



Fondazione per l'Ambiente  
Teobaldo Fenoglio  
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## **The poor and money: choices, consumptions and bills**

Preliminary analysis on the behaviour of  
vulnerable users of local public services

### **EXECUTIVE SUMMARY**



*In partnership with*



*The research was made in the framework of*

#### **AFFORD project**

*Affordability of tariffs of main local public services  
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## **The poor and money: choices, behaviour and bills** **Preliminary analysis on the behaviour of vulnerable users of local public services**

April 2012

*In the framework of AFFORD project, the activity "Analysis of the relation between vulnerable users and bills" was designed and developed by the working group of Fondazione per l'Ambiente / Turin School of Local Regulation, with the scientific coordinaton of Franco Becchis, in collaboration with: Angela Ambrosino, Emanuela Rinaldi, Daniele Russolillo, Elisa Vanin.*

*This report, presenting the results of the research activity, was edited by Angela Ambrosino and Andrea Gallice. The questionnaire was designed by: Angela Ambrosino, Emanuela Rinaldi, Franco Becchis, Daniele Russolillo. Interviews were made by: Angela Ambrosino, Elena Balestra, Francesco Dal Pozzo, Diego Maccanti, Patrizia Persico, Lucia Quaglino, Emanuela Rinaldi, Elisa Vanin. Processing of data and publishing layout: Elena Balestra, Francesco Dal Pozzo.*

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## Foreword

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The social sustainability of payments for public services is a theme that becomes more sensitive during crisis as it affects strata of the population that are socially and economically weaker and also poses a severe trade-off between issues of environmental/industrial policy (e.g. water investments) and the associated financial consequences (increasing bills). In the background, the need to improve the degree of financial literacy of the most economically vulnerable parts of the population emerges in order to endow agents with better skills to face important financial choices on one hand, and to help them managing in a more appropriate way the payment of bills on the other hand.

## Scope and objectives

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The analysis presented in this work represents a first step in building a broader research project aimed at investigating the theme of affordability of tariffs for major local public services, in particular energy and environmental ones. More precisely, the research focuses on the theme of arrearage in payments as well as on the impact, the diffusion and the characteristics that this phenomenon takes within the most vulnerable strata of the population. Indeed, these individuals can face greater challenges in the acquisition and the interpretation of the information needed in order to evaluate and implement their consumption choices. Moreover, the same agents, exactly because of their peculiar situation of economic distress, can incur into welfare losses that are larger than those suffered by the rest of the population as a result of inappropriate consumption choices. As an example, in the Piedmont region, a one-person family with low income devotes on average 8-9% of his/her expenditure to the payment of water, waste, gas and electricity services, a family of 3 individuals 9-10%, and a family of 5 members 10-11% (Year: 2007).<sup>1</sup> The goal is to provide local decision makers and stakeholders with the cognitive tools to tackle a topic on which there is an increasing social attention, which, given the current macroeconomic framework, is likely to continue.

## Activities and methodology

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The research is based on the results stemming from a detailed questionnaire that has been administered to a group of 141 people with problem of arrears identified among those who benefit of subsidies by Ufficio Pio in Turin (the operational body of the Bank Foundation Compagnia di San Paolo providing welfare assistance). The questionnaire has been designed with the goal of eliciting choices, behaviours and attitudes of the subjects with respect to a number of themes such as the ability to respect tariffs deadlines, the awareness about own energetic consumption, more general consumption habits, the degree of confidence in the future, the level of financial literacy, the adoption of myopic or less than fully rational

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<sup>1</sup> Fondazione per l' Ambiente, Report MONSPL 2009 "Tariffs of public services and families expenditure. An analysis on main cities of Piemonte Region", [www.fondazioneambiente.org/monspl2009](http://www.fondazioneambiente.org/monspl2009)  
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behaviours. The same questionnaire has then been also administered to 139 individuals that do not belong to vulnerable groups. The comparison of the choices and behaviours implemented by the two groups allows to highlight the specific features that characterize users that belong to the vulnerable parts of the population. From a methodological point of view, the analysis of the data combines a qualitative approach with tools that are typical of a social and statistical investigation.

## Results

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The research provides an exhaustive description of arrear payments, consumption choices, financial literacy and energy-saving education of the agents. Arrear payments appears to be a phenomenon that is widely diffused within the most vulnerable strata of the population and largely due to an actual state of economic distress rather than to a bad management of the personal budget. But not all the payments for public services are perceived in the same way: indeed, a clear priority is given to bills for electricity and heating at the expense of the tariff for waste management. Answers to the questionnaire also show how on average agents that do not pay their bills have a limited knowledge of some main economic concepts (such as the interest rate or the inflation rate) and little familiarity with financial instruments and means of payments other than cash. The same individuals are also characterized by a low awareness about the costs of their energetic and water consumption even if the vast majority declares to know the existence of the time-to-use bill for electricity introduced in Italy in 2010. Finally, the degree of confidence toward the future appears to be notably low (especially when compared with the data that stem from the group of individuals that do not have problems in paying their bills).

The research also highlights how the population of users that are in a situation of financial distress is not perfectly homogeneous. There is in fact an important difference in attitudes and behaviours between those who are in a long term condition of need (often non Italian citizens) and those that instead are in a situation of poverty due to a sudden and unexpected shock (often Italian citizens who lost their job or encountered other destabilizing events): while the first ones display penny-wise behaviours and habits that are in line with their limited budget, agents belonging to the second group show some difficulties in adapting their consumption patterns and lifestyles.

More in general, the analysis shows how habits and skills that define and influence daily behaviours in different and apparently independent contexts, are actually highly correlated. More precisely, results stress how having arrear payments, little confidence in the future, low financial literacy and limited awareness about energetic consumption, are all characteristics that tend to go together. These characteristics partly cause, and partly are the effects of, a more general difficult situation whose traits are not only economic but also social and psychological.



## Research perspectives

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The research represents also a starting point for a particular field of interest, in the context of TSLR, focused on the microeconomic, cognitive and behavioural foundations of individual/collective choices in the perspective of better policy design at local level. Both environmental and regulatory policies, alongside with other local policies which outcomes are strongly dependants on the complex interaction between stimula and reactions, need a fresh rethink due to the developement in empirical and experimental studies, and the TSLR wants to profit from it: a specific stream of research and dissemination on how to help the poorest families with affordability problems is therefore on track.