

Analysing the Effectiveness of Service Providers in the Homelessness Sector

Ravi Dutta

Introduction

The aim of the paper is to replicate the methodology used by Easterly and Pftuze (2008) in their analysis of the effectiveness of foreign aid providers, and apply it to the field of service providers to the homeless community in Melbourne. The homeless sector is of particular interest, as it is a significant social issue where non-trivial amounts of government funds are spent, mostly through third-party service providers. For example, in metropolitan Melbourne, the Federal Government alone spends over \$67 million through 278 different agencies (AIHW 2010, p3). The foreign aid sector provides an interesting starting point for analysing the homelessness sector, as the two have a number of similarities. Both are involved in providing socially beneficial services, both are often dominated by third-party service providers who spend large amounts of Government money, and the transparency and efficiency of the sector is of interest to policy makers and the general public whose money largely funds their operations.

Moreover, Easterly & Pftuze (2008, p32) identify a principle-agent problem in the delivery of aid through third parties. There is a disconnect between the original donors, and the end-users, who do not have an effective feedback mechanism. They note that as the recipients are citizens of other countries, they cannot vote or lobby in the same way that users of domestic services can, which means that there needs to be an effective mechanism to ensure that services are delivered. This applies somewhat to the homelessness sector as well - whilst the end-users are voters, and may have more effective tools to hold the governments that fund the majority of services to account, the reality is that they are likely to be disengaged from the political process and disorganised. In fact, the strongest lobby group for the homeless is likely to be the homelessness service provision sector itself. As such, a second principle-agent problem potentially arises, where the service providers are acting on behalf of the homeless community to lobby for greater funding and support, most of which is channeled through those very same service providers. Note that this is not to impugn the work that is done by these organisations or to suggest that there is corrupt behaviour; it is merely an observation that incentive structures may be perverse.

Until recently, much of the academic literature has focused on merely quantifying the problem of homelessness (see, for example, Rossi and Shlay 1992, Chamberlain 1999, Chamberlain and MacKenzie 2003), and accurately defining who is homeless. More

recently, there has been growing concern about service delivery and ways of reducing the number of homeless. The Australian Government released a White Paper in 2008, aiming to halve the number of homeless people by 2020 (Commonwealth of Australia 2008), and the Victorian Government has recently released a discussion paper as it seeks to formulate its “Homelessness-2020 Strategy” (Department of Human Services 2009). Homelessness Australia conducted a survey into service delivery at a nationwide level, but the results were anonymised and included only four providers from Victoria (Homelessness Australia 2008). This paper will add to that body of work by providing some insight as to how the service providers in Victoria perform.

Easterly & Pfitze (2008) in their paper on foreign aid look to rank aid agencies on a set of criteria. They look firstly at transparency, then at four measures: specialization, which is the degree to which aid is not fragmented amongst too many donors, too many countries and too many sectors for each donor; selectivity, which is the extent to which aid avoids corrupt autocrats and goes to the poorest countries; ineffective channels, which measures the extent to which aid is tied to political objectives, or is food aid (which are regarded as bad aid); and overhead costs, which measures the agency’s overhead costs as a proportion of total aid given (Easterly & Pfitze 2008, p29).

Ultimately the aim was to replicate Easterly and Pfitze’s method as much as possible for providers of services to the homeless community. Overhead costs and specialization were adapted easily, with some modification, but the measure of ineffective channels and selectivity presented some difficulty. As the data was incomplete and the differences in some cases minimal, the agencies have been ranked into “bands” – top third, bottom third and middle third for each measure (generally the middle third was the largest if the numbers were not even, except where there was a tie). The rankings have been provided to give future researchers some direction and a baseline from which to measure their work; however most of the analysis will focus on the overall trends that emerge. Each of the sections is covered individually below, with an explanation of the methodology that was applied, followed by the results obtained.

Methodology

Data

Initial results were not particularly promising, and unfortunately they foreshadowed the results to come. The Department of Human Services (DHS) provided a list of service

providers, however the list was inaccurate and out of date, as it included some organizations that did not exist or had changed their names, and others that were not really in the homelessness sector. For example, entries on the DHS list included a backpackers' hostel, as well as Deaf Children Australia and the Australian Red Cross, both of which have substantial charitable operations beyond their service provision to the homeless community. Industry peak bodies and other Government Departments were reluctant to release lists of their members or detailed information about funding due to privacy concerns, so any data I received was on a voluntary basis.

