

## Impacts of a Matched Saving Program to Induce Low-Income Adults to Pursue Further Education: Final Results from the *learn\$ave* Experiment

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## Rationale for *learn\$ave*

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- Low-skills Canadians growingly at risk of low earnings and low employability in the knowledge economy
- Existing government programs and tax incentives to support education and training not reaching low-income adults much
- Government of Canada looking for ways to promote training and education among low-skilled
- Individual Development Accounts could represent a new policy tool to achieve this goal

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## Individual Development Accounts (IDAs): Asset-Based Policy for Low-Income People

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- Subsidized savings account to enable and encourage low income households to acquire productive assets (home, retirement income, small business, human capital)
- Proponents of IDAs suggest that the presence of, or access to, assets can bring about a number of benefits (e.g. self-efficacy, ability to plan, stability, positive risk-taking)
- .... and the very act of saving increases the value of desired savings goal, promotes self-efficacy and sustains longer-term thinking needed to escape poverty

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## Desirable Attributes of IDAs

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- Co-financing: low-income people are induced to contribute their own resources to, and thus have a personal stake in the improvement of their situation
- Involvement of financial institutions increases participants' comfort with these institutions
- Addition of financial literacy training enables improvement in financial management skills and behaviour

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## IDAs in Canada and the US

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- Few true IDAs in Canada
  - Most have been small-scale, pilot projects, delivered by community-based non-profit organizations
- US is world leader in IDA field since mid-1990s
  - Welfare reform (1996): exempted IDA saving matches in federal means-tested programs, and allowed states to use federal welfare monies to fund IDA programs
  - Most true IDAs are community-based programs with heavy involvement of non-profit organizations, currently serving 50,000 IDA account-holders
  - **Proposed** legislation would expand coverage to 900,000 low-income Americans, but rely more on banks than on non-profit organizations for delivery

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## The Basics of *learn\$ave*

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- **Objective:** To demonstrate, through rigorous evaluation, that a matched saving incentive plus financial education can encourage low-income adults to save for education or for starting a small business
- **Delivery:** Social and Enterprise Development Innovations (**SEDI**) had lead responsibility for the design, selection of communities, and overall implementation of the project in collaboration with community-based organizations in 10 sites across Canada
  - Financial institutions held the accounts: one national (RBC) and 2 smaller ones (caisse populaire and credit union)
- **Research and evaluation:** Social Research and Demonstration Corporation
- **Funding:** Human Resources Development Canada



## Program Design: Matched Saving Incentive

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- Participants earn \$3 in matched credits for every \$1 they deposit in their *learn\$ave* account
  - Must “actively” save: at least \$10 in each of 12 months
    - intended to encourage **regular** saving
  - Participants have 3 years to earn credits
  - Maximum deposits qualifying for credits: \$250 monthly and \$1,500 overall during saving period,
    - translates into a maximum of \$4,500 in matched credits earned (\$6,000 in total funds available)
  
- Participants had until month 48 to use their credits
  - Credits used for accredited education/training or for starting a small business, depending on their saving stream/goal

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## Program Design: Financial Management Training +

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- Financial management training covers two aspects:
  - Basic financial: budgeting, value of money, fixed versus discretionary spending, managing money and credit
  - Prior learning recognition (recognizing one’s own skills) and setting saving goals and developing a plan to meet one’s needs
  
- Enhanced case management services
  - Proactive reinforcement of saving goals
  - This is in addition to “regular” assistance such as with signing up for the project, opening an account, regular reminders of credits earned and not cashed out, cashing out credits

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## Program design: Eligibility

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- Applicants must have:
  - low income ( household income < 120% of LICO)
  - \$3000 or less in liquid assets,
  - 21-65 years old, or 18+ and out of school for more than 2 years
  - Not full time PSE student
  - House value < median value of homes in the area

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## Evaluation Research Questions

