

# Executive Summary

## BACKGROUND

This report describes the implementation of *learn\$ave*, a demonstration project modeled on antipoverty programs called Individual Development Accounts (IDAs) that were initially pioneered in the United States in the early 1990s. IDAs are now much more widespread throughout the United States and have emerged elsewhere in recent years.

*learn\$ave* and IDAs in general are designed to help those with low income build their savings to purchase specific assets such as homes, retirement funds, or further education. As an incentive to encourage people to save, IDAs offer a generous matching contribution for every dollar that participants save. They also offer instruction in managing personal finances and the services of a case manager.

*learn\$ave* is a research and demonstration project designed to test whether financial incentives can help low-income people improve their long-term economic prospects. As the fundamental feature of *learn\$ave*, project participants are encouraged to open special *learn\$ave* bank accounts and to build their savings as a means of achieving their goals. For every dollar that a participant deposits, an additional two to five dollars (depending on geographic location) is contributed by *learn\$ave*. These funds can be withdrawn provided that they are used to finance post-secondary education, skills development, associated supports to learning, or a new small business.

The *learn\$ave* demonstration has been designed to address the following research questions before any decision is taken to implement a similar program across Canada:

- Will the offer of financial incentives to save for education, training, or starting a new small business be sufficiently attractive to a significant number of low-income Canadians and landed immigrants? Which groups will find it most attractive?
- Will they be able to save more to achieve these goals?
- Will they continue their education and training or start new businesses with their savings?
- Will these activities yield improved earnings and employment prospects in future?
- Can such a program be cost-effective from the perspectives of individual participants, governments, and Canadian society as a whole?

The purpose of this report is to provide a document of record on the implementation of *learn\$ave*. The report describes the design of the project and its evaluation strategy, how it was implemented, and who enrolled in it. The information in this report provides not only a basis for replicating the project, but it also establishes a useful context for interpreting the research findings as they unfold.

## **LEARN\$AVE'S DELIVERY NETWORK**

In June 2000 Human Resources Development Canada (HRDC)<sup>1</sup> began funding the *learn\$ave* demonstration project and contracted the Social Research and Demonstration Corporation (SRDC) and SEDI (Social and Enterprise Development Innovations) to design and manage the demonstration. SEDI is responsible for project implementation, and SRDC is responsible for research associated with the evaluation of *learn\$ave*.

A network of local not-for-profit partners are delivering *learn\$ave* at 10 sites in seven provinces across Canada. The sites and associated delivery agencies are as follows:

### Primary Sites:

- Halifax: United Way of Halifax Region
- Toronto: Family Service Association of Toronto
- Vancouver: New Westminster Community Development Society

### Secondary Sites:

- Digby: Western Valley Development Authority
- Fredericton: Fredericton YMCA
- Montreal: Montreal YMCA, Aurora Business Project
- Kitchener–Waterloo: Lutherwood
- Grey–Bruce: Social and Enterprise Development Innovations
- Winnipeg: Supporting Employment and Economic Development (SEED) Winnipeg Inc.
- Calgary: Mennonite Central Committee Employment Development

At 9 of the 10 sites RBC Royal Bank provides enhanced deposit-account services to participants in *learn\$ave*, with the assistance of Caisse d'économie Desjardins in Montreal. At the Winnipeg site the Assiniboine Credit Union offers these services.

## **DESCRIPTION OF LEARN\$AVE**

Through the efforts of the local delivery agencies, eligible individuals are invited to participate in the project. To be eligible, individuals must meet the following requirements:

- Must reside at a *learn\$ave* site
- Only one person per household may apply
- Must possess a social insurance number
- Age must be between 18 and 65
- Cannot be in school full time
- Income cannot exceed 120 per cent of Statistics Canada's low income cut-off (LICO)

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<sup>1</sup>Since the dissolution of Human Resources Development Canada (HRDC) in December 2003, the federal Department of Human Resources and Skills Development Canada (HRSDC) has been funding the project.

- Liquid assets cannot exceed the lesser of 10 per cent of annual income or \$3,000
- The value of a home owned by the household cannot exceed the median value of homes in the area

Interested individuals were invited to apply through extensive outreach and recruitment activities at each of the 10 sites. As an overall target, 4,875 enrollees were sought for the project.

