Learning What Works

Evidence from SRDC's Social Experiments and Research

Volume 1, Number 1

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Welcome to Learning What Works

Welcome to the first issue of *Learning What Works,* a quarterly newsletter reporting on research conducted by the Social Research and Demonstration Corporation (SRDC). We hope this newsletter will become a valuable source of information to assist policy-makers and practitioners in determining what works and what does not work in the various areas of social policy.

SRDC, a non-profit organization, is a pioneer of social experiments in Canada. This type of research combines rigorous quantitative analysis with innovative qualitative techniques in order to be able to tell what works, for whom it works, and why it works. The underlying premise that guides SRDC's research activities is that credible, well-communicated applied research findings can make a difference in the process of developing good policy.

A key element that differentiates SRDC from other research organizations is its unique experience in designing, implementing, and evaluating large-scale demonstration projects using random assignment evaluation designs. SRDC's expertise stems from a combination of advanced quantitative and analytical skills, and insightful program operations experience. This allows us to design and put in place prototype programs in real-world settings, and to carefully assess whether these new initiatives work before they are implemented on a province-wide or national basis.

SRDC was established in December 1991 to develop and implement a long-term, multi-site demonstration project – the Self-Sufficiency Project (SSP). This issue of *Learning What Works* discusses the latest findings from this exciting project, which tests an innovative strategy to make work pay better than welfare. SSP's impact on full-time employment is among the largest ever seen in a rigorously evaluated welfare-to-work program.

Other articles in this issue of the newsletter look at two of SRDC's newest projects – the Community Employment Innovation Project (CEIP) and *learn*$ave. CEIP grew out of the belief that community initiatives

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SRDC's two-part mission is to help policy-makers and practitioners identify social policies and programs that improve the well-being of all Canadians with a special concern for the effects on the disadvantaged, and to raise the standards of evidence that are used in assessing social policies and programs.

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SRDC Recognized for Outstanding Policy Research

The Social Research and Demonstration Corporation (SRDC) was presented with *The Outstanding Research Contribution Award* by the Policy Research Initiative of the federal government during the 2000 National Policy Research Conference, held in Ottawa last November.

This is the first year *The Outstanding Research Contribution Award* has been presented. It recognizes high-calibre research that is innovative, cross-disciplinary, in-depth, forward-looking, and communicates public policy implications for Canada. SRDC was recognized for its work The Self-Sufficiency Project at 36 Months (see article on page 4), which highlights the findings of an innovative strategy to "make work pay" for long-term welfare recipients.

can improve the economic circumstances of individuals in regions where employment opportunities are scarce. In short, CEIP has been designed to build capacity in communities to create their own solutions for local development, while providing new employment opportunities for individuals who would otherwise receive public income support.

learn$ave, a national demonstration of Individual Development Accounts (IDAs) for learning, is looking at whether low-income people can be encouraged to save money to invest in their human capital, and, in so doing, increase their own economic security and that of their children. For each dollar that participants put in their IDAs, program sponsors will put in three dollars. The matched funds must be used for education, or small business start-up or expansion.

Future issues of *Learning What Works* will discuss how the results of these and other SRDC projects may apply to the development of social policy.

What's So Special About Social Experiments?