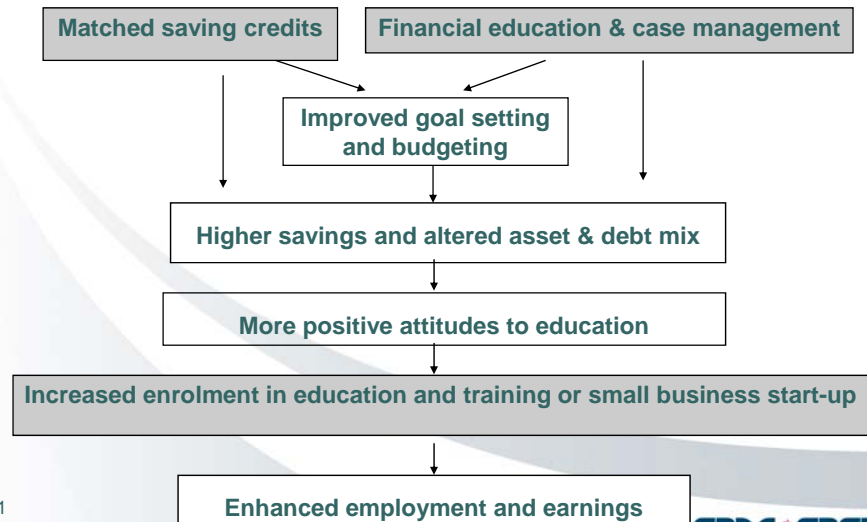
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- **Targeting/take-up:** Will the offer of financial incentives to save for education, in the form of matched saving credits, attract low-income Canadians?
- **Savings impacts:** Will low-income adults' budgeting skills be enhanced by the *learn\$ave* credits and services? Will they be able to save more and achieve higher net worth than they would have in the absence of *learn\$ave*, and without undue hardship? Will their asset and debt portfolio be affected by their desire for increased savings?
- **Education impacts:** Will low-income adults' attitudes to education and training be enhanced? Will they enrol in education or training with their increased savings?
- **Employment and earnings impacts:** Will these activities lead to improved earnings and employment prospects?
- **Added Impacts of additional services:** Will the *learn\$ave* financial management training and case management services make an incremental contribution to savings and education outcomes, over and above the impact of *learn\$ave* matched savings credits?

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## Program Logic Model



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## Experimental Research

- At 3 of the 10 sites
- Eligible applicants randomly assigned to 1 of 3 research groups (and thus the groups are similar):
  1. *learn\$ave*-only group: received 3:1 matched credits only
  2. *learn\$ave*-plus group: received 3:1 matched credits **plus** financial management training and more intensive case management services (reinforcing saving goals)
  3. control group: received neither credits nor services
- Impacts estimated as differences between outcomes of the research groups
  - Impact of matched credits alone: 1 vs. 3
  - **Added** impact of financial training and case mgmt: 1 vs. 2

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## Recruitment

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- Recruitment was difficult though targeted no. of participants was attained (about 4,800 across the 10 sites)
- Potential reasons for difficulties:
  - No list to recruit from (a “convenience” sample)
  - Not all felt they could afford to put aside money
  - Some were deterred by:
    - the fact that this was a research project, and
    - by the information they needed in order to apply for it
  - Not all saw education as the way out of poverty; some were interested to build other assets
- Higher than expected proportion of participants who were highly educated, immigrant, or employed

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## Data Sources

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- **Survey:** baseline survey, plus three follow-up surveys -- 18, 40 and 54 months -- to monitor savings, assets, education and small business outcomes (the estimates in this presentation are based on 54-month survey)
  - Data on **3,600** participants at the 3 experimental sites: 1,200 in each of the *learn\$ave*-only, *learn\$ave*-plus and control groups
- **Management Information System (PMIS):** keeps monthly track of deposits into and withdrawals from *learn\$ave* account (for administration and research)
  - Data on 3,625 participants across 10 sites: 2,400 in the program groups, plus 225 IA recipients at the 3 experimental sites, and 1,000 participants at the 7 non-experimental sites

