



# **Testing Long-Term Impacts of Individual Development Accounts and Asset Building on Education**

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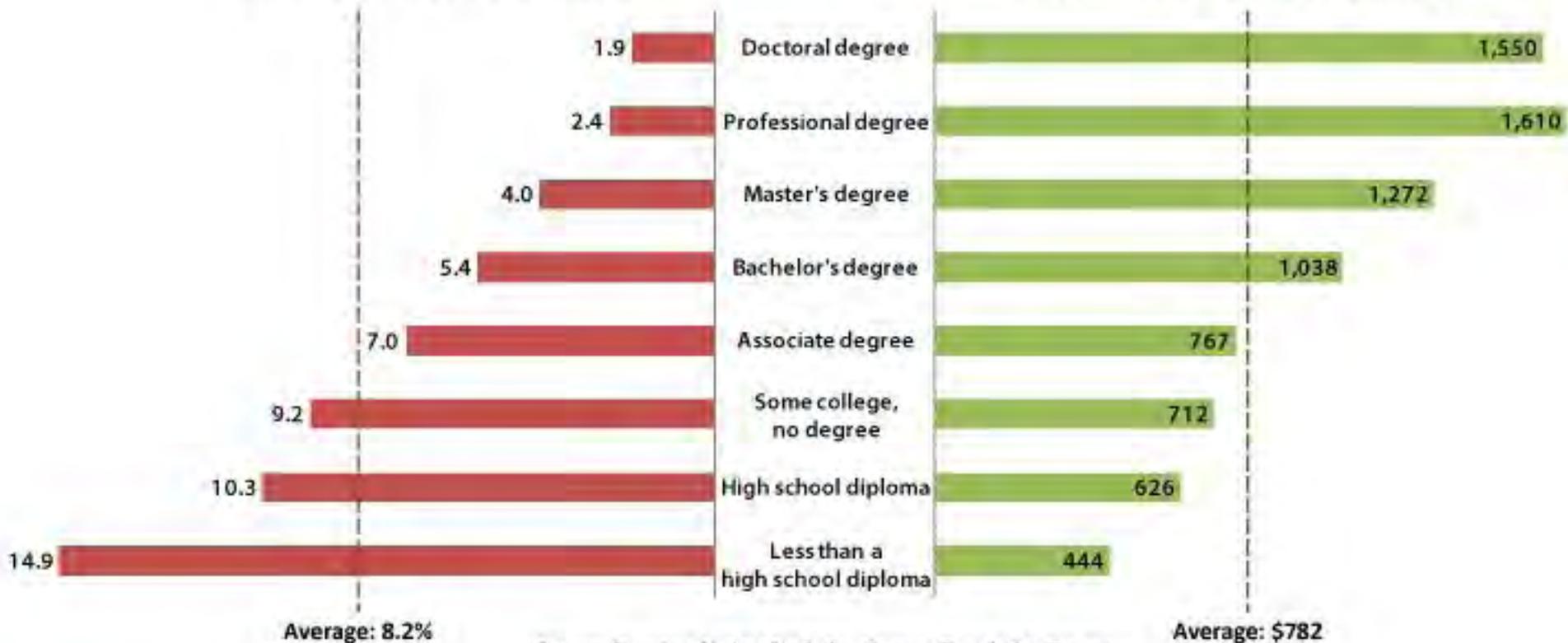


# Education as an Asset

## Education pays:

Unemployment rate in 2010 (%)

Median weekly earnings in 2010 (\$)



Source: Bureau of Labor Statistics, Current Population Survey





# Barriers to Education

- Financial obstacles (i.e., cost of tuition, materials)
- Time must be diverted from other responsibilities – work, parenting, etc
- Lack of support for household responsibilities
- Lack of support to overcome learning difficulties





# Towards Inclusive Policy

One program  
that helps low-  
income people  
save for  
education is the  
Individual  
Development  
Account  
(Sherraden, 1991)





# What are IDAs?

- IDAs are matched savings accounts
- Main uses of IDAs:
  - Home purchase
  - Post-secondary education
  - Micro-enterprise
- Program bundle:
  - Financial education
  - Case management
  - Peer relationships





# Saving for Education with IDAs

- Provides matched funds as incentive for saving
- Requires participation in 12 hrs of general financial education
- For those saving for school, 2 additional hrs specific to post-secondary education
- Includes working one-on-one with a case manager