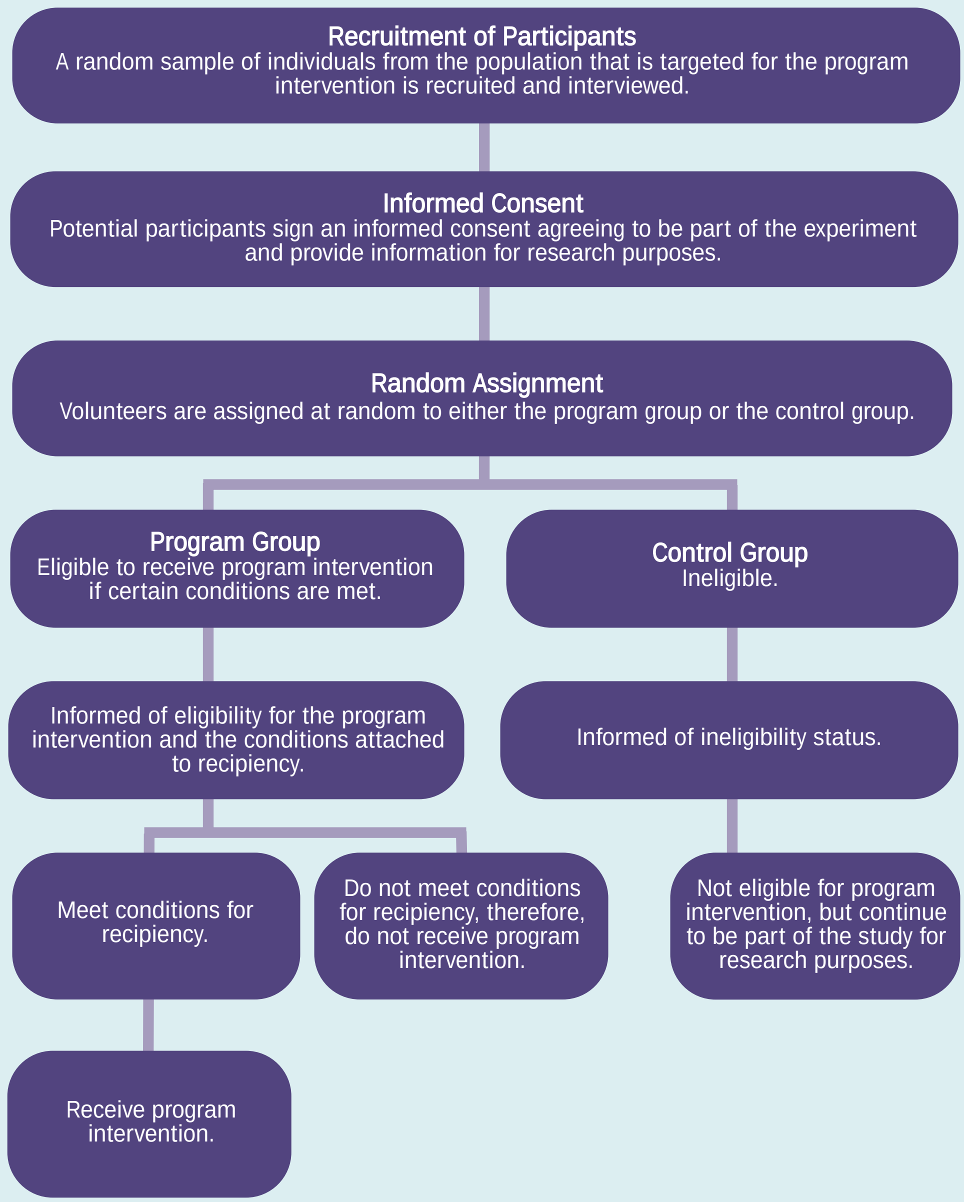
It is widely accepted that the most reliable estimates of a program's impacts are produced through social experiments, a key design feature of which is random assignment.

The technique of random assignment is a powerful tool for determining the effectiveness of new policy ideas. To know what difference a program makes, it is necessary to know what people would have done on their own without the program.

In evaluating a welfare-to-work program, for example, it must be recognized that people leave the welfare rolls all the time through their own efforts and with the assistance of existing programs and services. In isolation, observed outcomes always overstate a program's achievements because all positive developments are counted as the program's accomplishments; they do not identify the extent to which any of the outcomes simply represent what people would normally do on their own. Policy-makers need to know the difference that the program makes – the change in an outcome that results only from the program.

By identifying a comparison group that closely resembles those who take part in the program, we can determine what people would do on their own, regardless of the economic environment or other factors. The best way of creating a comparison group is by means of random assignment. We

How Random Assignment Works



Note: Both program and control group members continue to have access to government programs and services otherwise available to members of their community.

start with a group of individuals, all of whom would meet the selection criteria of the new program, and then randomly decide whether each person will be assigned to the group that will be eligible for the program or to the group that will not be eligible. Those assigned to the latter group provide the comparison for evaluation purposes. When random assignment is used they are called a control group.

In general, random assignment is the most effective way of ensuring that program and control group members are virtually identical in all respects, such as their employability, education, and past welfare history. More importantly, it ensures that the two groups are virtually identical in unmeasured (and perhaps unmeasureable) characteristics; for example, intelligence and motivation. When the experiences of the program and control groups are compared one, two, three, and four years later, we can be confident that any observed differences in outcomes can be attributed to the program.

Not only does random assignment produce the best possible comparison group for measuring impacts, but selecting people randomly may also be the fairest way of allocating scarce places in the program. Rather than a "squeaky wheel" approach (which favours the most vocal), a "first-come, first-served" approach (which favours those who can most easily make arrangements for child care or transportation), or "creaming" (selecting people that the program administrators perceive to be the "best" candidates), random assignment offers everyone in the specified target group an equal chance of being selected for the program.

How Do We Know What Works?

SRDC's demonstration and evaluation projects seek to answer such questions as: Can social programs be designed to reduce poverty while encouraging self-sufficiency? Can programs improve children's long-term prospects by changing negative behaviours (such as school dropout) into positive behaviours (such as school completion)? For whom do programs work best? Are they cost-effective? Can innovative programs be replicated? What factors explain success?

SRDC's two-part mission is to help policy-makers and practitioners identify social policies and programs that improve the well-being of all Canadians with a special concern for the effects on the disadvantaged, and to raise the standards of evidence that are used in assessing social policies and programs.

The key to knowing whether a program "works" is a well-designed *impact evaluation*, one that can determine what difference the program makes above and beyond what people would do on their own and independent of any economic or other external forces that may be operating. To provide reliable answers from an impact study (taking into account how large an impact is anticipated and whether sub-group impacts are required), a large number of participants may be required. It may also be necessary to follow people for several years after enrolment in the study. Collecting information over time allows trends to be identified – the longer the period of time, the more likely it is that the full impact of the policy intervention will be captured.

