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Research that matters.

# **On for young and old**

## **The economics of Homeshare**

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Discussion paper

**Rod Campbell**  
**November 2015**

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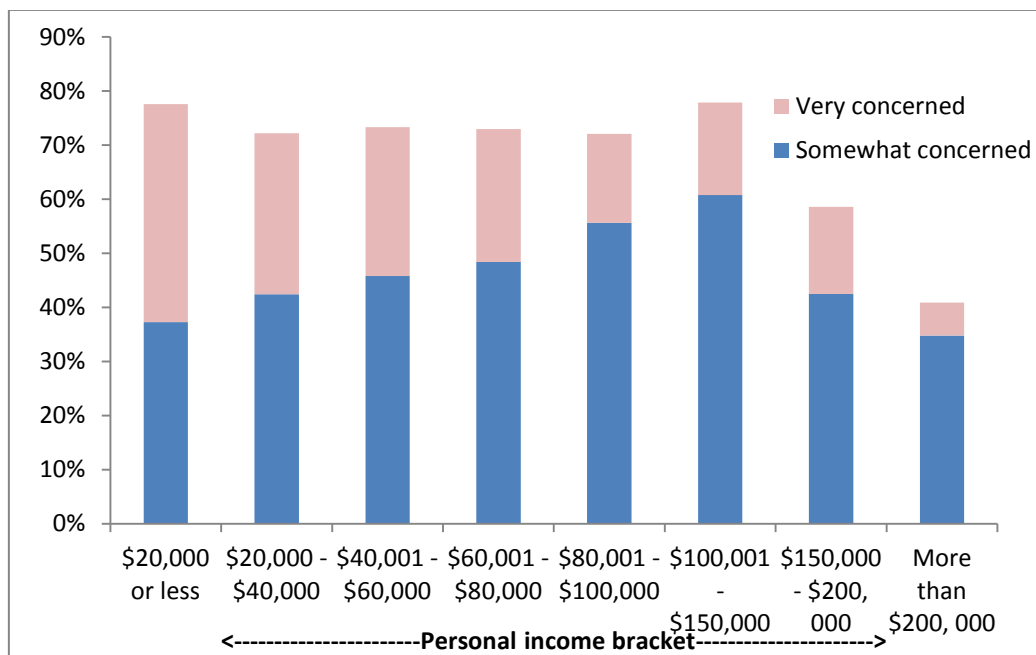
Level 5, 131 City Walk  
Canberra, ACT 2601  
Tel: (02) 61300530  
Email: [mail@tai.org.au](mailto:mail@tai.org.au)  
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# Summary

Homeshare programs match older householders who live alone with younger homesharers. Homesharers live with householders rent free and in return keep the householders company and perform ten hours per week of basic chores. Homeshare helps homesharers find accommodation, but more importantly helps older householders live independently in their own homes.

Australians overwhelmingly want to continue to live in our own homes as we get older. 82 per cent of survey respondents intend to stay in their own home for as long as possible. But this isn't cheap; most Australians are 'concerned' or 'very concerned' that they cannot afford the care they need to stay in their homes:

## Concern about paying for future aged care by personal income



Source: TAI survey

Only the very richest Australians say they are 'confident' that they can afford the aged care required for them to stay living in their own homes. Even among people earning up to \$150,000 per year only 18 per cent are confident they can afford to stay at home:

**In regards to paying for your current or future aged care, do you feel?**

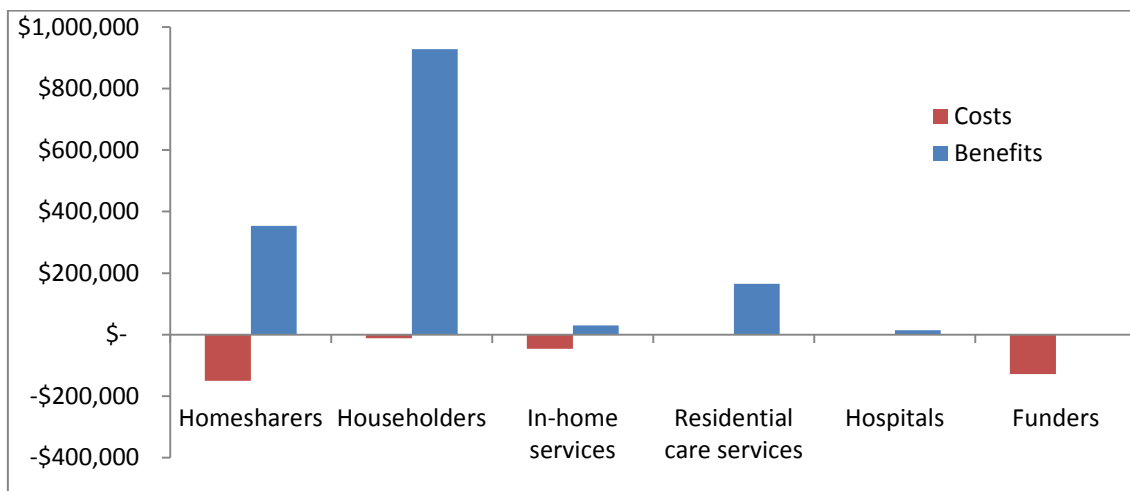


Source: TAI survey

Given Australians’ concern about affording our aged care, it is not surprising that there is strong public support for homeshare programs. Around a third of both younger respondents and older respondents would consider participating as homesharers and householders respectively, while almost all other respondents were supportive of homeshare, particularly if run by a reputable community organisation.

Homeshare delivers large net economic benefits, particularly to householders, who receive at-home care, and homesharers, who would otherwise have to pay rent. A program with 32 ongoing homeshare matches delivers an estimated annual net benefit of \$1.1 million per year:

**Annual net benefits of 32 match homeshare program**



Based on this analysis, we estimate the total benefits provided by two Australian homeshare programs:

- **Wesley Homeshare:** \$11 million net benefit over 15 years of operation.
- **Community Connections Homeshare (Canberra):** \$600,000 net benefit over 2.5 years of operation.

While benefits primarily flow to householders and homesharers, government departments can also benefit from homeshare programs. Householders are less likely to enter residential care and are more likely to be discharged from hospital early as the homesharer is able to provide post-discharge support and supervision.

Departments providing in-home services incur both costs and benefits from homeshare programs. While some householders may require less of such services – for example fewer meals-on-wheels because homesharers will cook and shop – other householders will use more in-home services because they will stay in their homes longer. Our example estimates a small net cost to these departments.

