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Assets, Future Orientation, and Well-Being: Exploring and Extending Sherraden's Framework

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Reducing the incidence and impact of poverty has been central to social work practice since the birth of the profession (Addams, 1910; Franklin, 1986). The prevailing anti-poverty paradigm holds that well-being is almost exclusively dependent upon income. Social work scholar and educator, Michael Sherraden (1988; 1991) suggests a new anti-poverty paradigm whereby combined income and asset building initiatives may improve the well-being of poor households. Sherraden (1991) suggests that assets have positive effects on well-being, including future orientation. The extended conceptual framework suggested here further specifies that future orientation has a direct role in its relationship with assets and well-being.

Introduction

Reducing the incidence and impact of poverty have been central to social work practice in the United States since the beginning days of the profession (Addams, 1910; Franklin, 1986; Trattner, 1994). This emphasis continues today as reflected in the Council on Social Work Education's statement that "The purpose of social work education is to prepare competent and effective social work professionals who are committed to practice that includes services to the poor and oppressed, and who work to alleviate poverty, oppression, and discrimination" (CSWE, 1998, p. 134).

The overwhelming majority of social work efforts in this arena have paralleled our national efforts by providing income, goods, and services to help sustain poor people. Many of our largest public initiatives have attempted to provide income security for poor people, often through income transfer programs. While these programs have helped remove some people from poverty, they have not reduced the rate of pretransfer poverty (Danziger & Plotnick, 1986). Even with income transfer programs, more than 13 percent of United States citizens are living below the federal poverty level (US Bureau of the Census, 1998a). Poverty rates for children and people of color are especially high. For example, almost one out of every two African-American children lives in poverty, making this one of the most economically vulnerable groups in the United States (Karger & Stoesz, 1998).

One part of the explanation for the seeming intractability of poverty may be related to the meager size of income transfers that are available to poor families through public assistance programs. However, another part of the explanation may be that poverty involves both income and asset deprivation. The prevailing anti-poverty paradigm holds that well-being is almost exclusively dependent on income. Hence, United States anti-poverty policies and programs have been developed to provide income, goods, and services as a means of enhancing well-being.

Until recently, efforts to address asset deprivation have been virtually non-existent in United States anti-poverty policies and programs. Within the past decade a new asset-based paradigm has emerged. Social work scholar and educator, Michael Sherraden (1988; 1991) has suggested that both income poverty and asset poverty need to be remedied in order to enhance the well being of economically vulnerable individuals, families, and communities.

The suggestion that ending poverty may have as much to do with tangible assets as with income represents a critical analysis of a prevailing paradigm that has shaped anti-poverty policies and programs in the United States. Sherraden (1991) suggests that the current paradigm has not met its intended goals. "Welfare policy has gone off track in becoming almost exclusively preoccupied with income protection of the poor. Policy should seek to empower as well as protect" (Sherraden, 1991, p.7). The emerging

paradigm that serves as a foundation for this paper suggests that well-being demands both adequate income and assets. Sherraden (1991) writes about shifting to asset-based policies and programs:

The major reason for this proposed policy shift is that income only maintains consumption, but assets change the way people think and interact in the world. With assets, people begin to think in the long term and pursue long-term goals.(p.6)

Following the work of Sherraden and his colleagues (Johnson & Sherraden, 1992; Page-Adams & Sherraden, 1997; Sherraden, 1988, 1991), the use of the term “assets” in this paper refers specifically to financial and property holdings or the stock of tangible wealth in a household.

This paper begins by briefly reviewing the current distribution of income and assets in the United States. Following this review, there is an overview of historical and current asset-based policies and programs. After reviewing Sherraden’s (1991) conceptualization of well-being based on assets, this paper then extends this conceptualization by suggesting that future orientation plays a central role in the relationship between assets and well-being.

The term future orientation is defined as one’s ability to think about and plan for the future. Thus, household assets often provide individuals with the opportunity to shape future goals and to make concrete plans for personal, social, and economic growth.

Even a small amount of savings stabilizes families. At higher levels, savings give families the luxury of imagining a future better than the present, and a reason to plan and prepare for the future. (CFED, 1996, p.10)

In fact, the extended conceptualization suggests that future orientation directly mediates other positive measures of well-being for individuals, families, and communities.