While an impact evaluation tells us whether the program worked, it is mainly through *implementation research* that we understand how and why it worked (or failed to work). This component of a social experiment or demonstration project is based mainly on observational research conducted across study sites, and on interviews with policy-makers, managers, program delivery staff, and program clients. Implementation research can identify gaps between policy and practice, workflow bottlenecks, underutilized program features, as well as participant flows among the program components that are working well and those that are not. It can also provide feedback on program content and quality.

Finally, a *benefit-cost analysis* combines impact data with operational cost information to assess whether a program is cost-effective. Typically, this analysis is conducted from the perspectives of government budgets, program participants, and society as a whole.

When these evaluation tools are combined, managers can make direct links between practice and policy, and between impacts and costs.

The rigorousness of SRDC's research means that policy-makers and practitioners can have confidence in the findings. As a result, time can be spent discussing the policy implications of the research rather than debating whether the findings are plausible.◆

The Self-Sufficiency Project

Welfare-to-Work Experiment Producing Impressive Findings

Results to date from the Self-Sufficiency Project (SSP) suggest that a well-designed financial incentive program for welfare recipients can be a triple winner: employment can be increased, the earnings and incomes of poor families can be raised, and this can be accomplished at little or no net increase in cost to governments.

SSP's impact on full-time employment is among the largest ever seen in a rigorously evaluated welfare-to-work program, essentially doubling the percentage of people working full time. At the same time, the program produced

- a 30 per cent increase in earnings;
- a 16 per cent increase in income;
- a 68 per cent increase in the proportion of these families who had incomes above the Statistics Canada low-income cut-off (from 13.8 per cent to 23.2 per cent); and
- a 10 per cent decrease in the amount of welfare benefits paid out.

SSP is testing a "making work pay" strategy for long-term welfare recipients. The project was conceived by and is funded by Human Resources Development Canada (HRDC), and is being managed by the Social Research and Demonstration Corporation (SRDC).

When SSP was launched in 1992, it was an ambitious undertaking in many respects. The project involves more than 9,000 participants – about 95 per cent of them women – in two provinces, and will eventually last 10 years. It was set up with a complex design that would enrol participants in three separate research samples and employ a random assignment evaluation design – widely viewed as the most reliable way to measure program impacts, but a method that has been rarely used in social policy research in Canada.

SSP set itself the challenging task of trying to deal simultaneously with the problems of poverty and dependence. Programs that transfer income to poor people in order to reduce poverty typically reduce the incentive for recipients to seek and accept employment, particularly if their potential earnings are low. Many of those who have been receiving income assistance benefits for a significant period of time will only be able to find work that will pay them less than the amount they can receive in welfare benefits. Therefore, they face a stark choice. They can continue to rely on welfare or they can accept a lower income in the work world, at least until their earnings rise with the acquisition of skills and experience. This is the classic "welfare trap."

SSP was designed to test an innovative financial incentive in the form of a generous, but temporary, monthly earnings supplement that would put more money into the hands of poor families and, at the same time, encourage work as a way of achieving economic self-sufficiency. The program offered to supplement directly the earnings of long-term, lone-parent income assistance recipients in New Brunswick and British Columbia for up to three years, if they left welfare for full-time employment.

SSP actually comprises three studies.

- The main SSP or "recipient" study of a group of long-term income assistance recipients in New Brunswick and British Columbia, all of whom had been receiving welfare for at least one year (and many for much longer), is measuring the effects of the financial incentive alone.

Key Features of the SSP Earnings Supplement

- **Full-time work requirement.** Supplement payments were made only to eligible single parents who worked at least 30 hours per week and who left income assistance.
- **Substantial financial incentive.** The supplement equalled half the difference between participants' earnings and an "earnings bench mark," initially set at $30,000 in New Brunswick and $37,000 in British Columbia. The supplement was reduced by 50 cents for every dollar of increased earnings. The supplement roughly doubled the earnings of many low-wage workers (before taxes and work-related expenses).
- **One year to take advantage of the offer.** Individuals became eligible for the supplement if they found full-time work within the year after random assignment. If they did not sign up during that year, they could never receive the supplement.
- **Three-year time limit on supplement receipt.** Participants could collect the supplement for up to three calendar years from the time they began receiving it, as long as they were working full time and not receiving income assistance.
- **A voluntary alternative to welfare.** Participation in the project was voluntary. However, to receive an SSP supplement, participants had to leave the welfare system. SSP participants could choose to return to welfare at any time, but could not receive an earnings supplement while on welfare.

- The SSP Plus study, in New Brunswick only, is assessing the effects of the financial incentive offered in combination with employment-related services.
- The SSP "applicant" study is measuring the effects of SSP's financial incentive on a group of new applicants for income assistance in British Columbia whose members were told that, if they remained on welfare for one year, they would become eligible for SSP's earnings supplement if they subsequently left welfare for full-time work.

