

# CURE Policy Brief



## About the Center

The Centre for Urban Research and Education (CURE) is a multi-disciplinary network of researchers, primarily from Carleton University, who share an interest and commitment to strengthening municipal and urban affairs. With diverse experience, expertise and perspectives, the CURE network carries out collaborative research in areas including community governance, citizen engagement and local capacity building around planning for infrastructure to support social, economic, and environmental sustainability.

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We are committed to strengthening governance, policy making, and management in urban areas through collaborative research, community engagement, and education.

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## Not Just About Income

### An examination of an asset-based approach to social policy

by Chris McCauley

#### Introduction

The traditional social welfare state has addressed the problem of poverty using an assortment of policy instruments. These policy instruments have included: tax expenditure, contributions, grants, income support, redistribution through employment insurance and the Canada Pension Plan (Les Pal, personal communication, April 3rd, 2008). Asset-based social policy has been described as a new tool to add to an array of existing tools that are used in the effort to fix the problem of poverty. While proponents are not advocating that an asset-based approach should replace traditional social policy, they have injected new thinking into the social policy debate that challenges the effectiveness of the traditional approaches because traditional approaches by themselves have not reduced the level of poverty. This paper will examine what is different about an asset-based approach to social policy with respect to traditional policy instruments that have been used to alleviate poverty.

#### What is asset-based social policy?

An excellent description of asset based social policies (ABSP) in addressing poverty can be found in the Social and Enterprise Development Innovations (SEDI) web site. SEDI describes asset-based social policy as:

"...a new progressive approach to the alleviation of poverty and to fostering independence. Provides low-income individuals with tangible incentives to save their way out of poverty by helping them build the kinds of assets that can transform their lives, through continuing education, skills training, self-employment or housing. The thinking behind asset building initiatives rest in the observation, that traditional income security programs are inadequate as an independent solution. The asset building movement takes income security one step further. By not only offering a financial incentive, but also a combination of services, including financial literacy and case management, asset-based approaches are designed to teach people how to make more productive use of their assets" (SETI, 2008).

The tangible incentives used to help low-income people save their way out of poverty involve a number of forms that provide an inducement for welfare recipients or low wage earners to save their money. While there are different mechanisms, a common theme is present. Here is how it works. A savings account or individual development account (IDA) is set up for a low-income person and for each dollar they save there is a saving credit received at a set saving ratio for a set period of time. For example, a person could save \$1 and it is matched at 3:1 so the \$1 they started with becomes \$4. As a result, a low-income earner is provided with an opportunity to build savings they could not do on their own (SETI, 2008). The opportunity to build savings and, hence, build assets is what makes asset-based social policies different from traditional approaches to social policy.

Asset-based policies are not new. According to Jackson (2004), traditional government policy instruments involved tax-based measures, which have actively supported and promoted financial asset accumulation for the middle class and the wealthy (p.2). For example, traditional vehicles to support financial asset accumulation for the middle class have been registered retirement saving plans (RRSPs), registered education saving plans (RESPs) and Canada Educational Savings Grants. While low tax rates on dividends and capital gains promote asset accumulation for the wealthy (Jackson, 2004, p.4). What is new about an asset-based approach to poverty is that government provides incentives for low-income individuals and families to save money for their future or they can receive matching government contributions for purchasing a home or acquiring a post-secondary education (Williams, 2004).

Since the poor have low incomes and use their income to subsist, they pay little or no taxes and they have almost no financial assets, which exclude them from participation in tax subsidies or other asset-building programs; their lack of assets means a lack of independence (Jackson, 2004, p.2). Jackson (2004) summarizes some reasons why assets, especially financial assets are critical:

- "it is very important in giving people some control over their future;
- it gives the ability to take risks;
- it gives the ability to make significant purchases that lead to other opportunities such as a car;
- it gives the ability to withstand interruptions of income or deal with sudden financial emergencies such as an urgent home repair;
- the poor in terms of income, with no financial assets are left in extremely financially precarious situations" (p.3).

