Financial Counseling for Needy People and the Related Roles of Professionals in Japan

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INTRODUCTION

This paper focuses on a new social program that provides financial counseling to low income families in Japan. Legislated in 2013 as part of a reformation of the anti-poverty policy, such programs are designed to prevent people from having to appeal to the last-resort of public assistance, which is based on the Daily Life Security Law (Seikatsu-Hogo Hō in Japanese). The formulation of this policy was mainly directed at the growing ranks of adults who were still able to be productive workers in spite of not finding jobs.

The impact of the recent financial crisis on the Japanese economy has triggered even greater unemployment and lesser wages to exacerbate poverty, homelessness, and poor living conditions. The Japanese government has had no choice but to take some positive action to mitigate this growing issue, which is leading to social and political problems for the poor working class. Appropriate action required not only gathering evidence such as data on the poverty rate but also overhauling social protection policies against poverty. The discussions reached the conclusion that the Japanese social protection system was devoid of functional programs between the social insurances expected to prevent poverty in advance and public assistance for rescue afterward. The programs that were supposed to connect the two were called the "second safety net." The new system is meant to give a helping hand to people who don't qualify for the last assistance program, the "third safety net," or can't acquire enough benefits from the "first safety net," social insurance, but are still in need of social supports.

In 2012, the Cabinet stipulated reforms to the second safety net as well as to the public assistance program in the Fundamental Principles on Integrated Reform of Social Security and Tax (Syakaihoshō-Zei Ittai-kaikaku Taikō in Japanese). The Diet passed a law regarding social protection reform to create a multilayered, anti-poverty policy not as a stopgap measure, but rather as a "radical reform." Then, the Ministry of Health, Labour and Welfare (MHLW; Kōsei-Rōdō Shō in Japanese) set up a special committee on social services for needy people (Seikatsu-Konkyu-sha no Seikatsu-Shien no arikata ni kansuru Tokubetsu-Bukai in Japanese) in the Social Security Council of MHLW. The committee held twelve meetings between April 2012 and January 2013, and submitted a final report toward the reform (SCLSNP 2013). Based on the report, the ministry has funded pilot programs in municipalities since April 2013. In December 2013, the bill for the programs, called the Social Services for the Independence of Needy People Law (Seikatsu-Konkyu-sha Ziritsu Shien Hō in Japanese), was passed. Then it came into effect in April 2015.

Under the new policy, 901 local governments in areas where welfare offices are located are charged with the responsibility to implement and manage the programs that consist of mandatory and optional programs. In all areas, the governments must establish a consultation center, based on the Consultant Services for an Independence Program (Ziritsu Sōdan Shien Zigyō in Japanese), to perform overall assessments and planning for clients and they can chose to implement some services such as temporary assistance by providing clothing, food, housing, counseling for vocation and finance, training, other types of learning, and caring support for students. The program for financial counseling is called the Counseling for Family Finances Program (Kakei-Sōdan-Shien Zigyō in Japanese). The government can manage both of the mandatory and optional programs directly or can sub-contract them out to private organizations such as social welfare corporations. However, each government bears responsibility for the programs, even if they are outsourced, and it has to bear certain rates of expenses for all programs.

The Counseling for Family Finances Program has unique aspects. It helps low-income people solve financial problems by providing financial advice and coordinating with other special services that assist in solving their predicaments, including over indebtedness. Many efforts under the new system or previous anti-poverty programs are related to "workfare." Work or gaining better wages is undoubtedly important to improve family finances, but it's not the central issue of the Counseling for Family Finances Program. Rather, it focuses on how to manage current income or wages effectively for some time.

The chair of the special committee expects this system to promote social inclusion for vulnerable people who have been excluded by previous policies (Miyamoto 2013), but this is a controversial position. Some fear that people who do truly qualify for public assistance will not receive the proper benefits because of the government reform that tightens the criteria for the public assistance in parallel with the new system (Inaba 2013). As for the Counseling for Family Finances Program, it could work for some clients, such as people who cannot stay within a workable budget due to heavy debt for instance. Nevertheless, some are skeptical of its effectiveness because they feel that people are hesitant to divulge their negative family finance situations to others, and there is an insufficient number of professionals to financially counsel the low income people in Japan.