Further, there were some organizations that dealt with almost every aspect of homeless service provision, except the direct provision of housing. For example, the Brotherhood of St Lawrence was focused on poverty reduction and was involved in aged care, employment services, education and other community services, many of which were targeted specifically at the homeless or those at risk of homelessness. Hence there was a difficult line to draw as to whether to include these organizations. These factors made it difficult to create the initial shortlist for the organizations that form the dataset.

The project was further complicated by the fact that I was focused on Victoria, and primarily on Melbourne, however, a number of large organizations such as the Salvation Army only had national level data in their annual reports, and I was unable to obtain the state level data.

I determined that it would be appropriate to restrict the list of organizations to those I could find that received over \$1 million from Government sources and focus on the Victorian operations of these organizations where possible. I felt this would represent a small group, but one that would help to show how large amounts of Government money were spent, and could perhaps provide a starting point from which further research could be done. In the end this represented 10 organisations (listed in Appendix 1) – definitely a small group but some trends did emerge nonetheless.

Transparency

Easterly and Pfitze describe the method used to obtain the data and complete this section (2008, p34):

“For administrative expenses, we started out by consulting each agency’s website to find nine numbers, beginning with the number of their 1) permanent international

staff, 2) consultants, and 3) local staff. For their permanent international staff we looked for a breakdown into 4) professional and support staff, 5) nationals of industrialized and developing countries, and 6) staff employed at headquarters and field offices. We also looked for data on 7) total administrative expenses, 8) expenses on salaries and benefits, and 9) the total amount of development assistance disbursed”

These nine numbers were sought on the website, and then an email was sent where they couldn't be found, with a deadline of three weeks. Each of these numbers was then scored – 1 point for being on the website, and half a point for a response to the email. I later awarded a quarter point for information provided as a result of a follow-up phone call. These were then summed and presented as an index.

The measures that I sought were:

- Annual report, which included data on total expenses/revenues. Alternatively, a profit/loss statement was sufficient
- Number of effective full-time (EFT) staff
- Expenses on public relations and fundraising, as a fraction of total expenses
- A breakdown of service expenditure by broad category (for example, direct housing, education, youth, employment)
- A breakdown of expenditure into service and administration
- A breakdown of revenue that included categories such as donations, bequeaths, fundraising, and an explanation of how much money came from Local, State and Federal Governments respectively

Some of these measures represented numerous challenges, including some conceptual ones. As noted, many of the charities that were listed by DHS were in fact involved in a number of different areas. Separating the staff and funding allocated to homelessness presented a challenge. Moreover, it is conceivable that in some organisations, there may not have been a clear distinction between service delivery and administrative staff (as all staff may be involved in both aspects), or that organisations may simply not have kept this information. Alternatively, organisations may measure this information differently – for example, an organisation with multiple offices may have classified all the staff at satellite offices as service staff and all staff at head office as administrative, even though some staff at the satellite offices may be involved in purely administrative work.

Once I had found organizations that met the criteria, I began searching through their websites for annual reports. In almost every case there was still some information that I required, and hence I subsequently sent a pro-forma email (attached at Appendix 2) to all the organizations for which I had incomplete information (which was every organization on my list bar one). In this email I detailed that I was a student from the University, conducting research on how organizations conduct themselves and how easy it is to gather information on them. I outlined that I had viewed their annual reports (where available), and listed the pieces of information that were outstanding after having viewed their reports. I gave them four weeks from the date of the email to respond, noting that as I was submitting a research paper, I had deadlines to work to. All emails were sent to the addresses that were advertised as being the primary contact point for these organizations.

The response was disheartening, to say the least. Of the organizations contacted, only one deigned to provide even a token response. This involved an email exchange where I was directed to their annual report, and I replied by pointing out once again that I had in fact viewed their report and was seeking information that was not contained therein. I was subsequently told my request had been forwarded to the relevant people in the organization, with a follow-up email (after the deadline) resulting in the response that they would not release anything further than what was in their annual report. Ultimately the four-week deadline passed without any new information being received from any organisation. Organizations were generally poor at even providing a negative response to emails sent to their designated enquiry address – most emails went entirely unresponded to.