The role and costs of such departments is important, as they are likely to be asked to help fund homeshare programs. While homeshare overall provides very strong economic benefits, some government departments that are asked to fund these programs will also be paying more in in-home service expenses as a result of the programs' success.

While there is a strong economic case for homeshare, and polling shows huge public support, its potential benefits are realised only with quality staff and management and institutional support. Several programs have been discontinued in Australia. Governments and management must secure regular funding, capable staff and institutional support to capitalise on the large economic potential of homeshare in Australia and around the world.

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# Introduction

Homeshare is a simple concept. It brings together older people, or people with a disability, who live alone in their own homes with responsible people to live with them. It provides company and security for the householder and affordable accommodation for the 'homesharer'. The householder provides a place for the homesharer to live, while the homesharer provides around 10 hours of practical assistance per week, such as cooking, cleaning and shopping.

Although a simple concept, homeshare programs need to be supported by governments. Skilled social workers and program coordinators are required to select participants and make sure that homesharers and householders are compatible people. The match between them needs to be monitored to ensure the needs of both parties are met – particularly with older householders who may have care needs that increase over time. These tasks require time and resources without which a homeshare program cannot function.

From an economic perspective, the key resources a homeshare uses have little 'opportunity cost'. A householder living alone in a large house faces very little cost from letting a homesharer use part of their house. Homesharers are typically younger and often students, for whom the time requirements of homeshare do not present a major cost. Both parties receive large benefits, however, as both overnight security and well-located accommodation are expensive.

Economic assessment of homeshare overlooks perhaps its greatest benefits – friendship, companionship and intergenerational exchange and understanding. Economists have difficulty in valuing such benefits, but they should not be overlooked or downplayed. It is unfortunate that greater policy emphasis is often placed on financial values rather than these very real benefits.

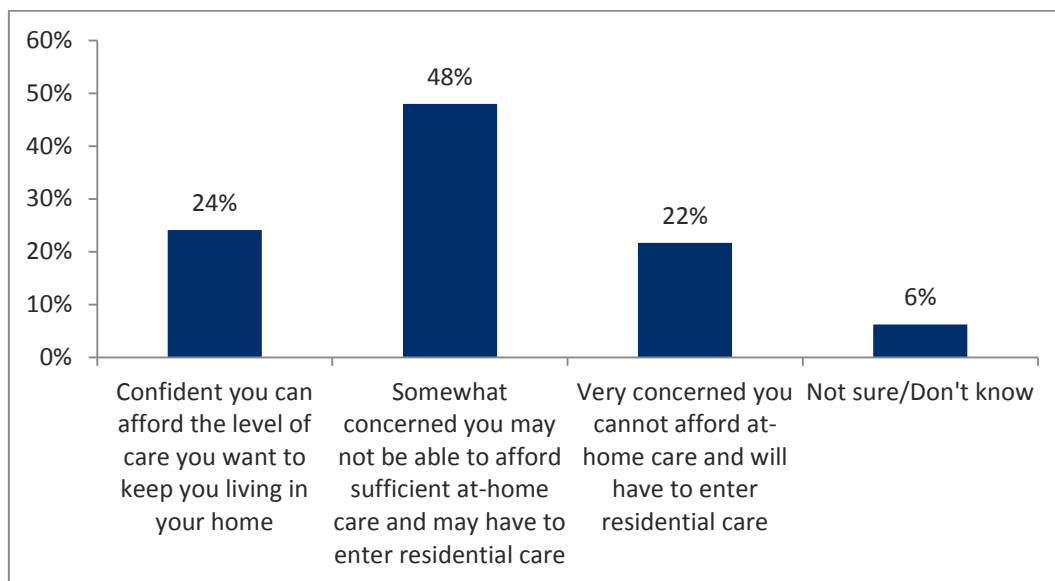
Living in our own homes for as long as possible is the desire of the vast bulk of Australians. Whether we can afford to stay in our homes later in life is therefore of concern to most of us, as polling in this report shows. Homeshare provides a part of the solution to this problem and the problem of finding affordable accommodation for younger people in our cities.

# Polling<sup>1</sup>

Australians overwhelmingly want to continue to live in our own homes as we get older. 82 per cent of people said that they intend to stay in their own home for as long as possible by using at-home support services.

However, aged care services are not cheap. Overall, 70 per cent of Australians are 'somewhat concerned' or 'very concerned' that they may not be able to afford aged care to help keep them in their homes, as shown in Figure 1 below:

**Figure 1: In regards to paying for your current or future aged care, do you feel?**



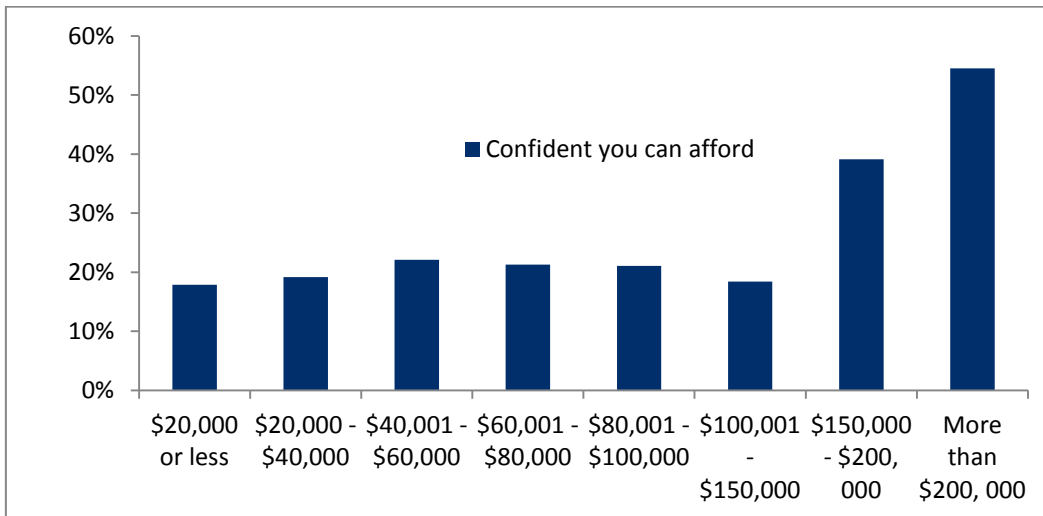
Source: TAI survey

An optimistic interpretation of Figure 1 would be that nearly three quarters of Australians are confident or only somewhat concerned about the cost of care for staying in their own homes. However, classifying responses by income group shows that only the highest-earning Australians are confident they can afford this care, as shown in Figure 2: In regards to paying for your current or future aged care, do you feel? below:

<sup>1</sup> The Australia Institute commissioned polling of Australian preferences and concerns regarding aged care. Polling was conducted by a professional polling company via internet surveys in September–October 2015. The responses from 1,407 people have been weighted for age, gender and income to reflect the Australian population. Respondents were given basic background information about homeshare programs.



