INDEPTEDNESS OF FINANCIALLY VULNERABLE HOUSEHOLDS: WHAT DO SOCIAL WORKERS DO?

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Reference:

Available at:
http://scholar.google.co.za/citations?user=YUORtfMAAAAJ&hl=en
BACKGROUND

- Households spend 60c – 70c of every Rand on repayment of debt in SA
- Households’ savings needed to contribute to country’s current account deficit
Economic growth and job creation = social development philosophy

- Combine social welfare assistance with developmental strategies
- Promoting economic and social development
- Strengthen people’s capacity
- Enhance social en economic inclusion
- Alleviate poverty
BACKGROUND

- Social work
  - Focused on poorest of poor household
  - Poor households = highest debt to income ration
RESEARCH QUESTION

What do social workers, working within a social development paradigm, do to assist clients who are caught in a debt trap?
CONCEPTUALISATION OF OVER-INDEBTEDNESS OF POOR HOUSEHOLDS

- Preponderance of available information at the time a determination is made
- Indicates that the consumer is/will be unable to satisfy obligations (SA Credit Act 2005)
CONCEPTUALISATION OF OVER-INDEBTEDNESS OF POOR HOUSEHOLDS

• Welfare recipients
  – Constitute 26% of all South Africans
  – Have highest debt service to income ration
CONCEPTUALISATION OF OVER-INDEBTEDNESS OF POOR HOUSEHOLDS

- 77% households occupy homes
- 90% have use of sell phones
- Money in circulation
DEBT BEHAVIOUR OF POOR HOUSEHOLDS
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BERMUDA DEBT TRIANGLE
DEBT BEHAVIOUR OF POOR HOUSEHOLDS

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SURVIVAL

DEBT
DEBT BEHAVIOUR OF POOR HOUSEHOLDS

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DEBT

COGNITIVE
DEBT BEHAVIOUR OF POOR HOUSEHOLDS

BERMUDA DEBT TRIANGLE

SURVIVAL

DEBT

COGNITIVE AFFECTIVE
We can loan you enough money... to get you completely out of debt!
SAVINGS BY POOR HOUSEHOLDS

- Lower income groups
  - Repaying debt implies potential ability to save
  - Can save up to 20% of their income (Stats SA)
  - “stokvel”
  - Use of banking services = 14%
RESEARCH METHODOLOGY

- Combined qualitative and quantitative approach
- Cross-sectional exploratory and descriptive design
- Non-probability sampling
- Universe of 85 front-line social workers
  - Attached to an NGO
  - Generalist social work
  - Integrated service delivery model
- Structured self-administered questionnaires
FINDINGS

- Response rate = 87%
- Service delivery to 10951 households
- Each respondent has a caseload of ± 148 households
FINANCIAL VULNERABILITY AND OVER-INDEBTEDNESS

- 80% households are considered financially vulnerable
- 59% households are over-indebted
REASONS FOR HOUSEHOLDS’ OVER-INDEBTEDNESS

Survival debt

“My clients even have to borrow the basic necessities such as ingredients to prepare a simple meal.”
REASONS FOR HOUSEHOLDS’ OVER-INDEBTEDNESS

**Survival debt**

“My clients even have to borrow the basic necessities such as ingredients to prepare a simple meal.”

**Cognitive debt**

“My clients manage to obtain accounts at various stores who encourage them to spend, but do not explain the fine print of how a credit account works…”
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**Affective debt**

“Clients also want to spoil themselves sometimes...”
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INTERWOVENESS OF CREDITORS

• Households have ± 3 creditors
• Borrow to repay loans
• Secure informal loans
TO WHOM ARE HOUSEHOLDS INDEBTED?

- 66% owe most money to furniture and clothing stores
- Micro-lenders
- Determined by
  - Environment
  - Accessibility
  - availability
SOCIAL WORK INTERVENTION

Refer (26%)

- Mostly for welfare grants
- 2 respondents refer households to financial institutions
- 0 respondent refer households for debt counselling
SOCIAL WORK INTERVENTION

Handled self (41%)

• Teach clients budgeting skills
• Individual
• Few use/facilitation of other sources
• Temporary material assistance
SOCIAL WORK INTERVENTION

No services (33%)
SOCIAL WORK INTERVENTION

- No services: 33%
- Handled self: 41%
- Referred: 26%

Total: 100%
REASONS FOR NO SERVICES

- Resistance of households
- Lack of resources
- Huge caseloads
REASONS FOR NO SERVICES

• Lack of resources
• Huge caseloads
• Resistance of households
• Volunteers?
• Role as facilitator?
• Only direct services?
“I was not trained to give financial advice”

“I don’t feel it should be the responsibility of the social worker to sort out the financial issues of clients”
84% respondents recommended that financial education should be facilitated and/or taught by them to clients.
RECOMMENDATIONS

Focus on:

• Role of social work i.r.o. client’s indebtedness
• Social workers’ and students’ financial literacy
• Methods of financial education
• Facilitation of resources
• Integration of theories of debt behaviour and social work
CONCLUSION

If social workers don't intervene...
CONCLUSION

who will?