Once accepted at one of the primary sites, the majority of applicants were invited to open a *learn\$ave* account at RBC Royal Bank. Each dollar they save over a three-year period (up to a maximum of \$1,500) is matched by a \$3 credit to a maximum of \$4,500. During this savings period, a net deposit of at least \$10 has to be deposited to count as an “active savings month.” After 12 “active savings months” have accumulated, the participant can then claim the savings and matched credits and spend the total proceeds on an approved purchase related to education, training, or starting a new small business. Matched credits must be claimed within four years of the enrolment date.

At the primary sites half of those who are invited to open a *learn\$ave* account are expected to attend 15 hours of financial training. The training sessions are intended to enhance participants’ financial literacy and money management skills such as budgeting, use of credit, and spending. The sessions also encourage participants to identify their personal skills and knowledge to help them reach their goals. Participants who must attend training sessions also have access to case management services from the local delivery agencies.

At the secondary sites everyone who enrolls is invited to open a *learn\$ave* bank account, is expected to attend training sessions, and has access to case management services. However, in contrast to the common approach adopted within the three primary sites, a number of variations exist across the seven secondary sites:

- Montreal offers the highest match rate at \$5 for each dollar saved; however, only \$900 in savings are eligible for matched credits.
- Kitchener–Waterloo offers the lowest match rate at \$2 but offers enhanced counselling services to participants in lieu of an extra \$1 in matched credits.
- Digby offers a \$4 match rate.
- Grey–Bruce offers a \$2.50 match rate, with an additional \$0.50 available as an incentive to attend training sessions and meet certain goals.
- In Fredericton the maximum amount of savings eligible for matched credits is \$2,000, and \$6,000 in credits are available.
- In Calgary participants have only two years in which to accumulate savings eligible for matched credits, instead of the usual three years.

Winnipeg is the only site that has more stringent eligibility criteria for applicants. In Winnipeg applicants must have an annual income below the appropriate LICO to be considered eligible, rather than the 120 per cent of the LICO required at all the other sites. In addition, the Winnipeg site has set another target: two thirds of the participants should have an income below 60 per cent of the LICO.

# THE EVALUATION RESEARCH DESIGN

## Hypotheses

The evaluation plan has been designed around the need to demonstrate the extent to which certain hypothesized impacts will occur as a result of *learn\$ave*. These hypotheses correspond to a number of intermediate steps leading to the final intended results as follows:

- **Implementation hypothesis:** The provision of training sessions and case management services will increase the likelihood that the following hypotheses will hold true.
- **Savings hypothesis:** Participants will save more and will accumulate greater assets, without increased hardship.
- **Educational and micro-enterprise development hypothesis:** Participants will complete more courses and start more small businesses.
- **Employment and earnings hypothesis:** Participants will have a greater likelihood of employment and will eventually have higher earnings.

## The Experimental Study

The validity of each of these hypotheses will be tested at the primary sites through the use of an experimental design. As the central element of this design, the impacts related to the hypotheses as experienced by participants over time will be compared with the impacts they would have been expected to experience had they not participated in *learn\$ave*. In order to simulate these conditions, a control group of individuals who do not have access to *learn\$ave* benefits has been selected to capture the impacts that would have occurred without *learn\$ave*. Members of the control group must share the characteristics of participants, including their motivation to apply to *learn\$ave*, as closely as possible.

In Halifax, Toronto, and Vancouver eligible applicants were randomly assigned to one of three groups. The first group is the “*learn\$ave*-only” group, which receives only the matched credits. The second group is the “*learn\$ave*-plus” group, which receives the credits plus financial training sessions and case management services. Finally, the third group is the control group, which does not receive any *learn\$ave* benefits or services.

According to the original research plan, each of the primary sites was given a target of 1,200 enrollees to be evenly divided into the three groups. These sites were also each allowed to recruit 75 income assistance (IA) recipients who are not part of the experimental study and are therefore not randomly assigned to any of the groups; they receive all available *learn\$ave* benefits, including matched credits of \$3 for each dollar saved, financial management training, and case management.

Shortly after acceptance, and before random assignment to one of the groups, the applicants were surveyed by telephone to gather relevant information about personal and family characteristics as well as other baseline information related to the hypotheses being tested. All three groups will be surveyed to update this information at 18 months, 40 months, and 54 months from the date of their random assignment.

The random assignment process ensures that there are no systematic pre-existing differences among the groups. Consequently, any differences that are observed in the outcomes of the groups will provide a valid measure of *learn\$ave*'s impacts. To test the first hypothesis (that training

sessions and case management will have a significant positive impact beyond the impacts due to the matched credits alone), the experiences of the *learn\$ave*-plus group will be compared with those of the *learn\$ave*-only group. To test the remaining hypotheses, the experiences of the *learn\$ave*-only and *learn\$ave*-plus groups will be directly compared with those of the control group at various points over the life of the project.

