



Learning *to* Save, Saving *to* Learn

Early Impacts of the *learn\$ave*
Individual Development Accounts Project

EXECUTIVE SUMMARY

January 2008

A project sponsored by



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ABOUT THE SOCIAL RESEARCH AND DEMONSTRATION CORPORATION

The Social Research and Demonstration Corporation (SRDC) is a non-profit organization and registered charity with offices in Ottawa and Vancouver. SRDC was created specifically to develop, field test, and rigorously evaluate social programs. 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. SRDC attempts to bridge the worlds of academic researchers, government policy-makers, and on-the-ground program operators. Providing a vehicle for the development and management of complex demonstration projects, SRDC seeks to work in close partnership with all levels of governments — federal, provincial and local — as well as with communities where these projects take place.

ACKNOWLEDGEMENTS

The delivery of *learn\$ave* and completion of this report would not have been possible without the efforts of many organizations and people. First, we would like to thank the federal department of Human Resources and Social Development Canada (HRSDC) for their intellectual and financial contributions. We are also indebted to our partner, Social and Enterprise Development Innovations (SEDI), for their continuing input and support. Additionally, we are grateful for the contributions of each of the 10 community-based agencies delivering *learn\$ave* locally, as well as the participating financial institutions that maintain the *learn\$ave* accounts. We also wish to thank the numerous people who commented on various drafts of this report, both within and outside of SRDC, as well as our SRDC colleagues who contributed to the cleaning and analysis of the dataset.

Data collection is a major activity of this project: POLLARA Incorporated, under contract with SRDC, has conducted all surveys of *learn\$ave* program and control group members. We appreciate and rely on participants' response to ongoing surveys: their assistance is vital to our efforts to demonstrate the extent to which *learn\$ave* can make a difference to low-income individuals.

There are many individuals who contributed to *learn\$ave*; a complete list of them is provided in the full report.

INTRODUCTION

This report presents the early impacts of *learn\$ave*, a research and demonstration project sponsored by Human Resources and Social Development Canada (HRSDC).¹ The project is designed to test how matched savings incentives and related financial literacy training and case management supports can encourage low-income adults to contribute their own resources to improving their economic prospects. This is done by increasing participants' savings as a means of financing their post-secondary education and skills training or creating small businesses. This approach has been built upon the asset-building concept of Individual Development Accounts (IDAs), pioneered in the early 1990s in the United States where IDAs have been used to encourage those with low incomes to build assets ranging from a home or a vehicle to education and workforce skills and in this way reduce poverty. Holding assets has been shown to enhance one's economic situation by increasing confidence, family stability, social participation, and the welfare of children.

In today's knowledge economy, low-income Canadians who do not have access to education and training opportunities are at an increasing risk of social and economic exclusion. Technological change continues to penalize individuals who lack the appropriate skills, which is manifested in the growing demand for those with higher levels of education. Disproportionately, it is low-income individuals who lack the skills needed, as well as the means to take advantage of public mechanisms to enhance skills. When the *learn\$ave* project first came under consideration in the late 1990s, IDAs were seen as a promising approach to increasing the participation of low-income people in training and education and ultimately in the labour force. Among their many attributes, IDAs were said, like all asset-building programs, to alter participants' attitudes and behaviour towards savings, banks and their own future, while at the same time providing them with a choice in how to enhance their skills. However, the effectiveness of IDAs in this regard was largely unmeasured. For this reason, HRSDC decided to fund the *learn\$ave* project.

DESCRIPTION OF *LEARN\$AVE*

The *learn\$ave* project is a research and demonstration project designed to test whether or not an IDA can help low-income Canadian adults save in order to improve their human capital through education and small business development. HRSDC began funding the project in June 2000. The Department hired Social and Enterprise Development Innovations (SEDI) to design, implement, and manage the demonstration and contracted the Social Research and Demonstration Corporation (SRDC) to conduct research associated with the evaluation of *learn\$ave*.

The fundamental feature of the *learn\$ave* IDA is that participants meeting the eligibility criteria (see text box) are encouraged to open special accounts and, through the provision of matched saving credits, to build up savings as a means of achieving specific goals. Its essential elements are as follows:

- › **Savings match:** Each dollar participants save is matched by a \$3 credit.
- › **Qualifying period:** Savings over only the initial three-year period qualify for credits.
- › **Maximum qualifying savings:** The maximum matchable savings are \$250 per month and \$1,500 over the initial three-year period.
- › **Minimum deposits:** Participants must make a net deposit of at least \$10 per month in 12 separate months before they can claim the matched credits.
- › **Approved purposes of credit cash-outs:** Participants can cash out their matched credits and apply them, along with their *learn\$ave* savings, to education or training at a designated institution. They also have the option of using the funds to start a new small business. For these purchases, a maximum of \$6,000 will be available to participants, at least 25 per cent of which must come from the participants' own funds.