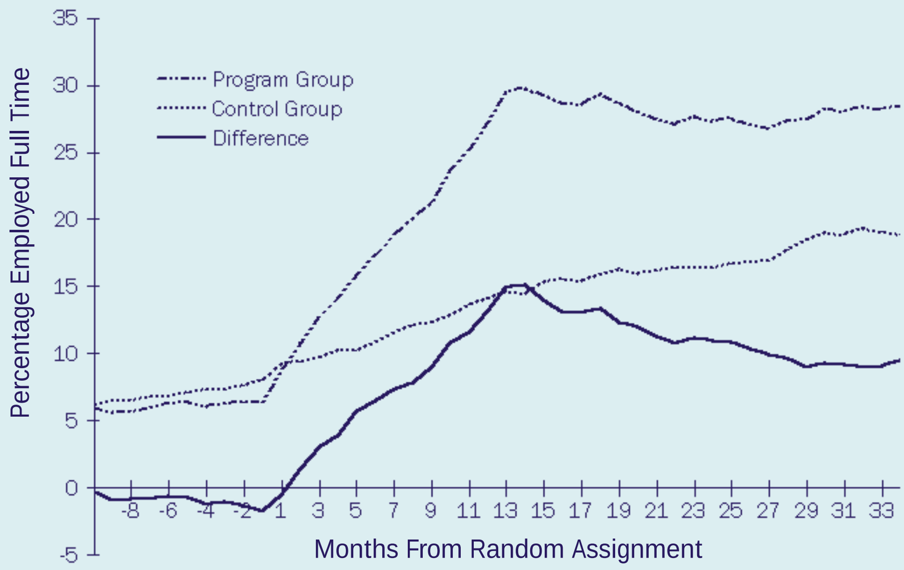
Because SSP was set up as a randomized experiment, estimates of program impacts can be obtained by comparing the outcomes of those in the program group, who received the offer of an earnings supplement, with the outcomes of those assigned to a control group. Control group members were not eligible for SSP, but could receive any other benefits for which they would normally qualify.

36-Month Findings

SSP has produced a series of reports over the past several years. The most recent findings were based on surveys of participants in the recipient sample that were administered 36 months after they entered the study. Those who went to work immediately upon being enrolled were just reaching the end of the three-year supplement period; those who took the full year available to them to leave welfare for work still had a year of supplement eligibility left.

About 35 per cent of participants in this part of the SSP study had gone to work full time and qualified for an earnings supplement. Among those who did not take up the supplement offer, most indicated that they could not find full-time work or that they could not go to work because of health problems or family responsibilities.

SSP Employment Impacts, by Months From Random Assignment



Throughout the three years that members of the recipient sample have been studied, the program has been increasing employment and reducing poverty. At its peak, SSP doubled the percentage of people who were working full time (just over 29 per cent of program group members were working full time, compared with 14 per cent of the control group). The effect of the program on full-time employment continued to be strong through to the end of the third year.

There was a modest decline in the employment impact between the end of the first year after random assignment and the time of the survey. This is largely explained by the fact that program group participants who had not qualified for the supplement in the first year lost their chance of receiving it in the future. SSP, therefore, ceased to provide an incentive to members of the program group who did not qualify for the supplement during that first year. On the other hand, more and more members of the control group began working full time. As a result, SSP's impact on full-time employment declined slightly in the second and third years.

When programs like SSP increase employment, they typically do it by "digging deeper" into the caseload and encouraging work among a more disadvantaged group of people. This group typically has trouble staying employed when they do find work, either because they find short-term jobs or because they succumb to the barriers that made it difficult to work in the first place. Nonetheless, most of the extra employment resulting from the supplement offer was stable employment. For every three people who worked full time because of the supplement offer, two stayed employed for at least a year.

Impacts on Children

SSP's evaluation is not limited to the economic circumstances of participating lone parents; efforts have also been made to examine the effects that being part of the SSP program group may have had on family functioning and on the well-being of the children in these families. Overall, being in a family that was eligible for an SSP supplement had no discernible effects for very young children, had a number of small positive effects for elementary school-age children, and may have had some small negative effects for older adolescents.

It should be noted, however, that the small average differences between the program and control groups might be masking more pronounced effects for children in the families that took up the supplement. Any differences in children's outcomes are likely to be confined to the one third of families in which parents went to work and took up the SSP supplement. But the average effect on children's outcome takes account of children in all families who were eligible for the supplement offer, not only those living with parents who actually went to work and benefited from the supplement.

SSP Plus Only a First Step

An earlier report on the SSP Plus findings demonstrated that a combination of financial incentives and employment-related services could help a substantially larger proportion of eligible participants move into full-time employment than could be achieved with a financial incentive alone. In the SSP Plus study, the take-up rate was 52 per cent, compared with 35 per cent in the recipient sample. Furthermore, this increase in take-up also led to increases in program impacts on employment and welfare receipt over and above those impacts produced by the financial incentive alone. However, these incremental increases in impacts (an additional 2.4 percentage-point increase in the full-time employment rate and a further 3.9 percentage-point reduction in the proportion receiving welfare) were quite small and were not statistically significant. Furthermore, the job loss rate was also higher among SSP Plus participants. It appears that "digging deeper" into the welfare caseload by providing job-finding help to participants meant that a larger proportion of those helped into jobs by SSP had difficulty holding on to full-time employment on a permanent basis. Thus, helping these people leave welfare for work is only a first step. An important part of the policy challenge is to find effective ways of helping people retain employment.

