

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

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SOCIAL RESEARCH  
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# Rationale

## Rationale for *learn\$ave*

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- Low-skilled at risk of low earnings and unemployment in the knowledge economy
- Existing Canadian government programs and tax incentives to support savings for retirement or education not reaching low-income adults
- Governments looking for ways to promote training and education among low-skilled Canadians
- Individual Development Accounts could help achieve this goal

# Individual Development Accounts (IDAs):

## Asset-Based Policy for Low-Income People

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

# Desirable Attributes of IDAs

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

# IDAs in Canada and the US

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- Few IDAs in Canada
  - Most have been small-scale, pilot projects, delivered by community-based organizations
- US is world leader in IDA field since mid-1990s
  - Welfare reform (1996): exempted IDA saving matches in federal means-tested programs, and allowed states to use federal welfare monies to fund IDA programs
  - Most true IDAs are community-based programs
  - *Proposed* U.S. legislation would expand coverage significantly, but would rely more on banks than non-profit organizations for delivery

*learn\$ave*

# Basics of *learn\$ave*

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- 1. Objective:** To test, through rigorous evaluation, whether a matched saving incentive plus financial education can encourage low-income adults to save for education or for starting a small business
- 2. Delivery:**
  - Social and Enterprise Development Innovations (SEDI) had lead responsibility for the design, selection of communities, and overall implementation of the program with community-based organizations in 10 sites across Canada
  - Financial institutions held the accounts
- 3. Research and evaluation:** SRDC
- 4. Funding:** Human Resources and Skills Development Canada

# Program Design: Matched Savings Incentive

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

# Program Design:

## Financial Management Training and Services

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- Financial management training covered two aspects:
  - **Basic financial knowledge and skills:** budgeting, value of money, fixed versus discretionary spending, managing money and credit
  - **Personal development:** exploring one's own skills and attitudes, setting saving goals and developing a plan to meet one's needs
- Enhanced case management services
  - Proactive reinforcement of saving goals

# Program design: Eligibility

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## Conditions for eligibility:

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

# Stages of *learn\$ave* Program Participation

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## **Phase 1: entry**

*(<0 months)*

- Awareness, application, enrolment, assignment

## **Phase 2: saving**

*(0-36 months)*

- Saving in *learn\$ave* account or
- Saving in *learn\$ave-plus* account (financial education and case management)

## **Phase 3: withdrawl and investment**

*(12-48 months)*

- Withdrawl from *learn\$ave* account
- Investing in adult learning or small business

## **Phase 4: follow-up**

*(48-54 months)*

- Exiting the project
- Benefiting from adult learning, small business

# Program Logic Model

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# The Research

# Evaluation Research Questions

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

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## Targeting/take-up:

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## 2 Savings impacts:

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2. Savings impacts: Will low-income adults' budgeting skills be increased by *learn\$ave* credits and services? Will they be able to save more and achieve higher net worth than they would have in the absence of *learn\$ave*, and without undue hardship? Will assets be accumulated or protected by their desire for increased savings?

# 3

## Education impacts:

**Will low-income adults' attitudes to education and training be enhanced? Will they enrol more in education or training?**

training and case management services make an incremental contribution to savings and education outcomes, over and above the impact of *learn\$ave* matched savings credits?