Building financial capability among needy people through financial counseling or financial education appears to be a global trend, while Organization for Economic Cooperation and Development, OECD, emphasizes the importance of financial education for all as social benefits continue to shrink (OECD 2005). In the U.S.A., to enhance financial capability among minority people, especially people of low income, seems to be growing as a political goal after the financial crisis (CFPB 2013). Social workers are involved in offering financial counseling and education or credit counseling for low income people through some programs such as matched savings accounts (Sherraden, Huang, Frey and et al. 2015). There are some anecdotal evidences, such as an initiative to professionalize "financial social work," which suggests professionals try to financially empower their clients (Wolfsohn & Michaeli 2014). Similar efforts are being made by some organizations in some European countries. Toynbee Hall in London, the pioneer of the social settlement movement, has also been engaged in financial inclusion through financial education and credit counseling for poor people (Toynbee Hall 2012). By critically analyzing such new programs and learning experiences in other countries, we could discern what services would offer the most opportunity to improve the financial capability of poor people in Japan.

In this paper, we examine how the Counseling for Family Finances Program impacts the practices of professionals. First, we explain the main reference materials reviewed. Second, we examine the policy-making process of the Counseling for Family Finances Program. Third, we discuss the emerging role of professionals, especially social workers who have a long tradition of combating poverty.

MATERIALS

This study is primarily based on governmental materials related to the policy-making process and implementation. The minutes of each of the meetings of the special commission, as well as handouts and the final report were reviewed for the policy making process. The final report contains the main points, which become the outline of the legislation after discussion among members of the committee consisting scholars, mayors, social workers, and other activists. We can confirm the details of the process through the documentation.

The final version of the documents of the program design is the main law and series of administration manuals and regulations.[1] In addition, we referred to some governmentally funded research reports that formulated the administration manual and training materials for professionals. The research for these documents was conducted by private organizations which were introduced to the committee as pioneering organizations in financial counseling. Also, a Japanese think tank, the Japan Research Institute (Nihon Sōgō Kenkyū-jo in Japanese), was involved in some of the preparation of a guidebook the government issued to municipalities as a formal notice.

We looked to pilot programs from April 2012 to March 2015, even though the legislated program did not officially go into effect until April 2015. We reviewed some limited secondary data provided by the government and private organizations and some national training materials prepared for financial counselors to learn their expected roles as the professionals under the new program.

THE POLCIY PROCESS

Work of the Committee

The MHLW was required to submit an intermediate report of the Strategy on Livelihood Support (Seikatsu-Shien Senryaku in Japanese) to the Cabinet in July 2012. In the special committee for needy people, the committee members discussed and commented on topics the staff of the MHLW showed. Many topics for the reformation were shown, but no meeting was limited to only one topic. The committee discussed some viewpoints of the Strategy in the first half and put the finishing touches on it in the final report.

In the first meeting, the ministry called for arguments on the "reconstruction of family finance" (Kakei Saiken in Japanese) in terms of microcredit and financial counseling because of the presence of a public microcredit program named the Livelihood Welfare Loan Program (Seikatsu Hukushi Shikin Kashitsuke Seido in Japanese). This Loan Program is part of the "secondary safety net" implemented by the Social Welfare Councils (Syakai-Hukushi Kyōgikai in Japanese) in all prefectures, but it has been ineffective due to problems such as being too under staffed to support the borrowers.

In the meeting, the government official emphasized that providing microcredit without any support would be no more than "treat the symptoms" and could not work to "solve the basic problem" of family finance. The ministry considered it necessary to reinforce support for the borrowers.[2] The ministry would try to follow some of the best practices exemplified by some private organizations such as a consumers' cooperative project, which faced few lending losses due to sufficient financial counseling used in conjunction with their microcredit in spite of the fact that they mainly served people with excessive debt.[3] Financial counseling has become the focus in the draft of the final report, even though originally, the committee had considered financial counseling as just a supplement to credit programs (MHLW 2012).