## Context of IDAs in the U.S.

- IDAs are both popular and have bipartisan support
- Funded by federal, state, and local governments, foundations, financial institutions and private donors
- There are currently about 1,100 IDA projects and more than 85,000 people have participated in IDAs





# Research and Evaluation of IDAs

- IDA research has primarily focused on the American Dream Demonstration (ADD)
- National study of the Assets for Independence IDA program
- State and county level evaluations
- Most studies focus on short-term outcomes
- Most IDA research uses non-experimental methods, e.g. surveys, in-depth interviews, and account activity





## **ADD Experiment – Waves 1-3**

- The only randomized longitudinal experiment of IDAs in the U.S. comes from American Dream Demonstration (ADD), conducted in Tulsa, OK from 1998–2003
- Eligibility: Individuals had to be employed, but earning less than 150% of federal poverty level at entry
- Random assignment of 1,103 participants
- Interviews at baseline (Wave 1), 18-month follow-up (Wave 2), and 4-year follow-up (Wave 3)





# The ADD Experiment

- *Treatment group* – invited to participate in the IDA program and receive access to matched saving accounts, financial education, and case management
- *Control group* – abstained from participating in any CAPTC matched savings during the experiment





# The ADD Experiment

- Asset goals – home purchase, home improvement or repair, business start-up or expansion, postsecondary education or training, retirement accounts
- For education, match rate of 1:1
- Maximum matched deposit: \$750 per year for 3 years; Participants could accumulate up to \$4,500 for education





# ADD Experiment Wave 4

- Assessment of the long-term (10 year) impact of IDA programs
- Follow-up with both treatment and control group participants 10 years after random assignment (6 years post-graduation for treatment group)
- Collaboration between UNC, Center for Social Development, and Brookings Institution





## Data Collection for ADD Wave 4

- Conducted by RTI International August 08 – April 09
- Primarily face-to-face interviews, about 60 minutes
- Revised the Wave 1-3 survey instrument to include additional measures
- Intensive tracking efforts – no differential efforts were used to track down treatment or control groups
- Interviews in the field were conducted at the same pace for treatment and control groups





# Sample Size & Response Rate by Wave

Interview	Months	Treatment Group	Control Group	Total	Response Rate
Baseline (Wave 1)	Oct. 1998 – Dec. 1999	N=537	N=566	N=1,103	N/A
18-month follow-up (Wave 2)	May 2000- Aug. 2001	N=462	N=471	N=933	84.6%
4 year follow-up (Wave 3)	Jan. 2003- Sept. 2003	N=412	N=428	N=840	76.2%
10 year follow-up (Wave 4)	Aug. 2008 – Apr. 2009	N=407	N=448	N=855	80.1%



# Methods: Key Outcomes

- Enrollment in school since baseline
- Earned a degree or certificate since baseline
- Increased education level since baseline





## Methods: Analyses

- Intent-to-Treat (ITT) analysis of all those assigned to treatment group
- Marginal effects probit regression predicting outcomes from treatment, financial and demographic covariates
- Subsample analysis predicts treatment effect for each group (e.g., males and females) and compare treatment effects using a chi-square test
- One-tailed tests for treatment effect, two-tailed tests for comparisons





# Limitations of Data

- Self-selected
- Program selected
- Recollection over time does not always match with the prospective data





# Education at Baseline

	<b>Full Sample (N=854)</b>	<b>Treatment (N=407)</b>	<b>Control (N=447)</b>
Less than H.S. degree	6.9%	7.1%	6.7%
H.S. grad or GED	25.8%	25.8%	25.7%
Some college	41.3%	40.8%	41.8%
2-year college degree	13.8%	14.2%	13.4%
4-year college degree	7.6%	7.6%	7.6%
Any graduate school	4.6%	4.4%	4.7%



# Education Saving Among Treatment Group

- 8.3% of participants intended to use savings for education (MIS IDA data)
- 7.8% actually made a matched withdrawal for education (MIS IDA)
- 8.7% reported making a withdrawal for education (Wave 4 survey data)





# Treatment Effect on Education

	Enrollment		Degree/Certificate Completion		Increase in Education Level	
	dF/dx	p	dF/dx	p	dF/dx	p
Treatment effect	0.07	0.042	0.05	0.092	0.04	0.163
N	823		823		547	

P-values from one-tailed tests.