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## 4

### Employment and earnings impacts:

**Will these activities lead to improved earnings and employment prospects?**

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# 5

## Added Impacts of additional services:

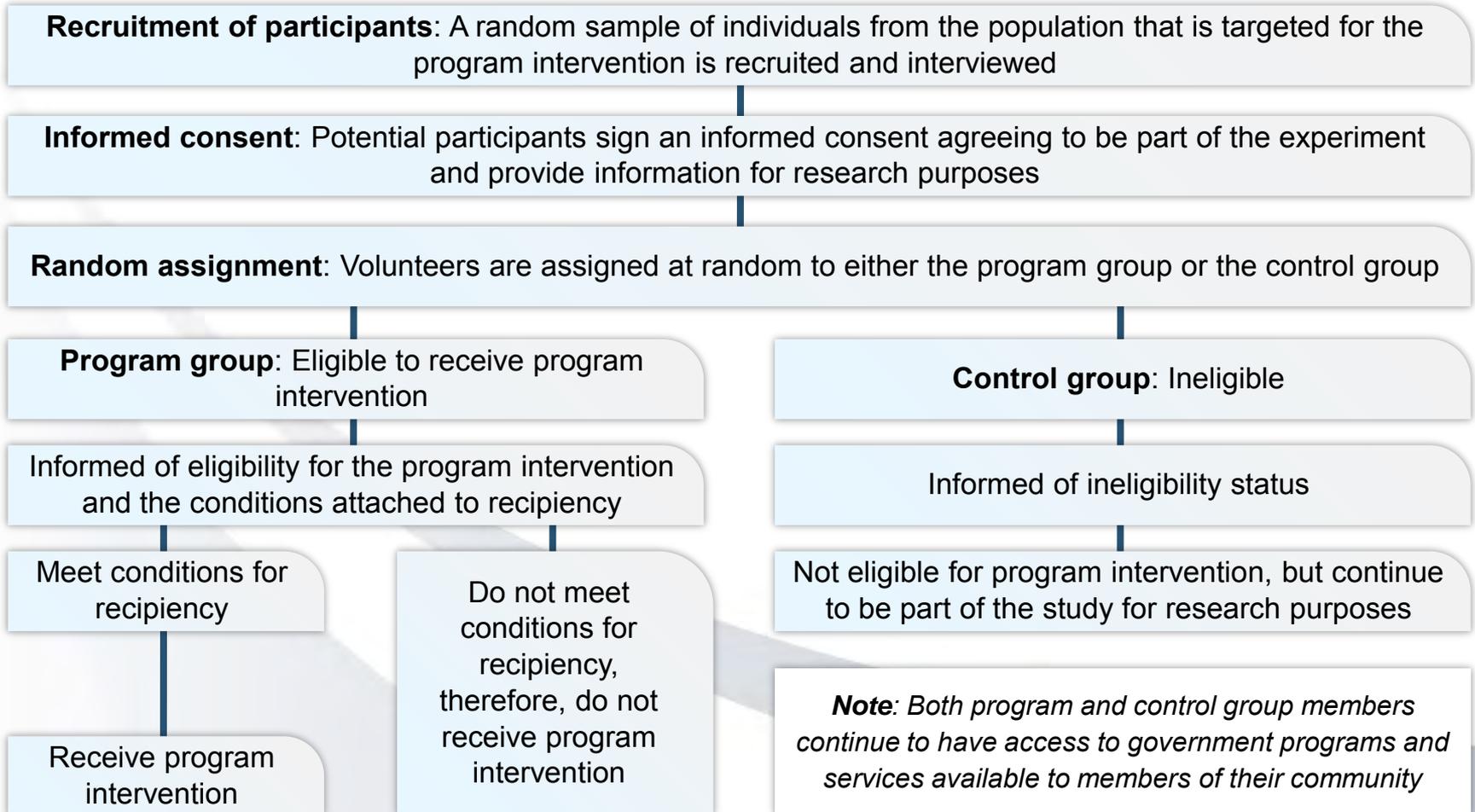
**Will the *learn\$ave* financial management training and case management services make an incremental contribution to savings and education outcomes, over and above the impact of *learn\$ave* matched savings credits?**

# Experimental Research

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

# How Random Assignment Works



# Data Sources

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- **Survey:** baseline survey, plus follow-up surveys at 18, 40, and 54 months -- to monitor savings, assets, education and small-business outcomes
- **Management Information System (PMIS):** kept track of monthly deposits into and withdrawals from *learn\$ave* account (for administration and research)
- **Other sources:** interviews and focus groups to address implementation issues around recruitment and take-up