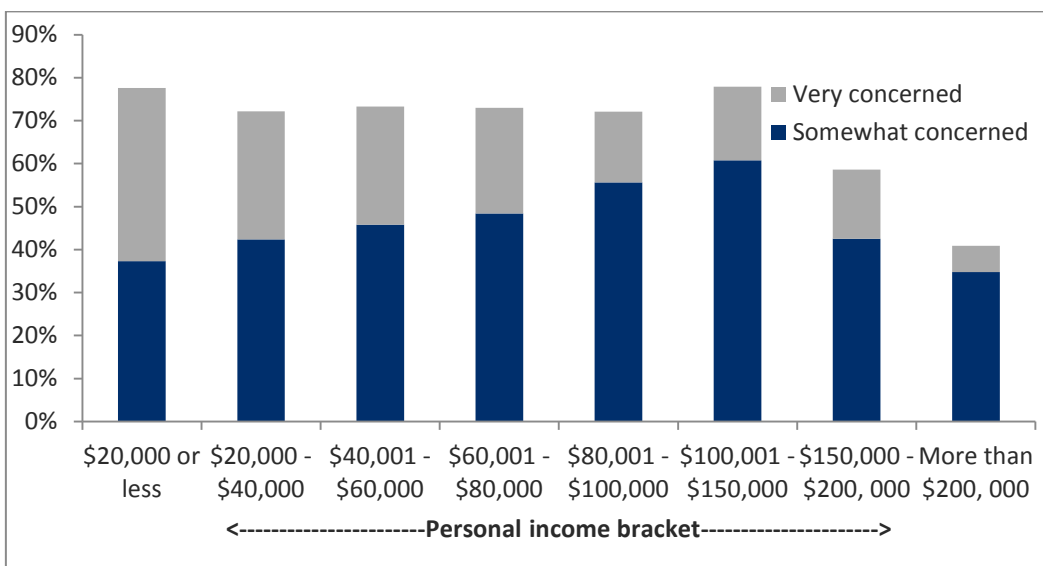
**Figure 2: In regards to paying for your current or future aged care, do you feel?**



Source: TAI survey

We see that only around 20 per cent of all income groups are confident they can afford the aged care they want. Even among those earning up to \$150,000 per year only 18 per cent felt confident of affording their aged care. These people are in the highest 20 per cent of Australian income earners. Only among those earning over \$150,000 did levels of confidence increase. The apparent optimism of the lower income earners in Figure 2: In regards to paying for your current or future aged care, do you feel? is partly explained by these groups having higher numbers of people being ‘very concerned’ as opposed to ‘somewhat concerned’ or confident of affording their aged care, as shown in Figure 3 below:

**Figure 3: In regards to paying for your current or future aged care, do you feel?**

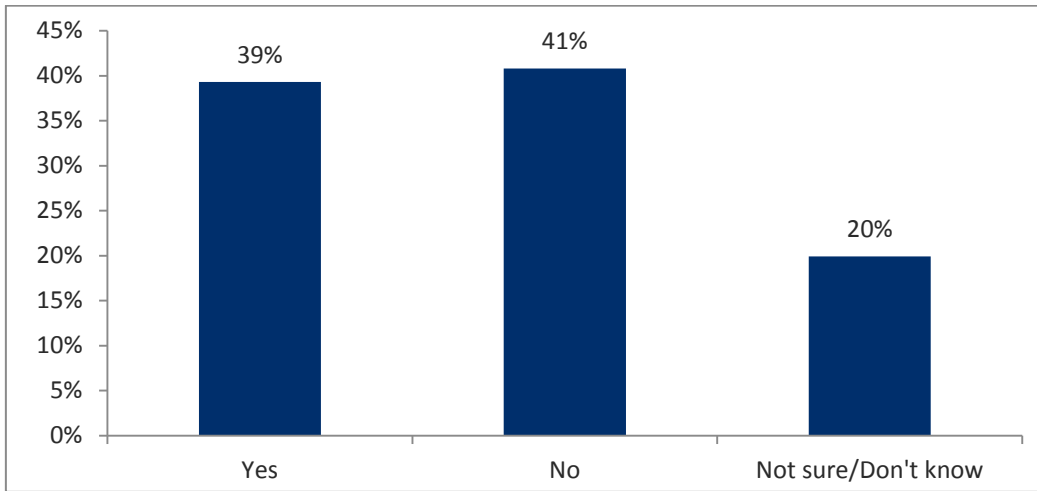


Source: TAI survey

Figure 3 shows that portions of people 'very concerned' about affording at-home aged care reduces significantly with income level, with over 40 per cent of the lowest income earners very concerned, compared to only 6 per cent of the highest income earners.

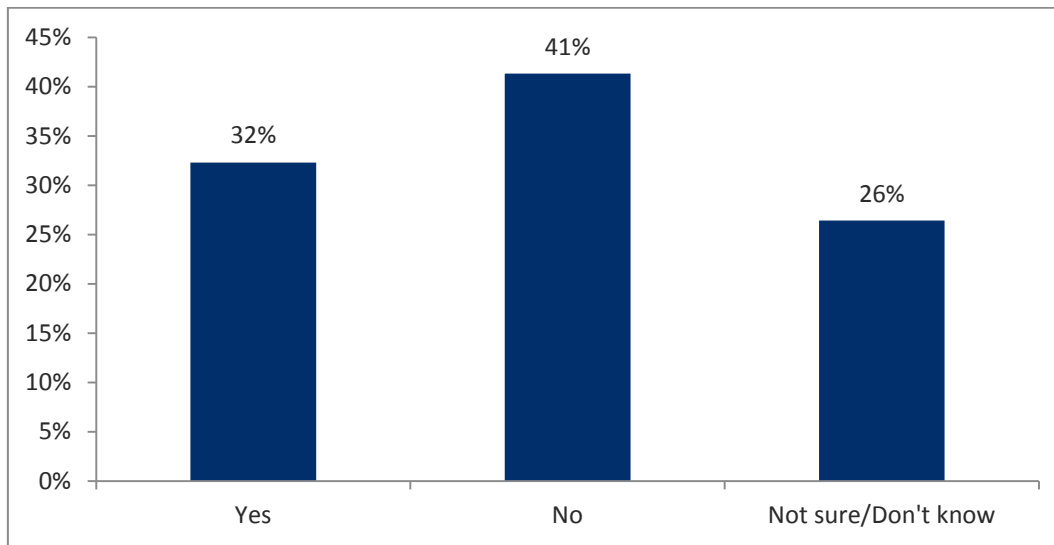
Considering these results, it is not surprising that high portions of Australians would consider taking part in a homeshare program, or be supportive of a family member doing so. Around a third of younger and older Australians would consider participating, with two thirds of middle aged groups being supportive, as shown in Figures 4 to 6 below:

**Figure 4: Asked to under 40s: Would you consider living with an older person as part of a homeshare program?**



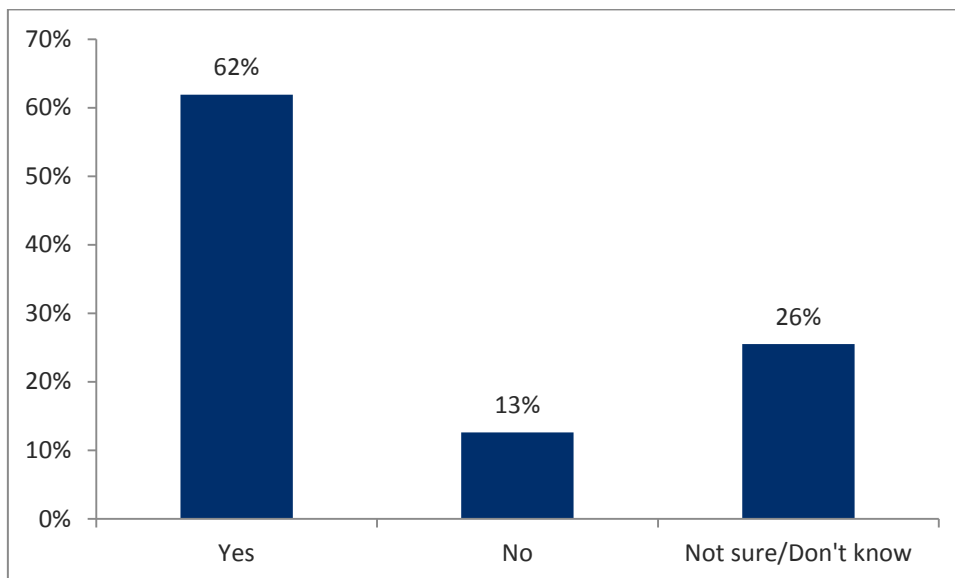
Source: TAI survey

**Figure 5: Asked to over 60s: Would you consider sharing your house with a younger person as part of a homeshare program?**



Source: TAI survey

**Figure 6: Asked to 40–60s: Would you be supportive of your younger or older family members living with an older/younger person as part of a homeshare program?**

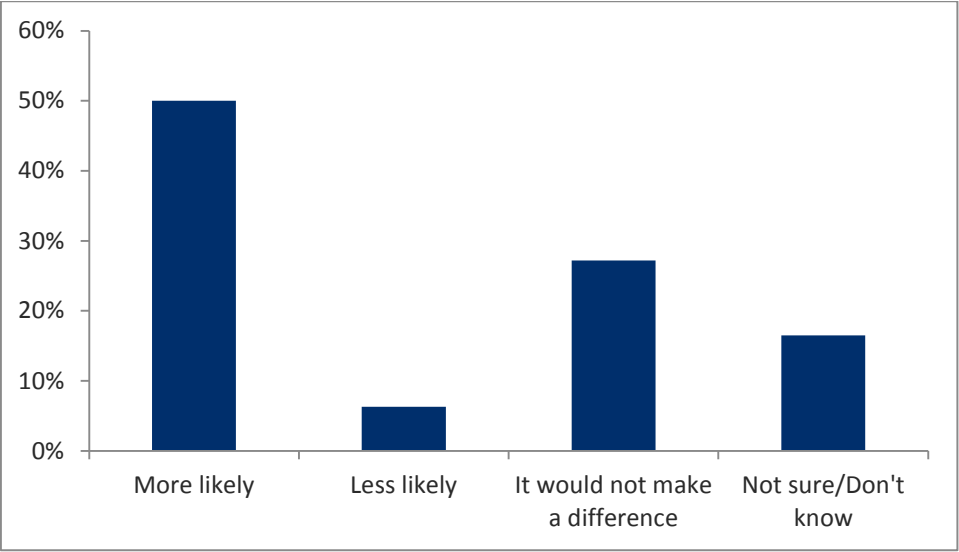


Source: TAI survey

Figures 4 and 5 show that younger and older respondents' willingness to participate in homeshare (39 per cent and 32 per cent) is lower than the support expressed by 40–60 year old respondents for other family members to participate (62 per cent with only 13 percent unsupportive). Homeshare is not for everyone. It comes with responsibilities for younger homesharers and sharing a house is not something that appeals to all older householders. It is important to note the level of support for the idea of

homeshare is higher than the portion of people who would like to participate themselves. The likelihood of people participating was increased in the survey when the management of homeshare programs through community organisations was further explained, as shown in Figure 7 below.

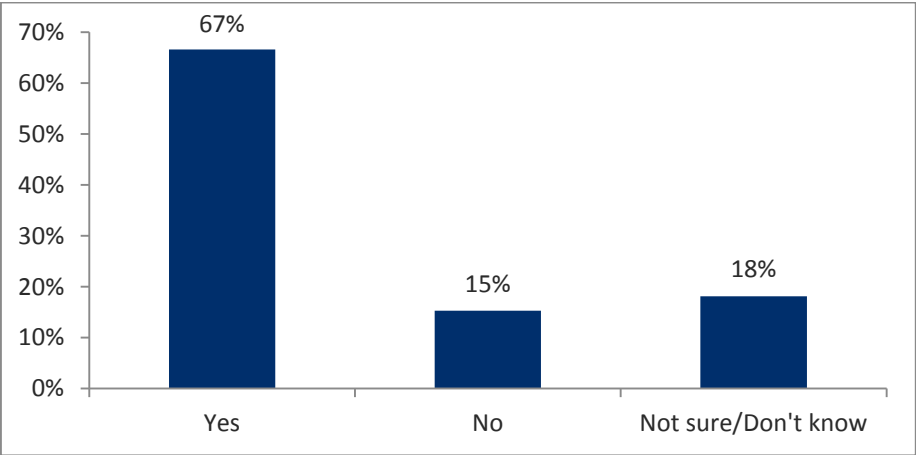
**Figure 7: Would knowing that a reputable community agency was running a formal program of matching and monitoring homesharing arrangements make you more or less likely to participate?**



