

Financial sector and well-being: a participatory reflection

Portugal

Project Financialization, Economy, Society and Sustainable Development - FESSUD

WP5 – Task 5.6



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Context

The Portuguese economy has been facing a particularly unfavourable context as far as the development of autonomous and inclusive policies are concerned, within the framework of the EMU (Reis et al., 2013). In line with what happened in other countries of Southern Europe, integration in the EMU reinforced the peripheral position of Portugal, versus Central Europe, and led to a change of its accumulation system, promoting a credit-oriented financialization (Gambarotto e Solari, 2015).

The 2008 crisis underlined and reinforced the peripheral position of the country, with a clearly felt economic and social impact. Previously, this path brought a drastic decrease in the weight of the productive sectors, which becomes particularly problematic in the context of austerity.

Previously, the **peripheralization** path of brought a drastic decrease in the weight of the productive sectors, which becomes particularly problematic in the context of austerity.

For exemple, **agriculture**, decreased 49% in ten years (1989 – 1999).

Additionally, the new focus of the Portuguese **financial sector** in the credit expansion had been closely linked to the housing sector (Rodrigues et. Al, 2014). A motor of economy, but, this was to the benefit of the financial sector and led to an increase of indebtedness of households, increasing vulnerabilities of families and increasig the general price of housing throughout the delivery to the market.

The austerity policies, relying in the adoption of a wage deflation strategy as political instrument and the promotion of an impressive and radical public investment suspension, as well as an extension of the privatisations programme (Costa e Caldas, 2013), deepened and widened the economic vulnerabilities and precipitated an reconfiguration of the employment regime (Campos Lima e Fernandes, 2014; Campos Lima, 2014), namely at wage policy, collective bargaining and protection in employment and unemployment.

The drastic decrease of the social protection levels of unemployed people during a period of austerity contributes to reinforce the association between unemployment, poverty and inequalities (Farinha e Andrade, 2013)

In Portugal the risk of entering a situation of poverty is linked with the few opportunities to get out of it – that is, staying in a situation of persistent poverty (European Commission, 2012). The crisis and austerity led to an aggravation of the relative situation of the poorest segments of the population. A significant reduction of the real income of families between 2009 and 2011 was observed, associated with several trends:

the role of social protection policies was substantially reduced between 2009 and 2011, particularly in terms of indirect support – that is, through available public services, namely at health or education level -, anticipating the effects of the dismantling of the welfare state;

the increase of TVA had a bigger impact among the lower income categories – it should not be forgotten the increase of income taxes and social contributions;

an increase of the number of people living in households without any income or with a very low income.

Research design

The research was designed to address **two key research questions**:

How would finance look like if it happened on the terms of the socially disadvantaged?

What reforms do socially disadvantaged regard as crucial to either achieve involvement on their terms or have an alternative financial system better serving their needs?

Whereas financial exclusion is usually accompanied by social exclusion, the consultation sought to give voice to people at a disadvantage and capture a wide range of perspectives on access to financial services, its impact on the welfare of people and explore possible ways of change.

five dialogue groups (6 to 9 participants) were organised: unemployed; women at risk of poverty (WRP); residents in self-built neighbourhoods (RSBN); Sex Workers (SW); small farmers (SF). By selecting these groups, we intended to have a comprehensive view, considering exclusion mechanisms triggered before the financial crisis - the most significant cases of this type of situation are the RSBN and SW -, as well as mechanisms triggered by the financial crisis - the most paradigmatic case of this type of situation would be the unemployed

Besides accessibility concerns - considering the daily action carried out by *Habita* -, we tried to consider a variety of profiles and criteria, in order to contribute to account for the complexity of economic and cultural processes associated with poverty and financial exclusion. In the constitution of groups,

we sought to ensure amplitude in several criteria: Men/women, Urban/rural, Young/elderly/middle-aged, Organised/non-organised, Financially included/totally excluded

The texts resulting from the transcript were analysed by adopting the guidelines for **focus group** suggested by Flick (2014) which include the identification of patterns, within and between the groups. The analysis framework departs from the recognition that the dialogue groups, by providing one space of critical reflection on a topic that is usually seen as an individual problem but actually has a strong structural feature, provided an interesting opportunity to explore possibilities for change. Thereby, it was adopted a conceptual model which includes different levels of analysis (Danermark et al., 2002), enabling the establishment of relationships between situations and concepts. In practice, the dialogue groups provide information, generated from situated activities (for example, inviting participants to talk about a situation involving money), which evoke different levels of analysis.