# Results

# Recruitment

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

# learn\$ave Account Activity

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

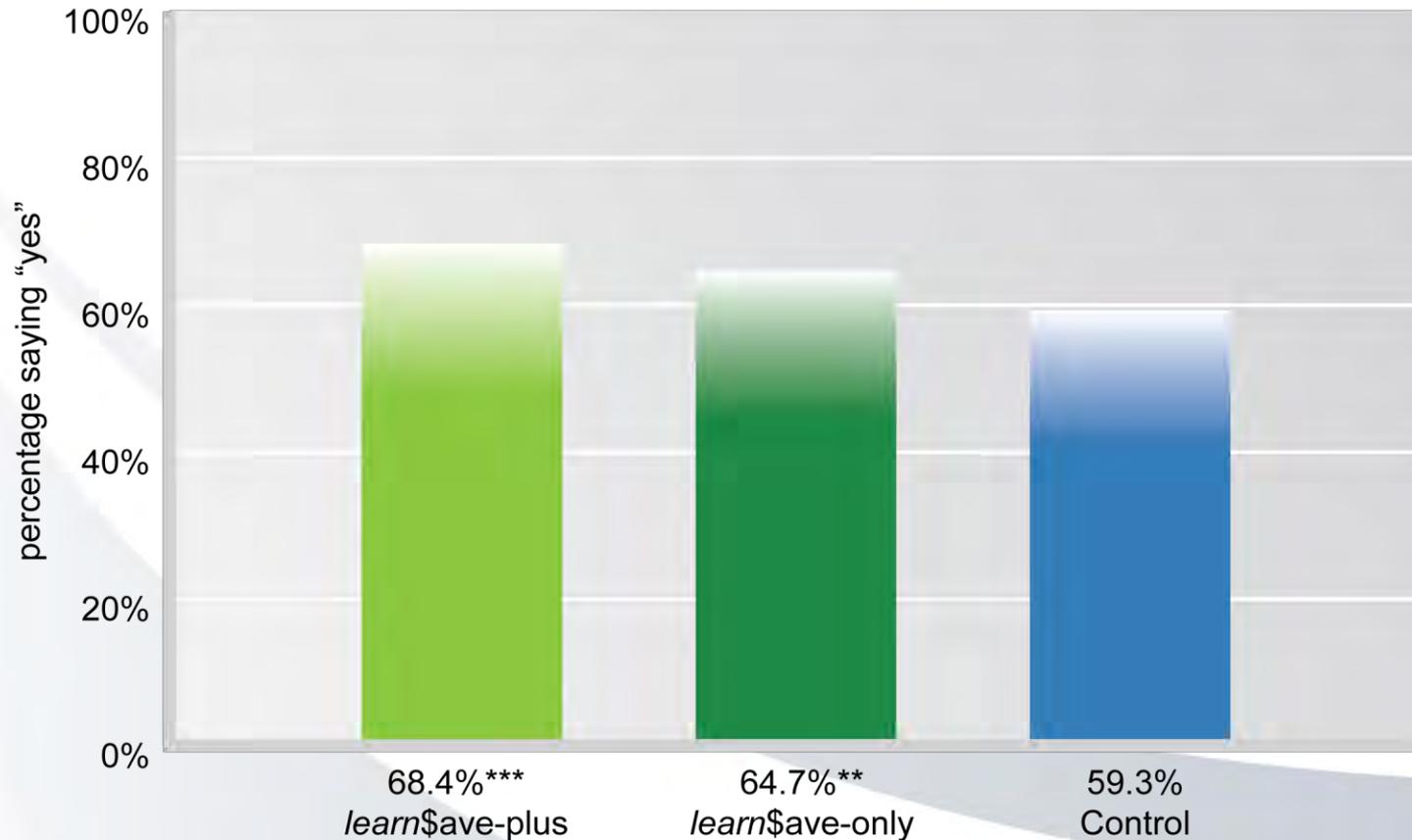
# Patterns of Deposits and Withdrawals

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- Deposits (credits earned) rose steeply in first 12 months
- “Early savers” were more likely to use their credits
- *learn\$ave* services only increased deposit activity by a small amount (\$65 or 6% more than the *learn\$ave*-only group)