Williams (2004) agrees that it is the lack of asset accumulation that inhibits people's ability to escape from poverty (p.2). William (2004) supports an asset-based approach because it offers a rich way of thinking about and acting on poverty, places an emphasis, not only on building financial assets but building human capital (p.2). It represents a new approach that offers a hand-up over a hand-out and attempts to balance rights and personal responsibility. In summary, an asset-based approach is the use of social policies that comprise a number of experiments to promote asset accumulation savings or endowments for poor families, including both welfare recipients and the working poor (Jackson, 2004, p.1).

### **Where did asset-based social policies come from?**

Moser (2005) states that traditional welfare poverty-alleviation strategies have served as the social safety net (p.1). These strategies have focused on income transfers and other provisions (ibid). Typically, traditional approaches have seen the problem of poverty strictly in terms of income or lack of it (Williams, 2004, p.2). Thus, policy formulations that recognize the problem in this way tend to focus on policy instruments that involve redistributive income transfers. Critics of this type of policy say such approaches do not acknowledge the real problem; a lack of progress in reducing poverty because sustainable livelihoods are not created (Moser, 2005, p.5).

For this reason the problem of poverty has been re-conceptualized causing social policy to morph into a more encompassing framework. This new conceptualization of poverty defines the problem more broadly and in a way that recognizes social exclusion as a part of the traditional understanding of poverty. Pal (2006) states that not only is the risk of poverty seen as the lack of income at a single point in time in a person's life, but rather in terms of a persistent lack of income and other resources that are needed to enable people to be involved in meaningful participation in the economy and in society (Pal, 2006, p.123.). Moser (2005) describes the new approaches to poverty as 'social protection poverty-reduction policies' because there is an altered focus from income and consumption to the critical role that assets and capabilities play in improving individual and household social and economic well-being (p.1). According to Moser (2005), the importance of sustainable livelihoods creates a focus on the importance of asset building (p.1). Other commentators share this view that policy instruments must also emphasize building capacity by focusing on the social and economic development of households (Sherraden, 2005, p.4).

Sherraden (2005) provides a good account of how asset-based social policies have emerged in the latter part of the twentieth century. He describes how the social policies of the welfare state have undergone a major transition caused by ideological and political challenges (p.3). These challenges to traditional social policy reject the notion of guaranteed income as a social entitlement without a greater emphasis on personal responsibility (ibid). Sherraden (2005) attributes the ontology of this orientation to be rooted in a social philosophy that believes in the positive effects of asset holding and assumes that a nation would be better off if asset holding is distributed as widely as possible (p.10). In addition, Sherraden (2005) describes how the relationship between income and well-being has been taken for granted and unquestioned (p.3). Sherraden (2005) contends that income support policies, which are underpinned by the notion of income-as-well being, do not work well because income transfers have not enable poor families to develop and get out of poverty, and for this reason income support policies by themselves are unsatisfactory as public policy (p.4). Sherraden (2005) asserts that alternative strategies to the problem of

poverty have moved away from the idea of income or consumption-as-well-being toward Amartya Sen's notion of increasing functioning or capability or "increasing the capacity of people to attain what they have reason to value" (Sen in Sherraden, 2005, p.4). Sherraden (2005) points out that a policy of asset accumulation has been very popular public policy in the US with the wealthy and the middle class; there is consensus that the policies that encourage accumulation of assets are good for everyone (p.3). Proponents of asset-based social policy believe that from a fairness perspective, low income earners should be not excluded from the benefits of asset accumulation policies (Jackson, 2004, p.3). In addition to an equity rationale, Nares et al (2001) notes that ownership of assets plays a critical role in motivations and behavior that support long-term well-being and that ownership of assets may yield important effects beyond increased income but to a better capacity to meet one's own needs (p.4). Sherraden (in Nares et al, 2001) describes benefits of asset holding:

- "improves household stability;
- creates an orientation towards the future;
- stimulates the development of human capital and other assets;
- enables focus and specialization;
- provides a foundation for risk-taking;
- increases personal efficacy;
- increases social influence;
- increases political participation;
- enhances the welfare of dependents" (Nares, Robson-Haddow, Gosse, 2001, p.4).