¹ HRSDC has been funding the project since the dissolution of Human Resources Development Canada (HRDC) in December 2003 and of Human Resources and Skills Development Canada in 2006.

- › **Claim period:** Matched credits must be claimed and cashed out within four years of the enrolment date.
- › **Saving stream:** At enrolment, participants had to designate themselves as being in the education stream (who had to use their credits for education or training) or micro-enterprise (who could use the credits for either education or micro-enterprise). At each site, no more than 20 per cent of participants could be in the latter stream.

Ten community-based non-profit organizations recruited by SEDI deliver *learn\$ave*, one in each of ten urban and rural locations across seven provinces. These agencies play the major delivery role in this project. The basis for this report is evidence drawn from the project's three experimental sites — Halifax, Toronto, and Vancouver — where program operation and experimental research design are identical. Accounts were opened at and maintained by financial institution partners.

At the three experimental sites, eligible applicants were randomly assigned to one of three research groups:

- › the "*learn\$ave*-only" group receiving only the matched credits;
- › the "*learn\$ave*-plus" group receiving the credits plus case management services and about 15 hours of financial management training sessions; and
- › the control group, receiving neither *learn\$ave* credits nor services.

LEARN\$AVE ELIGIBILITY CRITERIA

The eligibility criteria for *learn\$ave* were developed to target adults with low-income and low-asset levels. Participants had to meet particular requirements relating to:

- › **Income:** Annual household income had to be less than 120 per cent of Statistics Canada's low income cut-off;
- › **Liquid assets:** Liquid assets had to be less than the lesser of 10 per cent of participant's annual income or \$3,000;
- › **Home value:** Participant's house had to be valued at less than the median value of homes in area.
- › **Age:** Participant had to be between 21 and 65 years of age;
- › **Residence:** At application, participant had to reside within a *learn\$ave* catchment area;
- › **Social Insurance Number:** Participant had to possess a valid Social Insurance Number;
- › **Student status:** Participant could not be a full-time student; and
- › **Applications per household:** Only one *learn\$ave* application was permitted per household.

Early impact results presented in this report are based on analysis of the 18-month survey and data from the Participant Management Information System (PMIS). Later reports in this series will discuss intermediate and final impacts, as well as results of cost-effectiveness and service delivery studies. A total of 2,583 participants responded to the 18-month survey, out of 3,584 participants called — this represents a 72 per cent response rate. The survey data were supplemented by data from the PMIS on *learn\$ave* account saving and withdrawal activity for members of the program groups over the first 18 months.

FINDINGS ON LEARN\$AVE PARTICIPATION

Recruitment and Take-Up

learn\$ave reached its recruitment target after much effort.

Although 99 per cent of the project recruitment target was met, the effort required in order to do so was substantial. This is consistent with the experience of other similar programs. Because no list of people in the target population was available from which to draw the *learn\$ave* sample, local community agencies used a broad range of marketing methods to recruit participants. After a slow initial recruitment period, *learn\$ave* sites modified their recruitment strategies so that the targeted number of participants enrolled was almost reached (4,827 out of 4,875 overall). Sites found through experience that intensive, well-organized recruitment campaigns including a variety of advertising methods were necessary, although the most frequently cited way for participants finding out about *learn\$ave* was word of mouth.

Participants are more educated and more likely to be immigrants than the eligible population.

The *learn\$ave* sample was not typical of the eligible low-income population: *learn\$ave* had much greater appeal for certain groups within the low-income category. Comparisons of *learn\$ave* participants to Statistics Canada data on the eligible population indicated that the participants were more likely to be highly educated, recent immigrants, younger, single, and employed. The differences between the *learn\$ave* sample and the eligible population suggest that IDA programs such as *learn\$ave* may be used to reach certain important “niche markets”; they may not hold universal appeal within the target low-income population.

learn\$ave Saving and Cash-Out Activity

Nearly 100 per cent of program group members opened learn\$ave accounts.

Almost all program group participants opened a *learn\$ave* account. Among those participants in the *learn\$ave*-only or *learn\$ave*-plus groups, 93 per cent opened an account within the first 18 months. Almost three-quarters (74 per cent) of participants opened a *learn\$ave* account within 1.5 months (45 days) of being accepted into the project.

For the most part, participants were also able to save in their *learn\$ave* accounts. On average, participants actively saved (i.e. made deposits of at least \$10 in their *learn\$ave* account) in 11 of the first 18 months and had accumulated an average of \$945 by month 18. Not surprisingly, average savings were highest in the first 12 months and dropped off thereafter.