SSP Proving to be Cost-Effective

Finally, the net costs to government of a program like that tested by SSP may not be much higher than those associated with paying welfare. The cost-effectiveness of the SSP intervention will ultimately be determined with longer-term follow-up data, including information on the post-program welfare recidivism rate. However, the findings to date from the applicant sample suggest that a mature program might pay for itself even during the period that supplements are being paid.

Summary of SSP's Effects on Children
(Differences between program group and control group)

- **SSP had no effects on the youngest children's functioning.** For children aged three to five at the time of the interview (infants and toddlers at the beginning of the program), the SSP offer did not affect test scores, social behaviour, emotional well-being, or health. These children were very young when their parents entered the study. It is, therefore, reassuring that the average child was not harmed even though many of their parents began working full time.
- **SSP increased the number of young children in child care.** Children in the youngest cohort of the program group were more likely than those of the control group to attend formal child care programs, such as pre-school and extended day programs, and to be cared for in informal child care arrangements, such as by babysitters or relatives in a home setting.
- **SSP had small positive effects on children's cognitive and school outcomes for elementary school-aged children.** The children aged 6 to 11 at the time of the interview scored slightly higher on a math test, and their parents gave more positive reports of their children's achievement in school. There was also some suggestion that these children were in better health, based on parents' reports. However, there were no differences in social behaviour or emotional health.
- **Also, the elementary-school-aged children were more likely to be cared for by babysitters and relatives, and to participate in after-school activities.** This is consistent with the increases in parental employment. The increase in non-parental care was primarily in informal arrangements in a home setting. These children also were more likely to take part in lessons, sports, and clubs.
- **For children in the older cohort, SSP may have increased minor delinquency, and tobacco, alcohol, and drug use.** On measures of children's health and emotional adjustment, and on a math skills test, older children (aged 12 to 18 at the time of the interview) showed no effects. However (based primarily on their own reports), more children in the older cohort reported staying out late, smoking, drinking, and using soft drugs. Both parents and children reported slightly lower academic achievement. These results should be interpreted cautiously because of low survey response rates with this cohort. However, these findings suggest that it may be appropriate to give more consideration to the kinds of supports that families need in order to avoid problems with adolescent children.

The early impact on the employment of those in the applicant study was larger than was seen in the recipient study. Moreover, those who had been on welfare for a shorter period of time (and who were presumably more "job-ready" on average) were not only more likely to find jobs, they were able to get better-paying jobs. Higher earnings resulted in lower average supplement payments among applicants and higher tax receipts by government.

The net result was that there was no net cost to the government for new applicants. Reductions in welfare payments and increases in tax revenue more than offset the cost of the supplement.◆

"Social Economy" Experiment Gets Underway

Last October, four Cape Bretoners left Employment Insurance (EI) to begin new jobs. They were the first of approximately 750 beneficiaries of a research demonstration studying the feasibility of a new strategy for improving the employment prospects of the unemployed.

Over the next two years, the Community Employment Innovation Project (CEIP) will enrol about 1,500 eligible volunteers to participate in the study; half will give up their Employment Insurance (EI) or Income Assistance (IA) benefits in exchange for up to three years work in community-based employment that will pay a "community wage." It is expected that the community employment will provide participants with new skills and valuable work-related networks, leading to greater long-term employment success.

But CEIP is more than an employment program. The project grew out of the belief that community organizations can play an important role in helping unemployed people at risk of economic and social exclusion in areas struggling with high unemployment. Therefore, CEIP not only provides opportunities for gaining valuable work experiences and acquiring new skills, but also seeks to develop local capacity by challenging residents of communities to work together to find new approaches for generating employment opportunities and determine the nature of the work to be done. In short, CEIP has been designed to respond to community needs while simultaneously providing needed employment.

There are a number of examples of attempts to link the creation of employment opportunities to the pursuit of community goals (e.g. the growing network of social enterprises in Quebec, and efforts to expand the "social economy" in Europe). However, there is little hard evidence of the value of community-based employment to either individuals or communities. CEIP is using two separate research and evaluation strategies to examine whether such value exists. An *experimental component* focuses on how participation in an extended period of community-based employment impacts the long-term employability and work-related attitudes of the unemployed who take part; and a *non-experimental evaluation* aims to shed light on whether there are significant and desirable effects on communities when they are challenged to design and direct projects that they deem to be needed and worthwhile.

The Project Design

In order to provide credible evidence of whether this type of program works, the Social Research and Demonstration Corporation (SRDC) is utilizing a random assignment design.