# Incremental Impacts on Financial Goal Setting

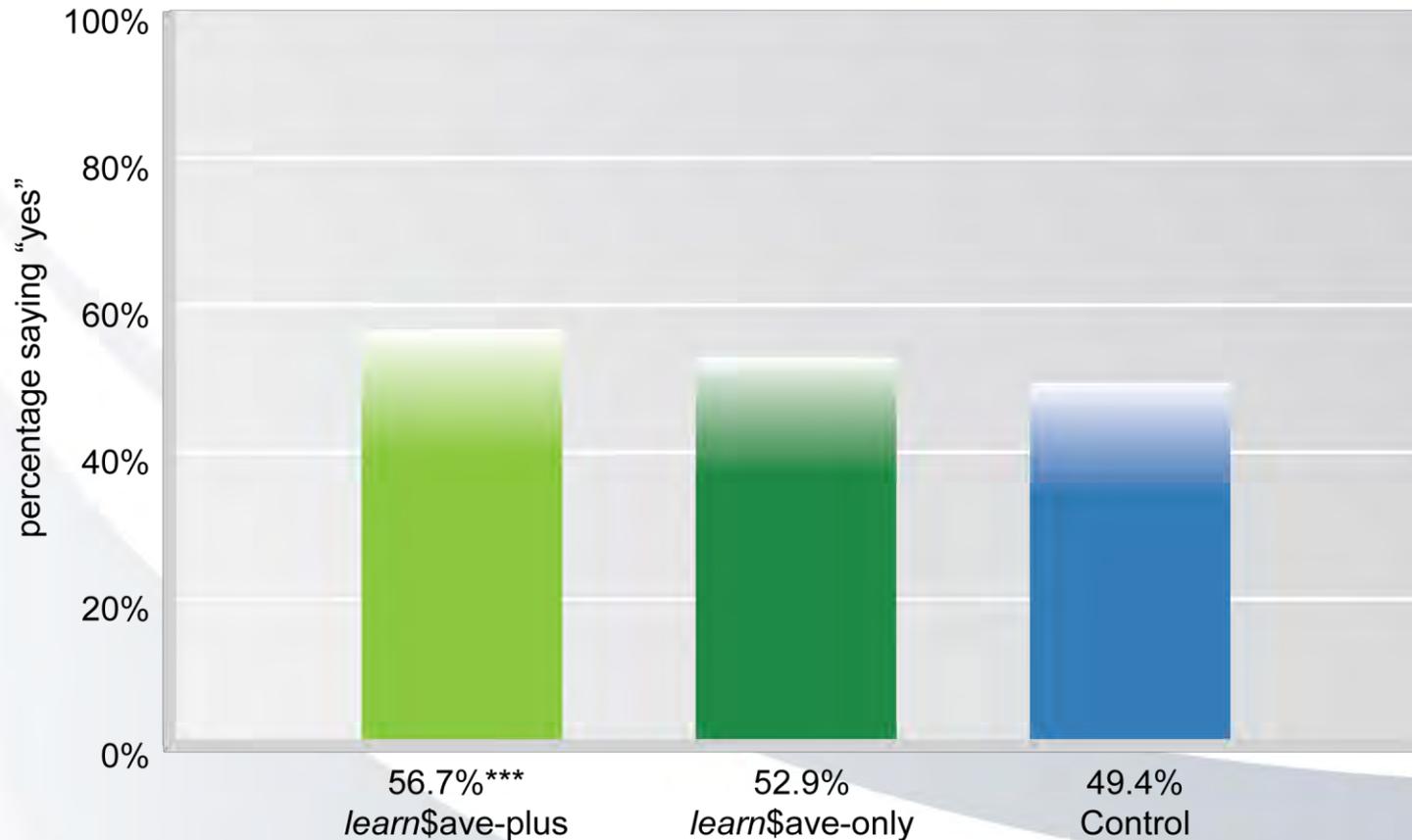
*“Have you set financial goals?”*



*Statistical significance at \* = 10% , \*\* = 5% and \*\*\* = 1%*

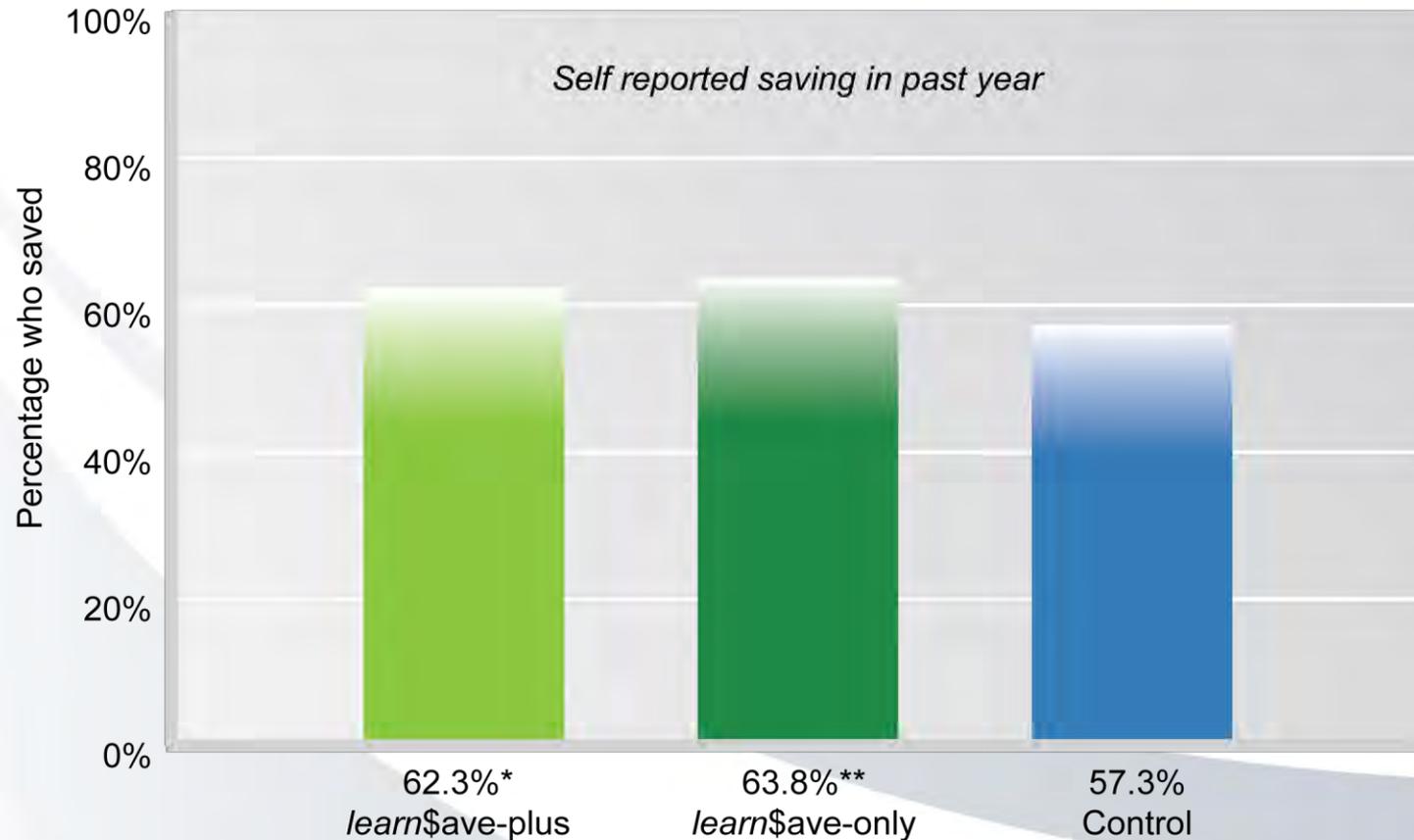
# Incremental Impacts on Budgeting

*“Do you have a household budget?”*



*Statistical significance at \* = 10% , \*\* = 5% and \*\*\* = 1%*

# Impacts on Saving Incidence



*Statistical significance at \* = 10% , \*\* = 5% and \*\*\* = 1%*

# Impacts on Savings and Net Worth

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- *learn\$ave* had no impact on overall saving levels (no change in total financial assets between baseline and month 54)
- *learn\$ave* did not affect the *average level* of net worth, but it altered the *composition* of assets and debt:
  - lower retirement savings (-\$690)
  - higher student loans (\$1,358)
  - higher net business assets (\$2,159)