The final report says that "in terms of improving the overall balance of income and expenditures, a system that reinforces painstaking consultation services for family finances and provides small amounts of credit in case of need should be considered" (SCLSNP 2013). Also, the Counseling for Family Finances Program targets "needy people or people at risk of becoming needy due to a lack of balance between income and expenditure caused by unemployment, multiple indebtedness, over indebtedness and others" (SCLSNP ibid). This program is supposed to provide support to increase income through public benefits or private aid from relatives, coaching for normalizing expenditures through keeping household account books, and coordinating microcredits, after assessment of family finances. Also, the report shows that the public microcredit program targets needy clients in residential tax-exempt households, meaning low income families, while private microcredit programs should target needy clients in taxable households (with higher incomes than tax-exempt households) who are in excessive debt. This is part of the "multilayered financial safety net" (SCLSNP ibid). It is noteworthy that even in discussions regarding the "multilayered financial safety net," there were no talks about reforming the microcredit program itself nor employing other financial means such as saving and insurance.

Program Design

We found there is a problem in that local governments are not under any actual obligation to set up the Counseling for Family Finances Program. There are program gaps between areas where governments conduct the program and other areas where governments do not conduct the same. However, this gap can get more complicated because of the reforms in the Livelihood Welfare Loan Program after the legislation of the new programs. The MHLW and Social Welfare Council decided that some public loans are requisite to receiving assessment by the Consultant Services for Independence Program. Under this rule, it is hypothesized that public credit staff could spend more time with their clients as the assessment procedure will be done by the Consultant Services for an Independence Program.

From this reform, in theory, there are four areas providing financial counseling services (Figure 1.): A, counseling services provided by the public microcredit program and the Consultant Services for an Independence Program, common and basic in all areas, but no additional services for family finance. B and C develop extra professional services in addition to the basics. B provides counseling services by private microcredit organizations and C works with the Counseling for Family Finance Program. In D, needy people can use or chose more services from pubic organizations and private organizations than in other areas.[4]

Next, the Counseling for Family Finance Program targets the same ranks of people as other new programs. The law says that the programs should serve "people who are economically needy at present and at risk of being unable to maintain a minimum standard of living" (Article 2). Nevertheless, the Counseling for Family Finance Program, as well as the Consultant Services for Independence Program, does not set rigid financial requirements by rule nor carry out means tests common in other programs, because counseling should be provided to as many people, who are in some trouble, as possible. However, the Counseling for Family Finance Program limits itself only to people who are expected to improve their ability to manage money. People not expected to improve such ability would not be allowed to use the services.[5]

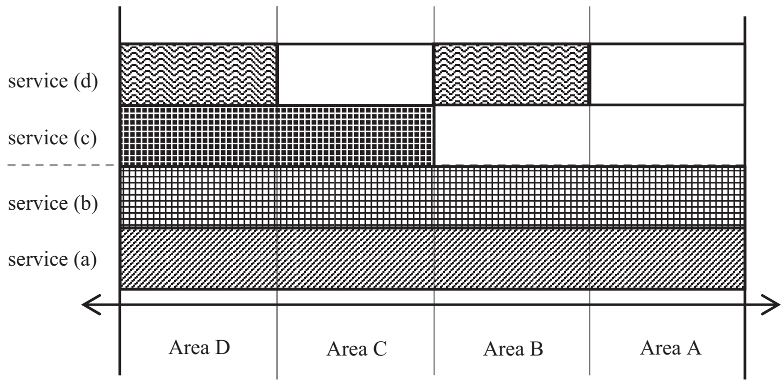

Figure 1. Program Gaps

NOTE: "Service (a)" indicates the Livelihood Welfare Loan Program, "service (b)" indicates the Consultant Services for Independence Program, "service (c)" indicates the Counseling for Family Finances Program, and "service (d)" indicates counseling by private organizations.

The guidebook provides examples of clients the program would be effective for: the needy people who do not grasp their financial situation, people who will not talk about family finances with other family members and each spend their money separately, people who cannot control the use of their credit cards and do not care about their loans, needy people with unstable finances, low income people who cannot earn sufficient wage or get public benefits irregularly and face trouble keeping them under control, people who need living expenses until getting their first pay check on a new job, people who are deep in debt or have arrears in taxes, utility bills, rent, and other things (MHLW 2015a). Some of these might seem as disadvantaged; however, the standard to judge who is deserved and who is not is unclear, and the field staffs are allowed to use their own discretion.

Lastly, the services of the Counseling for Family Finances Program have similar processes as the social work ones, which follow engagement, assessment, planning, intervention, monitoring, and evaluation. Also, services are time-limited to approximately one year. In all phases of the process, clients are encouraged to visualize things like making a table of family finances and account books to help them grasp their own finances (MHLW 2015c).