At this point I decided to make a change to the process as there were significant amounts of information missing that meant that the study would be almost useless. I phoned the organisations, explained my work and tried to navigate my way to the right person. This met with more positive results, however, even this proved to be less than satisfactory. It seemed to be largely based on luck as to whether I would get an answer, or the right person.

Overhead Costs

Easterly and Pfitze (2008, p46) describe how two indicators are calculated, in two different ways. First, the ratio of administrative costs to overall financing is calculated, then the amount of development financing per employee. The first ratio was calculated in two ways, the first considered all administrative costs, and the second considered just wages. The second ratio was calculated with respect to all staff, and then with respect to permanent internationally recruited staff.

In adapting this measure, it may be more appropriate to consider the ratios with respect to overall funding received, as it can probably be reasonably assumed that money not spent on administration is generally channeled into service delivery. Again there are some difficulties in actually calculating the ratios, as much of the information is self-reported. As such, I decided to construct two ratios – total administrative costs as a proportion of total expenditure and public relations/fundraising as a proportion of total expenditure. The first is a simple measure to see how much money gets spent on administration, which I defined as all non-service delivery activities, whilst the second seeks to target something that is often the source of resentment amongst donors – the idea that money might be going to advertising rather than helping people. In both cases, the lower the figure, the higher an organization was ranked.

Specialisation

Easterly and Pfutze (2008, p38) describe how the Herfindahl Coefficient is calculated for three measures – aid agencies' share of aid spent by a country, share of overall aid spending and share of aid spending by sector. In simple terms, the Herfindahl Coefficient is taken by calculating the fraction of the market share for each firm or organization, then summing the squares of the resulting numbers. The resulting number gives a figure between 0 and 1, and can alternatively be thought of as the probability that two random dollars will be spent by the same firm (hence, a higher coefficient indicates a higher degree of concentration of the market).

In this instance, I sought to create two indices. The first looks at the providers' fragmentation of funding sources, whilst the second focuses on the fragmentation of expenditure. A higher degree of fragmentation is considered to be a better result for revenue, whilst a higher degree of fragmentation was considered a poorer result for expenditure. Note that for revenue fragmentation, due to incomplete data, an estimate had to be made for some agencies with respect to the breakdown of Government funding into State, Local and Federal funding. Where the data was unavailable, I took the median (which was consistent across a number of agencies) of all other agencies and applied it to the overall Government figure provided. Originally there had also been an intention to look more widely at the fragmentation of Government funding – data exists on the nature of funding delivered under the SAAP program of the Federal Government, however, this is not released publicly due to privacy reasons. The data may be released after being anonymised, but the

agency involved took a significant time to respond to my request, and ultimately informed me that there would be a cost involved in retrieving the information (approximately \$500).

Both measures posed an interesting conceptual challenge. It is unclear whether a greater fragmentation of revenue is necessarily a good or a bad thing, and so too with expenditure. On the one hand, a greater number of funding sources may in fact increase the administrative burden on these organizations – there will be greater reporting requirements and often different reporting standards for different benefactors, potentially creating duplication and unnecessary burdens. On the other hand, it can be argued that a greater fragmentation is advantageous, as it means that funding sources are more diversified. Hence, if one source happens to withdraw, or becomes less reliable for some reason, it is less damaging if the organization has other revenue streams to fall back on. For example, it is likely that in the last couple of years, investment income has been below trend, suggesting that a more diverse income stream would allow these organizations to better cope with the impacts of the global financial crisis. This is particularly so when we consider that in some instances, organizations were engaged in selling goods secondhand to raise funds, the reporting requirements of which would likely not be significantly greater than those already faced by the organization in its day-to-day activities. As a result, I have decided to treat greater fragmentation of revenue as a positive, but this potentially could be reviewed in future work.

Similarly, it is arguable that a more fragmented or diverse suite of services is actually beneficial for the ultimate end-user. If an organization provides all the services that a client needed, then they would not need to engage with multiple organizations, with their respective different systems and processes. Multiple organizations may also mean that there is duplication of some administrative work, as each organization must keep its own records about the individual. On the other hand, more diverse service offerings may lead to a lack of specialization and the gains in efficiency that come therein, as well as potentially increasing the administrative burden by having to manage multiple different parts of the organization, each with their own unique demands and challenges. Hence I have decided to treat fragmentation of expenditure as a negative, but again this could be reviewed in future work.