Source: TAI survey

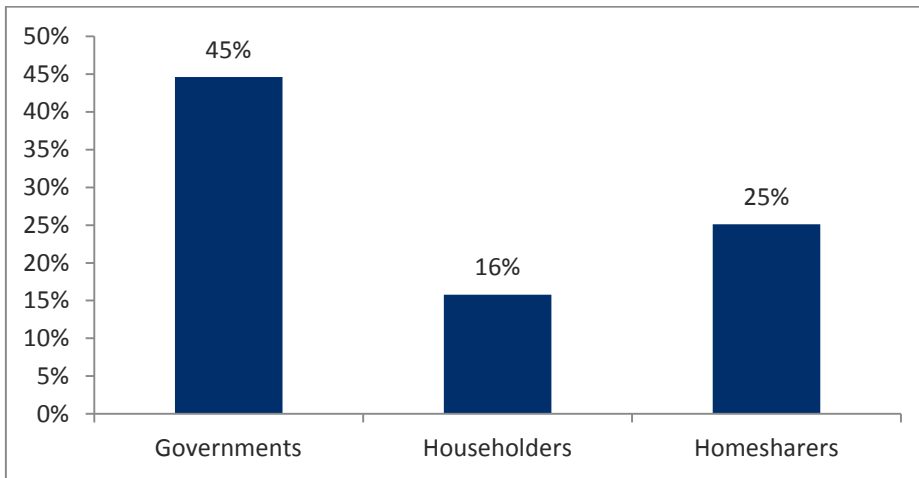
Among all respondents there is strong support for government funding of homeshare, including among those who did not want to participate in a homeshare program themselves, as shown in Figure 8 and Figure 9 below:

**Figure 8: Even if you wouldn't like to participate in a homeshare program yourself, do you think such programs are a good use of government funding?**



Source: TAI survey

**Figure 9: Homeshare programs should be funded, or supported, by...**



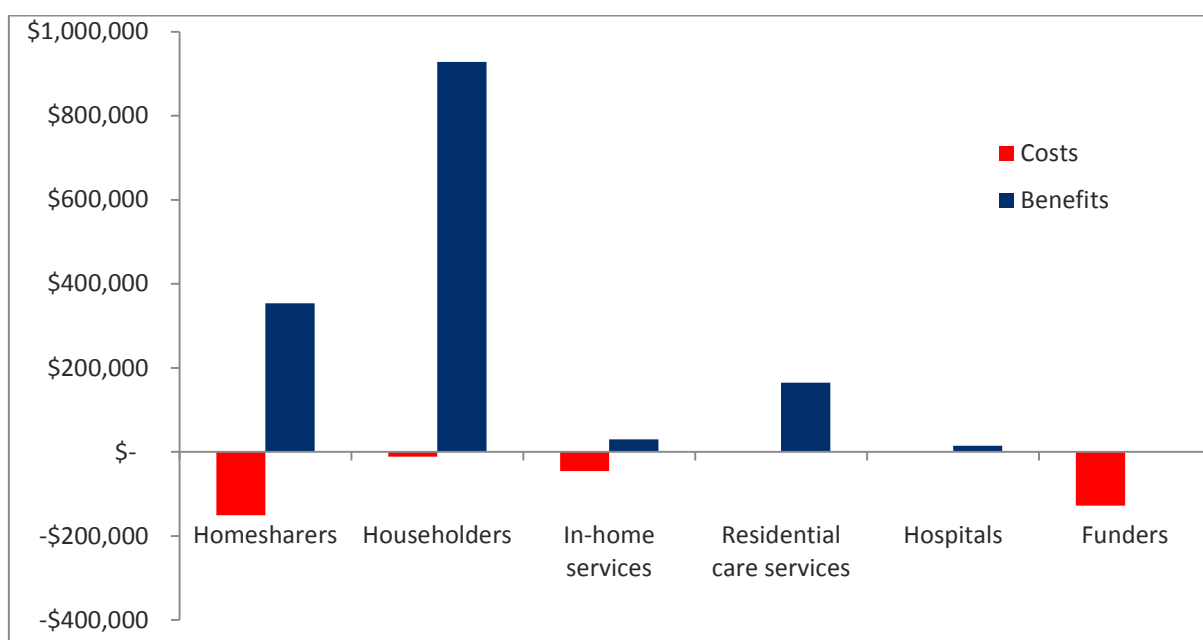
Source: TAI survey

Figure 9 shows that while respondents were most supportive of government funding for homeshare, 25 per cent felt that homesharers should be contributing to funding, but just 16 per cent suggested older householders should be paying a participation fee. This initial public perception is interesting, as the most detailed economic study of a homeshare program to date found that householders receive the most benefit from homeshare.

# Economic assessment of homeshare

The most detailed known economic assessment of a homeshare program was written by Monash University researcher Ben Carstein in 2002–2003. Carstein’s cost benefit analysis of Homeshare Victoria (now Wesley Homeshare) found that the program delivered an average annual net benefit of \$1.1 million.<sup>2</sup> The vast majority of these benefits flow to householders, as shown in Figure 10 below:

**Figure 10: Annual net benefits of Homeshare Victoria**



Source: (Carstein 2003) and TAI calculations

Before considering the results in Figure 10 and other parts of Carstein’s analysis, some important points should be noted:

- Carstein’s analysis was based on a Homeshare Victoria and the 32 householders that it worked with over a two year period in 2001–2002. Although 32 matches were not in place throughout that period, the analysis assumes that a mature homeshare program can maintain 32 matches with a full time coordinator and a part time assistant (1.3 full-time equivalent staff). This assumption was based on experience in London and the estimates of Homeshare Victoria at the time.

<sup>2</sup> Throughout this paper Carstein’s figures have been converted to 2015 dollars using the Australian Bureau of Statistics 6401.0 Consumer Price Index, Australia, TABLES 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes.