The idea of asset building for the poor was first explored in the United States. In the early 1990s, Dr. Michael Sheridan, professor of social development and director of the Center for Social Development, CSD, at Washington University in St. Louis, introduced the concept of individual development accounts, subsidized savings accounts for the poor, wherein every dollar saved is matched (SETI, 2008). There are a number of rationales for an asset-based approach to social policy with specific policy goals attached, however, the notions that assets have positive effects and can create behavioral change and encourages self-sufficiency is an idea in 'good currency' that appears to be a strong source of support for the asset-based perspective.

### **How are asset-based policies been implemented in Canada, the UK, and the US and in an International context?**

#### **Canada**

During the 1990s, two community-based asset building IDA programs in Calgary and in Kitchener Waterloo proved successful by enabling low income earners to purchase their first homes (SEDI, 2008). Based on these early findings that resulted in greater savings among welfare recipients and others, this success interested Social Enterprise and Development Innovations (SEDI), a national charitable organization dedicated to assisting people who are struggling with financial difficulties. SEDI did further research in to asset building for the poor and developed a proposal, which received funding in the late 1990s from HRSDC, to begin a program called Learn\$ave. This program aimed to involve approximately 4500 low income Canadians with individual development accounts (IDAs). Participants had to commit to saving \$10 per month for minimum of one year to a maximum of three years before any withdrawal of matched funds (SEDI, 2008). Generally, the matching ratio is 3:1 and up to \$1500 saved and there are limited ways that matched funds can be used. Uses must be for learning purposes, either adult education or for a micro-enterprise. Clients can receive financial training and individual case management but it is not a mandatory pre-condition. The Learn\$ave program is a partnership with a number of organizations, SEDI is the lead agency that oversees the projects design, administration and operation, HRSDC, a federal government ministry, provides funding, SRDC, an independent consultant, is responsible for research and evaluation of the program (SRDC, 2008). There are partner financial institutions and a national network of community groups, service providers and partners, whom SEDI works with to keep service delivery on a local basis. Currently, the Learn\$ave demonstration has lasted 8 yrs and a report regarding early impacts of the program was released in January 2008 (SRDC, 2008). In addition, SEDI has, also, two other asset building programs they are developing for low-income Canadians: i) home\$ave, a similar program to learn\$ave, that allows low-income Canadians access to matched funding incentives for purposes of home-ownership; ii) independent living accounts (ILAs) for people living in transitional or supportive living arrangements to build precautionary savings or savings for first and last month's rent (SEDI, 2008).

#### **United States**

The OECD (2003) informs that in the United States IDAs were first put into practice in the 1990s and tested in the American dream demonstration (ADD) (p.20). Launched in 1997 by the CSD and the Corporation for Enterprise Development (CFED), ADD ran 14 programs in the United States involving roughly 2500 accounts that allowed low-income Americans to save for education, micro-enterprise

capitalization, training and homeownership (p.21). Asset-based building programs began in the early 1990s in the private sector on a small scale. There was a major increase in IDA programs with the influx of non-profits agencies, NGOs and community groups who were funded exclusively by private foundations. Asset building programs have grown steadily with 500 community based programs and 20,000 account holders in 49 states (p.24). State governments work with sponsors in private programs, which have maintained a local community-based style of service delivery. Saving periods are for 3 years and uses for matched funds include: home ownership, education or training and for small businesses but some programs have broader uses for matched funds that might involve retirement income, home repair, and purchase of computer or automobiles. American programs focus on the working poor, which involve mandatory pre-conditions such as learning to manage limited finances and receiving financial literacy education (p.24). By 1998 there was legislation to help meet the vast and rapidly growing demand for IDAs in low-income communities. Another step towards establishing asset-based policy in the United States came with the introduction of savings for working families act (SWFA) to the U.S. Senate in 2003 (p.25). Federal and State legislation now supports ongoing IDA programs in more than 250 communities across the United States ([www.idanetwork.org](http://www.idanetwork.org)). The North American programs typically require some participation in financial education to receive the matching credits and there are restrictions on how funds can be used. In Canada and the US, the savings are generous for particular uses, such as education or training, or home repair / purchase (SEDI, 2003).