# Assets and Debts Impacts:

## Results at 54 Months

Selected net worth component	Control group			Impact of match credits	Impact of credits + services
	18 months	40 months	54 months		
(\$ averages)					
Bank/ <i>learn</i> \$ave account balance	1,358	1,923	1,736	815	587
Retirement income	399	2,539	3,490	<b>-690*</b>	278
Home, other property	10,984	31,732	53,810	-2,658	222
Household assets	4,225	7,241	5,929	-552	-564
Student loans	4,224	4,828	4,063	<b>1,358**</b>	<b>1,281**</b>
Net business assets	170	797	742	<b>2,159**</b>	676
Net Worth	4,429	16,781	28,605	-1,116	-4,397

Statistical significance at \* = 10% , \*\* = 5% and \*\*\* = 1%

# Hardship and Life Satisfaction

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- No evidence that *learn\$ave* caused undue *hardship* for participants at any point during the life of the project
- In fact, *learn\$ave* contributed to increased *life satisfaction* for participants

# Impacts on Education Attitudes

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- *learn\$ave*'s influence on attitudes to education (link between education and employment) had been positive in earlier surveys.
- But by 54 months, its effect on education attitudes was mixed:
  - Positive effect on recognizing value of education in getting a good job
  - Ambiguous or negative effect on the need for more education and the tolerance to student debt

# Impacts on Education Enrolment

## Results Covering 54 Months

Enrolment in: (incidence)	Control group	Impact of matched credits	Impact of credits + services
	%	(percentage points)	
Education/training program or course	81.5	6.6***	8.2***
Program	56.0	9.1***	12.6***
▪ Community college	30.0	3.3	5.2**
▪ University	18.4	6.7**	9.2***
Completed program	39.5	5.0*	6.0*
Course	47.5	4.3	4.6

Statistical significance at \* = 10% , \*\* = 5% and \*\*\* = 1%

# Impacts on Education Enrolment by Sub-groups

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- Impacts were widespread, benefiting:
  - Participant in all age groups
  - Canadian-born and more recent immigrants
  - Those with no more than a high school certificate and those with a university degree
  - Those with lowest income
- Groups not affected include:
  - The jobless
  - Highest low-income group (\$20,000 +)
  - Those with college certification
  - Immigrants to Canada for 4 or more years

# Impacts on Education Enrolment by Sub-groups

Baseline characteristics	Sample size	Control group	Impact of financial incentive	Total impact of incentive + services
<b>All</b>	1,844	56.0	<b>9.1***</b>	<b>12.6***</b>
<b>Age</b>				
Less than 30 years	665	64.8	<b>10.0**</b>	<b>13.0***</b>
Between 30 and 40 years	885	52.9	<b>8.5**</b>	<b>11.7***</b>
Over 40 years	294	45.6	8.9	<b>14.5**</b>
<b>Labour force status</b>				
Work for pay	1,039	52.1	<b>13.8***</b>	<b>18.2***</b>
Self-employed	176	44.4	13.3	<b>23.4*</b>
Jobless: Unemployed/Out of labour force	628	65.8	0.2	0.0
<b>Household income</b>				
Less than \$10,000	587	58.4	5.8	<b>12.6**</b>
\$10,000 to \$19,999	750	53.4	<b>13.2***</b>	<b>15.2**</b>
\$20,000 and over	507	57.2	6.9	8.6

