Study: A Small Cash Advance Can Prevent the Spiral of Homelessness

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Homelessness in cities such as Santa Cruz, California, leaves civic leaders struggling to find solutions.

According to the National Alliance to End Homelessness, over half a million people in the U.S. slept without a roof over their heads on any given night. Over a third of the homeless sleep on the street with family members, and 8 percent of these citizens are U.S. veterans. Many become homeless due to a bad string of luck, as in an unexpected financial emergency resulting from illness, a car accident or a death in the family. In addition to the horrific impact homelessness can have on that person's psyche, there is also a financial cost shouldered by taxpayers.

Many homeless advocacy groups cite a University of Texas study that estimates the average homeless individual costs the taxpayer $14,480 per year. One U.S. Department of Housing and Urban Development study suggests the costs associated with homelessness can exceed $40,000 per person annually.

But a recent study published in the journal Science proposes that municipalities and philanthropic agencies can prevent homelessness by offering a one-time cash infusion. Combing through data records at a homelessness call center in Chicago, the study's authors evaluated the fate of families and individuals who were able to secure a quick cash advance, when funds were available, between 2010 and 2012.

Their conclusion: A one-time cash distribution of as little as $1,000 not only kept these citizens off the streets for at least two years, but also could reduce local taxpayers' financial burden. The researchers found that targeting low-income wage earners, who have a proven ability to pay rent but may have been sidetracked by an unforeseen event such as a medical emergency, was a far more cost-effective approach than a patchwork of homeless programs.

Emergency grants for the most vulnerable in society are available across the country, but as in the case of Chicago, funding is often spotty. The Science study posits that fully-funded programs in communities could help prevent many from falling into homelessness, but a change in attitude from Washington, D.C. to city councils across the country is needed. The current political orthodoxy is that any kind of cash distribution, with few strings attached, amounts to "charity" that will keep citizens on a never-ending cycle of dependency. Much of this narrative dates back to Ronald Reagan's first run for the presidency 40 years ago, when his denunciation of the mythical "welfare queen" added to the Southern Strategy narrative that Richard Nixon launched in 1968 to convince more Southerners and working-class whites to spurn the Democrats and vote for the GOP.

Yet as Kathryn J. Edin and Luke Shaefer suggested last year in Salon, American taxpayers actually pay more for programs such as tax credits and subsidies now than they did a generation ago, when the oft-maligned "welfare checks" were more widely distributed to poorer citizens. The end result, however, is that as a society we are spending more to deliver less to those who are the poorest and at the most risk. Even stodgy global organizations such as the World Bank and International Monetary Fund suggest that instead of subsidies and tax credits, a no-strings cash donation creates a stronger, and more cost-effective, safety net for the most vulnerable. Cities that cope with high levels of homelessness, but are sidelined by lean budgets, should consider launching an emergency housing grant program for citizens who earn low wages and are at most risk of losing their homes.

The suggestions offered in Science will not help those who are chronically homeless, a problem endemic in many California cities such as Santa Cruz, in which the combination of high rents, a reputation for being homeless-friendly and demagoguery by some advocates all contribute to this challenge. Santa Cruz is a textbook example of how, despite an aggressive suite of programs dealing with homelessness, this problem still festers to the frustration of business owners, civic leaders and the homeless themselves. Nevertheless, such an emergency program can prevent more citizens from falling into this vicious cycle of homelessness, with fewer costs to society and municipal ledgers in the long run.

To that end, in nearby areas such as San Francisco and Silicon Valley, where the high cost of living makes it difficult to secure that deposit and first rent payment, technology companies — which at a minimum indirectly contribute to the region's high rents — have an opportunity to show that they are trying to address this problem rather than adding to it. When the likes of Facebook and Google talk about "community," more action taken on working with municipalities to tackle the problems of homeless can show such commitment.

The bottom line is that the longer someone is homeless, the greater the toll on that individual and the community attempting to take care of him or her via emergency medical care, nights spent in jails or expanding access to homeless shelters. A program that incorporates strings-free cash infusions is worth a shot. And businesses, especially those whose storefronts often become overnight accommodation for people who lack a dependable roof over their heads, could crunch the numbers and make the case to launch a program in order to make their communities a more resilient place in which to live and work.