

BUILDING ASSETS AND OPPORTUNITIES

Issue 2 - Fall 2001

learn\$ave*
A national demonstration project of
Individual Development Accounts for Learning

\$avoir en banque*
Un projet national de démonstration de Comptes
individuels de développement axés sur l'apprentissage

Will the Working Poor Save to Invest in Human Capital? Insights From a Laboratory Experiment

The following has been excerpted from the 2001 Social Research and Demonstration Corporation "Learning What Works" Spring 2001 newsletter. For the complete article, visit www.srdc.org.

As part of the design phase for its **learn\$ave*** demonstration project, SRDC is using experimental economics to shed light on the behaviour and preferences of the working poor with respect to saving for learning activities. While laboratory experiments have been developing in the academic arena for some time, they have yet to be used in conjunction with large-scale demonstration projects or social experiments conducted in real-life settings.

SRDC assembled a team of experimental economists to design a laboratory experiment that could answer questions posed by SRDC researchers during the planning phase of **learn\$ave***.

The laboratory experiment focused on three major questions: (1) Will the working poor invest in education for themselves or their children? (2) Are these subjects willing to delay consumption for substantial returns on their investment? and (3) How do these subjects react to risky choices? (The attitude towards risk is an important factor in understanding the decision to invest in human capital.) Answers to these questions should inform the key research question: Given the right incentive, will the working poor save to invest in human capital?

Subjects were provided with a series of choices with cash and non-cash prizes. The choices were carefully designed to support the three major questions above. There were a total of 64 choice questions, including investment preference and time preference questions. The subjects made all their choices with the understanding that one of these choices would be selected at random at the conclusion of the experiment, and they would receive payments according to their choice for that particular question. In all, 256 subjects participated in several sessions over a three-week period in November 2000. Each session took an hour and a half to complete and subjects earned, on average, \$123.

The most striking result thus far from the laboratory experiment is that, when subjects are presented with the

opportunity analogous to the **learn\$ave*** matching offer (that is, a 3 to 1 matching grant), 44.9 per cent of subjects accept the offer of education and training. As described, this choice entails giving up \$100 of cash to receive \$400 to spend on their own education or training. Note that a real savings program like the one to be tested under **learn\$ave*** would require participants to invest their own funds and give up some current consumption to do so.

When the incentive is increased to simulate a matching grant of 5 to 1 instead of 3 to 1, 52 per cent of participants choose an investment of \$600 in their own education as an alternative to \$100 cash. This indicates that almost half of the participants either do not have the **ability** to contribute \$100 in education expenses or do not have the **desire** to pay for education for themselves. Given that the average family income of the participants was between \$20,000 and \$25,000, it is reasonable to suspect that the cash alternative to investing in education was very attractive.

Further analysis into the determinants of choosing cash over paid educational expenses pointed to impatience, aversion to risk, age, and years of schooling. Older individuals in our sample were more likely to take the cash rather than invest in human capital. Subjectively, older adults may have a lower expected rate of return from an investment in human capital.

A still-unanswered question about these laboratory experiments is the extent to which behaviour in the laboratory predicts behaviour in the field. What is clear at this time however is that laboratory experiments can be an inexpensive method of enriching the design of demonstration projects and putting some boundaries around expected key outcomes.

Publications

The policy paper "Assets-based Welfare: International Comparisons" written by SEDI has been published and is available on IPPR's website at www.ippr.org.

learn\$ave Random Assignment Sites: National Pride in a National Demonstration

Vicki Austad
Executive Director
New Westminster Community Development Society

The communities of Greater Halifax, Toronto and Vancouver have the opportunity to positively impact the lives of 2,400 hardworking citizens who, up until now, have not had access to the resources necessary for making positive changes in their lives in regards to education, training or business development. Metro United Way (Halifax), Family Service Association (Toronto) and the New Westminster Community Development Society (Vancouver), together with a host of other community organizations, have joined together as delivery partners to provide these opportunities in the short term and, even more importantly, to work as a team to guarantee an effective level of consistent project management across the country. By paying close attention to the "integrity of the research," any conclusions drawn will have important

and meaningful implications for the future of social policy in Canada. In the difficult days of project promotion, curriculum design, client applications and public relations approvals, these are the thoughts that keep us going.