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## learn\$ave Account Activity

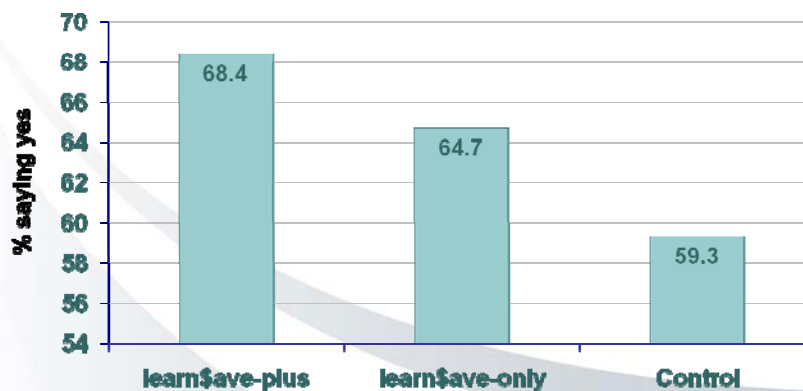
Deposits		Over 36 Months
Proportion who opened an account		93%
Mean matchable deposits		\$1,089
% who saved max. (\$1,500)		65%
% eligible for matched credits		82%
Withdrawals		Over 48 Months
% who used matched credits among all participants		66%
% who used earned credits among the eligible		80%
Average credits used		\$2,435
% using all earned credits among those that withdrew		37%

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## Incremental Impacts on Financial Goal Setting

"Have you set financial goals?"



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## Incremental Impacts on Budgeting

"Do you have a household budget?"



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## Impacts on Saving Incidence

- *learn\$ave* matched credits combined with the services had a positive effect on saving incidence
  - 5.0 percentage point impact on proportion of participants saving in prior 12 months of 54 months follow-up survey
  - 5.8 percentage point impact on proportion of participants saving **regularly** in prior 12 months
- This results points to the likelihood of sustained savings beyond the duration of the project

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## Assets and Debts Impacts: Results at 54 Months

Selected Net Worth Component	Control Group Level			Impact of Match Credits	Added Impact of Services	Impact of Credits + Services
	18 Months	40 Months	54 Months			
	(\$ averages)					
Bank/ <i>learn</i> \$ave account balance	1,358	1,923	1,736	815	-227	587
Retirement savings	399	2,539	3,490	-690*	383	-278
Home, other property	10,984	31,732	53,810	-2,658	2,880	222
Household assets	4,225	7,241	5,929	-552	-12	-564
Student loans	4,224	4,828	4,063	1,358**	-77	1,281**
Net business assets	170	797	742	2,159**	-1,483	676
Net Worth	4,429	16,781	28,605	-1,116	-3,281	-4,397

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## Hardship and Life Satisfaction Impacts

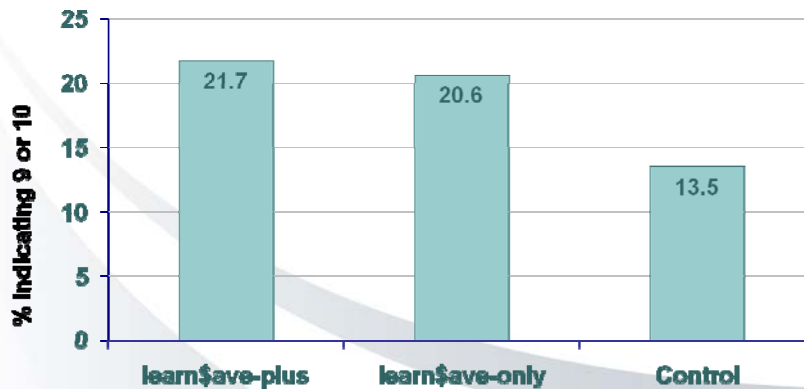
- There was no evidence that *learn*\$ave caused much undue **hardship** for participants at any point during the life of the project
  - This, despite the changes in financial behaviour (investing and budgeting) induced by *learn*\$ave
- In fact, *learn*\$ave matched credits, alone and in combination with the services, contributed to increased **life satisfaction** for participants

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## Incremental Impacts on Life Satisfaction

“Using a scale of 1 to 10 where 1=‘very dissatisfied’ and 10=‘very satisfied,’ how do you feel about your life right now?”