Project impacts determined from the experimental study at the primary sites will be used in a benefit–cost analysis. Benefits and costs will be assessed from different perspectives. In accordance with accepted practice in social benefit–cost analysis, the research will examine the benefits and costs realized by *learn\$ave* participants, taxpayers, government, and society as a whole.

### **The Non-experimental Study and the IA Study**

The budget available for the demonstration precluded the possibility of using an experimental design at all 10 sites — much larger numbers of participants and a control group would have been needed to meet the requirements of an experimental study. Due to these budget limitations, the total sample size for the seven secondary sites was limited to 1,050 participants, and the research plan for the secondary sites is based on analytical methods that are less dependent on larger sample sizes and therefore less rigorous than those employed for the experimental study at the primary sites.

The non-experimental study at the secondary sites will examine the variations in project delivery at different sites. Surveys of participants, data from the management information system, and qualitative methods will be used in the analysis.

Up to 25 per cent of the participants at each secondary site were allowed to be in receipt of income assistance when they applied. These participants will be included as part of the overall study of the secondary sites. IA recipients who were recruited at the primary sites will not be included in the experimental study. Instead, their experiences resulting from participation in *learn\$ave* will be evaluated in a manner similar to that employed for participants at the secondary sites.

## **LESSONS LEARNED**

### **Lesson 1: Recruitment proved to be more difficult than expected.**

This report shows that *learn\$ave* came very close to meeting its overall recruitment target, with 4,827 enrollees recruited out of a target of 4,875. Early results were disappointing and the recruitment period had to be extended beyond the planned two years to recruit that number.

### **Lesson 2: An array of marketing methods was necessary to recruit the numbers needed for *learn\$ave*.**

At the outset, it was thought that partnerships with other local non-profit agencies would facilitate recruitment. But, in general, these other agencies referred relatively few participants to the site offices. In order to recruit participants, virtually all sites found that a well-organized recruitment campaign that went beyond agency outreach was necessary.

### **Lesson 3: The effectiveness of various marketing methods varied by site and target group.**

What worked very well at some sites did not necessarily work well at all sites. For example, transit ads were a successful part of the recruitment campaign in Toronto, Kitchener, and Calgary. But they were not as successful in Fredericton and Vancouver. According to some site managers, enrollees heard about *learn\$ave* several times from other sources, and word of mouth was often the way they last heard about *learn\$ave* before applying.

What worked for some segments of the target population did not necessarily work for the whole target population. For example, other local agencies were more successful at referring IA recipients than referring non-IA recipients.

### **Lesson 4: Resources available for recruitment activities had to be supplemented.**

The unanticipated demands of outreach and recruitment and the urgent priority to increase recruitment levels reduced the time available for other important activities. Especially at the primary sites, staff indicated that recruiting new participants and processing applications occupied much more of their time than was expected.

Some sites did not build the necessary staff time and expertise into their initial staffing plans. These sites found that they had to add this expertise during the recruitment period when it became evident that more needed to be done to interest the eligible population in applying.

### **Lesson 5: Enrollees are not typical of the whole eligible population.**

*learn\$ave* had much greater appeal for certain groups within the low-income population. Those who were ready for the changes in their lives that could be facilitated by participating in *learn\$ave* and who were in a position to take advantage of these benefits were more likely to apply. Recent immigrants were foremost in this category, as many of them already had high levels of formal education and they needed to obtain Canadian credentials.

In addition, *learn\$ave* was of interest to Canadians who were more likely than the general eligible population to be younger, single, well educated, and employed.

### **Lesson 6: The three primary sites recruited the numbers of enrollees for the experimental study that would have been expected based on the size of their local eligible populations.**

In comparison with the number of eligible individuals, the Halifax office recruited the highest proportion (1.55 per cent) of the eligible population in spite of having the shortest recruitment period of the three sites. Vancouver followed at 1.3 per cent and Toronto at 1.2 per cent. These proportions indicate that the 254 enrollees in Halifax for the experimental study represent a reasonable number when considered in comparison with enrolment in Toronto and Vancouver.