A second challenge for this measure was pointed out by one of the organizations, who when providing a breakdown of their Government funding noted that whilst the vast majority of their funding came via the Victorian Government, much of that was actually a Federal Government program that was administered by the State Government. It is unclear

from the reports of the other organizations as to whether they too have adopted this classification, or whether they have treated the money as Federal Government funding.

Efficiency

In the original paper, Easterly and Pfitze (2008, p45) explain that there are some types of aid around which there is broad consensus that they are ineffective – “tied aid, food aid and technical assistance” (for a discussion of the effectiveness of aid and a review of the relevant literature, see Easterly 2007).

As noted earlier, much of the debate and academic work seems to focus on quantifying the size of the homeless community, and defining who exactly is homeless or at risk of being homeless. For this part I aimed to compile a dataset that included data on the share of expenditure (and non-overhead expenditure) that goes towards the various types of service provision, if the data was available. However, there are some limitations – for example, education or employment programs could just as easily be classified as “youth” funding, as they could be considered categories in their own right, depending on the nature of the program. Hence, the lack of consistent standards across the industry makes it difficult to get a clear picture of how the agencies operate.

However, I decided to use two other measures that could shed some light on how efficiently the organisations operate. They were revenue per EFT employee and amount spent on service delivery per EFT employee. In both cases, a higher figure was considered a better result. Whilst they are not a perfect measure, they can serve to demonstrate how efficiently a service provider uses its resources, and may help to overcome some of the distortion effect that came about under the overhead costs indicator. Of course there were limitations here – in some instances, the organizations were unable to provide the EFT number, and simply had the overall staffing number. In some cases I was able to access both figures, and as a rule of thumb found that the EFT figure was approximately two-thirds that of the total figure. As such, where only the overall figure has been provided I have multiplied it by 0.67 to get an approximate EFT figure.

Results and Discussion

Transparency

Due to the aforementioned role that luck seemed to play, the results in this section are something of a mixed bag (appendix 3). Every organization had at least half of the numbers available to the public in their annual report, hence no organization fared particularly badly. Relative to each other, however, there was some variation. Organisations were generally poor at providing additional information, so the results are heavily influenced by the choices organizations made about what information to publish in their annual report, and whether I managed to find the right person to contact about the information.

There may be some broader methodological issues, however, that affected the way that this study operated. The key aspect may have to do with how the project was presented – ultimately this was a research project by a student at a University, and on the list of stakeholders, this is likely to rate fairly low. It may be the case that if the organizations were approached by, say, a large philanthropic trust that was seeking to make a donation to organizations in the homelessness sector, and was either evaluating the organizations through a set of metrics, or simply wanted to know more about the operations of these organizations, the providers would likely be far more responsive to enquiries. Thus there is perhaps a bias being introduced into the study given the very nature of the exercise being conducted. Moreover, these organizations are obviously aiming to operate in a way that maximizes funds put towards service delivery; administration staff are likely to be fairly busy and requests for information of this nature would likely be lower down on the priority list.

On the one hand it can be argued that this undermines the findings of the research, and we cannot conclude that some organizations are not entirely transparent when compared to each other – they all fulfill their reporting requirements to the Government, and they do provide some information about their activities to the public through annual reports. Indeed all the organizations either had basic financial reports available to the public or indicated an address where members could write to in order to obtain a copy of the report. And, as noted above, all organizations had at least half the data points available on their websites. Under the right circumstances, they may also have provided all of the information that we were seeking.

However, the attempts to find further information do perhaps indicate that there is some room for improvement. In particular, it is worth noting that every piece of information

that was requested was published by at least two of the organisations in their annual reports, and was released upon request by a further two. As such, it was not as though the information that was being requested was particularly sensitive within the industry, or was a particularly onerous request to make. There seemed to be arbitrary judgments drawn within each organization as to what constituted sensitive information and what was fit for public consumption, without any indication as to why these lines had been drawn – and they were frequently drawn differently from organization to organization. So, whilst it may be the case that the public should not be able to demand all the information that they desire from these organizations, it seems fair to say that members of the public are at least entitled to an explanation as to why some pieces of information cannot be revealed, for example for privacy reasons. Failing to provide even this cursory response reflects poorly on these organizations and suggests that there is an issue with transparency. Conversely, those organizations that have released most information up front score well on this indicator and suggest that there are a number of organizations that do well.