# Subsample Analyses: Enrollment

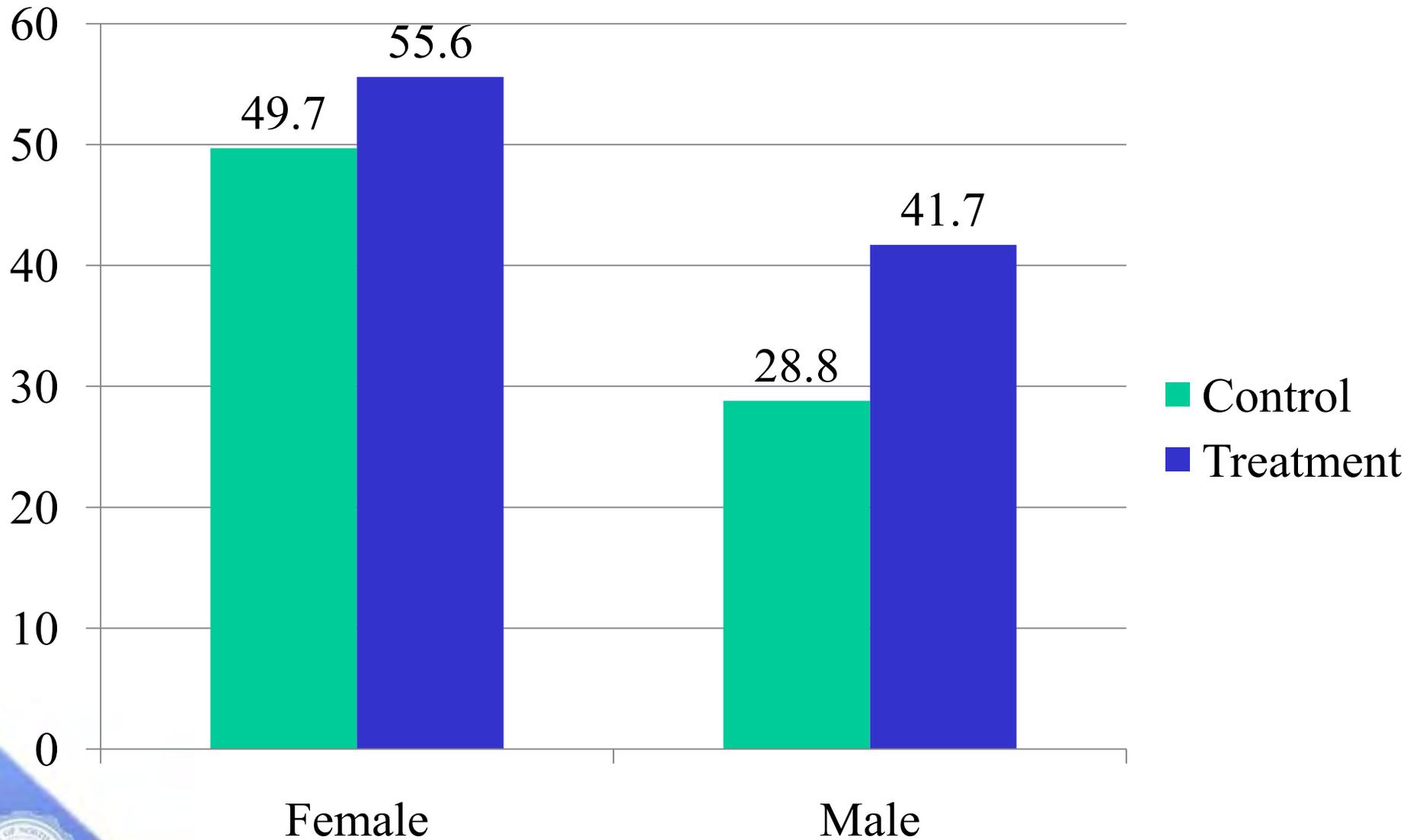
	Female	Male
Treatment Effect (dF/dx)	0.06	0.20*
N	659	152
Comparison of Treatment Effect Across Groups	p = 0.149	

\* p < .05, one-tailed.





