

2017 Launch



GLOBAL SOCIAL
DEVELOPMENT
INNOVATIONS

Innovate • Evaluate • Disseminate

Inaugural Lecture

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Center for Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK

 Washington University in St. Louis

Social Development Innovation: A Vision for Global Inclusion

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Launch of Global Social Development Innovations
University of North Carolina, October 2017



The Critical Role of Applied Scholarship

Testing innovations for positive action

not just . . .

Describing poverty and inequality



Social is Fundamental

Social innovation is not just a nice idea.

It is the basis of human progress.



Some Examples of Massive Social Innovations in Human History

- Organizing and protecting a large community
- Solving problems within the group and with others
- Producing and distributing goods
- Implementing communication and transport
- Building, keeping, and passing along knowledge
- Implementing codes of conduct and rule of law
- Developing arts and shared stories
- Providing protections for health and well-being

. . . We mostly take all this for granted.



Financial Transformation Is Underway

**The world is increasingly financialized,
yet many are left behind.**

**Financial transformation is both a
technical and social challenge.**



Financial Exclusion is High and Costly in Many Countries

- As one example, 69% are unbanked in the Philippines.
 - Even among the banked, average of 21 minutes to nearest financial touchpoint, costing an average of USD 0.86.
 - With 2.5 billion transactions per month, that is well over USD 25 billion per year in transport costs alone.
- ... Enormous inefficiency. . . . (Voyager, 2017)



Financial Exclusion and Vulnerability in the United States

Over 20% of low-income households in the U.S. are unbanked (Abt Associates, 2006; Caskey, 2005; FDIC, 2009; FINRA, 2009)

25% of Americans say that they could not access \$2,000 within 30 days in an emergency (Lusardi, Schneider, & Tufano, 2011).



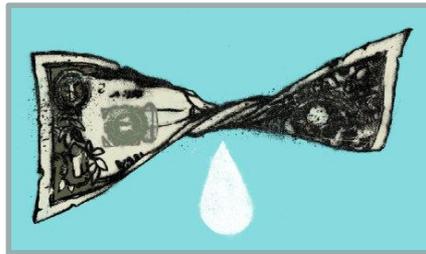
Is Financial Inclusion Really Possible?

What is the theory?

What is the evidence?

People are Active Financial Managers

People often know where every penny goes, and try to set aside small savings for emergencies.



But financial vulnerability takes a toll:

- Use of inferior financial services is expensive
- Problem debt leads to strain and loss of resources
- Strain contributes to psychological and health issues



Concept of Financial Capability

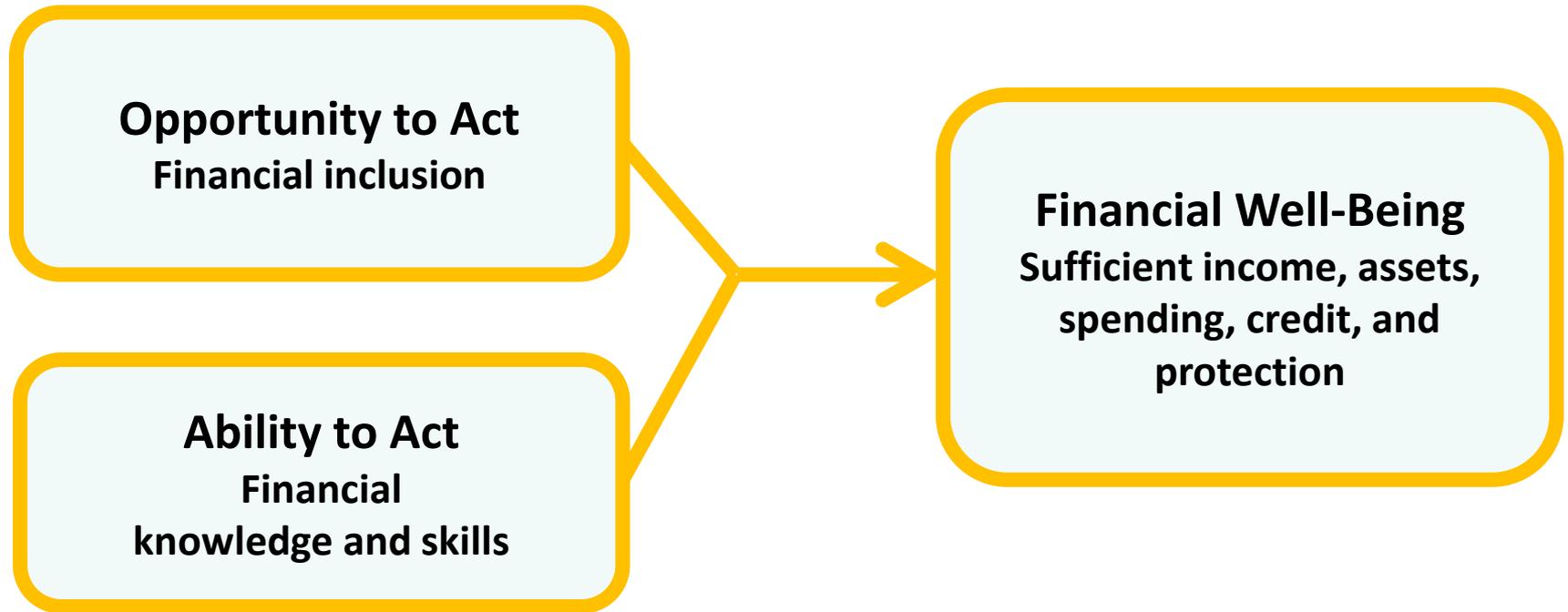
Based on capability theory (Sen, 1999; Nussbaum, 2000).