Overhead Costs

Generally the picture that emerged was that organizations ordinarily spend between 12 and 20 per cent of their expenditure on administrative (non-service delivery) functions (appendix 4). This number seems to be fairly standard, as a brief survey of other organizations that operated at either a national level or operated in different jurisdictions (such as New South Wales) indicated that generally this was the amount of money spent on administration, with anywhere between 80-88 per cent being spent on service delivery.

One of the interesting results in this section was the fact that some organizations fell outside this 10-20 per cent band and thus fared poorly on this measure, not because of any particular inefficiency, but because they chose to engage in sales operations. For example, St Vincent De Paul's runs "Vinnies Centres", which provide clothing and furniture to people in need for free, as well as to the general public at a low cost. Profits from these centres go towards their general revenue and sales from these centres comprised a significant part of the organisation's Victorian operations. However, the costs involved in administering and operating these centres was significant and not service-oriented, and hence were counted as administrative costs. This applied also for the Brotherhood of St Laurence. As a result these organizations had a very high administration to overall costs ratio, but fared quite well on other measures – for example, the organizations had some of the highest revenue per EFT staff member ratios, and had the lowest fragmentation of revenue. Indeed if we were to exclude the cost of goods sold and other costs associated with operating these enterprises,

the organizations had administrative costs that fell within the 12-20 per cent band that seemed to be the norm. So whilst the organizations fared poorly on one of the measures, it does seem unfair to say that they had high overhead costs that affected their performance. The high costs came about due to the unique way in which the organizations operated, and these methods may in fact be enhancing their operations as evidenced by high rankings on other measures.

With respect to the other measure, fundraising/public relations, the trend that emerged was that generally this made up a small proportion of the overall activities. Again there was a classification problem as some organizations had different names, and potentially included things that may not have necessarily been strictly part of this category. However, no organization had more than 3.7 per cent of their expenditure as anything that could be reasonably construed as being for public relations or fundraising, and most organizations had less than 2 per cent.

Specialization

Although the sample is limited, some interesting trends have emerged (appendix 5). As expected, those organizations that are focused on a particular group, such as Wintringham (who focus on the elderly) and MIND (who focus on people with mental disabilities) had some of the least fragmented expenditure. Additionally, if we exclude those organizations whose administrative costs to overall cost ratios were skewed by other operations, some weak trends seem to emerge that also support what might be intuitively inferred. Two of the organizations with the lowest level of fragmentation of expenditure have some of the lowest levels of administration to overall expenditure, and the organization with the highest level of administrative costs has one of the highest levels of fragmentation. Again, in absolute terms the differences are fairly small, and this is a small sample size but it is interesting to see that even here there is a trend that greater fragmentation and diversification seems to be associated with somewhat higher levels of administrative expenditure.

Efficiency

One of the remarkable results that came out of this section was that when considering service delivery per EFT staff member, a number of agencies had a very similar figure, of between \$70,000 and \$80,000 (appendix 6). Note that this was true for both organizations where they had provided EFT figures, and where I had calculated an

estimated EFT, which in a way perhaps serves to confirm that my approximation of EFT figures was an accurate one. There didn't seem to be any clear correlation between this figure and the figure relating to administrative costs as a proportion of total costs, however. This may have been influenced, however, by the precise calculation of EFT staff numbers. Nonetheless, the overall trend that organizations seem to function at a broadly similar level seems encouraging and suggests that there isn't a significant difference between them in this regard, and arguably this is a more important measure than the measure of revenue per EFT staff member.

The measure of revenue per EFT staff member was, as it turns out, a more varied result. It is unclear what we can draw from this, as it did not seem to be correlated with any of the other factors, such as the proportion of spending going towards fundraising or public relations, which might intuitively be a factor. As noted earlier, organizations such as St Vincent De Paul's, which, since they ran enterprises that sold goods and generated money and thus inflated their administrative costs ratio, had significantly higher revenue per EFT staff member. However this result, and indeed the overall variation in revenue per EFT staff member, may be the result of volunteer work, which is something that has not been measured in this study.