There are four types of interventions in the program: First, financial management services to motivate clients to manage their own finances by keeping tabs on household finances with regular coaching, monitoring, and accompaniment on shopping trips. Second, helping clients to resolve arrears in taxes, utility bills or social insurance premium and coordinate their eligibility for benefits or related services. In cases of inability to pay arrears, the staff attempts to broker exemptions, grace periods, or reduced installment payments. These options allow clients to maintain life line services so that they may increase their disposable income through eligible benefits or not lose their eligibility for future benefits such as social insurance. Tackling excessive indebtedness is the third service. The staff collaborates with the authorities in charge of the debts or come up with solutions by getting together with the lawyers and police. Fourth, the program acts as a mediator between the clients and other microcredit programs to make it easier for them to acquire the financial help they need. The staff of the Counseling for Family Finances Program continues financial counseling for clients receiving microcredit as well (MHLW 2015a).

The initial financial counseling service could continue until the end of the service; whereas, the use of other services could come to an end after coordination of available resources. The financial counseling is expected to be provided exclusively by the Counseling for Family Finances Program staff. On the other hand, coordinating other services is not part of the specialty of this staff, and could be done (actually expected to be done) by staff working in other programs such as the Consultant Services. This way, the staffs of the Counseling for Family Finances Program retain the main role for providing counseling services directly.

Implementation

Initially, there were pilot implementations of the new programs before the law went into actual effect.[6] In the pilot programs, municipal governments could choose whether or not to participate. The governments that opted into the pilot programs had to comply with the Consultant Services for Independence Program, while for others, including the Counseling for Family Finance Program was discretionary.

In the first year of the pilot projects started in April 2013, 68 governments set up the Consultant Services for an Independence Program and 30 of these governments engaged in the program for family finance. In the second year, 254 governments implemented the Consultant Services for an Independence Program, while the number of governments that began money management assistance reached 80 within a year (MHLW 2014a; 2014b).

In fiscal year 2015, programs based on the newly enacted law were initiated in all 901 local municipalities in areas where welfare offices are located and where they were engaged in the Consultant Services for an Independence Program. Two hundred and five municipalities were instrumental in setting up the Counseling for Family Finances Program in all of the prefectures except for six (MHLW 2015e).[7]

In the 2015 FY, 40% of the 901 governments directly implemented the Consultant Services for an Independence Program. More than half of the governments outsourced the programs to the private sector or co-operated with private entities for implementations. Among the outsourced organizations, 76% of the programs were entrusted to the Social Welfare Council. Nearly 410 Social Welfare Councils were implemented in this way (MHLW 2015d).

For the Counseling for Family Finances Program, only 10% of the 205 governments were managed directly by the municipalities. Nearly 90% of the governments contracted it out to private entities in the 2015 FY. Around 70% of the outsourced organizations also were Social Welfare Councils, or about 130 councils (MHLW 2015d).

As is clear by these numbers, around half of each program was outsourced to the Social Welfare Councils by local governments. This is meaningful in terms of financial coaching services, because Social Welfare Councils are the ones in charge of public microcredit programs in all prefectures. There is obviously an expectation that consultant services will improve the system of managing microcredit services so that they are more effective.

Data and information on the details of implementation are limited at present. The caseload of the Counseling Family Finances Program from April 2015 until March 2016 reached 5,178 cases. The monthly average is 431.5. Calculating the numbers per implementation organization yields only two cases a month (MHLW 2016).

The Coalition of Green Cooperative, the organization whose practice was exemplified as the best one, conducted a research on the implemented pilot. Regarding the effectiveness of the program, it claimed that the Counseling for Family Finances Program was functional for understanding the outline for the income and expenditures for every month as well as the expenditures that included life events throughout a year, using social services based on reworked finances, understanding the necessary amount of income needed by job seekers, unloading and solving debt, arrearages, and other fiscal issues quickly (Japanese Consumers' Cooperative Union Green Coop 2015).