We are making a difference!

Update: The Random Assignment Sites have recently begun recruiting and accepting participants. By the end of the two-year recruitment period each site expects to have 1,200 low-income Canadians enrolled in the project. In order to meet this goal, recruitment will continue to be the focus of these sites over the next couple of months.

The First Delivery of the *learn\$ave* Training Curriculum: A Success

De Rail
learn\$ave Coordinator
Lutherwood-CODA

Lutherwood-CODA delivered the first *learn\$ave* Training sessions in Canada to 10 participants in Waterloo Region this past summer. The curriculum was still being fine-tuned during this period and participants provided valuable input and feedback that will be invaluable to future facilitators.

For the first *learn\$ave* Training facilitators the process was both frustrating and rewarding. Adjusting the timing of the modules to include all of the materials and activities, and allow for productive discussion within the three-hour sessions, was challenging. However, being able to observe participants comprehend and apply the knowledge and skills they learned was rewarding.

Participants responded well to the financial information presented and were enthusiastic to receive such a volume of handouts for future reference. The activities, while incorporating module themes, provided participants with the opportunity for self-reflection and exploration. For some, the portfolio development was a challenge, but all responded that, as a whole, it was a great learning experience.

"It took me awhile to get going, especially on the chronological record," said one participant. "But once I did I learned so much about myself."

Once the modules were completed, Lutherwood-CODA hosted a graduation party, complete with decorations, food and a cake! Jennifer and Barbara from SEDI attended as did our Program Manager, Donna Buchan.

At the celebration, four participants received a certificate for LST completion with the others committing to make-up missed modules with our October group.

As a symbol of being the first participants to successfully complete the LST, Donna presented each participant with an adorable beanie-baby pig (gold hooves and ears) with the *learn\$ave* logo and #1 on the tag to show our appreciation of participants' willingness to be 'guinea-pigs' for the LST pre-test!

Overall, all had a great time and we look forward to meeting the next group of *learn\$ave* Training participants!

Success Stories - *learn\$ave** Financial Management Training in Calgary

Khadijah Shivji
IDA Facilitator
MCC Employment Development, Calgary

Lana Florence Stewart's piggy bank is now full. She could not save before, but it is different now.

Since enrolling in *learn\$ave** and taking part in money management training, Lana has started to track her expenses.

"I have saved \$120 so far! I feel very secure about my financial future," she proudly said. "My life has changed, my self-esteem has gone up and there is hope for me."

Lana plans to use her savings and the matched credits towards education.

Kamela Khidri arrived from an Afghan refugee camp in Pakistan last year. She shares the lessons she has learned from being a part of *learn\$ave**'s financial management training with her entire family.

"My family and I always thought that banks were for opening savings and chequing accounts only and that's how you invested your money. Now I know how I can make my money grow in so many different ways!"

Kamela's goal is to be a pharmacist. "*learn\$ave** will help me go to school, thereby, reducing the financial pressure on my family. It's a win-win for all of us!"

Overall, the Financial Management Training in Calgary has been going well. By the middle of October, we will have 50 *learn\$ave** participants enrolled in the project. Each of them will undergo 30 hours of financial management training in the first year.

The first group of participants commenced meeting in late July. To date, they have undergone eight hours of training and, as each training module is delivered, there is a visible, slow but steady change in participants. This change is evident from the calibre of questions asked during the meeting or after during individual conversation.

A strong testimonial of the quality of service provided by the agency, the usefulness of training and the incentive of matched credits at the end of the saving period can be gauged from the fact that many prospective applicants are being referred to the project by current participants of *learn\$ave**.

Update: *learn\$ave** staff in the Case Study Sites of Calgary (AB), Digby (NS), Fredericton (NB), Grey-Bruce Region (ON), Kitchener (ON), Montreal (PQ) and Winnipeg (MB) are currently busy recruiting participants. Throughout the past few months, the sites have been using creative and innovative ways of marketing to reach their target groups. Marketing strategies have included everything from brochures and posters to ads on television, radio and even public transit.