Limitations

There are obviously several limitations to this dataset. The sample is remarkably small, and perhaps not entirely representative. There is some data from the Federal level (AIHW 2010) that suggests that the mean Federal funding for organizations in the homelessness sector in Victoria is \$188,400, under the major program undertaken by the Federal Government. In fact there are around 278 organisations in the Melbourne area alone that receive Federal funding under this program, suggesting that there a large number of organizations that are much smaller than those looked at in this study, and they may in fact operate significantly differently. This would pose an interesting extension of this work, but potentially a more challenging one. Moreover, the concept of organizations that deal with homelessness is a somewhat nebulous one, given that homelessness is often not a problem in and of itself, but is often as a result of other factors. Given that many of the organisations in this study have a focus on a particular subset of the homelessness sector, it is likely that organisations that provide services to other disadvantaged groups may also directly or indirectly be involved in providing some services to the homeless, which would complicate the analysis. These organizations could include those that target groups such as refugees, the disabled, women and children suffering domestic violence or abuse, the elderly,

individuals suffering mental disorders or substance abuse problems and the impoverished. Indeed even some organizations in this study, such as the Brotherhood of St Laurence and MIND Australia, may fall into this category.

Additionally, in terms of the conclusions about which organizations are “better” than others, the study is perhaps limited by the fact that although the organizations have been ranked based on a set of measures, in some measures there was not much to differentiate them in an absolute sense. A problem exists for the measure of the percentage of expenditure spent on administration, which sits alongside a ranking of the percentage of funding dedicated to publicity and fundraising. These two measures would most likely be considered to be of differing importance, but they are in effect treated the same for the purposes of this study

Another important limitation that has been almost entirely ignored in this study is the role played by volunteers. The original study by Easterly and Pfitze does not make mention of them as they are not usually involved in foreign aid, but they are a crucial part of the organizations surveyed. Information about volunteers is even more limited than anything studied here, but in terms of raw numbers they are significant – where organizations tend to have staff numbers in the hundreds, volunteers are in some cases well into the thousands, with estimates about the value of their unpaid work ranging into the millions of dollars. This is clearly a significant contribution that is going entirely unaccounted for, and could perhaps explain some of the variation in some of the measures. For example, some organizations with higher administrative costs may also have higher numbers of volunteers which allows for greater service delivery – however, this would not be something that is reflected in the financial data when we consider that many volunteers might be utilized in providing core service delivery. Hence some organizations may in fact provide far more by way of services per EFT staff member than their counterparts due to a higher utilization of volunteers, but our measurement of the data would not reveal this.

It is also worth considering that this study makes no mention of the end-user. As previously noted, there is existing literature on what constitutes best practice in the aid sector and thus there is some concept of what a “good” aid agency looks like, but no such literature exists for the homelessness sector. This paper has had to make numerous assumptions about what improves efficiency, and by extension some assumptions about what improves welfare – for example, treating fragmentation of expenditure as a negative. Hence some of the assumptions that underpin the measures, and how organizations have been ranked on these measures, could be called into question, especially in terms of the

efficiency measures (revenue and service delivery per EFT staff member). Both measures could conceivably be treated in the exact opposite fashion to how they are treated in this study. It is here that perhaps the most fruitful work could be done, as the ultimate aim of any such analysis is to consider how we can improve the welfare of the end-user. If we know what factors positively and negatively affect the welfare of end-users and thus make for a “good” service provider, we can then analyse the activities of the agencies with greater accuracy. An understanding of the impacts on end-users allows us to, for example, take into account the fact that higher administration costs may be due to high numbers of volunteers that ultimately allow for greater efficiency because they free up staff for other tasks, and thus lead to improved service delivery and welfare. Moreover, a clearer conception of exactly what improves the welfare of end-users will then allow researchers to make policy recommendations about how to tailor funding mechanisms such that incentives are aligned with welfare maximization.

Perhaps the key limitation of the study, however, is the fact that ultimately a lot of the information is self-reported. This is especially important when we consider the issues previously discussed of classification and categorization – for example, organizations self-report as to what the categories of expenditure they have by service area (youth, employment, education, housing, etc). This is also true for things like the breakdown between service and administration, or sources of Government funding, and would certainly be true for any extension of the work that investigated the contributions and importance of volunteers. All of these are quite likely to be done on a different basis depending on the individual organizations. These classifications are additionally likely to get more arbitrary as the organizations get smaller, or may in fact not take place at all.