Combines ability to act with opportunity to act.

People need both ability and opportunity to participate fully in finance, and build secure and hopeful lives (Sherraden, 2013).



Framework for Financial Capability (Theory Matters)





How improve and measure *opportunity to act*?

People have opportunity to act when financial products and services are:

- Accessible
- Affordable
- Appropriate
- Financially attractive
- Easy to use
- Flexible
- Secure and reliable

(Sherraden, Collins, Birkenmaier, forthcoming)



Financial Action

Financial action results not just from individual choices and behavior, but also from how institutions shape and constrain opportunities and options.

“Everybody has a dream . . . [but] the system makes it very, very, very, difficult. . . for lower-income people to achieve what they’ve set out to do. . . ” (research participant)



Asset Building Project in Uganda



Gina Chowa and participants in the IDA asset building program in Masindi, Uganda, at a sewing shop. Equipment was purchased with IDA funds.



Project Example

**Child Development Accounts:
Research and Policy Innovation**



Context:

Asset Building Policy is Often Regressive

In U.S., over \$500 billion spent annually in tax expenditures for asset holding in homes, investments, retirement accounts.

Over 90% of this goes to households with incomes in the top 50%, with most to the top 10%.

This is a major and regressive social policy, little discussed.

Why not asset building for the whole population?



Vision of Inclusive Asset-Based Policy

Policy concept is:

- Universal (everyone in)
- Progressive (greater subsidies for the poor)
- Lifelong (beginning as early as birth)

Key design features:

- For social development (education, homes, enterprise, security)
- Automatic and easily delivered (like water to homes, or self-driving cars)

(Sherraden, 1991, 2014)



CDAs as Beginning of a Fully Inclusive and Lifelong Policy

CDAs can lay the groundwork for a universal, progressive, and lifelong asset building policy.

This has been the vision since writing *Assets and the Poor* (1991).

The primary goal is not to improve the saving behavior of the poor, but to use policy to enable everyone to build assets.



SEED for Oklahoma Kids: Experimental Research

Research Design and Early Results





SEED for Oklahoma Kids Research

SEED OK is a large-scale policy test of automatic and progressive CDAs, the first universal CDA model in the United States.



Nam, Kim, Clancy, Zager, & Sherraden,
Journal of Policy Analysis and Management, 2013



SEED OK is a Test in a Full Population

- SEED OK is a test in a full population, without selection—uncommon in social research.
- Not a test of individual behaviors. Much of saving and asset accumulation is structured, e.g., “automatic” 401(k) plans. Why not inclusive structures for everyone?
- Results can inform a lifelong asset building policy that includes the full population.