To ensure that those who take part in CEIP are representative of the target population, individuals who meet the eligibility criteria are randomly selected from administrative files and given a chance to volunteer for the project. Then, half of the 1,500 who volunteer are randomly assigned to the CEIP program group that can take part in CEIP's program; the other 750 volunteers are assigned to the control group.

Those in the program group are eligible for community-based employment for up to three years. While participating, they receive a weekly community wage in lieu of EI or IA benefits. At present, this wage is set at $285 a week, but it will be increased to stay in line with any increases in the provincial minimum wage. The community-based employment is insurable for EI and eligible for Canada Pension Plan coverage. Program participants are free to leave CEIP for other employment and can return at any time during their three-year eligibility period. However, if they leave CEIP, their ability to qualify for EI will be subject to the rules governing EI eligibility for voluntary quitters.

Individuals who are assigned to the control group are not eligible to take part in CEIP's community-based projects. They are, however, critical to knowing whether the program works or not. It is the subsequent experiences of those in the control group, based on information from administrative records and responses to surveys, that provide a comparison for evaluating CEIP's impacts, costs, and benefits. Control group members continue to have access to all EI and IA programs and services for which they are eligible.

The Individual Impact Study

An impact study will determine the effects that CEIP's program has on participants' employment and earnings, as well as their use of EI and IA.

It is expected that the new opportunities created for CEIP program participants will improve their long-term employment prospects. Over their three-year participation in community-based projects, they should develop work-related skills that qualify them for a wider array of jobs.

If participants are able to find stable long-term employment as a result of CEIP, they should also see an increase in their earnings resulting from some combination of working at higher wage rates than previously and spending longer periods in employment (i.e. experiencing fewer and shorter periods of unemployment). If CEIP succeeds in increasing participants' employment and earnings this should, in turn, reduce their receipt of EI and IA benefits.

As participants become more involved in their communities through their employment, it is expected that researchers will see an increase in their motivation to participate in other voluntary activities in the community. The impact analysis will also look at the effects of CEIP on other socio-economic aspects of the participants' lives, such as

- To what extent does CEIP increase or decrease the migration rate of unemployed Cape Bretoners?
- How does CEIP affect total family income?
- To what extent does CEIP result in changes in family formation?
- To what extent does CEIP result in increased education and training?
- To what extent does CEIP reduce hardship and increase overall well-being?
- Does CEIP affect the social network resources of participants?

Community Effects

The community effects of CEIP and its community-based projects will also be measured. SRDC will seek to answer such questions as: How well did the communities respond in organizing and developing the capacity to move ahead with projects? Did the communities see any increase in cohesiveness? Did local projects make a measurable difference on the physical, economic, and social well-being of the community?

CEIP differs from many earlier economic development programs in the degree of control over project design and implementation that is given to local communities. In the past, a number of programs developed for Cape Breton have tried to increase the input of local communities into the design of employment programs. But the CEIP strategy is unique in that the fundamental driving force underlying the project is the notion that local communities should be able to define their own needs and then develop projects to meet those needs.

The demonstration began in four "lead" communities – Whitney Pier, Sydney Mines, Dominion, and New Waterford; the communities of North Sydney and Glace Bay were added early this year. In all, six to ten communities within industrial Cape Breton will be selected to participate. Other communities will serve as comparison sites.

CEIP will evaluate how these communities organize themselves to conceive of and establish viable projects. The research effort will be directed at learning how communities respond to the offer of subsidized labour.

The second aspect of the community evaluation is concerned with the effect planning and operating the projects has on the wider community. It is hoped that the intervention will enhance a community's capacity to

The Delivery Partners

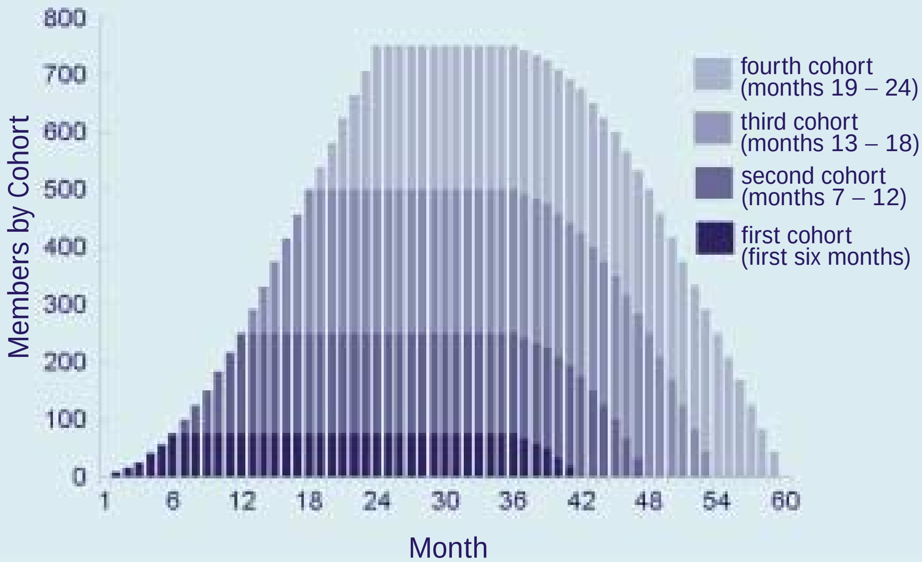
Human Resources Development Canada (HRDC) and Nova Scotia's **Department of Community Services** (DCS) are funding CEIP and have set the overall policy agenda for the project. SRDC is responsible for the design, management, and evaluation of CEIP. It has assembled a research partnership that includes individuals and organizations from the local area.