### **Lesson 7: The maximum take-up rate, under ideal conditions, could possibly approach five per cent of the eligible population.**

This report discusses two estimates of the maximum take-up rate *learn\$ave* could have achieved if everyone in the eligible population had been aware of its existence and their eligibility for it. A maximum take-up rate of 4.6 per cent is estimated based on a comparison of actual enrolment with the eligible population as drawn from the Survey of Labour and Income Dynamics (Statistics Canada, 2004). A corresponding rate of 5.1 per cent is estimated using the findings from a market research survey conducted especially for this project.

**Lesson 8: The eligibility criteria and the screening process for applicants were generally effective.**

Overall, the criteria used to select enrollees for *learn\$ave* and the screening process itself achieved the intended result: those who enrolled had low incomes and low financial net worth. According to information collected in the baseline survey, only 0.7 per cent of experimental study enrollees had an income above 120 per cent of Statistics Canada's low income cut-off and their average financial net worth was \$2,833.

In spite of the fact that full-time students were not normally eligible for *learn\$ave*, 3.4 per cent of experimental study enrollees said they were in school full time at the time of the baseline survey. However, this could be due to the time lag between application and the baseline survey and the fact that full-time high school upgrading was acceptable under the eligibility criteria.

**Lesson 9: Special eligibility criteria were needed for very recent immigrants.**

Immigrants are required to bring large sums of money into the country in order to prove that they can support themselves for an initial settlement period of six months without recourse to income assistance. Many recent immigrants therefore had high levels of liquid assets when they entered Canada. It was decided that it was unjust to penalize them by treating the funds that they are required to bring into the country to use for living expenses as assets. As a result, special rules — or protocols — were designed for recent immigrants.

**Lesson 10: *learn\$ave* was presented clearly and consistently to prospective applicants and new enrollees.**

Staff at the site offices explained *learn\$ave*'s rules clearly and consistently to participants. Implementation research conducted by SRDC found a high degree of consistency among all three primary sites in their key messages to applicants. Prospective participants could understand *learn\$ave*'s benefits and requirements and could therefore make an informed choice about applying. Surveys after orientation sessions and after 10 months of participation in the project indicate that, with few exceptions, participants were able to correctly identify key project rules.

**Lesson 11: The *learn\$ave* training curriculum did not satisfy all participants and training facilitators.**

The *learn\$ave* training (LST) curriculum that was designed especially for *learn\$ave* focused on two main areas: (1) financial management and (2) prior learning and assessment, which covers participants' wider goals and their self-assessment of prior learning and abilities. Diverging views suggest that there was less than full agreement among project partners on the objectives for the LST and this made the task of curriculum development more difficult.

The components of LST dealing with prior learning and assessment appear to be best suited for those who need to build more confidence in themselves. These components may be less important for certain participants, especially those with better savings habits and high levels of formal education as typified by many recent immigrants in this study.

**Lesson 12: Many participants have been slow to complete their *learn\$ave* training.**

By the end of 2004, just over three quarters (78 per cent) of *learn\$ave*-plus participants in the experimental study at the primary sites had completed their LST. Part of the delay was due to the additional staff resources needed for recruitment and part was due to difficulties in scheduling sessions at convenient times for participants. Participants in the IA study at the primary sites

were much slower in completing their L&T — only 53 per cent of this group had finished by the end of 2004. At the secondary sites, 71 per cent had completed their training.

**Lesson 13: Procedures for the withdrawal of matched credits are cumbersome, although by necessity.**

Many steps are involved in the procedures established for the withdrawal of matched credits. A number of verifications are included in the process to ensure that public funds are being used in a transparent manner and to minimize the potential for fraud.

While understanding the need for accountability, participants and site staff feel that the process is occasionally onerous and time-consuming. The amount of documentation that participants must provide before and after receiving their cheque for the credits is a source of dissatisfaction. In addition, many vendors will not accept cheques from third parties, thus requiring SEDI to take the extra step of having those cheques certified.

**Lesson 14: Revisions to the management information system were needed to serve project needs.**

The management information system (MIS) developed for use in IDAs in the United States (MIS-IDA) was adopted for use in *learn\$ave*. It later became obvious that the MIS-IDA could not serve all the project's needs and that a *learn\$ave*-MIS more in tune with the specific features of the project had to be developed. As a result, the new *learn\$ave*-MIS was phased in as its various components were developed.

Phasing the MIS-IDA out and phasing the *learn\$ave* MIS in caused some difficulties for *learn\$ave*'s operations. The conversion from the MIS-IDA to the *learn\$ave* MIS created the need to retrain staff and to re-enter some information for the limited number of participants who had already enrolled.