(Sherraden, 1991, 2014)



SEED OK Research Design

- First universal model of CDAs in the United States
- Integrated into an existing policy (sustainable structure)
- Begun in 2007, with random sample of newborns
- Oversamples of African Americans, Latinos, and American Indians
- Random assignment to treatment group (n=1,358) and control group (n=1,346)
- Rigorous study design to test causal impacts



Policy Platform: “Repurpose” College Saving (529) Plans

- 529 Plans are currently serving mostly the wealthy, and benefits are highly regressive.
- We are not endorsing this policy. We are changing it.
- The 529 policy structure lends itself to inclusion of the full population, with efficiency and sustainability.
- The “policy test” in SEED OK is to test an inclusive and progressive CDA model using a 529 platform.

(Sherraden & Clancy, 2005)



SEED OK CDA and 529 Plans

Building CDAs on a centralized 529 savings plan facilitates:

- Automatic account opening
- Subsidies and incentives
- Efficiencies of scale, low costs
- Inclusion of small- and large-balance accounts
- Investment options and investment returns



(Clancy, Orszag & Sherraden, 2004)



CDA Account Holding and Total Assets in SEED OK (2015)

	Treatment n=1358	Control n=1346
Percentage with any OK 529 account**	99.9%	3.3%
Average \$ across all OK 529 accounts**	\$1,851	\$323
Earnings in 529 accounts**	\$569	\$109

** $p < .01$



Saving Outcomes among Advantaged and Disadvantaged Children

- The CDA—by design—virtually eliminates differences by socioeconomic status in ownership of 529 accounts and assets.
- Automatic features of the CDA have greater positive effects among disadvantaged children.

(Beverly et al., *CYSR* 2015; Nam et al., *JPAM* 2013; Wikoff et al., *Social Science Research* 2015)



Impacts beyond Money: CDAs Also Lead to Positive Non-Financial Outcomes

Theoretical underpinnings of asset-based policy include non-financial outcomes.

For the SEED OK experiment, hypotheses include greater future orientation of parents (and later children), and improved child development.

(Sherraden, 1991; Sherraden and Clancy, 2005)



Impact of SEED OK CDA on Maternal Depressive Symptoms

- The CDA reduces maternal depressive symptoms.
- This pattern holds in multivariate analysis and for several disadvantaged subgroups
- The effect size is similar to the effect of Early Head Start.

(Huang, Sherraden & Purnell,
Social Science & Medicine 2014)



Impact of SEED OK CDA on Child Social-Emotional Development

- Disadvantaged children have better social-emotional development.
- The CDA improves disadvantaged early social-emotional development *regardless of whether parents have saved.*
- The effect of the SEED OK CDA is similar in size (.20 to .25) to at least one estimate of the effect of the Head Start program on early social-emotional development.

(Huang, Sherraden, Kim & Clancy,
JAMA Pediatrics, 2014)