Income and Asset Distribution in the United States

A review of the current distribution of income and assets in the United States reveals wide gaps between the haves and the have nots. Turning first to income, 20 percent of American

households command 43 percent of all income in the United States (Oliver & Shapiro, 1995). There are especially large income disparities between whites and African-Americans. In 1997, the median household income was \$38,972 for whites, but only \$25,050 for African Americans (US Bureau of the Census, 1998).

While the income gap is wide, the asset gap is wider. Twenty percent of households in the United States control 68 percent of net worth (Oliver & Shapiro, 1995). Racial disparities in the asset distribution are even more stark than in the income distribution. White households have a median net worth of \$43,800 while African American households have a median net worth of only \$3,700 (Oliver & Shapiro, 1995). In other words, the median net worth of white households is more than eleven times greater than that of African American households. Further, wealth disparity is increasing rather than decreasing, with all of the increase in total wealth during a recent ten year period going to the top one percent of United States households (Wolff, 1995).

Homeownership is one of the most important ways that people hold assets. In 1993, homeownership accounted for 44 percent of household net worth in the United States, with 64 percent of individuals owning the homes in which they live (Eller & Fraser, 1995). However, homeownership rates vary tremendously on the basis of both income and race. Forty-one percent of households in the lowest income bracket live in owner-occupied housing while 86 percent of households in the highest income bracket own homes (Eller & Fraser, 1995). Oliver and Shapiro (1995) note that African-Americans are only 65 percent as likely as whites to own their own homes.

Turning to savings and other financial assets, approximately 60 percent of all American households have \$1,000 or less in net financial assets (Oliver & Shapiro, 1995). Oliver and Shapiro (1995, p.60) define net financial assets as "those financial assets normally available for present or future conversion into ready cash" and measure it on the basis of the value of assets minus debts excluding consideration of equity in homes and vehicles. Net financial asset distribution by race is dramatically uneven. Nearly 36.5 percent of white households, and a full 75.7 percent of African-American households, have \$1,000 or less in net financial assets (Oliver & Shapiro, 1995).

The asset gap is of special concern to social workers who advocate for economically vulnerable populations because of the unique ways that assets may affect well-being. Income provides a way to meet basic human needs, but assets are thought to provide the opportunity for people to envision and dream about a more positive future for themselves and their children (Sherraden, 1991). Further, assets provide United States households with a nest egg that can provide economic stability to families experiencing financial crises (Oliver & Shapiro, 1995). One way to decrease the asset gap would be to balance existing income transfer policies and programs with asset building policies and programs. In doing so, we can learn from historical and current initiatives that have helped people build assets in the United States.

Historical Background

The social work profession emerged during the late 1800's and early 1900's in an effort to help socially and economically vulnerable individuals and families achieve better lives. From the beginning of the profession there was a clash of ideologies between social workers regarding how to "treat" poverty. The Charity Organization Society (COS) movement was heavily influenced by emerging psychoanalytic approaches as well as a Protestant theology that encouraged "moral character development." COS volunteers believed that counseling would help remedy the roots of individual malfunctioning and, thereby, help poor people become economically self-sufficient (Specht & Courtney, 1994).

Jane Addams, on the other hand, viewed the causes of poverty from an environmental perspective. She began the settlement house movement whereby social workers lived and worked among the poor to improve living and working conditions in the growing industrial sector. Despite this good work, the psychoanalytic approach continued to grow in popularity among social workers. In fact, by the middle of the 20th century, "social work was heavily committed to a psychotherapeutic approach that attributed all social problems, including poverty, to individual malfunctioning" (Specht & Courtney, 1994). Today, the focus on clinical approaches to "rehabilitate" low-income people continues.

Thus, individual explanations for poverty reflect the belief that poverty is caused by individual dysfunction whereas structural explanations for poverty rest on the notion that social problems create poverty. Sherraden (1991) suggests that there is a need to close the gap between these two explanations. One way would be to focus on the role of institutions in the theoretical tradition of Max Weber (1958), Ralf Dahrendorf (1979), and William Julius Wilson (1987). These theorists have made contributions that together highlight the central role of institutional structures in shaping the life chances of individuals. From this tradition, poor individuals are thought to internalize the social structure and their positions within it because of institutionalized barriers to social and economic well-being. Further, the opportunity to leave poverty is believed to depend on institutional factors as opposed to individual factors. Thus, institutions that facilitate long-term economic well-being and related social welfare outcomes may best eradicate poverty.