In addition to recruiting participants, the sites have also been accepting and enrolling eligible low-income Canadians into the project. In some areas, participants have already opened their accounts, made savings deposits and even started or completed their *learn\$ave** Training (LST) or Financial Management Training (FMT).

Save the Date



November 16 & 17, 2001



April 4 to 6, 2002

All-Sites Meeting for *learn\$ave** Community Partners, New Westminster, British Columbia.

2002 IDA Learning Conference: International Perspectives on Asset-Building for Low-Income People, Windsor, Canada.

SEDI is cosponsoring, with CFED, this first-ever International IDA Conference that will bring together practitioners, policy makers and analysts, academics and media from Canada, the U.S., the United Kingdom and other countries.

Consultation Process for Home\$ave

Barbara Gosse
Program Coordinator
SEDI

As a leader in the field of Canadian asset based social policy development SEDI has always recognized that IDAs could be a vehicle used to support low-income individuals interested in saving for uses related to housing. In fact, preliminary findings from the American Dream Demonstration Project identify home purchase as participant's number one goal choice. Due to funding restrictions, a project, separate from *learn\$ave**, would be required for housing purposes.

After holding informal preliminary discussions on the concept of **Home\$ave** with representatives from the Federal, Provincial and Municipal governments as well as members within both the private and non-profit sectors,

SEDI moved forward with a formal proposal for a proposed National Consultation on this matter. We are extremely pleased that two Federal Departments, namely Canada Mortgage and Housing Corporation and the National Secretariat on Homelessness, have agreed to jointly fund this initiative.

The process will take place over a six to eight month period and will involve formal research and analysis, consultation with relevant stakeholders in five major Canadian Cities and direct consultation with consumer groups. It is expected that this process will identify if an asset-based solution for increased access to adequate, affordable housing for Canada's low-income population would be viable and, therefore, support the creation of a National Individual Development Account pilot project for housing.

STAY TUNED FOR MORE INFORMATION ON THIS EXCITING PROJECT IN FUTURE NEWSLETTERS.

IDA Conferences - Past and Future

Jennifer Robson-Haddow
Program Coordinator
SEDI

For the past four years, IDA practitioners, IDA accountholders, researchers, policy-makers, financial institutions and funders have gathered at the annual IDA Learning Conference, hosted by the Corporation for Enterprise Development (CFED) and the Center for Social Development (CSD). This past spring, representatives from each of the *learn\$ave** community partners (SEDI, SRDC and HRDC) joined more than 800 other delegates at the **2001 IDA Learning Conference: From Community to Capital**.

The three-day Washington event was an opportunity to exchange ideas with practitioners, researchers, financial institutions and policy-makers. It was also an opportunity to hear from leading experts in the field of asset-building, including founders of the field, Michael Sherraden and Bob Friedman, as well as accountholders from several IDA programs in the U.S. Throughout the Conference, it was clear that *learn\$ave** brings a new and valuable set of perspectives to the IDA and asset-building movement and nearly all Conference delegates we spoke with expressed a strong interest in this Canadian initiative.

For 2002, SEDI is pleased to join CFED and CSD as a co-host for the first-ever international conference on IDAs and asset building for low-income people. **The 2002 IDA Learning Conference: International Perspectives on Asset-Building** will bring together 1,000 delegates from

the U.S., Canada, the U.K., Taiwan and other nations, including a delegation from the OECD. This will be the most inclusive and eventful gathering to date in the IDA and asset-building field.

For *learn\$ave**, the conference will provide an opportunity to share our knowledge and experience with other delegates, to discuss best practices and to profile the project's achievements so far. A separate meeting for *learn\$ave** partners will also be added to the Canadian agenda, providing another opportunity for an all-sites' meeting.

The 2002 Conference will take place April 4 - 6, 2002 in Windsor, Ontario. Registration information will be available towards the middle of December.

Check SEDI's website at www.sedi.org for updates or e-mail Jennifer Robson-Haddow, Program Co-ordinator, at jrobson@sedi.org for more information.

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