- Carstein’s analysis is extremely thorough. His estimates were based on discussions and surveys with the householders, homesharers, staff and care package case managers. He had a detailed understanding of each householder’s care needs and of the Victorian aged care and health systems at that time. His estimates of what savings and costs homeshare was providing to some stakeholders and imposing on others are detailed, well-presented and strongly based on orthodox welfare economics. Few economic assessments of aged care policy have this granular level of understanding.
- Carstein’s focus on Homeshare Victoria in the early 2000s means that his results may not be entirely applicable to programs with different characteristics. For example, Homeshare Victoria at that time worked with older householders exclusively, but has since expanded to work with disabled householders. Homeshare programs with a large portion of disabled householders may have different distributions of costs and benefits.
- It is difficult to perform economic analysis on things that are not bought and sold. Carstein rightly emphasises that things like happiness, companionship and a sense of independence for participants are perhaps the key benefits of any homeshare program, but they are not included in his assessment due to the difficulty economists have in measuring such things. Decision-makers should be aware of this important shortcoming; social policy should not be decided on economic analysis alone. Rather, economic analysis should contribute to decision-making along with considerations of people’s welfare, equity and the preferences of communities.

Although Carstein’s assessment is over ten years old, its detail and high quality makes it a strong foundation from which to examine the current economics of homeshare. In the following sections we examine how economic costs and benefits of homeshare programs are distributed and their implications for future homeshare programs.

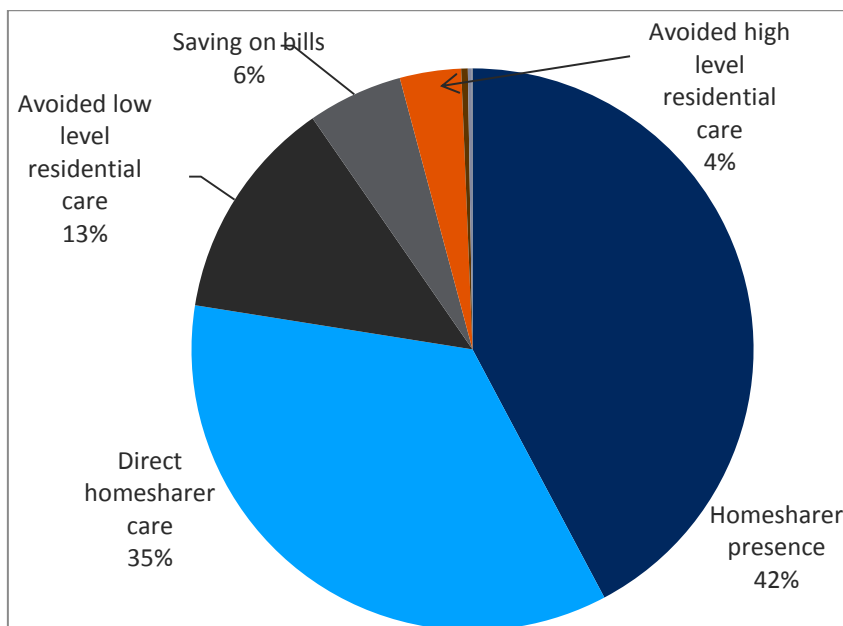
# Costs and benefits of homeshare

## HOUSEHOLDERS

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The largest economic benefits to householders stem from the presence of homesharers in the house overnight and the direct care that homesharers provide, as shown in Figure 11 below:

**Figure 11: Economic benefits to householders**



Source: (Carstein 2003) and TAI calculations

The value of homesharer presence and homesharer care in Figure 11 were carefully adjusted to reflect that homesharers are not an exact substitute for commercial live-in care or other direct care. Homesharers are not qualified carers and their duties are different to those that would be expected from a paid live-in carer. Carstein's calculations reflect these factors. Homesharers may, however, form a different personal bond or friendship with householders; while important, this is not included in the economic assessment for reasons discussed above.

Avoided residential care costs in Figure 11 refer to costs that would be incurred by householders and their families. Government costs are considered further below. These costs were based on assessment of participants in the Homeshare Victoria program that found:



- Around 7 of the 32 matches were deferring householder entry to hostel level care.
- Around 2 of the 32 matches were deferring householder entry to high-level care.

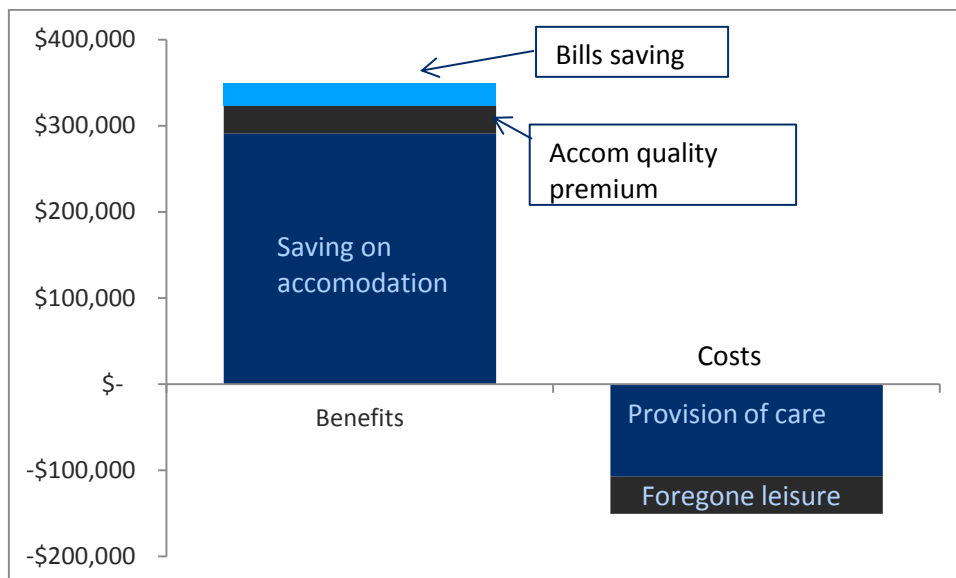
If a homeshare program has more matches that are deferring entry into residential care than Carstein observed in 2001–2002, these benefits to householders (and governments) would be greater.

The smaller, unlabelled benefits and costs in Figure 11 are: saving from non-contribution to home and community care (HACC) programs and shared food expense. Some householders also incurred an opportunity cost from not renting out the room that was occupied by the homesharer.