Yet asset development among the poor is made difficult by a number of institutional factors. First, financial institutions such as banks and credit unions do not often locate in poor communities, thereby restricting access to institutional structures for saving and investment. Second, asset accumulation in the form of homeownership and small business development are often harder to achieve for poor individuals and people of color due to institutional racism. The real estate practice of redlining and discriminatory banking policies continues to limit home and business development opportunities for many individuals (Oliver & Shapiro, 1995). Finally, asset accumulation in the form of employer-subsidized pension plans are often not available to low-wage workers. This means that the working poor are discouraged from saving for retirement. Further, they are not privy to the educational information that is a part of most benefit plans regarding the ways in which retirement savings operate.

In contrast to these institutional limitations to asset development, a recent review of savings patterns among the poor and working poor suggests that economically vulnerable people can and do save when savings is supported and facilitated (Beverly, 1997). Since such saving is more difficult for those without access to institutional structures and incentives, Sherraden (1991) suggests that the United States can help poor people save by

creating institutional savings and investment structures similar to those that nonpoor people use to accumulate assets.

Examples of asset building initiatives designed to enhance social and economic well-being have surfaced only recently in the United States. Yet there are several examples of social policies and programs that have helped many people build assets. Turning first to historical examples, the Homestead Act and the G.I. Bill were two federal policies developed to build the resources of families and the country as a whole. The long-term effects of these policies on household and national socioeconomic well-being were many. Both policies resulted in massive transfers of financial assets and property for long-term household economic development, thereby dramatically increasing intergenerational well-being.

The Homestead Act of 1862 provided 160 acres of public land to settlers who built homesteads and cultivated the land (Potter & Schamel, 1997). This policy allowed many individuals who would have otherwise been unable to secure land to become stakeholders. Altogether 270 million acres of land were distributed to 1.6 million people, making this the biggest asset transfer policy in United States history (Potter & Schamel, 1997). Even so, while this policy helped white people, it also hurt Native Americans and African-Americans.

The Southern Homestead Act of 1866 was passed in an effort to offset discrimination based on race. The Southern Homestead Act provided "a legal basis and mechanism to promote black landownership" (Oliver & Shapiro, 1995). Despite some problems with implementation of the policy, the Southern Homestead Act helped African-Americans secure land in the 1870s, especially in South Carolina, Virginia, and Arkansas, and twenty-five percent of African-American farmers in the south owned their own land by 1900 (DuBois, 1935; Lanza, 1990).

During this same era, a proposal to redistribute Southern property to freedmen by transferring "40 acres and a mule" to former slaves began to gain favor. This policy would have allowed freedmen the opportunity to obtain land, thereby generating income for their families (Oliver & Shapiro, 1995). According to Du Bois, this policy "would have made a basis of real democracy in the United States" (1935, p. 39). Unfortunately, it was not enacted and the anticipated benefits from land acquisition

among freedmen were never fully realized. According to Oliver and Shapiro (1995, p.5) "the effect of this inherited poverty and economic scarcity for the accumulation of wealth has been to 'sediment' inequality into the social structure." In other words, the limited opportunities for African-Americans to own land led to the intergenerational 'sedimentation' of racial wealth inequality that continues today.

The G.I. Bill of Rights was introduced in 1944 and allocated federal grants and loans to help military personnel buy homes and pay for college following their exit from the military (Heise, 1994; Skocpol & Amehta, 1995). The intent of the G.I. Bill was to invest in the social and economic well-being of military families so that the country would reap the benefits of a group of young veterans who would invest in their communities.

The educational provisions of this policy created an institutional structure that increased the human capital of a whole generation. The G.I. Bill also influenced America's "golden housing era", with rapid construction resulting in overall housing increases of 50 percent (Sternlieb & Hughes, 1982). The extent to which this policy ameliorated racial disparities cannot be underestimated. The G.I. Bill helped to create a Black middle class by providing asset-based benefits to 7.8 million African-American World War II veterans (Roach, 1997). Largely because of the G.I. Bill, the homeownership rate among minority households increased by 18 percent between 1940 and 1970 (Sternlieb & Hughes, 1982).