Also Non-Financial Impacts in Developing Countries

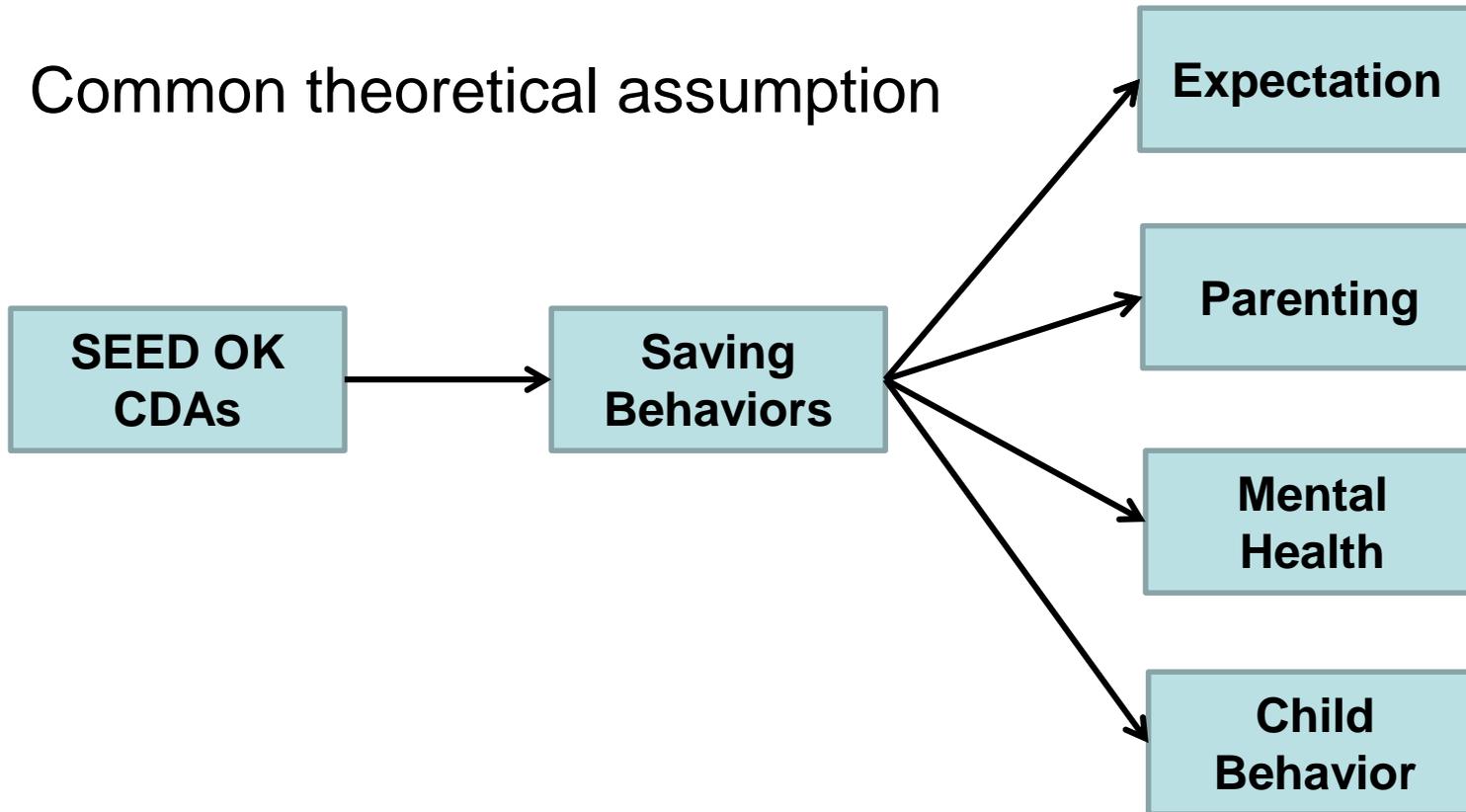
For example, in a saving program in Andes mountains in southern Peru, the women made bank deposits--walking eight hours to the bank—for children's schooling expenses.

They reported that they were able to build assets for children's schooling, and their husbands no longer came home looking for the money, drunk and violent.



How Do CDAs Affect Children and Parents? What is the Role of Saving Behavior?