- **Cape Breton Family YMCA** is managing the Sydney office, which is staffed by representatives from all the organizations in the project delivery consortium. The YMCA also oversees the activities of participants while they are in the project.
- **Breton Business Center** (BBC) is responsible for managing the project assignments. Specifically, BBC undertakes recruitment of project-eligible clients and matches them to community work assignments.
- **Breton Rehab Services** conducts front-end employability and skills assessments for those assigned to the program group in order to identify those who are not immediately ready for referral to community-based projects, and to provide information to assist in matching participants to work assignments.
- **Atlantic Coastal Action Program – Cape Breton** manages a portfolio of "transitional work opportunities" that provide participants with meaningful activities while they are between community-based project assignments.

overcome adversity and create opportunities. These effects on the community will emerge through two distinct phases: through the *process* of each community's mobilization and organization to produce viable community employment projects; and through the *utilization* of the products of the projects themselves.

Evidence of changes due to process or utilization will be sought through the use of indicators. Local observations, administrative data, census data, family panel interviews, and a longitudinal community survey will capture changes in selected indicators at the study sites and for comparison communities and, in doing so, provide a means to gauge the community effects of the project.

Enrolment of Program Group Members



A Long-Term Project

CEIP is a long-term project. Design work and consultation with communities began in 1999. Participant enrolment began in July 2000 and will continue to June 2002 with the community projects lasting until June 2005. By early December, 871 EI recipients had received invitations to attend a CEIP information session. Of the 197 that attended, 106 agreed to participate in the project and were randomly assigned to either the CEIP program group or the control group. Prior to beginning their work assignments, members of the program group underwent a week of assessment activities designed to gauge their aptitudes, experiences, education, and skills. The graph, left, represents the proposed two-year enrolment plan for program group members.

SRDC will produce regular reports on CEIP's progress as the project unfolds. However, in order to assess CEIP's longer-term effects, data will continue to be collected after community projects have ended. Therefore, the final chapters of the CEIP story will not be written until 2008.◆

Knowledge in the Bank

. . . Assets change the way people think and interact in the world. With assets, people begin to think in the long term and pursue long-term goals. – Michael Sherraden, *Assets and the Poor: A New American Welfare Policy*

This premise is at the heart of a new project being undertaken by Self-Employment Development Initiatives (SEDI) and the Social Research and Demonstration Corporation (SRDC), with funding from Human Resources Development Canada. *learn$ave*, a national demonstration project of Individual Development Accounts (IDAs) for learning, is testing whether low-income people can be encouraged to save money to increase their human capital and in turn, their long-run standard of living.

IDAs are matched savings plans. Each dollar that participants put in their individual account is matched by one or more dollars from the program sponsors. The matched savings can only be withdrawn for specific purposes. For most IDA programs, the permissible uses are self-employment, housing, education, and training. IDAs are, however, more than simply a financial incentive; program participants are required to complete a short economic literacy course, and case management and personal support is usually provided.

Although savings incentives and asset accumulation initiatives have been around for a long time, IDAs for the poor is a relatively new idea. Michael Sherraden, Director of the Center for Social Development, at Washington University in St. Louis, Missouri, conceived of IDAs in the late 1980s; its basic assumption is that assets are different from income. In his 1991 book, *Assets and the Poor: A New American Welfare Policy*, Dr. Sherraden argues that assets (more so than income) give people a sense of control – a sense that they can use these funds to shape their well-being.

The growth of IDAs in recent years has been rapid. According to the Corporation for Enterprise Development, headquartered in Washington, D.C., there are now programs in about 250 communities in the United States. IDAs have garnered considerable bi-partisan support, in the United States, from both Democrats and Republicans.

Lack of Empirical Evidence

Despite their growing popularity, there is limited empirical knowledge about the effectiveness of IDAs. The goal of the *learn*$ave demonstration project is to provide credible evidence of whether a program of this type can truly help low-income people invest in themselves and, in so doing, increase their own economic security and that of their children.

learn$ave is similar in design to many existing programs in Canada and the U.S. For every $1 that an account holder deposits, the project sponsor will contribute $3 to the account. Participants will have three years to save a maximum of $1,500. With the sponsor contribution, the total amount available to the saver can be as high as $6,000. Like other programs, *learn*$ave will include financial management training and a case management component to provide assistance to participants.