There are important historical and contemporary examples of asset-based programs that have helped low-income people build assets. The Philadelphia Saving Fund Society, the oldest savings bank for people of modest means, opened its account in 1850 (Alter, Goldin & Rotella, 1994). This bank was established to help poor people save money even in the face of extreme resource limitations. Members of the savings fund societies were able to save significant amounts of money for long-term economic development purposes including homeownership, capitalization of small businesses, retirement, and bequests to children and grandchildren.

Turning to a modern-day example, Community Development Credit Unions (CDCUs) provide savings opportunities for

low- and moderate-income people nationwide. CDCUs are self-sustaining financial institutions that have been actively serving low-income communities for the past 60 years (Credit Union Home Page, 1998). In 1995, CDCUs had 171,000 savers with a median family income of only \$19,000 who together saved \$250 million (CFED, 1996).

Public policies have historically helped the non-poor accumulate assets through tax incentives, or what Titmuss (1958) calls fiscal welfare. Most tax incentives help people build retirement income and property assets. In 1999, projected tax expenditures to the non-poor will total \$505 billion (US Congress, 1994).

By comparison, the amount of direct spending in means-tested programs in 1999 will total only \$221 billion (Citizen's Guide, 1999). Low-income people have not had equal access to asset building opportunities through the tax code due to low earnings, marginal tax rates, and limited retirement savings and homeownership rates. In fact, government spending for the poor is primarily allocated through means-tested income transfer programs that prohibit savings.

Yet one way to create an institutional structure for asset building for low- and moderate-income people is through Individual Development Accounts (IDAs). IDAs were first suggested by Sherraden (1991) as a vehicle for facilitating asset accumulation in low-income households. IDAs are dedicated savings accounts designed to help low-income people save for long-term social and economic development purposes such as homeownership, small business capitalization, and post-secondary education. IDA savers receive funds from public and private sources to match their own contributions.

In the past, asset-based policies such as the Homestead Act and the G.I. Bill transferred wealth to people along with the opportunity to build that wealth and pass it on to future generations. Sherraden (1991) suggests that similar savings institutions could provide the same opportunities for low-income households. The Corporation for Enterprise Development has organized a national IDA policy demonstration with the hope that IDAs could be an equivalent to the Homestead Act of the 19th century and the G.I. Bill of the 20th century (CFED, 1996).

Overview of Sherraden's Conceptualization of Well-Being Based on Assets

The proposal to create an institutional structure of dedicated, leveraged asset accounts for long-term social and economic development purposes rests on Sherraden's (1991) conceptual framework that well-being is based, in part, on assets. This framework represents a paradigm shift from income-based to asset-based approaches to understanding poverty and increasing the well-being of poor individuals, households, and communities in the United States. Sherraden suggests that even small asset accumulations can create large effects. For example, the knowledge that there is some money saved for college may make a big difference in a child's decision to stay in high school. Likewise, a small amount of home equity may lead to substantial efforts in home maintenance and active involvement in neighborhood associations.

Welfare policy based on an income and consumption paradigm has not significantly affected pre-transfer poverty (Danziger & Plotnick, 1986). One reason for this may be that income transfer programs have been designed to help maintain people by supporting consumption and meeting basic needs but have done little to help people develop long-term social and economic well-being. Sherraden suggests that "welfare policy has sustained the weak, but it has not helped to make them strong" (1991, p. 3).

It may be that both income and assets are required to ensure the well-being of individuals, families, and communities. Oliver and Shapiro (1995) note that income and assets play very different roles within a household:

Wealth is a special form of money not used to purchase milk and shoes and other life necessities. More often it is used to create opportunities, secure a desired stature and standard of living, or pass class status along to one's children. In this sense the command over resources that wealth entails is more encompassing than is income or education, and closer in meaning and theoretical significance to our traditional notions of economic well-being and access to life chances. (1995, p. 2)

From this perspective, assets are thought to increase well-being in ways that income cannot.

Sherraden (1991) theorizes that assets have positive effects on well-being, and that these effects are at least partially independent

of the effects of income. Based on previous theoretical and empirical work, he suggests that assets have a direct effect on several outcomes including: household stability, personal efficacy, social influence, civic involvement and community participation, child well-being, and future orientation (see Figure 1 in Appendix A).