Withdrawals from learn\$ave accounts were much lower than deposits, which was as expected at this early stage of the project.

Withdrawals in the first 18 months from the *learn\$ave* account were, as expected, lower than deposits. Participants have another 30 months to cash out their credits. While two-thirds of participants saved in at least 12 months — which is required for them to cash out matched credits — only about one-quarter (27 per cent) cashed out any of their credits for education or micro-enterprise purposes. The incidence of withdrawals was lower and the amount withdrawn higher among participants in the micro-enterprise stream than in the education stream. This is indicative of the fact that it may take longer to develop a business plan and get it approved than to make a decision to participate in education and training, and greater resources are required to initiate such a plan.

EARLY IMPACTS OF THE LEARN\$AVE PROGRAM

Savings Impacts

Low-income adults can be encouraged to save in order to improve their human capital, but the additional financial management training has so far not made a difference in this regard.

The *learn\$ave* matched saving credits had a large incremental impact on the total amount of savings held in chequing and savings accounts (including *learn\$ave* accounts). By month 18, members of the *learn\$ave*-only group had saved, on average, \$679 — 71 per cent more than the control group, which did not have the matched savings credits (Figure ES.1). Similar impacts were observed for overall liquid assets, in which cash savings figure prominently. However, at the end of the first 18 months of program activity, the *learn\$ave* financial management training and case management services had played no role in increasing saving activity.

Figure ES.1: Impact of *learn\$ave* on Average Balance in Bank Accounts



Note: Graph shows holdings in all chequing/saving accounts including the *learn\$ave* account, but excludes the matched credits.

Participants found the additional money for savings by delaying their purchases of household effects or buying cheaper goods.

To find funds for increased cash savings, results to date indicate that participants were neither diverting funds from other savings vehicles, nor borrowing money, to take advantage of the high rate-of-return on *learn\$ave* account. Instead, *learn\$ave* participants delayed or altered household purchases to have additional funds for *learn\$ave* deposits. This change in consumption behaviour in favour of increased saving should be seen as a positive development insofar as it has not resulted in increased hardship.

The increased savings did not come at the cost of increased debt or hardship.

There were no indications that increases in total cash savings and liquid assets, and altered consumption patterns, came at the cost of increased hardship. This is further corroborated by the fact that program group participants did not take on additional debt to increase their deposits in their *learn\$ave* account.

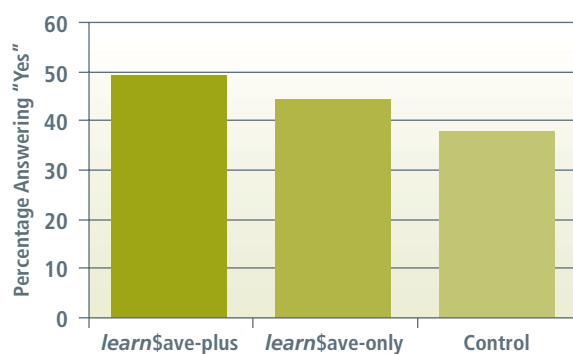


By month 18, members of the *learn\$ave*-only group had saved, on average, 71 per cent more than the control group.

Both the matched saving credit and the financial management training aspects of learn\$ave had a beneficial effect on budgeting and financial goal-setting.

As a result of *learn\$ave*, participants were more likely to have a budget (49.2 versus 38.1 per cent for the control group) (Figure ES.2). Approximately half (6 percentage points) can be attributed to the *learn\$ave* matched savings credit. The other 5.1 percentage point impact can be attributed to *learn\$ave* financial management training and case management services. Budgeting habits may have positive effects for participants down the road in terms of savings and other asset accumulation.

Figure ES.2: Impact of *learn\$ave* on Budgeting Activity: Percentage of People who Said “Yes” to the Question, “Do you have a household budget?”

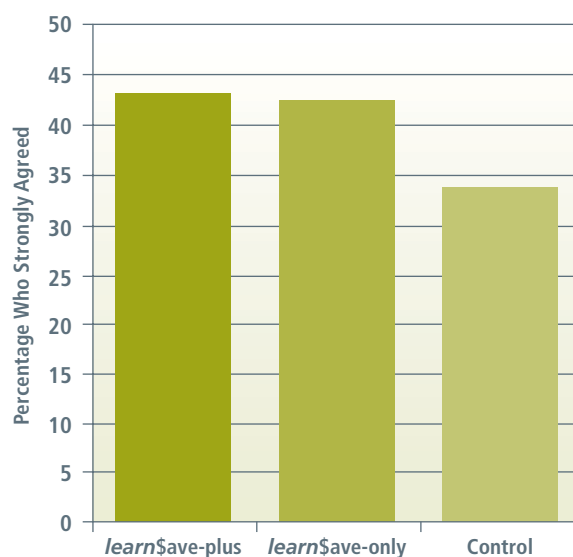


Education, Small Business Start-Ups, and Employment Impacts

learn\$ave had a positive effect on participants' attitudes to education.