The project will recruit a representative cross-section of low-income individuals, defined as those with a family income that is less than 120 per cent of Statistics Canada's low income cut-off. Participants must also have few assets and few debts, as determined by screening criteria. Welfare recipients are eligible, but it is expected that most participants will be drawn from the "working poor."

The key difference between *learn*$ave and existing IDA programs in Canada and the U.S. is the permissible uses of matching funds. The focus of the SRDC/SEDI demonstration is on "learning." Therefore, the allowable uses for the matched funds are limited to training and education, and small business start-up or expansion. (It is hypothesized that through starting and operating small businesses, participants can enhance their skill set.)

By international standards, Canada is not doing badly in terms of adult participation in education and training. Yet, participation is very uneven, being much lower among low-income populations. Although governments in Canada already sponsor some initiatives to support education and training among low-income Canadians, those initiatives are limited in scope. For instance, programs such as the Millennium Scholarships are targeted to full-time students and are not suitable for people wishing to study on a part-time basis. Government training programs are normally used as remedial programs for the unemployed, and are not available to the working poor with low skills. The *learn*$ave project provides an innovative way of closing some of the gap between the participatory behaviour of low-income families and higher income groups.

learn$ave is in its planning and start-up phase. Participants will be recruited during the first two years of the project and will have up to three years to complete their savings objective. Project partners are currently working together to lay the groundwork for the official project start in the spring of 2001. The first IDA accounts could be opened as early as June 2001.

SEDI is responsible for the implementation of the project, in partnership with an array of non-profit agencies across Canada. Local financial institutions will be working in partnership with the community agencies to provide deposit account services to *learn*$ave clients.

Measuring Success

Throughout the project, and for up to two years after the service delivery phase, SRDC will oversee a research and evaluation process to determine how IDAs work and what impacts they have. SRDC will evaluate the project by conducting randomized trials in Vancouver, Toronto, and Halifax, and undertaking detailed case studies in the other seven sites across Canada – Calgary; Winnipeg; Grey-Bruce counties in Ontario; Kitchener-Waterloo; Montreal; Fredericton; and Digby, Nova Scotia. Specifically, researchers will be looking at whether *learn*$ave

- increased the amount saved within the savings period (excluding matching funds);
- increased participation in learning;
- changed the attitudes of participants – increased their awareness of the need to plan for the future, their self-esteem and personal efficacy, and the value they place on education; and
- increased knowledge of personal finance.

In addition, a cost-benefit analysis will be conducted to determine whether a program like *learn*$ave is economically viable to implement on a larger scale.

Over the next eight years, *learn*$ave researchers will build a body of knowledge about how IDAs work and under what conditions they work best in order to provide guidance to policymakers.◆

Publications

SRDC's reports are available free-of-charge by visiting our web site at http://www.srdc.org or by contacting the SRDC office in Ottawa at 50 O'Connor Street, Suite 1400, Ottawa, Ontario K1P 6L2; telephone (613) 237-4311; fax (613) 237-5045; email info@srdc.org

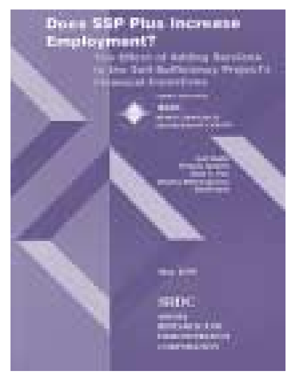
The publications below were referred to in *Welfare-to-Work Experiment Producing Impressive Findings*, p. 4.

The Self-Sufficiency Project at 36 Months: Effects of a Financial Work Incentive on Employment and Income, by Charles Michalopoulos, David Card, Lisa A. Gennetian, Kristen Harknett, and Philip K. Robins

This report updates many of the findings of the 18-month report by describing the impacts of the supplement offer, using information for 4,961 single parents who completed a survey about three years after they entered the study. The report also examines whether the supplement offer resulted in wage growth and stable employment.

The Self-Sufficiency Project at 36 Months: Effects on Children of a Program that Increased Parental Employment and Income, by Pamela Morris and Charles Michalopoulos

This report examines SSP's impacts on children's academic functioning, cognitive functioning, social behaviour, emotional well-being, and health. In addition, it explores impacts on maternal physical and emotional health, interactions between mothers and children, child care and children's after-school activities, school and residential changes, and family structure.



Does SSP Plus Increase Employment? The Effect of Adding Services to the Self-Sufficiency Project's Financial Incentives, by Gail Quets, Philip K. Robins, Elsie C. Pan, Charles Michalopoulos, and David Card

This report describes SSP Plus employment services and estimates the extent to which these added services increased recipients' response to the SSP supplement offer during the first year and a half after people entered the program.

When Financial Incentives Pay for Themselves: Early Findings from the Self-Sufficiency Project's Applicant Study, by Charles Michalopoulos, Philip K. Robins and David Card

This report examines SSP's impacts on applicant's employment, income, and use of income assistance during the first 30 months after random assignment (that is, 18 months after sample members could first receive supplement payments).