### United Kingdom

According to OECD (2003) asset-building programs evolved differently in the United Kingdom then in the United States, where grass-roots programs operated by local initiatives spread to other groups and to higher levels of government (p.26). The development of asset-based social policies in the UK was a top down process that involved formal research and public consultation (26.). As a result, asset-based policies were brought forward in a more coherent fashion and integrated into the UK government's approach to the welfare state and welfare reform (p.26). Some asset-based UK initiatives are: a child endowment fund called the Child Trust Fund (CTF) and Saving Gateway (SG), which is similar to an individual development account (IDA) in North America but with some important differences (p.27). A SG account lasts for a maximum of 5 years with a matching ratio of 1:1 and eligibility to participate is not based on having savings but on the receipt of income support benefits. In other words, participants needed to be registered with a government program as a prerequisite for participation. In North America, IDA programs generally do not deposit funding directly to account holders, instead, an account holder will apply to receive a portion or all of the matching funds. The funds are transferred directly from the IDA program to the educational institution or to the vendor of the product or the service being purchased (SEDI, 2004). Where SG account holders receive a lump sum at the end of the 18 month project period (OECD, 2003), IDA programs generally penalize withdrawals of personal deposits from the IDA account by proportionally reducing the eligible matching funds while some do not permit any withdrawal of personal funds. With SG accounts, personal funds can be withdrawn at any time and the total amount an account owner will receive is calculated on the highest account balance at anytime during the project (SEDI, 2004). While the SG scheme in the UK has no such restrictions on uses of funds, SGs are administered differently compared to North American IDAs, as well; they are designed to promote long term savings (SEDI, 2004).

The CTF is a saving vehicle that provides an account for all children at birth, into which the government will pay an endowment and then make subsequent top up payments at certain ages, with higher endowments available to lower income families (OECD, 2003). Additional contributions from family and account holders can be made when they are older. The funds will accrue until the child turns 18 with no restriction on uses. The policy reflects a universal government commitment to ensuring all young adults start their life with financial assets upon which they can draw upon (OECD, 2003). The CTF provides an example of the compromise between a universal approach to social policy favored in many European countries in contrast to a targeted approach favored in the US and Canada (SEDI, 2004).

According to SEDI (2004), the UK's universal child benefit system combined with the CTF is a model of progressive universalism: "In this model, an attempt is made to achieve both horizontal equity objectives including stake holding and vertical equity objectives by designing programs that provide some benefit to all citizens, but progressively more benefit to those who are more disadvantaged" (p.4).

### International Context

In OECD countries asset building programs are fundamentally geared so that generated savings are used for education and skills training (OECD, 2003). According to the OECD (2003) asset-based programs are targeted to the poor or sometimes they are not (p.32). Some programs are experimental while others are part of a more formal national government program. For example, in the Basque region of Spain an experimental program offers incentives for vocational training to low income women. In the Netherlands, there are 3 experimental projects: (i) targets employees with low education levels; (ii) offers incentives for skill training in mechanical services; (iii) offers incentives to temporary employees of the multimedia industry, where an employee receives points for hours worked, then can convert them into vouchers to finance further training (p.32). In Sweden, an ILA (individual learning account) pilot project aimed at 15% of the labour force, has a goal of 2 million accounts in 10 years. The program offers incentives through the tax system; tax credits are contingent on the uses of funds for individual learning and skills development (OECD, 2003).

Outside of OECD countries, aside from microfinance in developing countries, there are a few non-OECD countries that have adopted asset-building schemes (OECD, 2003). The largest is in Singapore, through Singapore's Central Provident Fund (CPF) matching fund uses are less limited (p.33). Citizens can use funds for things like: home ownership, insurance, hospitalization, retirement, investment in property or financial assets (OECD, 2003). A program for children reinforces savings behaviour, called Edusave, school kids receive annual deposits to match money they have saved. Children can use funds to defray supplementary education expenses. Singapore, also, has a Children's Development Co-Savings scheme similar to the UK's Child Trust Fund but has different intentions (p.33). The scheme employs two mechanisms: at the birth of a child (i) parents receive 1:1 matching funds in CDAs up to \$1000 for the second child and up to \$2000 for the third child and (ii) cash gifts from the government a) \$500 for the second child and \$500 annually for up to \$3000 -b) \$500 for the third child and \$500 annually up to \$6000 (p.33). The intent is twofold, first, to raise the birth rate and second, to promote human capital development (OECD, 2003). In Chinese Taipei, a Family Development Account (FDA) demonstration similar to the American Development Demonstration (ADD) was initiated in 2000 with 100 accounts and a 1:1 matching ratio. The program was administered by the city government but funded by a private, for profit firm (Boshara in OECD, 2003, p.34).