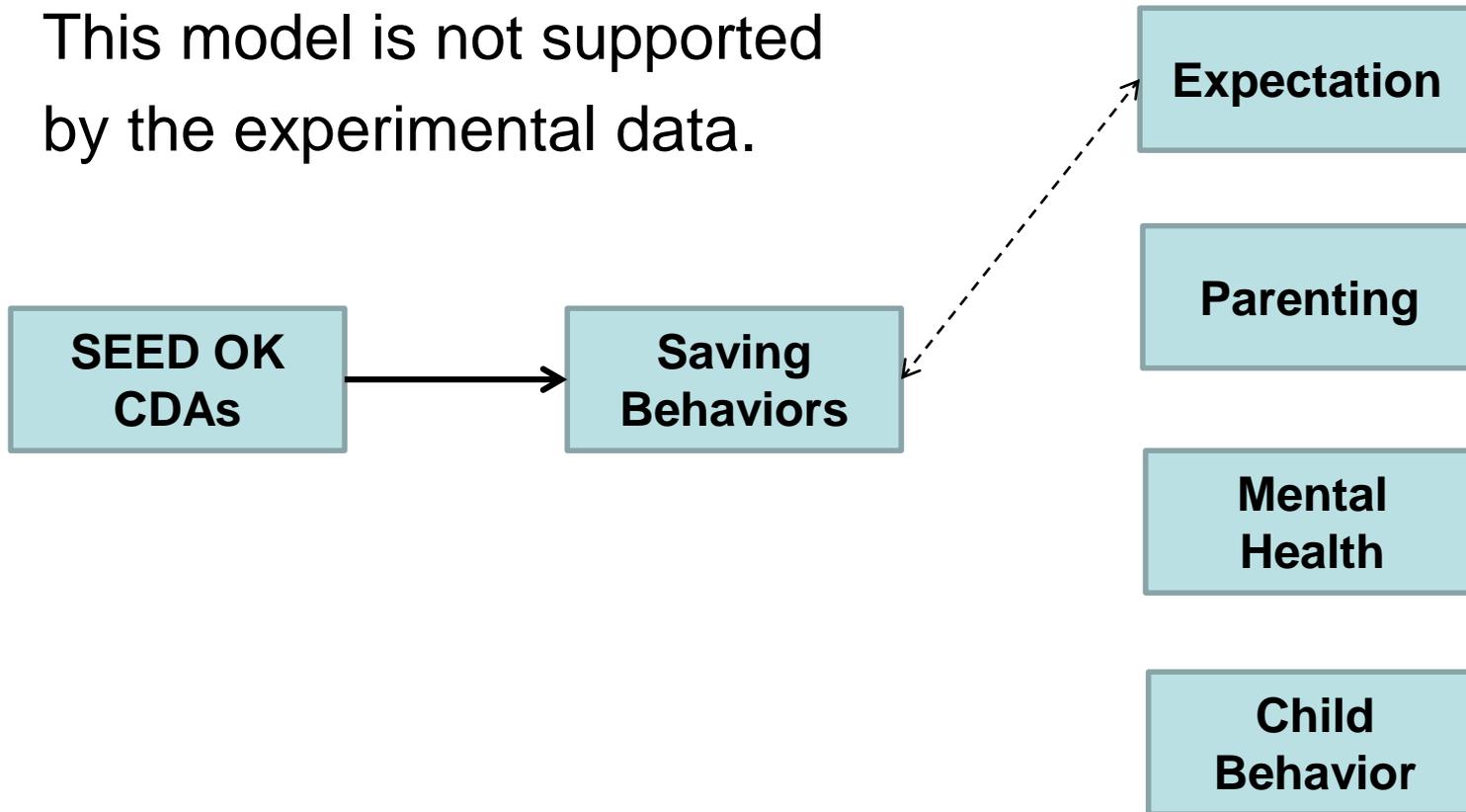
Common theoretical assumption





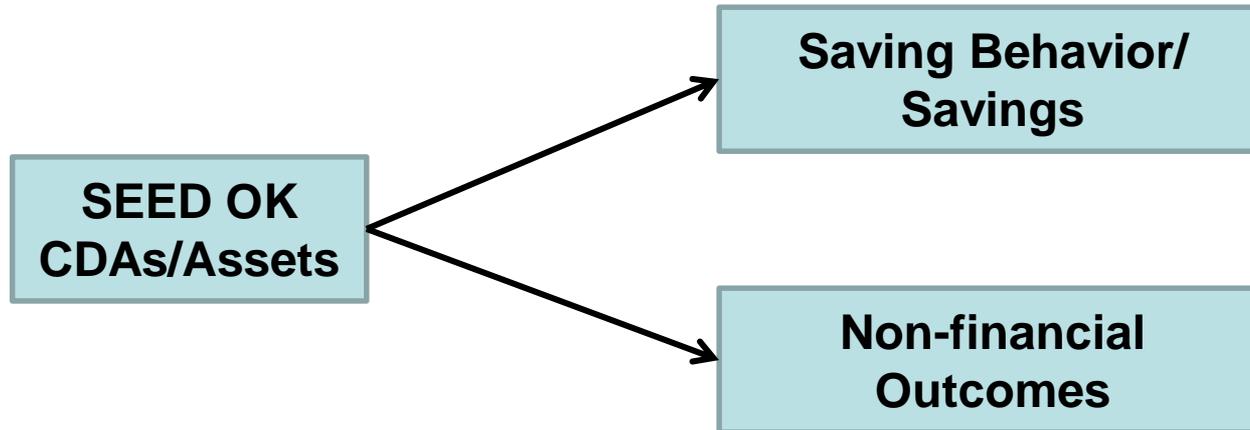
Evidence: Positive Effects Are Not the Result of Saving Behavior

This model is not supported by the experimental data.





Evidence: CDA Intervention leads to both Saving and Non-Financial Outcomes



This is the supported model; theory from Assets and the Poor (1991). Has major policy implications. . .



