



## Cash Payments to People Experiencing Homelessness

### Background:

Emerging studies have shown that unrestricted cash-transfer programs can effectively prevent homelessness and save more money than they cost. Cash transfer programs can be one-time payments to help avert a potential crisis and stabilize families or individuals or longer-term income payments to make housing more affordable. Previously, most government and nonprofit efforts to prevent or solve homelessness have offered goods and services like shelter, housing vouchers, food, and health care to vulnerable people to lift them out of or prevent them from falling into homelessness. While these approaches can be impactful, they carry the assumption that people in poverty don't know what they need to survive or can't be trusted to make decisions to help themselves (Schonfeld, Brown, Weniger, & Gordon, 2003). Recent programs focused on providing direct, unrestricted cash transfers to people in poverty accomplish two primary objectives. Cash transfers are more efficient than traditional support services; they cut out the "middleman" and save organizations money by virtually eliminating these programs' administrative costs (Blattman & Niehaus, 2014). Additionally, these transfers remove some of the paternalistic oversight inherent in traditional philanthropic and government approaches to homelessness; they give the recipients the freedom to determine for themselves how to spend the money (Ingram & McArthur, 2018). Though the evidence for the effectiveness of cash transfers in international development is well-established, their use in preventing homelessness domestically is still being studied. Several studies have measured the effectiveness of cash transfers to people experiencing homelessness, both one-time payments to avert a crisis and long-term income payments. Initial evidence on the efficacy of these cash payments on preventing homelessness has been positive and warrants further study.

### Key Takeaways:

- Studies on cash transfers in an international development context have shown their effectiveness in reducing poverty, but few studies have examined their effectiveness in reducing homelessness in North America.
- Recent cash transfer programs in New York, London, and Vancouver, B.C., highlighted in this literature review have yielded encouraging initial results, but more research is needed.
- If implemented effectively, cash transfers could prevent people from falling into homelessness or give others the economic boost they need to secure housing and exit homelessness.

### Cash Transfers in International Development

Though cash transfers are a relatively novel idea in homelessness assistance, there is a much more robust history of cash transfers being effective in international development. A 2016 literature review of the last 15 years of research, particularly in Latin America and Africa, found that cash transfers reduce monetary poverty, raise school attendance, increase health service use, improve



savings and investment, and give women more decision-making power (Bastagli et al., 2016). Additionally, this robust literature review examined and dismissed critiques of cash transfer programs, finding no evidence that these programs disincentivize work, a common criticism of cash transfer programs. Though cash transfers have seen positive results in international development work, very few domestic organizations focused on solving homelessness in the United States have used similar techniques (Blattman, 2014).

### **Cash Transfers in Solving and Preventing Homelessness**

Though city governments such as Stockton, California have demonstrated the effectiveness of Universal Basic Income in increasing full-time employment and reducing income volatility, such approaches have not yet been used by governments to specifically target homelessness (West et al, 2021). However, there have been several experimental programs run by non-profit organizations in the United States, Canada, and Europe that have shown the positive impacts of cash transfers, both long-term income payments, and short-term payments to avert crises that could lead to homelessness.

#### *Opportunity NYC—Family Rewards:*

The Opportunity NYC- Family Rewards program was the first comprehensive long-term Conditional Cash Transfer program in the United States (Riccio et al., 2013). Starting in 2007, the privately-funded program gave low-income families in New York an average of \$8,700 on a bi-monthly basis for three years. However, the cash payments were *not* unrestricted. Opportunity NYC payments were conditional on the money being used to build social capital that could disrupt generational cycles of poverty. Recipients could use the cash on things like children’s educational achievement or family health care. A randomized control trial found that the cash payments from Opportunity NYC reduced hunger, helped parents increase savings, and increased the likelihood of self-reported full-time employment three to four years after the program's start (Riccio et al., 2013).

#### *New Leaf Project – Vancouver, BC:*

The New Leaf Project is a Canadian study conducted in 2018 that gave one-time unrestricted cash transfers of \$7,500 (about \$5,700 US\$) to newly homeless adults over the age of 19. It was the first program of its kind to give unconditional cash transfers to people experiencing homelessness (*New Leaf Project — Foundations for Social Change*, n.d.). The program provided payments to 50 people and tracked their outcomes as well as a control group of 65 other people who did not receive the subsidy. The organization reported that the experimental group who received the assistance moved into stable housing faster and spent fewer days homeless than the control group. Participants were able to save \$1,000 on average of the \$7,500 after 12 months. Their spending on food, clothing, and rent increased, while they spent 39% less on average on alcohol, cigarettes, and drugs. The subsidies reduced the participants’ reliance on temporary shelters, saving resources and freeing up shelter beds.

Questions remain as to which populations of people experiencing homelessness will benefit from this approach. The New Leaf Project carefully selected participants who they thought would have the highest likelihood of success. Participants all had become homeless in the last two years and the program screened them for mental health challenges and severity of substance use (*New Leaf Project — Foundations for Social Change*, n.d.). Once participants were selected, the New Leaf Project randomly selecting which participants would receive the cash payments and which would not. Subsequent studies could explore whether this approach could be effective for the broader population experiencing homelessness.