**Lesson 15: Good working relationships have been established and maintained among project partners.**

SEDI and SRDC have worked together since the beginning of *learn\$ave* designing and implementing various aspects of the project. SEDI organized the network of 10 local delivery agencies, which has functioned well in delivering services to participants and meeting operational challenges as they arose.

RBC Royal Bank, the Assiniboine Credit Union, and the Caisse d'économie Desjardins also form an essential link in the network of services. The relationship between site staff and local banking representatives has generally provided the capacity to solve account problems quickly. However, when there was staff turnover at RBC Royal Bank or when RBC staff was preoccupied with other priorities, site staff experienced delays in resolving some of these problems.

**Lesson 16: *learn\$ave* was successfully implemented and the demonstration will be a valid test of an IDA program in Canada.**

Overall, the operational components of *learn\$ave* were successfully implemented. After they enrolled and *learn\$ave*'s benefits and requirements were explained to them, participants have opened their bank accounts and received their matched credits. A substantial majority of participants are satisfied with *learn\$ave* and the manner in which the project is delivered.



**Lesson 17: The research design was successfully implemented and the research did not have a significant adverse impact on *learn\$ave*'s operations.**

*learn\$ave* is a demonstration project whose main purpose is to test an IDA program designed to meet certain goals. Its research design is embedded in the overall design of the project. As a result, the activities associated with the research add a further dimension to the implementation and operations that are associated with typical IDAs.

The essential components of the research design have been implemented successfully to date. The process of randomly assigning enrollees to one of three groups including the control group has been completed as planned at the primary sites. The baseline survey has been conducted and subsequent surveys have been completed, are underway, or will be launched as planned. Focus groups and the implementation research have been conducted.

Because it is an integral part of *learn\$ave*, the research has had some impact on other aspects of the project's operations. For example, the random assignment process may have dissuaded a small minority from applying. The research has also added greater administrative complexity and created delays in certain operations. These minor disadvantages, however, are worth the benefits of learning whether *learn\$ave* can produce the positive impacts purported for IDAs.

## **CONCLUSIONS**

A number of important milestones have been achieved in the implementation of *learn\$ave*. First, the detailed design for *learn\$ave*'s parameters, implementation, and research has been completed. Second, the organizational infrastructure to deliver and evaluate *learn\$ave* was put in place and the project was successfully implemented. By mid-2005 all of the principal operational phases of *learn\$ave* have either been completed or are generally proceeding as planned. These phases include the recruitment and enrolment of participants and control group members, the savings period, the provision of services such as financial management training, the withdrawal of matched credits, and the research activities associated with the evaluation of *learn\$ave*.

The project came very close to meeting its overall recruitment target after extensions in the recruitment period of up to seven months at four sites. In spite of generous incentives, a small proportion of the eligible population applied after approximately two years of intensive effort by the local agencies that are delivering *learn\$ave* at the 10 sites. It is estimated that about five per cent of the eligible population might have applied if everyone in the eligible population had been fully aware of *learn\$ave*.

*learn\$ave* has much greater appeal for certain groups within the low-income population. Those who are ready for the changes in their lives that can be facilitated by participating in *learn\$ave* and who are in a position to take advantage of these benefits are more likely to apply. Recent immigrants to Canada appear most likely to apply, although others with a good formal education and those who are younger, single, and employed are also more likely to apply than others in the eligible population.

The implementation of *learn\$ave* has generally progressed smoothly. All of the key operational components were successfully implemented. Participants were able to understand key *learn\$ave* messages, open their bank accounts, and receive their matched credits. Furthermore, the majority of participants were satisfied with *learn\$ave* and felt that staff did a good job of running the project.

The project was launched in June 2000 and is scheduled to end in the year 2009 with the completion of a final evaluation report. Because participants and control group members are still engaged in these activities related to saving and, to a lesser extent, withdrawal of credits, it is still too early to address questions related to saving and subsequent activities. Only after the savings and subsequent activities of participants are tracked and compared with those of the control group can the remaining questions be addressed with any validity. For example, participants are saving in their *learn\$ave* accounts, but many of them were saving and had a positive financial net worth before they entered *learn\$ave*. It remains to be seen whether they will save more as a result of their participation in *learn\$ave*.

This report is the second in a series of research reports that will be published until the end of the demonstration in 2009. Future reports will focus on saving activity and longer-term results and impacts as they develop over time.