Conclusions

Easterly and Pfitze (2008, p51) provide two broadly contradictory conclusions, namely that “1) the data are terrible, and 2) the patterns the data show are terrible.” In a similar fashion, perhaps the most relevant conclusion from this study is that 1) further work is needed, and 2) further work is almost impossible. It is interesting that even in such a small study some broad trends have emerged, namely that organizations generally spend around 12-20 per cent of their total expenditure on administration, and that each EFT staff member is responsible for between \$70,000-\$80,000 worth of direct service delivery. A higher level of fragmentation of expenditure, or in other words, a greater diversification of expenditure, also seems to be associated with a slightly higher level of administrative burden, within the overall range. The overall transparency of the organizations is good but can be quite

arbitrary, as whilst annual reports often have some useful information, this is not always the case and getting information beyond this can be quite difficult. The use of “privacy” as a blanket reason for preventing the release of significant amounts of data by Government agencies and industry peak bodies is concerning, as whilst it is clear that end-user data should not be revealed, it is not at all clear why this necessarily means that these agencies should also not have to reveal information. As such it seems that there is still significant work to be done if we are to fully understand the way that the principal-agent problem plays out in this scenario.

However, the inherent limitations of this work discussed in the previous section, whilst not entirely insurmountable, represent a significant challenge in extending this work in almost any direction. There is a possibility that the work could take in organizations that operate at a national level and in other states, which would provide more basis for comparison. Even then the problems about accounting for volunteers and overcoming self-reporting and classification differences would make the task quite difficult. These problems become even more pertinent if the direction in which the work is to be extended is towards organizations that are specifically focused on housing the homeless, as although there are numerous organizations in that field they are mostly quite small and may not have the records to support meaningful analysis. Keeping or providing the relevant records could be a significant use of limited resources, especially for smaller organizations. In this way, there is almost an inherent tension between some of the aims of the study – on the one hand, transparency and information about operations is important, but the very act of recording and providing the information, especially if it were to be standardized across the industry, would add to the administrative burden, which is another metric on which the organizations are measured.

Moreover, it seems as though homelessness as a social problem sits at a nexus of both social issues and organizations. Intuitively, it is likely that a large number of people suffering from homelessness or at risk of homelessness are affected by other social issues, and this may either be the catalyst for, or a side-effect of, their homelessness or risk thereof. For example, gaining employment is difficult with no fixed address, and lacking employment often means that affording housing is difficult. The same is true of issue such as disability, mental instability, substance abuse and poverty. Hence when looking at organizations in this sector, it is important to realize that definitions can be somewhat arbitrary, and thus extending the work by incorporating more similarly large organisations but with a slightly different focus presents an interesting conceptual challenge. So, whilst an extension of the work may see the results disproved, it may well be that the nature of the extension means

that the group that is being discussed has been altered in such a way that the results may not be as comparable.

Ultimately, more research needs to be conducted to firstly determine exactly how to compare agencies that deal with slightly different target groups, and secondly and most importantly, to determine what practices lead to the best outcomes for the end-users. Only once we have determined what will maximize the welfare of end-users can we meaningfully comment on the practices of the agencies that serve them.

Word Count: 6,501

References

Australian Institute of Health and Welfare (AIHW) 2010. Government-funded specialist homelessness services: SAAP National Data Collection annual report 2008–09, Victoria Supplementary Tables. Cat. no. HOU 219. Canberra: AIHW.

Chamberlain, C. (1999) "The Geographical Distribution of Homeless People", *People and Place*, vol 7 no 4 pp. 17-21

Chamberlain, c. and MacKenzie D (2003) "How many Homeless in 2001?", *Just Policy*, no 31, December pp. 3-13

Commonwealth of Australia (2008) *The Road Home: A National Approach to Reducing Homelessness*, Australian Government White Paper on Homelessness, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra

Department of Human Services (2009) *Homelessness 2020 Strategy*, Victorian Government discussion paper, Department of Human Services, Melbourne.

Easterly, W. (2007) "Are Aid Agencies Improving?" *Economic Policy*, 22(52), pp. 633–678.

Easterly, W and Pfitze, T (2008) "Where does the money go? Best and Worst Practices in Foreign Aid", *Journal of Economic Perspectives*, vol 22 num 2, Spring 2008 pp. 29-52

Rossi, P. H. and Shlay, A. B. (1992) "Social Science Research and Contemporary Studies of Homelessness", *Annual Review of Sociology*, vol 18 pp. 129-160

Homelessness Australia (2008) "Overcoming Barriers : A Study of Homeless Service Delivery in Australia", report prepared by national peak body for homelessness services, accessed at <http://www.homelessnessaustralia.org.au/site/policy.php> on 28 April 2010.