Extending the Conceptual Framework: The Role of Future Orientation

Sherraden's (1991) conceptualization regarding the effects of assets on well-being suggests that future orientation is just one of several effects of assets on well-being. However, assets may have positive independent effects on future orientation that are key to enhanced life chances. This interpretation would not counter Sherraden's discussion, but would extend it by more clearly specifying the mediating role of future orientation. In other words, the suggestion here is that future orientation may play an intermediate role in the relationship between assets and other positive social and economic outcomes (See Figure 2 in Appendix A for a graphic representation of this extended conceptualization).

The expanded conceptualization offered here suggests a theoretical specification that may help to explain how assets affect future orientation and, in turn, social and economic well-being. It may be that future orientation is shaped by structural as opposed to individual factors. For example, assets may work by first changing one's orientation to the future. For middle and upper income people, economic security facilitates the opportunity to plan for the future. Low-income people, however, generally spend their time and energy trying to make ends meet on a day-to-day basis. Planning for the future is a luxury few poor people can afford. Emerging asset building initiatives, such as IDAs, are designed to help poor people save, plan for the future, and make their plans real.

This theoretical specification of asset effects on well-being suggests that savings *first* provide people with otherwise unattainable opportunities to hope, plan, and dream about the future for themselves and their children. An enhanced orientation toward the future may make it possible, then, for individuals to increase their social and economic well-being. The expanded

conceptualization of well-being based on assets offered here is consistent with the theoretical work of Weber (1958), Dahrendorf (1979), and Wilson (1987) in its attempt to demonstrate how social structures may become internalized to affect individual well-being.

Dahrendorf (1979) and Wilson (1987) built upon Weber's conceptualization of the role of institutions by suggesting that racial and economic oppression result in limited opportunities, or life chances, for young people in the United States. Similarly, this expansion of Sherraden's (1991) theory suggests that asset poverty gets internalized by limiting future orientation which subsequently has negative effects on a wide range of social and economic outcomes. From this perspective, assets lead to future orientation, which in turn leads to household stability, personal efficacy, social influence, civic participation and community involvement, and child well-being.

The theoretical expansion discussed here is also consistent with social psychologists Ajzen and Madden's (1986) "theory of planned behavior" which posits that individuals follow a plan of action based on available possibilities and resources. According to the authors, both intentions and actions are dependent, in part, on "the presence or absence of requisite resources and opportunities" (p.457). From their theoretical perspective, tangible resources play a central role in shaping both goal setting and goal achievement. In the same way, tangible resources in the form of assets may help shape hopes, plans, and dreams about the future which then lead to positive social and economic outcomes.

IDA participants have begun to describe how assets create positive outcomes in their lives, based on the emergence of new visions for the future. When asked what he hoped to get out of the IDA program, one participant said: "This program *gives* me hope . . . and this hope makes me more energetic" (Page-Adams, 1998, p. 13). Another IDA participant stated that her future looked brighter for both herself and her children because of her IDA (CFED ADD, 1998). Consistent with the theoretical expansion presented here, these statements suggest that asset building may be related to hopefulness and positive outlooks for the future which may serve as an intermediate outcome, leading ultimately to positive social and economic outcomes.

In a critical review of future orientation, it is important to note that alternative views suggest that future orientation happens not solely through external resources, but also through internal resources found within individuals. Saleebey (1992) has provided the field of social welfare with a reconceptualization of social work practice with his introduction of the "strengths perspective". In describing the strengths perspective approach he writes:

To discover the power within people and communities, we must subvert and abjure pejorative labels; provide opportunities for connections to family, institutional, and communal resources; assail the victim mind-set; forswear paternalism; trust people's intuitions, accounts, perspectives, and energies; and believe in people's dreams. (p.8)

Thus, the strengths approach promotes the idea that hopes and goals for the future can be found through both internal and external sources within an individual's environment.

In support of this concept, several authors (Greene, Lee, Mentzer, Pinnell, & Niles, 1998) posit that the strengths perspective in social work practice reflects a philosophy whereby "clients possess the resources and competencies needed for achieving their desired goals and for feeling a sense of empowerment and personal agency" (p. 389). The goal of social workers, then, is to provide interventions that will draw out the inherent resources within individuals so that they can achieve their hopes, dreams, and goals for the future. Thus, a review of alternative explanations for future orientation suggests that the achievement of future orientation may also rest on social work interventions that highlight the internal strengths and resources within individuals.