Foundations for Social Change, the Canadian-based non-profit in charge of the New Leaf Project, is trying to raise \$10 million to expand the program and to continue studying the outcomes. If funded, they hope to increase the cash subsidies given to participants from \$7,500 to \$8,500 (to match the 2017 increase in BC’s income assistance rate), expand the sample size from 50 to 200, and collect better data, including weekly and monthly surveys, to measure progress (*New Leaf Project — Foundations for Social Change*, n.d.) With this expansion, the New Leaf Project could provide more authoritative evidence on the effectiveness of cash transfers to people experiencing homelessness.

#### *Broadway Study, London England*

Broadway, a British homelessness charity, conducted a trial program similar to the New Leaf Project but on a smaller scale in 2010. Broadway gave 15 chronically homeless men, who had been sleeping on the streets between 4 and 45 years, a one-time payment of up to £3,000 (approximately \$4200 USD) that they could use for anything they wanted (Hough & Rice, 2010). Unlike the New Leaf Project, the funds weren’t completely unrestricted; the participants couldn’t use them on drugs, alcohol, or gambling. Program participants had some assistance from Broadway staff in drawing up an “action plan,” a type of budget for spending the funds. Besides those restrictions, though, the men could use the funds to buy anything they wanted, from housing or medical care to furniture, televisions, or train tickets. After thirteen months, 7 of the 15 men who received the funds were living in permanent housing as a direct result of the program, and an additional two were making plans to move into permanent housing (Hough & Rice, 2010). The Broadway Study had no control group, but given the fact that all participants had been on the street for between 4 and 45 years and were previously unwilling to accept offers of accommodation, the study’s researchers are able to assume that the move into housing is a direct result of the program.

#### *Other Studies:*

While the New Leaf Project and the Broadway program used one-time lump sum payments, Chapin Hall and Point Source Youth are piloting a program that would evaluate the effectiveness of a long-term safety net approach. This program would provide consistent smaller cash transfers over time (“The Role of Cash in Empowering Young People Who Experience Homelessness – Chapin Hall,” n.d.). The study would be the first of its kind to evaluate this long-term plan akin to a universal basic income on people experiencing homelessness. Additionally, it would be the first cash transfer pilot program to specifically target young people (though the project does not specify an age range on their website). This program is in its early stages, and the results of the study are not available yet. The success of the New Leaf Project has inspired similar programs that are attempting to follow their model, including Miracle Money, a San Francisco-based program that provides \$500 monthly cash stipends to people experiencing homelessness (Miracle Money, N.D.). However, the results of this pilot are not yet available.

#### **Roadblocks**

Despite the success of these early attempts at un-restricted cash transfers, political roadblocks could prevent these programs from being replicated on a larger scale by governments rather than small non-profits. There is political resistance to giving people experiencing homelessness unrestricted cash. Elected officials may be worried about potential backlash to a program like this, even if deemed economically efficient and shown to have positive results (Westneat, 2020). For now, it seems likely that unrestricted cash transfer pilot programs will primarily be conducted by non-profits and NGOs until there is enough



political momentum to implement such programs at the governmental level (Soskis, 2016).

### **Prevention Programs**

While there has been very little research on cash transfer programs for people experiencing homelessness, there is more research on cash transfers for people facing eviction. Many programs in the United States provide cash to people facing eviction to keep them in their housing in an effort to prevent homelessness. These cash transfers are different because they are restricted; recipients must use the cash for rent, security deposits, utility bills, or other costs directly related to housing. Additionally, these programs often pay the money directly to the landlord, rather than into the hands of the families or individuals, which found that families who called the hotline when funds were available were 76% less likely to enter a shelter after six months than those who called when no funding was available, a decrease in the odds of becoming homeless from around 2% to just over 1% (Evans, Sullivan, & Wallskog, 2016). A similar program in NYC called Homebase provided cash assistance as well as benefits counseling, case management, legal aid, and other services (Rolston, Geyer, Locke, Metraux, & Treglia, 2013). A study found that the program reduced homelessness by 70% over an observation period of 27 months. Both programs, Homebase, and the Chicago 311 homeless assistance program, were found to reduce costs, saving more money per family or individual served than they spent serving them.

While these programs are different from the Broadway and New Leaf programs because the cash stipends are meant to prevent homelessness rather than to lift people out of homelessness, and the funds were sometimes restricted to housing costs; nevertheless, these studies contribute to the body of evidence around the effectiveness of cash transfers (Von Wachter, Bertrand, Pollack, Rountree, & Blackwell, 2019).

### **Next Steps**

The body of evidence on the effectiveness of cash transfers in international development is increasingly large, showing that cash transfers encourage economic growth, don't disincentivize work, and don't lead to increased spending on drugs or alcohol (Doocy & Tappis, 2017). Although American governments have never used direct un-restricted cash transfers to combat homelessness, the COVID-19 stimulus checks rolled out to Americans in March and December of 2020 have shown the capability for the government to provide cash payments when there is enough political will ("Economic Impact Payments," 2021). Initial research on cash transfers to people experiencing homelessness has shown that these payments lead to increased spending on purchases that will lead to long-term stability. While the evidence from international development work is strong, and the initial evidence from the few programs that have used cash transfers to combat homelessness is promising, this body of research is small and new. More studies must be done across a broader population of participants to truly determine the effectiveness of cash transfers. It is important to note that while there is a growing body of evidence on the effectiveness of cash transfers in reducing and preventing homelessness, researchers emphasized that these programs should be seen more as stop-gap measures to prevent homelessness, not a long-term solution to the problem (Samuel, 2020).

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