



Asset Poverty and the Welfare System in Puerto Rico

Identifying new pathways and
paradigms for reducing poverty

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Overview of the Presentation

- Shifting Paradigm?: New Ideas, Old Strategies
- Is Puerto Rico Asset Poor?
- Direct-aid, Means-Tested Welfare: PAN and TANF
- The Welfare System as an Asset-Building Accelerator

Asset-Building: A Paradigm Shift

- **We are in the midst of a revolutionary process:**

“revolutions are inaugurated by a growing sense, often restricted to a segment of the political community, that existing institutions have ceased adequately to meet the problems posed by an environment that they have in part created.” Thomas S. Kuhn, The Structure of Scientific Revolutions, p.92
- **Thought-provoking Ideas, well-known strategies**
 - Policies and strategies to address poverty and economic development are not the sole domain of the State.
 - How can we extend the asset-building opportunities available to the well-off, to the less advantageous and poor

Is Puerto Rico Asset-Poor?

Housing Tenure / Mortgage Status

Puerto Rico- Housing Tenure	2000	1990
Occupied housing units	1,261,325	1,054,924
Owner occupied	919,711 72.9%	760,258 72.1%
Renter occupied	341,614 27.1%	294,666 27.9%

Source: 2000 and 1990 Census of the Population

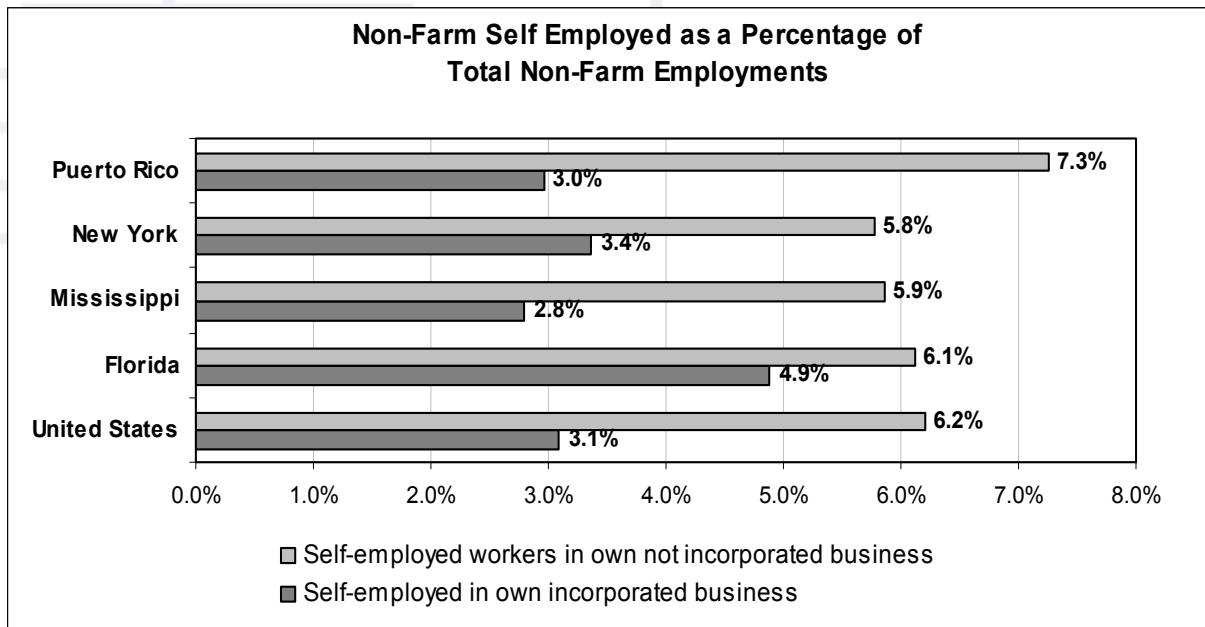
Puerto Rico, U.S. and other States- Mortgage Status

Specified owner-occupied housing units

	With Mortgages	Without Mortgages
Puerto Rico	37.5%	62.5%
New York	67.9%	32.1%
Florida	71.7%	28.3%
Mississippi	62.1%	37.9%
US	70.0%	30.0%

Source: 2000 Census of the Population

Is Puerto Rico Asset-Poor? Self Employment / Small Enterprises



Study on native and immigrant businesses in PR conducted by Ruiz-Vargas (2000):

“Puerto Rican’s **resort mainly to credit cards** as their initial financing source, whereas immigrants use both credit cards and personal loans as their primary financing source” p.391

“Island-born Puerto Ricans mainly finance their operations through **profit reinvestment** [while] Immigrants have a tendency to use less profit reinvestment to finance their operations” p.391

Is Puerto Rico Asset-Poor?

Educational Attainment

- Educational levels in Puerto Rico approximate those of OECD countries and are substantially higher than many nations in Latin America. (PR 2025 Report)
- According to the 2000 Census, Puerto Ricans have the **highest number of persons over the age of 25 without a ninth grade education** and a higher percentage of college drop-outs when compared to the rest of the U.S.

Is Puerto Rico Asset-Poor?

The Unbanked, Poor and Unemployed

- 36% of all households in Puerto Rico were **unbanked** (BPPR Survey, 2002)
- 48.2% of the population is living under the federal **poverty** line (Census 2000)
- 6.5% of all residents lived in a household headed by an **unemployed** person and another 53.3% in a household headed by an **economically inactive** person. (Sotomayor, 2000)

Direct-aid, Means-Tested Welfare: TANF and PAN

- 2002 TANF Monthly Family Benefits: \$104.95 (nominal)
\$53.24 (real)
- 2002 PAN Monthly Family Benefits: \$293.27 (nominal)
\$127.90 (real)
- Only 13% of former TANF female participants are able to maintain their families without some form of government assistance. (Guemárez and Guzmán, 2002)
- 55% of unbanked received PAN benefits



Direct-aid, Means-Tested Welfare: TANF and PAN

- Program participants receive benefits electronically but not through transactional bank accounts (EBT not EFT)
- Institutional Logic: “If you can save, you do not need PAN or TANF”
- **New Focus:** “**You need to save in order to not need TANF or PAN**”

Asset-Building Potential Within the Welfare System

- Bank all PAN and TANF recipients
 - EFT instead of EBT for TANF Recipients
 - Direct deposit for workers under *PAN y Trabajo*
 - Carve-out from the block grant to bank PAN folks
- Department of the Family IDAs
 - Funded with AFIA, CDBG, tax credits, direct appropriation, etc.
 - Deposits and matches excluded from asset tests
- Financial education for all PAN and TANF recipients
 - Utilize case worker model to provide basic financial education
 - Acquiring financial education should be counted as a “work activity”

Asset-Building Potential Within the Welfare System

- Creation of a Puerto Rico Asset-Building Coalition
- Support for studies and research on the local welfare system and asset-building opportunities
 - Create a local Survey of Consumer Finances
 - Develop a local Panel Survey on Income Dynamics
 - Need for detailed data on PAN and TANF take-up rates, survey of leavers, detailed program evaluations, etc.