### Case Study #1:

Learning to save / saving to learn: Early Impacts of the Learn Save Individual Development Accounts Project (2008), is a project that is still being evaluated, a report will be released in 2009 (SRDC, 2008). The Learn\$ave project is a research and demonstration project designed to test whether or not an IDA can help low-income earners save in order to acquire more education or begin a small business (p.1). The project was developed to target adults with low-income and low asset levels (p.2). There were 10 community based non-profits, urban and rural sites, across Canada. Evidence was drawn from 3 major sites in Halifax, Toronto and Vancouver, where program operation and experimental research design were identical and accounts were maintained in large financial institutions (p.2). Applicants were randomly assigned to one of three research groups: learn\$ave-only group receiving only matched credits; learn\$ave-plus group receiving credits plus financial training and case management and a control group which received neither credits nor services. There were 3,584 participants who were called, a total of 2,583 participants responded to an 18 month survey - this represents a 72% response rate. The survey was supplemented from data collected by the Participant Management Information System (PMIS) on account savings and withdrawal activity over 18 months (SRDC, 2008). Some learn\$ave (2008) project details are:

- each dollar save matched by \$3 credit;
- saving over 3yr period;
- maximum savings - \$250 / month and \$1,500 over 3 years;
- \$10 saving minimum per month for 12 separate months before they can claim matched credit;
- match credits can be used toward education or training or for purchases (up to \$6000 available) and at least 25% of purchase must come from participants own funds;
- credit claimed within four years of enrollment date (p.1-7).

The early results of the learn\$ave (2008) demonstration showed that low-income adults can be encouraged to save in order to improve their human capital, but the additional financial management training has so far not made a difference in this regard. By month 18, both members of the learn\$ave 'only' group and learn\$ave 'plus' had saved, on average, \$679, that is 71% more than the control group, which did not have matched savings credits (p.4). Note financial management training and case management services have played no role in increasing savings activities (p.6). Both the matched savings credit in the financial management training aspects of learn\$ave had a beneficial effect on budgeting and financial goal setting. As a result of learn\$ave, participants were more likely to have a budget 49.2% versus 38.1% for the control group, 6% was attributed to matched savings credits, and 5.1% was attributed to financial management training and case management services (p.7).

From direct observation, learn\$ave (2008) had a positive effect on participant's attitudes to education. At this early stage of the project learn\$ave had a modest effect on participation in education and training, although there are indications that learn\$ave may be encouraging pursuit of more costly education (p.5). Learn\$ave participants have not yet demonstrated any program impacts with respect to business startup or employment (p.6). Learn\$ave (2008) early impacts showed that:

- "low income Canadians can actively save for their education provided they are offered incentives to do so;
- showed that matched savings credits accounted for most of the increase savings activity;
- financial management training case management services played a surprisingly limited role;
- savings did not come from reduced investment and other savings vehicles, or from increased borrowing, or from increased working hours;



- program encouraged participants to delay consumption of household goods, or to buy cheaper items to generate funds for their learn\$ave accounts;
- budgeting and financial goal-setting also benefited from participation" (p.5-7).