Implications for Research, Policy, and Social Work Practice

IDA programs continue to emerge across the United States in an effort to provide poor and working poor individuals with an institutional structure for savings and investment. Research designed to study the direct effects of assets on social and economic well-being, and the possible indirect effects of assets through future orientation on social and economic well-being, will better inform practitioners and policymakers about how to proceed with future anti-poverty initiatives.

Income-based anti-poverty policy alone has been shown to be limited in reducing the pre-transfer poverty rate. A new policy that reflects the hypothesized positive role of assets on future orientation and social and economic well-being may better serve economically vulnerable populations.

Continued study that examines the role of future orientation in explaining the relationship between assets and social and economic well-being is one implication for research of the expanded theory presented here.

Turning to policies that seek to demonstrate the effects of asset building, it may be easy for practitioners and researchers to design evaluation plans that exclude measures of individual level change, particularly "soft" outcomes such as future orientation. One such policy, the Assets for Independence Act (AFIA), was initially introduced in 1991 by Senator Bill Bradley (D-CA) and Representative Tony Hall (D-OH) and was later signed into law on October 27, 1998. The goal of the AFIA is to use federal funds in order "to establish a national Individual Development Account (IDA) demonstration to determine how effective IDAs and 'asset building' strategies are in helping low-income people save, acquire productive assets, and achieve economic self-sufficiency" (Boshara, 1998). Funding for the evaluation of AFIA funded programs was included in the legislation in order to guide future policy, practice, and research. The theoretical extension offered in this paper suggests that asset-based policy demonstrations like AFIA will be stronger if they include evaluation components that measure future orientation as well as ultimate social and economic outcomes.

If we find that assets first lead to future orientation, then to social and economic well-being, then there would be important implications for social work practice. In other words, findings from asset building programs may provide support for the notion that structural, as opposed to individual factors play a role in the development of future orientation among individuals. Social workers who had previously provided individual counseling to increase hopefulness within individuals could begin providing asset development programs to clients as an alternative means of enhancing a positive orientation toward the future and, subsequently, social and economic well-being.

In addition, social workers who work with adolescents in an effort to increase school retention and academic achievement, and decrease teenage pregnancy most typically use direct practice techniques and services to increase future orientation. However, the work of Green and White (1987) indicates that a key predictor of teenage pregnancy and school retention is parental homeownership. This would imply that social workers who provide asset-based services to adolescents may not only increase the future orientation of students, but may also ultimately decrease school dropout and pregnancy rates.

Conclusion

Social workers today continue a rich tradition of work to reduce the incidence and the impact of poverty. While much of our work has historically focused on income poverty, it may be that both income and assets are required to alleviate deprivation and enhance well-being. Income is required for meeting immediate consumption needs and assets may likewise be required for long-term social and economic development.

Sherraden (1991) suggests that policies and programs that help secure income and build assets are crucial to the well-being of economically vulnerable individuals, families and communities. Individual Development Accounts are one way that poor people can begin to build household assets. Much like past asset-based policies and programs, such as the Homestead Act and the G.I. Bill, IDAs are designed to help people invest in themselves, their children and their larger communities. This policy initiative merits rigorous testing, especially since the Homestead Act and the G.I. Bill may have helped some populations more than others.

Sherraden (1991) suggests that assets have a number of effects on well-being. The extended conceptual framework suggested here further specifies the role of future orientation as an intermediate outcome, helping to explain the relationship between assets and well-being. At this early stage in the development of asset-based anti-poverty strategies, research on assets, future orientation, and well-being is critical to further building our knowledge about the effects of assets on the well-being of economically vulnerable individuals, families, and communities. Research that

examines the role of assets, future orientation, and well-being may also inform social work practice by changing the ways in which we explain poverty, enhance future orientation, and increase individual, social, and economic well-being.

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Appendix A

Figure 1

Sherraden's (1991) Conceptualization of Selected Asset Effects



Figure 2

Extended Conceptualization of Selected Asset Effects