# Subsample Analyses: Enrollment





# Subsample Analyses: Degree Completion

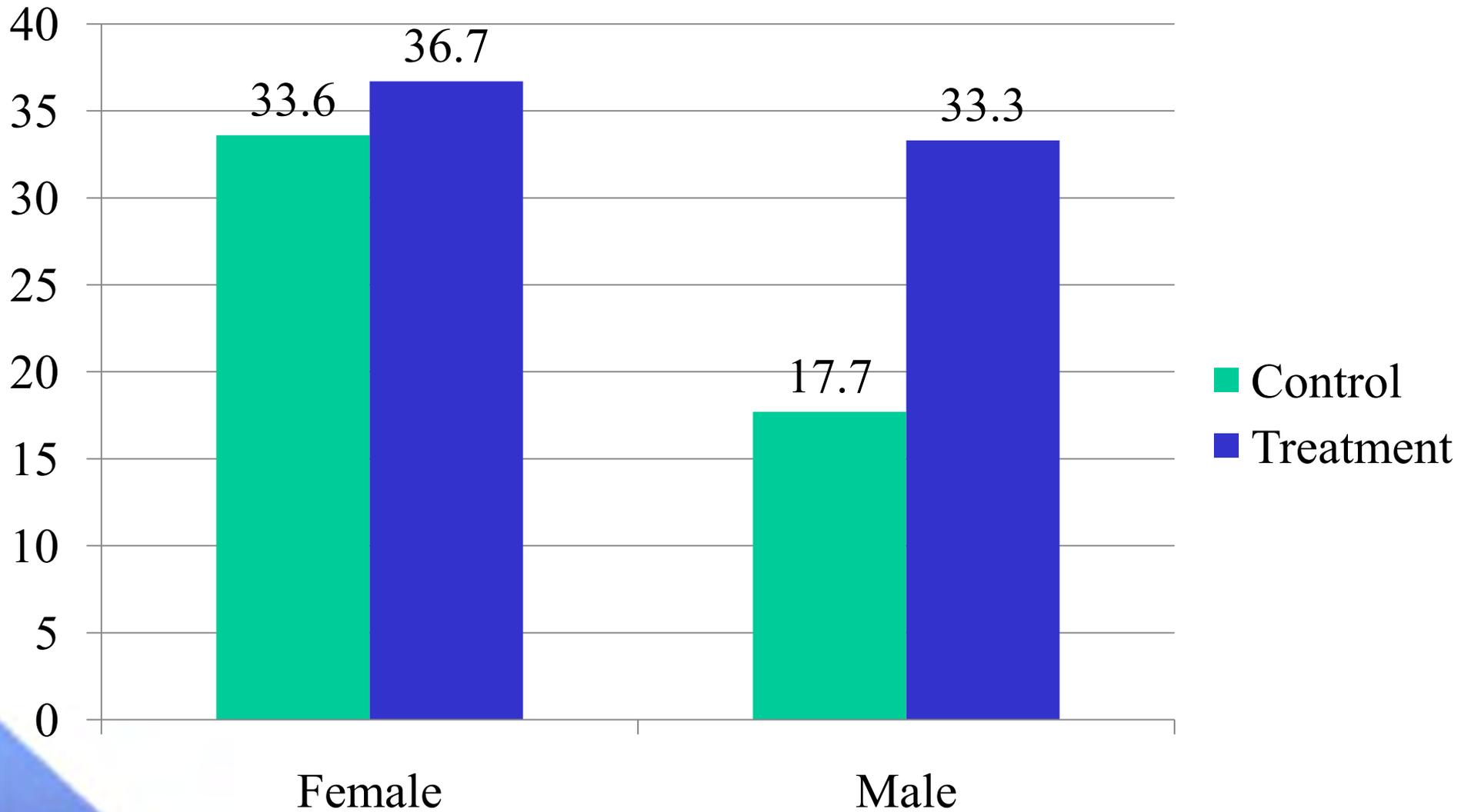
	Female	Male
Treatment Effect (dF/dx)	0.03	0.14*
N	659	145
Comparison of Treatment Effect Across Groups	p = 0.032	

\*  $p < .05$ , one-tailed.