## HOMESHARERS

Homesharers also gain substantial benefits from homeshare, mostly because they do not need to pay for accommodation. They also save on utility bills and benefit from quality accommodation, which is usually larger and nicer than they could otherwise afford. These benefits are quantified in Figure 12 below:

**Figure 12: Benefits and costs to homesharers**



Source: (Carstein 2003) and TAI calculations

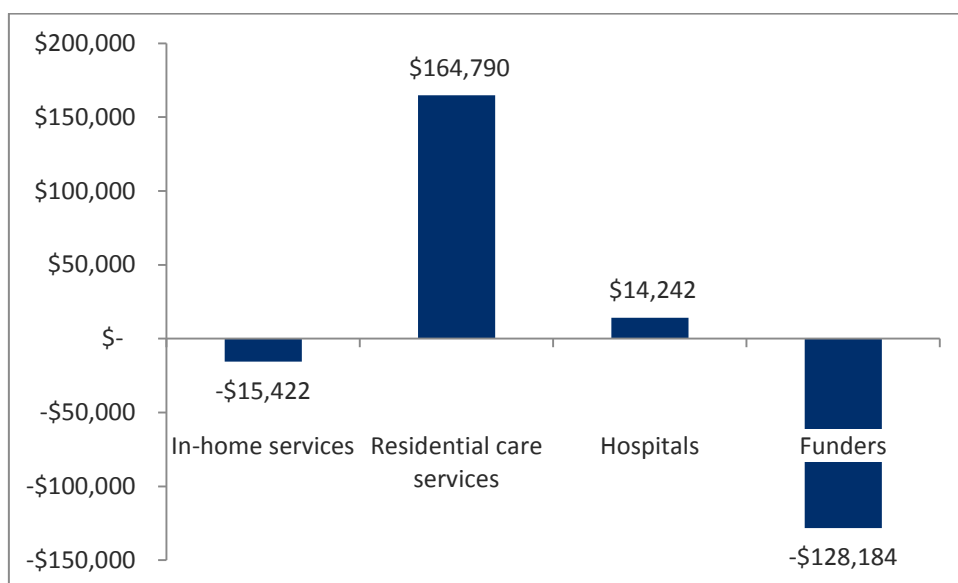
Figure 12 also shows that homesharers incur costs. It takes time to provide care and do chores for the householder and the living arrangements mean that they forego potential leisure opportunities. The benefits for homesharers generally substantially

outweigh these costs, at least until their living circumstances change and their labour becomes more valuable. This is often the reason that homeshare matches end.

## GOVERNMENT AND FUNDERS

While homeshare represents a net saving for government departments and funders overall, particular departments will see a net loss. The big public sector winners from Homeshare Victoria in Carstein’s analysis were departments that provided residential aged care services, as shown in Figure 13 below:

**Figure 13: Effects of Homeshare on government departments and funders**



Source: (Carstein 2003) and TAI calculations

Homeshare reduces the demand for residential aged care, as householders are more able to stay in their home. This also reduces the need for respite stays in aged care facilities. As discussed in the Householders section above, Carstein used information from care workers to determine how many householders were avoiding entry into specific forms of residential care. Similarly, hospitals are able to discharge a householder earlier as their homesharer will support their recovery.

While homeshare provides clear savings for residential care providers and hospitals, the program’s effect on departments that provide or fund in-home services is mixed. Homeshare may reduce the need for some services – for example, cooked meals replacing meal delivery – but because householders live at home for longer, demand for other in-home services such as nurse visits will increase.

While homeshare represents a net saving for government departments, the savings are primarily made by departments responsible for residential care while the costs are incurred by departments responsible for in-home care. In-home care departments do make some savings, but Carstein found Homeshare Victoria imposed a net cost on the in-home care department, the Victorian Department of Human Services (DHS).<sup>3</sup>

In-home care departments are likely funders of homeshare. In Figure 13 all funding has been put in the costs to 'funders' column. In Carstein's original analysis, the Victorian DHS was also funding a large part of the program. As a result, DHS incurred a considerable net cost from the program through providing funding and incurring increased costs. Other funding was provided by philanthropists and there was a funding shortfall, later covered by federal funding.

Advocates for homeshare programs should remember that while homeshare provides strong overall economic benefits, and even a net saving for governments, particular departments will incur a budgetary cost from homeshare operations. These same departments are likely to be involved in administering homeshare funding and making administration decisions about it. These distributional effects may affect the budgets and internal politics of these departments.

The strongest, largest beneficiaries are householders, homesharers and residential aged care service funders. Carstein concluded that fees could be charged to participants to help cover funding shortfalls. He also recommended seeking funding contributions from funders of residential care who would make savings. Such decisions should be taken by the management of each program, depending on the practicality of charging fees and the preferences of different stakeholders. It is interesting to note that economic assessments of other homeshare and residential care-avoiding policies focus on exactly these points.

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<sup>3</sup> Carstein also examined the net effect on the Department of Veterans Affairs (DVA), which also incurs costs for in-home care. Unlike Human Services, DVA experienced a small net benefit.

# Benefits provided by Australian homeshare programs

The net benefits provided by two Australian homeshare programs can be calculated by applying Carstein’s findings to data from the programs. Table 1 uses Carstein’s calculation of the economy-wide, annual benefit of a homeshare program with 32 matches to determine the benefit of a “homeshare week”, that is the per-week benefit of a single homesharer–householder match:

**Table 1: Net benefits to stakeholders of a week of homeshare**

<b>Net benefits to stakeholders (excluding funding)</b>	\$1,283,339
<b>Matches</b>	32
<b>Weeks per year</b>	52
<b>Homeshare weeks per year assumed</b>	1664
<b>Net benefits to stakeholders (excluding funding) per homeshare week</b>	\$771

Source: Carstein (2003), TAI calculations

In Table 1 we estimate that for every week of homeshare match achieved, a net benefit of \$771 is achieved through care to the householder, rent saved by the homesharer, changes to in-home services, and savings in residential care services and hospitals. The funding of the program is not included in this estimate as we assume that the cost of funding the 1.3 full time positions does not change in response to the number of matches in place. This cost of \$128,000 per year (2015 dollars) is fixed.

## HOMESHARE VICTORIA/WESLEY HOMESHARE

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This is Australia’s longest running homeshare program, in operation since 2000. Carstein’s research was based on the early years of this program. A detailed database was maintained from 2000 to 2008. The program grew steadily from 2000 to have 30 matches in place by 2006. From 2004 to around 2012 the program was providing over 1,000 weeks of homeshare per year.<sup>4</sup>

<sup>4</sup> Note that limited data is available from 2008 to present. We assume that there has been a straight line reduction in match numbers from the 2008 peak of 34 to the current reported number of 16 operational matches.

