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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