Census) than to a belief that housing does not effect educational performance.

It is clear from these figures that compensating for additional educational need is extremely costly. However, there is no direct evidence that housing circumstances influence educational performance. And yet, a social worker is quoted as saying, “…housing and the environment are the most significant factors underlying our problems”.

Overcrowding ranks as the most serious influence on learning. Children argue about the use of each other’s belongings and this leads to behavioral management problems in school. Younger children can not sleep until older children have gone to bed, leading to poor performance in the classroom. Overcrowding can also lead to problems of abuse and its consequent emotional traumas. The influence of overcrowding is by no means a new concept. Over a century ago a commission heard a report that life in one room is “…totally destructive of all benefit from education”.

Crime

A community generally has to incur the cost of a criminal justice system even if crime is rare. When a crime is committed, there is a marginal cost incurred for investigation, arrest, evidence gathering, court appearance, etc. Considering only the marginal costs, it is difficult to assign the cause for a crime to housing versus poverty, unemployment, peer group pressure, opportunity, etc. Further, these various contributing factors interact further complicating the assignment of cause and effect.

When discussing crime and inadequate housing, it is more reasonable to think in terms of “association” rather than “cause”. The result is subjective. Poor housing conditions may be associated with increased crime; but there may be neither a precisely defined causal relationship nor a clear quantitative measure of importance.

Crime statistics for June 1996 for Limehouse Fields and Ocean indicated 120 incidents whereas in Paddington there were 25 incidents. Considering June to be a typical month and applying the marginal costs for each of the ten categories of incident, the cost per year in Limehouse Fields and Ocean came to $532,344 and in Paddington the marginal total came to $115,522. The difference in the two area amounted to about $410 per household.

Without committing to a strict cause and effect relationship between poor housing and crime incidence, the conclusion is that it costs the community an extra $410 per household for the criminal justice system to operate in the area of poor housing.

Fire Services

The fact that poor quality housing increases the risk of fire is supported by evidence. One interviewee with the fire authority said, “Poor methods of construction, poor adaptation of buildings, a lack of respect of accommodation they consider is imposed on them” lead to an increased risk of fire and an increase drain on resources.

The two fire service units serving the target areas from April 1994 through March 1995 reported more than twice the fire calls (1,245) than the unit serving Paddington (544). The number of special service calls for rescue or assistance and false alarm calls in the target area was 1,354, which was actually slightly lower than the 1,404 similar calls in Paddington.
Considering only the marginal costs for the fire calls, the approximate added annual cost came to $24,600.

Summary

A frequently overlooked aspect of poor quality housing is the increased cost imposed on society. The results reported above are from a study conducted in the United Kingdom. The costs reported in the publication have been converted from British pounds to US dollars by multiplying by 1.64 based on the date that the study was reported. The results of the study clearly point out that communities that ignore deteriorated neighborhoods and take no action to improve the circumstances of the households living in the dilapidated housing units are paying the price in other ways.

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There are two publications related to the research project:

- The Real Cost of Poor Homes, April 1996, 62 pages. (Review of literature)
- The Real Cost of Poor Homes: Footing the Bill, June 1997, 35 pages (Research results)