# Subsample Analyses: Degree Completion





# Subsample Analyses: Increased Education

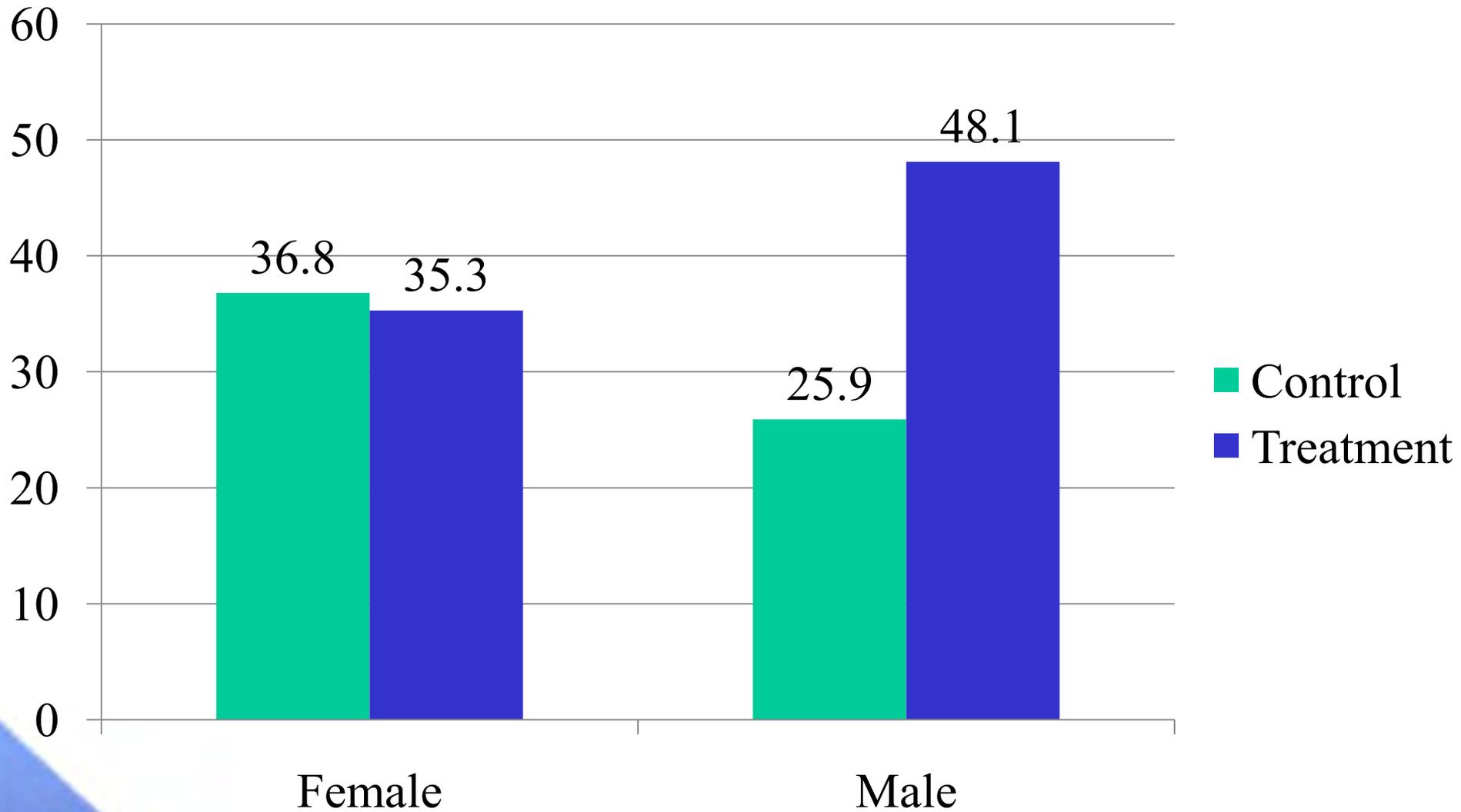
	Female	Male
Treatment Effect (dF/dx)	-0.03	0.43**
N	435	110
Comparison of Treatment Effect Across Groups	p = 0.000	

\*\* p < .01, one-tailed.





# Subsample Analyses: Increased Education





# Conclusions

- ITT analysis and 8% who saving for education
- CAPTC IDA program provided support to enroll in school and for some to complete a degree
- Other supports may be necessary to help overcome barriers to increasing educational level
- Evidence suggests males may benefit more from treatment





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