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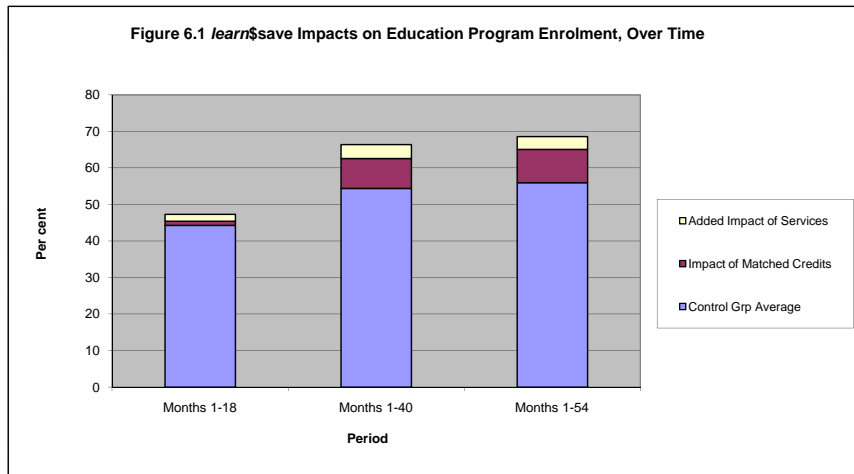
## Education Enrolment Impacts: Results Covering 54 Months

Enrolment in: (incidence)	Control Group	Impact of matched Credits	Added Impact of Services	Impact of Credits + Services
	%	(percentage points)		
<b>Education/training program or course</b>	81.5	<b>6.6***</b>	1.7	<b>8.2***</b>
<b>Program</b>	56.0	<b>9.1***</b>	3.5	<b>12.6***</b>
Community college	30.0	3.3	1.9	<b>5.2**</b>
University	18.4	<b>6.7**</b>	2.5	<b>9.2***</b>
<b>Completed program</b>	39.5	<b>5.0*</b>	1.0	<b>6.0**</b>
<b>Course</b>	47.5	4.3	0.3	4.6

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## Growing Impact in Education Enrolment Over Time



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Baseline Characteristics	Sample Size	Control Group	Impact of Financial Incentive	Added Impact of Services	Total Impact of Incentive + Services
<b>All</b>	1,844	56.0	9.1***	3.5	12.6***
<b>Age</b>					
Less than 30 years	665	64.8	10.0**	3.0	13.0***
Between 30 and 40 years	885	52.9	8.5**	3.2	11.7***
Over 40 years	294	45.6	8.9	5.6	14.5**
<b>Labour Force Status</b>			†		††
Work for pay	1,039	52.1	13.8***	4.4	18.2***
Self-employed	176	44.4	13.3	3.9	23.4*
Jobless: Unemployed/Out of labour force	628	65.8	0.2	-0.2	0.0
<b>Household Income</b>					
Less than \$10,000	587	58.4	5.8	6.8	12.6**
\$10,000 to \$19,999	750	53.4	13.2***	2.1	15.2**
\$20,000 and over	507	57.2	6.9	1.7	8.6
<b>Highest Level of Education</b>					
Some PSE or HS certificate or less	450	54.6	10.1*	2.2	12.2**
College (or equivalent) diploma, certificate or degree	360	56.3	1.9	4.8	6.6
University degree	1,034	56.1	11.9***	3.3	15.2***
<b>Years Since Immigrating</b>					
Born in Canada	586	45.3	18.3***	1.1	19.4***
Immigrated < 4 years ago	950	62.4	7.4*	3.3	10.7***
Immigrated 4 + years ago	308	58.4	-4.3	8.6	4.3
<b>Saving Regularity</b>			††		††
Saved regularly	279	51.5	13.7*	3.2	16.9**
Did not save regularly	1,555	58.0	7.0**	3.7	10.8***