Lastly, to identify the **grass-roots alternatives** to mainstream financial system, as well the constraints to their development, we complemented documental analysis of the manifesto of the recently created Forum of Ethical and Solidary Finances with a small inquiry elaborated for this purpose.

Difficulties were found to book a workshop or to receive answers to the questionnaire (30 initiatives contacted, Just 6 initiatives answered)

The dinamic of the **dialogue groups**:

There were two trigger questions, and about 45 minuts to develop dialogues on each of this

- Think about any positive/negative story from your life related to money:
- What changes would be needed so that dealing with your money matters becomes easier for you?

Results

Throughout the different groups, when queried about experiences relating with money, the participants answered on some dimensions of life. The theme was not the financial system *per se*. So that it might appear as topic of conversation it was necessary to bring the specific subject and, in this case, mainly bad experiences were reported.

Some were recurrent subjects in all groups, other were more specific. The dominant topics were Work, the Welfare State, sociability networks (family, friends, associations), in some groups Housing, and in the small farmers group the Agricultural Production System. For this reason, a more global political analysis has been carried out.

Money

Damn Money, Damn Need, We should need it less...

Vital need for vital needs: housing, nutrition, health, education, mobility, energy or even a funeral.

Lack of money: **inequality of power, Vulnerability, unstable living, worries, fear of reaching a breaking point, humiliation, marginalization and self-blame.**

Change: access to **fundamental needs in life should not depend on money**

Results

The financial system (experiences with credit)

“I want to stay away from loans!” (D., RSBN)

Bad experiences and an endless debt cycle

Lack of transparency,

Unfamiliarity with the consequences if unable to pay.

Perception of delusion

Difficulty to understand contract language

Abusive fees and interests (mainly to the poor)

Power inequality in negotiation

lack of protection and alternatives for resolving loans in case of unemployment or sharp decline of income

bank accounts with high service costs

Credit to answer fundamental needs (housing, funeral, university)

Sense of injustice: distrust, perceptions of injustice and vulnerability, lack of support, a source of problems instead of solutions.

The financial system (wider scale)

Business

Speculation

Not in accordance with the country's interests

Unbalance economy

Play/ Game

Too much political power

Absorb money from society

Dominance of financial operations in non-financial companies

Financial System (wider scale)

Absorb money from society

Dominance of financial operations in non-financial companies

“There are farmers that sell to large-scale distributors and it works almost like a credit system. (...) for example, lettuce comes at six in the morning to logistics and by 1p.m. it must be all sold out, because it's perishable,... the company, the economic group uses the producers' money to make investments and later when they pay there has already been a transit (of money) five or six times bigger. Because their profit does not come from sales... it comes from financializing money, because the money is there, they play with our money (.....) Right now, there's a 90-day payment!” (JR, Small farmer, association of small producers)

Pushed to the banks by the policies of subsidies, the risk of their operations is higher

The financial system is part of a bigger system and people's lives too.

The importance of Work

“Without work, I have nothing!” (M. RSBN)

Lack of work

Underpaid jobs

Precariousness,

social integration or disintegration

the psychological problems

lack of money to cope with basic needs.

Generational differences in the perception of unemployment

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Welfare State

“I am part of a generation that already does not have access to the Welfare State. When I became an effective worker not only due to family issues, I never knew what a steady job was, what an unemployment benefit was, I never knew what free access to health meant, etc. Currently I may have some odd jobs, stuff to do and that provides me some spare change, but right now I've only got 20€ for the next 3 weeks.” (G., young, unemployed)

cuts in social supports:

Unemployed with any social support

170 euros a month for income support allowance

Low retirement incomes (around 300 euros)

Increasing poverty and inequality

Lack of money to food, medicines, housing, transport, funeral, study

Increased vulnerability and daily instability, anxiety and concern about a future that seems hopeless; feelings of indignation and injustice

Housing, a major problem

Public policies and state management (farmers)

bad management

Corruption,

Misuse of community funds

Preference for large producers to the detriment of smaller ones

Meaningless bureaucracies

lack of regulation, a critical element

Unprotected

Sociability networks are crucial.