### Case Study #2:

The American Dream Demonstration (ADD) was evaluated to determine how individual development accounts (IDAs) impacted savings and asset accumulation for low-income individuals (Mills et al, 2003, p.ii). An individual development account program, part of the ADD, occurred in Tulsa, Oklahoma in conjunction with the Community Action Project of Tulsa County (CAPTC). The clients were low income residents of that city. This program was a four-year demonstration. Here are some program details:

- uses for funding: homeownership, small business, postsecondary education ,home repair, vehicle purchase, retirement;
- one-to-one matching rates are higher;
- \$10 saving commitment per month for at least nine months each year;
- up to \$750 maximum matched savings per year, one withdrawal for allowable uses;
- \$2250 over three years was the maximum allowed savings;
- full uses of accounts over three years could accumulate \$6750 for a home purchase or equivalent to \$2250 plus \$4500;
- family income below 150% of the federal poverty line;
- applicant was required to take 12 hours of general financial education;
- plus, specific financial education related to the type of purchase (Mills et al, 2003, p.ii-xii).

To obtain an unbiased estimate of program effects, the Tulsa site, randomly assigned individuals to a treatment group, who were allowed to participate or individuals were randomly assigned to a control group who were not allowed to participate. There were 1,103 program eligible applicants with 537 randomly assigned to the treatment group and 566 randomly assigned to the control group. The findings for the ADD (Mills et al, 2003) were:

- "85% of the treatment group opened IDAs;
- 34% had at least one withdrawal;
- 53% did not have a withdrawal and close their account;
- 14% had ongoing accounts with positive balances" (p.ix).
- "39% of the accounts with one withdrawal or more, had:
- savings on average were \$1480 per participant;
- savings plus matched funding was on average \$3431;
- 35% were used for home repair or improvement;
- 26% for used for home purchase;
- 17% for education training;
- 17% for retirement;
- 5% for small businesses" (p.x).

According to (Mills et al, 2003) there was a significant increase in a higher rate of homeownership among the treatment group (p.v). The medium-term effects and short-term effects proved to be quite different, because after 18 months only one significant effect remained, which was debt repair amongst the baseline non-homeowner group (p.vii). The evaluator indicates that these results suggest that for certain types of asset accumulation supported by IDAs, including long-term major investments such as homeownership, a multi-year timeline appears to be necessary for program results to take hold (p.ix). Some interpretations of the ADD (Mills et al, 2003) are:

- "positive effects of homeownership, concentrated in different groups;
- no significant effects were found on small business ownership;
- homeownership increased by 6.2% in the treatment group over the control group; particularly among African-American families, after 4 yrs;
- retirement savings for African-Americans increased 85%;
- educational attainment, a 35% proportional increase in participation in at least one educational course over a three-year period compared to the control group;
- positive effects in two targeted areas, either in, investment, homeownership, retirement savings and the value of real assets for African-Americans" (p.vii).

### Analysis of Asset-Based Social Policies

Given the support for asset-based social policies across the political spectrum, in the academic community and from the positive results from the ADD and learn\$ave demonstrations, why are asset-based policies not more predominant? According to Mendelson (2007) the number of asset-based programs in OECD countries remains modest because there has been a lack of rigorous analytical evaluations to determine if asset-based policies do what proponents say they do (p.3). According to Mendelson (2007), part of the problem is that program objectives are not clearly stated and do not reflect implicit objectives of asset-based social policy (p.4). Mendelson (2007) cites the objective of asset-based social policies is to reduce poverty, yet the explicit objective is not to replace traditional social policy approaches, which critics claim have been ineffective in reducing poverty. The implication created is that asset-based policies will improve the efficiency of the traditional welfare state approach (p.4). Thus, an implicit objective is produced; the need for future social benefit will be reduced and efficiency will be increased with asset-based policies. According to Mendelson (2007) this rationale reveals a dissonance between explicit and implicit objectives in the ADD and learn\$ave demonstrations. The stated objective of both projects appears to be general and exploratory and not concerned with efficiencies. Both projects state vague objectives by describing their purpose; to determine the impact of incentives on the saving behaviour for low-income earners. This highlights why asset-based social policies are not more predominant: because a large scale policy initiative cannot be underpinned by an evidence-base. The case study projects do not evaluate efficiencies of ASBP compared to traditional welfare state approaches, which reveals that ASBP is simply an idea in good currency.