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## Education Enrolment Impacts: Implications

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- The fact that the impacts are predominantly on university and college programs is both surprising and promising:
  - Surprising because with a total maximum amount available of \$6,000, one might have expected greater impacts on (cheaper) college and/or courses
  - Promising because greater labour market returns can be expected from PSE programs as opposed to courses

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## Employment Results

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For participants in the **education stream**:

- No employment impacts observed (yet) from the increased education enrolment observed above
  - Not quite half had completed their education or training at 54 months
  - Impacts on employment may be experienced further down the road, when more people have completed their education or training and found jobs
  - This points to the need for another follow-up survey

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## Impacts on Self-Employment

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For the **micro-enterprise stream**:

- *learn\$ave* matched credits increased incidence of self-employment jobs by 24 percentage points
  - as well as increasing net business assets by \$5,700
- However, the addition of the services had a dampening effect on self-employment incidence
  - Potential explanations: *learn\$ave* may have encouraged perseverance and more planning, thus delaying business start-up; or it may have discouraged unprepared participants altogether

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## Cost Effectiveness

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- Cost-effectiveness measures the average cost to produce a unit of program outcome or impact (such as the average cost of increasing education enrolment by one participant).
- Despite large education impacts, cost-effectiveness was fairly low for *learn\$ave* because of important windfall gains
- To cover the costs, participants of the *learn\$ave*-only group would need to earn \$3000 a year more and participants in the *learn\$ave*-plus group \$2400 a year more.
- Cost-effectiveness higher for Canadian-born

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## Key Lessons Learned (1)

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- If a program like *learn\$ave* was to be available nation-wide or province-wide, it may not attract that many participants at first..
  - It will take considerable time and effort to inform the target population and to build a track record among the target group.
  - Many low-income individuals may value education, but don't see it as a viable option for them personally, because of negative past experiences or life constraints.
- An IDA allowing for additional types of asset acquisition could be more attractive to the target population.
- The role of community organisations is important in reaching out to potential clientele and supporting them throughout the process,  
.....but gains can be made in streamlining the IDA delivery model and by optimizing collaboration with financial institutions that also have a major role to play.

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## Key Lessons Learned (2)

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- A program such as *learn\$ave* would allow a significant additional number of low-income Canadians to achieve their objectives towards education, which may not materialize otherwise.
  - While many low-income Canadians interested in education do eventually enrol in education courses and programs, a program like *learn\$ave* would increase the level of participation in PSE education programs by over 20%.
- IDAs are effective in promoting regular savings behaviour.
  - But not surprisingly, this conclusion does not apply to the lowest income, the very poor
  - The links between saving behaviour and the achievement of the main outcome (increased education) remains unclear
- *learn\$ave* showed that low-income households can save without experiencing undue hardship.

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## Key Lessons Learned (3)

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- The contribution of financial management training and other services did not have a strong incremental impact,  
.....suggesting that the main obstacle for low-income populations interested in education to further increase their participation is of a financial nature.
- Not clear however that this is the most cost-effective way to promote education among low-income populations
  - Could other means such as direct grants (or loans), reduced tuitions or subsidized time off perhaps achieve same education objective at much lower cost?

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## Contact Information

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Social Research and Demonstration Corporation

[www.srdc.org](http://www.srdc.org)

- A not-profit research organization, with over 40 employees in in Ottawa, Vancouver, and Toronto
- Over 18 years of experience implementing and evaluating demonstration projects, program evaluation and policy research
- Our mission is to help policy-makers and practitioners identify policies and programs that improve the well-being of all Canadians and to raise the standards of evidence that are used in assessing policies

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