

A Canadian study gave \$7,500 to homeless people

Sigal Samuel, *Vox*, October 27, 2020

Ray is a 55-year-old man in Vancouver, Canada. He used to live in an emergency homeless shelter. But over the past year, he's been able to pay for a place to live and courses to prepare him for his dream job — in part because he participated in a study called the New Leaf Project.

The study, conducted by the charity Foundations for Social Change in partnership with the University of British Columbia, was fairly simple. It identified 50 people in the Vancouver area who had become homeless in the past two years. In spring 2018, it gave them each one lump sum of \$7,500. And it told them to do whatever they wanted with the cash.

“At first, I thought it was a little far-fetched — too good to be true,” Ray said. “I went with one of the program representatives to a bank and we opened up a bank account for me. Even after the money was there, it took me a week for it to sink in.”

Over the next year, the study followed up with the recipients periodically, asking how they were spending the money and what was happening in their lives. Because they were participating in a randomized controlled trial, their outcomes were compared to those of a control group: 65 homeless people who didn't receive any cash. Both cash recipients and people in the control group got access to workshops and coaching focused on developing life skills and plans.

The results? The people who received cash transfers moved into stable housing faster and saved enough money to maintain financial security over the year of follow-up. They decreased spending on drugs, tobacco, and alcohol by 39 percent on average, and increased spending on food, clothes, and rent, according to self-reports. “Counter to really harmful stereotypes, we saw that people made wise financial choices,” Claire Williams, the CEO of Foundations for Social Change, told me.

The study, though small, offers a counter to the myths that people who become poor get that way because they're bad at rational decision-making and self-control, and are thus intrinsically to blame for their situation, and that people getting free money will blow it on frivolous things or addictive substances. Studies have consistently shown that cash transfers don't increase the consumption of “temptation goods”; they either decrease it or have no effect on it.

“I have been working with people experiencing homelessness as a family physician for 16 years and I am in no way surprised that the people who received this cash used it wisely,” Gary Bloch, a Canadian doctor who prescribes money to low-income patients, told me. “It should be fairly self-evident by now that providing cash to people who are very low-income will have a positive effect,” he added. “We have seen that in other work (conditional cash transfer programs in Latin America, guaranteed annual income studies in Manitoba), and I would expect a similar outcome here.”

What's more, according to Foundations for Social Change, giving out the cash transfers in the Vancouver area actually saved the broader society money. Enabling 50 people to move into housing faster saved the shelter system \$8,100 per person over the year, for a total savings of

\$405,000. That's more than the value of the cash transfers, which means the transfers pay for themselves.

"People think that the status quo is cheap, but it's actually incredibly expensive," Williams said. "So why don't we just give people the cash they need to transform their lives?"

Williams developed the idea for the New Leaf Project when her co-founder sent her a link to a 2014 TED talk by the historian Rutger Bregman titled "Why we should give everyone a basic income." It argued that the most effective way to help people is to simply give them cash.

The general idea behind basic income — that the government should give every citizen a monthly infusion of free money with no strings attached — has gained momentum in the past few years, with several countries running pilot programs to test it.

And the evidence so far shows that getting a basic income tends to boost happiness, health, school attendance, and trust in social institutions, while reducing crime. Recipients generally spend the money on necessities like food, clothes, and utility bills.

But Williams and her collaborators decided that rather than give people monthly payments, they'd give one big lump sum. "The research shows that if you give people a larger sum of cash up front, it triggers long-term thinking," as opposed to just keeping people in survival mode, Williams explained. "You can't think about maybe registering for a course to advance your life when you don't have enough money to put food on the table. The big lump sum at the front end gives people a lot more agency."

That's what it did for Ray. In addition to getting housing, he used the cash transfer to take the courses he needed to become a front-line worker serving people with addictions. "Now I can work in any of the shelters and community centers in the area," he told me, adding that receiving a cash transfer had felt like a vote of confidence. "It gives the person their own self-esteem, that they were trusted."

Not everyone was eligible for a cash transfer, however. The study only enrolled participants who'd been homeless for under two years, with the idea that early intervention most effectively reduces the risk of people incurring trauma as a result of living without a home. And people with severe mental health or substance use issues were screened out of the initiative. Williams said this was not out of a belief that there are "deserving poor" and "undeserving poor" — a woefully persistent frame on poverty — but out of a desire to avoid creating a risk of harm and to ensure the highest likelihood of success.

"If there was null effect from people receiving the cash, from an investor perspective it could be seen as a 'waste of money' because it didn't actually demonstrate impact in somebody's life," Williams said. "We just wanted to start small, and the idea is that with subsequent iterations we'll start relaxing those parameters."

She also said it was a difficult decision to include a control group of people who wouldn't receive any cash, but ultimately, the control group was deemed necessary to prove impact. "We

knew that we needed the rigor, because people would be skeptical about giving people cash. We wanted that evidence base that can assuage some of people's concerns when they want to see the hard facts," she told me.

Going forward, Foundations for Social Change is trying to raise \$10 million to scale up its cash transfer approach to multiple cities across Canada. It plans to give out 200 cash transfers in the next iteration, which will also be run as a randomized controlled trial. Based on feedback from study participants and a Lived Experience Advisory Panel — a group of people who've experienced homelessness — the charity will offer a new array of non-cash supports to both the cash recipients and the control group, including a free smartphone.

The charity also hopes to work with other populations, like people exiting prison and people exiting sex work. To Williams, the time feels ripe. "I think the pandemic has really softened people's attitudes to the need for an emergency cash payment when people fall upon hard times," she said.