Significance levels for each category: \* = 10% , \*\* = 5% and \*\*\* = 1%

Significance levels between categories: † = 10%, †† = 5%, ††† = 1%

# Impacts on Education Enrolment by Sub-groups

Baseline characteristics	Sample size	Control group	Impact of financial incentive	Total impact of incentive + services
<b>All</b>	1,844	56.0	<b>9.1***</b>	<b>12.6***</b>
<b>Highest level of education</b>				
Some PSE or HS certificate or less	450	54.6	<b>10.1*</b>	<b>12.2**</b>
College (or equivalent) diploma, certificate or degree	360	56.3	1.9	6.6
University degree	1,034	56.1	<b>11.9***</b>	<b>15.2***</b>
<b>Years since immigrating</b>				
Born in Canada	586	45.3	<b>18.3***</b>	<b>19.4***</b>
Immigrated < 4 years ago	950	62.4	<b>7.4*</b>	<b>10.7***</b>
Immigrated 4 + years ago	308	58.4	-4.3	4.3
<b>Saving regularity</b>				
Saved regularly	279	51.5	<b>13.7*</b>	<b>16.9**</b>
Did not save regularly	1,555	58.0	<b>7.0**</b>	<b>10.8***</b>

Significance levels for each category: \* = 10% , \*\* = 5% and \*\*\* = 1%  
 Significance levels between categories: † = 10%, †† = 5%, ††† = 1%

# Impacts on Education Spending

## Results Covering 54 Months

Educational Expenditures	Control group mean	Impact of matched credits	Impact of credits + services
	(average \$)		
Program	3,642	1,223***	2,142***
Courses	838	351***	330**
Program and courses	4,482	1,539***	2,465***
<p style="text-align: right;">Statistical significance at * = 10% , ** = 5% and *** = 1%</p>			

# Employment Results – Education Stream

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- No employment impacts observed (yet) from the increased education enrolment
  - Less than half had completed their education or training at 54 months.
  - Impacts on employment may be experienced later down the road, when more people have completed their education or training.
  - Another follow-up survey would be required to find out.

# Employment Results – Micro-enterprise Stream

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- *learn\$ave* matched credits increased
  - incidence of self-employment jobs by 24 percentage points (42% of control group had been self-employed at least once in last 54 months)
  - net business assets by \$5,700 (from \$715 for the control group)
  - formal incorporation from 19% (control group) to 38%
- However, the addition of the services had a dampening effect on the above positive impacts
  - *learn\$ave* may have encouraged perseverance and more planning, thus delaying business start-up; or it may have discouraged unprepared participants

# Cost-effectiveness

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- Cost-effectiveness measures the average cost to produce a unit of program outcome or impact (such as the average cost of increasing education enrolment by one participant).
- Despite large education impacts, cost-effectiveness was fairly low for *learn\$ave* because of important windfall gains
  - it would cost the government \$55,000 to induce each **additional** person to acquire education and training
  - To cover costs, a 33-year-old new enrollee in a *learn\$ave*-plus program would have to earn \$3,478 a year more. Those participating in education programs would have to earn an additional \$2,400 a year.
- Cost-effectiveness was better for Canadian-born participants and for those enrolling in program, as opposed to courses.

# Lessons Learned

# Lessons Learned

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

## Lessons Learned (cont'd)

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- A program such as *learn\$ave* would allow a significant additional number of low-income Canadians to achieve their objectives towards education, which may not materialize otherwise.
  - While many low-income Canadians interested in education do eventually enrol in education courses and programs, a program like *learn\$ave* would increase the level of participation in PSE education programs by over 20%.
- IDAs are effective in promoting regular savings behaviour.
  - this conclusion does not apply to the lowest income, the very poor
  - links between saving behaviour and the achievement of the main outcome (increased education) remains unclear

## Lessons Learned (cont'd)

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- *learn\$ave* showed that low-income households can save without experiencing undue hardship.
- The contribution of financial management training and other services did not have a strong incremental impact,
  - .... suggesting that the main obstacle for low-income populations interested in education to further increase their participation could be of a financial nature.
- This may not be the most cost-effective way to promote education among low-income populations
  - Could other means such as direct grants (or loans), reduced tuitions or subsidized time off achieve the same education objectives at much lower cost?

# Contact Information

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*Social Research and Demonstration Corporation*

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

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