Lesson: Universal Participation

Without universal participation (full inclusion), those left out will be disproportionately the most disadvantaged children.

Universal participation requires a policy system to bring everyone in.



(Beverly, Kim, Sherraden, Nam, & Clancy, *Children and Youth Services Review*, 2015)



Lesson: Full Inclusion Requires Automatic Opening of Accounts



Full and meaningful inclusion is not possible without automatic account opening and initial deposits.

(Sherraden, et al., *Journal of the Society for Social Work and Research*, 2015)



Lesson: Early Funding of CDAs

If CDAs are funded early
with a sizable deposit,
children may accumulate
meaningful levels of assets over time,
even if families do not contribute



(Clancy, Beverly, Huang, & Sherraden,
Social Service Review, forthcoming)

Lesson: Limited Potential of a Savings Match

A savings match
has only limited potential
to incentivize saving
among those who most
need asset accumulation.



(Clancy, Beverly, Huang, & Sherraden,
Social Service Review, forthcoming)



Lesson: Focus on Wealth Accumulation



In SEED OK,
1/3 of asset accumulation
is due to investment growth.

The \$1,000 initial deposit
increased by 50% in 9 years (despite the
financial crisis of 2008-09).

(Clancy, Beverly, Huang, & Sherraden,
Social Service Review, forthcoming)



Lesson: CDAs Not All About Saving Behavior



Savings behavior matters, but asset building initiatives that rely on individual behavior will strongly favor advantaged children.

(Beverly, Kim, Sherraden, Nam, & Clancy, *Children and Youth Services Review*, 2015)



Child Development Accounts: Policy Implications and Progress



Policy Implications of SEED OK Research

Universal enrollment in CDAs,

Combined with asset effects,

Have the potential to reduce educational and economic inequality in early childhood.



Policy Impacts of SEED OK Research: Local, State and National Policy Influence



“I HAVE A DREAM” FOUNDATION®



PROMISE INDIANA



CDAs at Birth: Harold Alfond College Challenge Opt-In Strategy 2008-2013

- Every Maine resident child was eligible to receive a \$500 grant in a Next Gen 529 *if parents opened an account* in the child's first year.
- Begun statewide in 2009, the program enrollment rate for 2008-2013 was approximately 40%.
- Families who enrolled infants were more financially better off than those who did not enroll.

(Huang, Beverly, Clancy, Lassar & Sherraden, 2011)



Maine Opt-Out Strategy in 2014

- \$500 grant *automatically deposited* into omnibus 529 account for 100% of resident newborns.
- Quarterly summaries, including 529 balances and age-appropriate tips and activities, sent to all parents.
- Information about opening and saving in NextGen 529 account sent to all parents when child is about one.
- Parents view college savings balances—family contributions and College Challenge grant—on *one* quarterly NextGen 529 statement.

(Clancy & Sherraden 2014)



Universal and Automatic Deposits at Birth: College Challenge Opt-Out Strategy 2014

Participation Rate

Opt-in: 2008–2013 **40%**

Opt-out: 2014 and beyond **100%**

Average Annual Investment

Opt-in: 2008–2013

\$ \$ \$ \$

Opt-out:
2014 and beyond

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

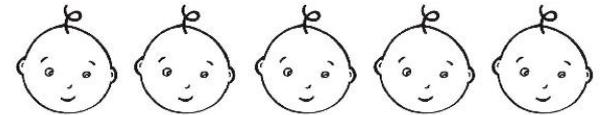
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Millions of dollars

Average Annual Enrollment

Opt-in: 2008–2013

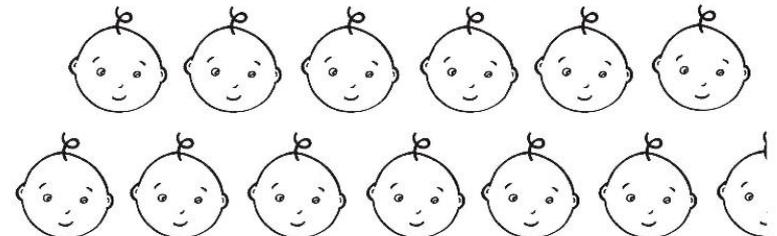
5,000



1 baby = 1,000 children

Opt-out: 2014 and beyond

12,500



1 baby = 1,000 children



New CDA Policies in the States

- All children born to Connecticut families are eligible for a \$100 deposit into the state 529 plan.
- Parents may enroll children in Rhode Island's CollegeBoundBaby program by checking a box on the Office of Vital Records Birth Work Sheet.
- Nevada automatically establishes a 529 college savings account with \$50 for all public school kindergarten students.