Applying the estimates derived in Table 1 allow for a broad estimate of the net benefits derived from the Wesley Homeshare program over its 15 years of operation, as shown in Table 2 below:

**Table 2: Net benefits of Wesley Homeshare**

Year	Weeks of homeshare	Net benefits per homeshare week (ex funding)	Net benefit of homeshare program operation (ex funding)	Funding cost	Net benefits of homeshare year
2000	236	\$ 771	\$ 182,012	-\$ 128,184	\$ 53,828
2001	673	\$ 771	\$ 519,043	-\$ 128,184	\$ 390,859
2002	830	\$ 771	\$ 640,127	-\$ 128,184	\$ 511,943
2003	862	\$ 771	\$ 664,806	-\$ 128,184	\$ 536,623
2004	1,162	\$ 771	\$ 896,178	-\$ 128,184	\$ 767,994
2005	1,098	\$ 771	\$ 846,818	-\$ 128,184	\$ 718,635
2006	1,506	\$ 771	\$ 1,161,483	-\$ 128,184	\$ 1,033,300
2007	1,768	\$ 771	\$ 1,363,547	-\$ 128,184	\$ 1,235,364
2008	1,560	\$ 771	\$ 1,203,130	-\$ 128,184	\$ 1,074,946
2009	1,560	\$ 771	\$ 1,203,130	-\$ 128,184	\$ 1,074,946
2010	1,414	\$ 771	\$ 1,090,838	-\$ 128,184	\$ 962,654
2011	1,269	\$ 771	\$ 978,546	-\$ 128,184	\$ 850,362
2012	1,123	\$ 771	\$ 866,254	-\$ 128,184	\$ 738,070
2013	978	\$ 771	\$ 753,961	-\$ 128,184	\$ 625,778
2014	832	\$ 771	\$ 641,669	-\$ 128,184	\$ 513,486
<b>Totals</b>	<b>16,871</b>		<b>\$ 13,011,542</b>		<b>\$ 11,088,788</b>

Source: Carstein (2003) and TAI calculations

We see that the Wesley homeshare program has generated net benefits of over \$11 million during its operations. This represents a present value from the start of the program of \$7.2 million.<sup>5</sup> This should be viewed as a broad, indicative estimate only, based on the following assumptions:

- Profile of householders and homesharers as reported by Carstein. The care needs and accommodation preferences of participants may have changed during this time. In particular, the program is known to have taken on substantial numbers of disabled householders, for whom the costs and benefits of the program may be substantially different.
- Constant funding costs in real terms.
- Data accuracy, particularly for the post 2008 years when accurate records have not been kept or made available.

<sup>5</sup> Using a 6 per cent discount rate after Carstein.

## COMMUNITY CONNECTIONS

Community Connections are a non-government organisation operating a homeshare program in Canberra, servicing the ACT and nearby parts of New South Wales. The program has been running for almost three years.

Table 3 below applies the same estimates and methodology to data provided by Community Connections:

**Table 3: Net benefits of Community Connections Homeshare**

Year	Weeks of homeshare	Net benefits per homeshare week (ex funding)	Net benefit of homeshare program operation (ex funding)	Funding cost	Net benefits of homeshare year
<b>2013</b>	209	\$771	\$ 161,189	-\$ 128,184	\$ 33,005
<b>2014</b>	490	\$771	\$ 377,906	-\$ 128,184	\$ 249,723
<b>2015 (to 30 July)</b>	310	\$771	\$ 239,084	-\$ 74,774	\$ 313,857
<b>Total</b>	1009		\$ 778,178	-\$ 331,141	\$ 596,585

Source: Carstein (2003) and TAI calculations

Although in operation for only three years, we see that Community Connections Homeshare program is already delivering substantial benefits to the community in the ACT and surrounding areas. These estimates rely on the assumptions listed under Table 2. This program is also known to have several disabled householders whose costs and benefits may differ from those estimated by Carstein. These estimates should be used as a rough guide.

## Estimated benefits and actual benefits

Carstein's estimates of the economic benefits of the Homeshare Victoria program were based on the program maintaining 32 matches with one full time coordinator and one part time assistant. The data from the Homeshare Victoria/Wesley Homeshare program, Table 2 above, shows that this level of capacity is achievable, as the program has had up to 34 matches operating, but is difficult to achieve and maintain.

After two and a half years the Community Connections Homeshare program, Table 3, has 11 ongoing matches. It is growing strongly and is in a different environment to Wesley Homeshare, but seems to be several years from achieving and maintaining 32 matches.

Not all homeshare programs achieve their potential benefits. Several programs have failed in Australia, including in Sydney and other capital cities. Key factors in all cases have been the quality of staff and institutional support for programs. These vital factors are rarely considered by economists, who struggle to incorporate quality into economic assessment. Carstein's results assume that the labour market will always provide a capable homeshare coordinator and a supportive institutional setting. Carstein could not have known in 2003 that his assessment was of the program that would become Australia's longest running and most successful, achieving a quantity and quality of homeshare matches that has not been repeated.

While homeshare can provide large economic benefits, returning net benefits many times the funding outlay, realising them depends on the capacity of the organisations and the abilities of the people involved.

# Conclusion

Homeshare makes sense from an economic perspective. It takes two things that are cheap, an empty room and the labour of a young person, and uses them for purposes that are expensive.

Put more technically, a householder living alone in a large house faces very little 'opportunity cost' from letting a homesharer use part of their house. Usually they would not be using the room for any other valuable purpose. Homesharers are typically younger and often students. The ten hours per week required to participate in homeshare also has low opportunity cost, most likely equivalent to spending that time working in a low-paid job at close to minimum wage.

While the costs to householders and homesharers are low, the benefits are substantial. Live-in companionship and care for older people is extremely valuable, even when expressed through an inadequate measure such as its dollar value. For younger people, living rent-free in a nice house in a good location is also extremely valuable.

These obvious benefits mean that governments should be investing in homeshare programs. They reduce the government's residential care and hospital budgets as well as providing economic benefits to participants. Furthermore, homeshare helps address an issue that around 80 per cent of Australians worry about: affording the aged care they need to stay in their homes. This concern is widespread even among high income-earners.

The devil is in the detail. Not all government departments experience savings from homeshare; providers of in-home care services may see increased costs, and these are the very departments most likely to be asked for funding. Funding doesn't buy success either. Homeshare programs need talented staff and strong institutional support for them to deliver their potential benefits.

Homeshare advocates should proceed, confident that they have strong economic arguments to support their programs' needs for funding and support. They should target their efforts carefully, emphasising the benefits they provide to participants and some government departments, while working with likely funders to ensure the right staff and institutional conditions are in place to ensure success.



# Bibliography

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