The *learn\$ave* program had significant positive impacts on participants with respect to their attitudes towards education. The impact is largely a result of the matched saving credits, as *learn\$ave* services made little incremental difference in that regard (see Figure ES.3). This suggests that the very act of putting money aside for purposes of education or training, rather than being instructed in goal-setting, improves attitudes to education.

Figure ES.3: Impact of *learn\$ave* on Attitudes Towards Education: Percentage of People who Strongly Agreed With the Statement, “Getting a good job depends on my education”



At this early stage of the project, learn\$ave had a modest effect on participation in education and training, although there are indications that learn\$ave may be encouraging pursuit of more costly education.

In terms of actual participation in educational programs or shorter courses, few impacts were observed for the education stream participants. The lack of such impacts at 18 months was not unexpected as it was anticipated that participants would take time to accumulate sufficient funds for education, especially since they have until month 48 to cash out their matched credits.

There is some evidence that *learn\$ave* is encouraging pursuit of more costly education. The results indicate that the control group was more likely than the program group to complete (less costly) individual courses. At the same time, program group members were more likely (although not significantly so) than control group members to enter a (more costly) full educational program and to pursue a university rather than college education. A potential explanation is the program group's access to *learn\$ave*

matched funds, but this will need to be corroborated based on analysis of later follow-up survey results.

learn\$ave participants have not yet demonstrated any program impacts with respect to business start-up or employment.

For the 20 per cent of the sample in the micro-enterprise stream, *learn\$ave* did not make a significant difference to business start-up. Again this was expected in the early stages of the project.

Not surprisingly, *learn\$ave* did not produce any impacts on employment outcomes either. This was, for the most part, anticipated, given that it has been only 18 months since participants joined the project. A lack of impact on actual hours worked, however, was somewhat surprising as participants, in response to the generous savings matching, could have increased their work hours during the first 18 months to generate extra funds for *learn\$ave* deposits.

CONCLUSIONS

The early impacts of *learn\$ave* show that low-income Canadians can actively save for their education or a small business provided they are offered incentives to do so. This is revealed in the degree of *learn\$ave* account opening and deposit activity, as well as in the higher bank account balance and value of liquid assets among participants. These early results show that the matched saving credits accounted for most of the increased saving activity, with the financial management training and case management services playing a surprisingly limited role. Whereas this finding fails to corroborate preconceived notions about the incremental role financial management training would play in saving activity, it could be well be reversed in the future when data collected at later stages of the project's lifespan are analyzed.

Where did the increased savings come from? They did not result from reduced investment in other saving vehicles, from increased borrowing, or from increased working hours. Rather, results suggest that the program encouraged participants to delay consumption of household goods or buy cheaper items to generate funds for their *learn\$ave* account. This change in consumption patterns, combined with a lack of hardship impacts, suggests that *learn\$ave* is meeting one of its intended objectives.

Budgeting and financial goal-setting also benefited from participation in *learn\$ave*. Both the matched savings and the additional financial management training and case management services increased budgeting activity for participants. The fact that these services did not benefit saving but did benefit budgeting, however, raises the question of whether or not the incremental contribution made by these services in enhancing budgeting behaviour justifies their additional cost. This issue will be addressed in the cost-effectiveness analysis later in this project.

Enhancement of attitudes towards education was one of the few observed education and employment impacts. Again, it was the matched saving credits — and the goal-oriented saving they engendered — rather than the *learn\$ave* services that made a positive difference in this regard. As expected at this early stage of the project, the analysis did not reveal many significant impacts on education, micro-enterprise, and employment activities. However, the enhanced savings and attitudes to education may bode well for education and employment outcomes down the road.

LEARN\$AVE PUBLICATIONS

Full report

Learning to Save, Saving to Learn: Early Impacts of the learn\$ave Individual Development Accounts Project, by Norm Leckie, Michael Dowie, and Chad Gyorfi-Dyke (January 2008).

Other learn\$ave publications

Design and Implementation of a Program to Help the Poor Save: The learn\$ave Project, by Paul Kingwell, Michael Dowie, Barbara Holler, and Carole Vincent, with David Gyarmati and Hongmei Cao (August 2005).

Helping People Help Themselves: An Early Look at learn\$ave, by Paul Kingwell, Michael Dowie, and Barbara Holler, with Liza Jimenez (May 2004).

Publications available on request at info@srcd.org or at our website www.srcd.org.

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