Testifying in Rhode Island for CDAs





CDAs Adopted in St. Louis City and Proposed in Ferguson, MO



FORWARD *through*
FERGUSON
A PATH TOWARD RACIAL EQUITY



CDA as Beginning of Large Financial and Social Innovation: Asset Building for All

The CDA social innovation is underway:

- Defined and demonstrated
- Doable and effective
- Efficient and sustainable
- Positive changes among participants
- Broad political support

... Continue to scale up, aim for national CDA



Conclusion: Full Inclusion in DC System Sets Stage for Equitable Use of Public Funds

Full inclusion also paves the way for more equitable use of public funds (direct or tax expenditures).

Ensuring that *all children* have savings is important because modest savings have financial and nonfinancial benefits for children and families.



(Clancy, Beverly & Sherraden,
CSD Fact Sheet, 2016)



International examples of Child Development Accounts: A Beginning for Lifelong Accounts

- Singapore's Baby Bonus and CDAs
- United Kingdom's Child Trust Fund, 2005-10
- Korea's Child Development Accounts
- Experiments with child accounts in Uganda
- CDAs began in Israel in January 2017



Asset-based Policy Meetings Inform International Learning and Partnerships





YouthSave Project: Asset Building in Developing Countries

- In Colombia, Ghana, Kenya, and Nepal
- Testing savings accounts, asset building, and youth development for low-income youth
- With Save the Children and other partners
- Multi-method, long-term research, with in-country research partners



Children in YouthSave in Ghana







Vision: Asset Building for Every Child

If evidence remains positive, the guiding vision is an account for every child on the planet. . . . To set the stage for lifelong asset building.

During 21st century, social policies will become more global, and CDAs could be among the first.

Take a moment to imagine this global policy. . .
For example, what is potential for international aid?



Toward Lifelong Asset Building for All As a Massive Social Innovation



Native American participant in the American Dream Demonstration, with house purchased with her IDA funds.



Keys to Large-Scale Innovation in Asset Building Policy

- See all defined contribution (asset building) policies as a single policy system.
- Observe who is included and who is not, then automatically bring everyone in.
- Use technological and social innovations to build assets for the whole population.



Big Lesson: Test for Impacts, Including Non-Financial Outcomes

To inform asset building policy, research on impacts is fundamental.

Non-financial outcomes can be as important as financial outcomes—and sometimes even more convincing to policy makers.



Thinking About a Future of Inclusive Global Finance



Financial Innovation Is In An Enormously Creative Period

- Biomarkers (facial, fingerprint) are effective IDs.
- Alternative scoring models are being tested.
- Multiple financial services are common: transactions, saving, credit, insurance.
- Social and technical coming together: TNG Wallet from Hong Kong has point of contact partnerships with 7-Eleven, and a global vision.
- Greater currency freedom: AirTM enables people to store their money in USD, through a peer-to-peer network, operating like uber.



Financial Inclusion Has Large Implications and Potential

- Financial inclusion will be a spur to development, with secure money, easy transactions.
- Financial inclusion can become highly efficient, benefitting both household and national economies.
- Financial inclusion is fundamentally social, linking networks of providers and networks of users.
- Financial inclusion can become the basis for greater voice, stronger democracy.



What is the Potential for Global Financial Inclusion in the 21st Century?

What does/will the Information Age make possible in finance? Can finance become ubiquitous?

Can finance become like a utility, centralized and provided to all (like delivery of water or electricity)?

Can finance become a “right” with basic protections (like the right to education)?

Can finance become a “public good” provided to everyone with no fee (like streets and parks)?



The Agenda and Potential of Global Social Development Innovations



Global Social Development Innovations Will Be Advancing These Opportunities

Key innovations in the 21st Century will be social, especially: How can everyone be included? How can communities and societies develop?

Albert Einstein famously said, “Imagination is superior to knowledge.” But imagination requires testing through smart and disciplined scholarship.

In this regard, GSDI is well-positioned to lead.



Global Social Development Innovations





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