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Asset-based social programs: response

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Asset-based welfare debate has its origins in three strands of social policy

- Promoting equality of opportunity by tackling asset-inequality
- Increasing self-reliance through self-employment and home ownership
- Roll-back of social protection, with individuals taking greater responsibility



Program objectives reflect these strands

- Promoting greater equality
 - Reducing asset-inequality
 - Finance for education
- Encouraging self-reliance
 - Finance for business start-ups
 - Initial deposit to enter home ownership
- Promoting savings culture
 - Encouraging regular saving
 - Encouraging long-term saving



Do assets improve life chances?

- Early research found assets affected
 - Labour market participation (eg years unemployed)
 - Relationship breakdown
 - Health (smoking, psychological malaise)
 - Citizenship and values (work ethic)
- Only low levels of asset needed (E 450-900)
- Many effects only for men
- BUT effects disappeared when models refined



Do assets promote greater equality?

- Lack of finance does limit social inclusion for children
 - Children unable to participate in school events
 - Lack of computers etc
- But less evidence of a direct effect on participation in higher education
 - Limited to countries where no financial support for students



Do assets promote self-reliance?

- Micro-lending experience shows finance not a universal barrier to self-employment
 - Large informal economy
 - Economies in transition
 - Poor social security provision
- Growing evidence that low-income home ownership can be problematic
 - US sub-prime mortgages



Patterns of saving

- Few people never save at all over their life
- Many on a low income save informally
- Four distinctive and fairly enduring patterns of saving
 - Instrumental saving (save and spend)
 - Rainy day saving
 - Long-term saving
 - Passive saving



What needs to be done to promote saving?

- Encourage shift from informal to formal saving
- Encourage shift from short-term instrumental saving to longer-term rainy day saving
- Encourage regular saving



How successful are existing programs?

- More successful at encouraging saving than other objectives
 - Saving becomes ‘addictive’
 - Financial advice increases saving – for some!
- Less effective in promoting equality
 - Modest objectives seem more achievable
- And least effective in promoting self-reliance



What other lessons can we learn from existing programs?

- Universality versus targeting
 - Universality increases political acceptability
 - but reduces benefits for people on low-incomes
- Enrolment is difficult
 - Suspicion
 - Design of some schemes constructs barriers
- Administrative costs are high
 - Many too costly and complex to roll out
 - Simple savings accounts essential



What lessons can we learn from existing programs (2) ?

- Leaving to marketplace makes choices more difficult for consumers
- Restricting use of funds
 - increases political acceptability
 - but reduces take-up & increases costs
- Financial education
 - does have an effect for some
 - but increases costs, reduces take-up and restricts national coverage



Conclusions

- Evidence on effectiveness is mixed
- But perhaps expecting too much!

- Can achieve more modest aspirations