Additionally, it appears that more questions should be asked. It seems pretty clear from the success of asset accumulation policies, that large incentives offered to people, low-income earners or not, will induce savings. Simply put the poor just do not have excess disposable income to take advantage of tax-subsidies. Jackson (2004) indicates that more salient questions need to be answered about asset-based policies: (i) are asset-based programs cost-effective relative to other current public expenditures? and; (ii) if so, what is the optimal mix of traditional and asset-based policy instruments that reduces poverty?

To better reflect the objectives of asset-based social policy, Mendelson (2007), provides a framework of analysis (p.4). Here is a summary of Mendelson's (2007) typology for analyzing asset-based income security program objectives:

- efficiency - most programs state that the goal is not to replace income support policies but why not? What are asset policies supposed to do?
- behavioural well-being -ownership of asset supports behavioural changed;
- redistribution of wealth - is suspect due to widening income inequity, particularly in the United States;
- fairness - because low income earners are less likely to own assets they are less likely to access assisted saving vehicles the same as the rest of the population (p.3-7).

A major critique about asset-based social policy in an efficiency context has been raised by Jackson (2004), who states there is no strong evidence from experiments to date that show that the induced benefits of asset-based savings tend not to go beyond the benefits from cash transfers (p.3). Mendelson (2007) states that, while the Tulsa program attracted some low-income households to take advantage of large incentives, the outcome does not quantify public or private benefits versus costs (p.24). The administrative costs of the ADD was very large compared to funds paid out to participants, additionally, UK and Canadian IDA programs have not provided good data to determine cost effectiveness (Mendelson, 2007, p.20). If there is little evidence that asset-based policies are not cost effective compared to income transfers, are there better uses of public expenditures to address the problem of poverty? Are there more efficient ways for the poor to accumulate assets?

Jackson (2004) suggests the possibility that asset-based schemes could come at a higher cost compared to other direct measures that already serve to increase the human capital of low-income persons or households (p.3). Are higher rates of return already being realized from efficient spending of public funds? Another critique raised by skeptics of asset-based social policy point out that forcing the poor to save out of very low-incomes might be perverse, and may come at the cost of meeting basic consumption needs (Jackson, 2004, p.3). This might explain why recruitment drives for learn\$ave required a significant effort?

Mendelson (2007) advocates for the need for redistribution of wealth and he states that this reason is often used as a rationale for asset-based policies due to growing income inequality (p.6). Asset-based policies could be easily designed for this purpose; however redistribution of income through tax-transfer policy is not popular where most asset-based programs are found: US, UK and Canada (p.6). Mendelson (2007) suggests that asset-based social policies, like learn\$ave, can be advocated for on the grounds that providing those with low-incomes with government assisted savings similar to middle and upper class Canadians is only fair (p.10).

Lastly, Mendelson (2007) classifies Sherraden's list of possible objectives of asset-based programs as mainly subjective personal attitudes and behaviour changes expected from improving well-being through the instrumentality of asset holding (p.6). For real social policy reform, where the asset-based perspective can contribute is in permitting higher levels of allowable assets in social allowance programs; programs like learn\$ave and the US IDAs seem to fit this category (Mendelson,2007, p.5).

## Conclusion

While asset-based social policies are still being refined, they are not meant to replace traditional social policy instruments, and they are seen as complementary to income support policies. Asset-based perspectives raise important questions about how the welfare state has addressed the issue of poverty. The perspective challenges "the focus of traditional poverty-alleviation strategies on income support as ineffective because they have not enabled the poor to actually escape from poverty and improve their economic and social status" (Connell, 2003, p.3). Connell (2003) describes how governments have commonly employed policies that have used the tax system in various ways to subsidize or encourage asset accumulation, except that the poor have not benefitted from such policies (p.3). The confluence of policy instruments that promote general savings in the population, with policy instruments that deal with poverty, discourages savings in the poor because some programs deny income support to low-income earners who might have minimal assets (Connell, 2003, p.3). As a result, the poor lose income if they save, which creates a disincentive for them to build assets. Sherraden (in Connell, 2003) calls this a 'poverty trap' because the poor have a disincentive to save and to remain on public income support (Connell, 2003, p.3). Consequently, the asset-based approach has caused a re-examination of social welfare policy, the issue of poverty and a shift in the public policy debate.

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