The changes needed

Fundamental need of **having a dignified job**

Fundamental need of an **adequate Welfare State** (depend less on money to have access to basic things)

“The objective of the society is to help everyone so that everyone would live with dignity, with solidarity, with financial support, transport, health, culture and important things of social life, they could be free of charge, or almost free of charge.” (S. U.)

Regulation of the market (farmers)

Rather than being interested in remodelling the **financial system**, they want **not to have to depend on it.**

Alternative finances subject wasn't very clear to the participants of the groups of dialogue in general. They didn't have experience or know this kind of other models

Financial system

More and better information about the operations and contracts.

Access to loans with less costs and more accessible interests, as well as conditions of paying adequate to their needs and their lack of financial resources.

Mechanisms of protection of the weakest part – the consumer – in the relation with financial institutions

reconsidering the system of guarantees

the delivery of the good with mortgage should nullify the debt

Credit for business: support, education, protection, time

Financial and banking system should **serve the interests of the society** and not private interests.

Circulation of money in the economy (farmers)

Support production, projects, enterprises (support real economy), balance society

“when I got unemployed, my boss also lost his business! A business needs many years to get build. And from one day to another they go down. The problem that was in the company was a financial problem. When Caixa-Geral de Depósitos (a Portuguese bank) turned off the faucet of loan, it dug the ditch of poverty. They opened a ditch.(...) The bank in that moment should be aiming, in fact, at a balance. A balance of the society, to fight those asymmetries that exist because of lack of job” (C., U)

Ideas around this concepts: public; democratic; popular; controlled by the people; ethical; of small dimensions; close to people.

NOT private, commercial, foreign and speculative

G. *And so I think that it's necessary to think about banking as collective savings of the society that exist to... help the projects happen, well, help the things that answer to the needs happen. In the first place, for me, we should end with the logic of competition.*

A. *...end with the commercial banking and have an ethical one....*

G: *Banking. have a popular bank or something like that*

Learning about alternatives

"Finance to people and not people to finance"

Arcadi Oliveres

The FFES (Forum on ethical and solidarity finance), Jan. 2015, congregates around 30 organizations

Social and ecological sustainability: Social economy, cooperativism and ethical values, transparency, environmental criteria

Current financial system: profitability criteria, accentuate inequalities, irresponsible consumption of resources, accentuates the social exclusion

Alternatives in the economic and financial area are needed and possible of overcoming structural problems created by this system

Financial intermediation should promote the common good and foster relationships between people and organizations in the Community context

Aim: facilitating loans to groups traditionally excluded from access to credit, promote another form of savings and investment, the use of social coins

Proposed to promote, among others, awareness on sustainable development, financial literacy and construction of an ethical banking in the country

Recent, not arriving to excluded groups yet, lack of resources and formal support,

CONCLUSIONS

Financial system *per se* was not a preferred subject, but rather other dimensions that seem to be predominant in their daily lives, among which the State policies and social protection, and work - decent work for everyone, with rights. (D.G.)

The detachment toward the financial system does not seem, however, to mean indifference. Lack of transparency, lack of protection, distrust, precariousness, inequality of negotiating power; just seek for profit and private interests, not common good, promote inequality (D.G., Al.)

Converge on fundamental values on finances: ethical, public, communal, popular, democratic, cooperative, non-commercial and non-speculative

More than financial education, there is a need to improve living conditions – structural changes (work, social protection)

Financial system and structural conditions of society are deeply interwoven

Finance represents three times more capital than the productive economy, which entailed divestment in real economy, less relevant in producing capital, therefore job creation and its importance for economy has been compromised. (Fine, 2013)

Financial crisis “unexpected relations in different activities of goods and services provision and is shaping the fate of public policies themselves” (Rodrigues et al, 2014)