PROFESSIONALIZING THE PROGRAM

One of major policy issues is whether local governments can acquire sufficient staff who are capable of supporting clients under the new programs. The central government sees that there is a real need for professional staff to implement the programs of the Counseling for Family Finances Program. Such professionals must have "professional knowledge and skills" for financial matters (MHLW 2015a). Although what are the "professional knowledge and skills" required for this program is unclear in the documentation, there is speculation based on the qualifications the MHLW expects to have for the staff and the curriculum of the national training.

The MHLW and the think tank which wrote the draft of the guideline suggested some qualifications for experienced people with financial backgrounds as acceptable staff. These included accredited financial planners, accredited consumer advisers, licensed social workers, accredited social welfare officers, licensed social insurance consultants, and other similar professionals (Japan Research Institute 2014). Similar qualifications are required in the staff working with a public microcredit . According to data from the 2013 FY, 16.7% of the staff was accredited financial planners and the same percentage held qualifications as accredited social welfare officers. There were 12.5% licensed social workers and 6.9% accredited consumer advisers. The sum of accredited social welfare officers and licensed social workers in this field reaches up to 30% (MHLW 2014a).

In the materials and curriculum of the four-day national training session held by the central government, more time was dedicated to emphasizing the important underlying financial skills such as creating accounting tables, cash flow tables, and financial planning based on life events, than on understanding how welfare benefits work and techniques for solving indebtedness (MHLW 2015b).

To be effective in creating sustainable changes in the lives of the poverty stricken, such knowledge and skills should be basic for financial planners. However, financial planners typically target middle class people who can afford to pay for their services, rather than people trying to live on low incomes and can't afford to pay for the plan. The planners in this program need to devise methods to meet the needs of this segment of the population. On the other hand, licensed social workers do have knowledge and skills for working with such vulnerable people, but generally they cannot address the issues this way either because they do not have opportunities to learn basic finance skills that would apply, do not understand the need or effectiveness of providing these services, or for many other reasons. The program effectiveness could surely be improved if people in these two fields came together in collaborations and learn from each other.

CONCLUSION

This paper discussed the trends of the Counseling for Family Finances Program and its impact on the practices of professionals engaged in the fight against poverty. Under the new policies, the program needs either financial planners with the knowledge and skills of social workers or social workers to work with them and their clients on financial planning. As for the design of the program, it limits the service for needy people expected to improve their fiscal understanding and skills. Financial counseling and teaching the use of financial tools forms the base of these programs. Next, social workers help people access and unite varieties of social resources including basic financial services. Providing opportunities to acquire public microcredit has been a crucial service along with social services under new policies.

Can social workers or other professionals in the program contribute to the social inclusion of needy people in terms of improving their financial acumen? We need more time to examine the future implementation success of these programs, but this paper has clarified some risks and issues to be discussed further, including gaps in the programs due to the fact that some parts of these programs are optional and there are some rules for the public credit program that also cause gaps in social resources available for professionals to use in the programs. Even with training, the ability of such professional groups to support clients cannot be developed without sufficient services in the area. Besides such gaps in the programs, it is not rational to limit micro-financing to only microcredit for ameliorating clients' livelihood in the long run. There is an important discussion to be had regarding other financial services such as savings, private insurance, and financial education for low income people as in other countries. Such resources and related knowledge and skills could influence a professional's assessment to grasp the possibility of a client to improve their financial understanding and implementation. Without the proper tools, professionals could misjudge needy people as inappropriate for receiving professional counseling, excluding the clients from critical services meant to help them take control of their lives. Finally, taking into consideration the minor implementations of the new programs, more sophisticated and acceptable ways must be found to provide effective financial coaching.

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Notes

1 The law consists of only twenty three articles and stipulates the framework of programs.
2 Remarks in the minutes of the first meeting.
3 Remarks in the minutes of the second meeting.
4 This paper discusses the program gap from an assumption that different organizations or services are coordinated, not fragmented, in practice, especially in areas providing several services. However, it has not been proved yet.
5 People not expected to improve their ability because of mental disability such as dementia could be served by other programs. One of them is named the Services for Independence in Daily Living Program (Nichijyō-Seikatsu Ziritsu-Shien Zigyō in Japanese), provided by Social Welfare Councils since 2000.
6 Pilot programs can be considered a part of the policy making process, but this paper discusses it as an implementation effort.
7 The six prefectures which did not carry out any of the Counseling for Family Finances Program were: Ibaraki, Gunma, Ishikawa, Nara, Ehime, and Kagoshima.

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