Appendix 1 – List of Organizations

Hanover Welfare Services
Melbourne Citymission
St Vincent De Paul's
Wintringham
Welsey Mission Melbourne
MIND
Sacred Heart Mission Melbourne
Homeground
Anglicare Victoria
Brotherhood of St Laurence

Appendix 2 – Pro-forma Email

To Whom It May Concern,

My name is Ravi Dutta and I am an Economics Honours student at Monash University. As part of my studies, I am writing a paper on the homelessness service provision sector, specifically looking at the kinds of activities that the major providers engage in, how many providers engage in different activities, and how easy it is to find information about them.

As part of this, I am looking for information on your organisation, some of which is partially available on your website. In particular, I am looking for data on:

- a summary of the total profit/loss of the organisation for the previous financial year including total revenue and total expenditure for the financial year
- the average number of effective full-time (EFT) staff that were employed by your organisation during the last financial year
- a breakdown of total revenue to include different sources (such as investment revenue, donations revenue, and any other broad categories), as well as a breakdown of the total Government funding that you received in the last financial year, describing what amount (or percentage) came from Federal, State and Local Governments'
- a breakdown of service delivery expenditure into categories of spending (such as youth spending, direct homelessness, housing, employment and any other broad categories)
- the amount of money spent on fundraising/media/public relations activities
- the amount of expenditure devoted to service delivery, as opposed to administration (or, a percentage breakdown of the total expenditure into service and administration)

This paper forms part of my assessment and as such, I am working to fairly strict deadlines. I would appreciate it if you could email me with the information I have requested within four weeks, or by the 26th of July. If you have any queries about my research, you can contact me at rdut1@student.monash.edu.

Thank you for your cooperation in this regard.

Sincerely,

Ravi Dutta

Appendix 3

Agency	TRANSPERANCY	BAND
Hanover Welfare Services	0.708	B
Melbourne Citymission	1.000	A
Vinnies	0.833	A
Wintringham	0.375	C
Wesley Mission Melbourne	0.833	A
MIND	0.833	A
Sacred Heart Mission	0.500	C
Homeground	0.500	C
Anglicare Victoria	0.750	B
Brotherhood of St Laurence	0.667	B

Appendix 4

Agency	OVERHEADS			
	Admin:Overall	BAND	PR:overall	BAND
Hanover Welfare Services	0.140	B	0.030	C
Melbourne Citymission	0.192	B	0.024	B
Vinnies	0.442	C	0.018	B
Wintringham	0.130	A	0.000	A
Wesley Mission Melbourne	N/A	-	0.008	A
MIND	0.137	A	N/A	-
Sacred Heart Mission	N/A	-	0.016	C
Homeground	N/A	-	N/A	-
Anglicare Victoria	0.121	A	0.037	C
Brotherhood of St Laurence	0.297	C	0.011	A

Appendix 5

Agency	SPECIALISATION		Frag of Expenditure	BAND
	Frag of Revenue	BAND		
Hanover Welfare Services	0.670	C	0.500	B
Melbourne Citymission	0.395	B	0.222	C
Vinnies	0.244	A	0.350	C
Wintringham	0.583	C	0.783	A
Wesley Mission Melbourne	0.443	B	0.403	B
MIND	0.501	B	0.672	B
Sacred Heart Mission	0.253	A	N/A	-
Homeground	0.493	B	1.000	A
Anglicare Victoria	0.580	C	0.729	A
Brotherhood of St Laurence	0.231	A	0.385	C

Appendix 6

Agency	EFFICIENCY			
	Service delivery:EFT	BAND	Revenue:EFT	BAND
Hanover Welfare Services	76,997	B	87,549	B
Melbourne Citymission	72,837	B	87,243	C
Vinnies	77,045	A	133,680	A
Wintringham	71,964	C	84,036	C
Wesley Mission Melbourne	N/A	-	77,348	C
MIND	70,356	C	94,045	B
Sacred Heart Mission	N/A	-	96,577	A
Homeground	N/A	-	119,265	A
Anglicare Victoria	78,329	A	89,283	B
Brotherhood of St Laurence	N/A	-	N/A	-