CSD Report

The Impacts of the American Dream Demonstration on Savings and Asset Building in Canada

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CSD Report 05-40

2005

Taking the Measure of the American Dream Demonstration: An Assessment of Knowledge Building and Impacts in Applied Social Research

Conference Research Papers

Center for Social Development
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The impacts of the American Dream Demonstration on savings and asset-building in Canada

**Background to asset-building in Canada**

SEDI stands for Social and Enterprise Development Innovations. We are a national charitable organization dedicated to enabling poor, unemployed and under-employed people to become self-sufficient. We envision a society where there are no barriers to prevent Canadians from realizing their full economic and human potential. We want to see social, cultural and economic supports that enable people to learn, take risks, invest wisely and participate in the economic mainstream.

Our primary strength is in social policy innovation. We use our networks in the field of community practice to gather the evidence needed to develop relevant and inclusive policies. Our work ranges from the local to the global -- from a local pilot project of Independent Living Accounts in Edmonton to international policy research forums at the OECD. Our overarching aim to enable self-sufficiency finds itself in each of our four program areas: **self-employment, youth with barriers, financial capability** and **asset-building**.

Our history in the field dates back to 1987 when we first established a relationship with the Corporation for Enterprise Development (CFED). At that time both SEDI and CFED were researching and advancing the cause of microenterprise as a poverty alleviation strategy. In fact our experience in the field of microenterprise influenced our interest in the concept of individual asset-building in four very specific ways. First, individual asset-building is participant centred and builds on the capacity of low income people. Second, it acknowledges the importance of the individual's commitment to achieving their own goal. Third, as a policy construct, it acknowledges the asset
inequity that exists in Canadian policy and practice. Fourth, it includes human capital development through the provision of financial literacy. It was through our relationship with the CFED that we learned about Dr. Sherraden’s research and the ADD project.

We were so inspired by the work of the CFED and the CSD that in 1997 we decided to introduce the concept of asset-building as a poverty alleviation strategy to Canada. At this point in time there were no IDA type activities underway in Canada. Our first step was to convene a meeting of a multisector group of stakeholders who were treated to a presentation by Bob Friedman of the CFED on the status of asset building initiatives underway in the United States. The response to this meeting was positive and led to almost two years of research designed to assess the feasibility of mounting a large scale IDA demonstration. In many ways it mirrored the work undertaken by the CFED and the CSD in the development of ADD. We conducted focus groups across Canada with low-income people. We developed a return on investment scenario and we undertook a policy scan to identify any regulatory or policy barriers that would inhibit or prevent moving the demonstration project idea forward. The results of this research supported the development of a proposal by SEDI to undertake a large scale national demonstration of IDAs. The meeting also resulted in the development of three small community pilot projects in Calgary, Winnipeg and Waterloo. Each initiative used ADD to help in their project design work. These efforts produced early success stories which were also helpful in convincing policy makers to support the idea of a national demonstration.
Canadians are an inherently cautious bunch. We usually look both ways before crossing the street and we often look to our southern neighbors and other international friends before embarking in a new policy direction. We like research, evaluation studies, international comparisons and evidence-based policy-making. While, like SEDI, some in Canada have found the idea of asset-building compelling on its own merits, most have been comforted by the availability of some data. And while we had undertaken our own research as noted above, in the very earliest days of the field in Canada, this data was only available from ADD. The impressive list of partners and funders associated with the project was also not lost on Canadian audiences. And the legislative and regulatory changes that took place in the US as a result of ADD gave both case examples and credibility to SEDI's advocacy efforts.

SEDI’s vision for asset-building

It starts with a vision. SEDI's vision for asset building is that all Canadians will have the opportunity to save and build human, social and economic assets. We define asset-building as an approach to addressing poverty that provides access to personal savings and assets, in addition to income support and social services. It includes a broad array of public policies, strategies, and programs that enable people with limited financial resources to accumulate productive financial, social, human and physical capital. Financial assets include short, medium and long-term personal savings and investments. Tangible assets may take a range of human and physical capital forms, most often education, housing or microenterprise development.
SEDIP’s Asset-building Goals

We want to continue to provide research that is reliable, valid, timely and relevant to the policy community. We want to continue to move the asset-building field beyond problem identification to offer ideas and solutions that are workable, affordable and effective. We plan to continue and strengthen our role as a bridge between community experience and policy-making. We want to increase the capacity of community practitioners, researchers and policy-makers to engage in the asset-building field.

Demonstration Research activities since 1997

Over the past eight years SEDI has been successfully building national and local networks of support for the concept of individual asset-building across the public, private and voluntary sectors. These networks are crucial to securing support for new research and policy initiatives.

Although the early ADD data was of keen interest to Canadian policy-makers, there was some reasonable apprehension about importing US information for application in a Canadian context. While our two countries share a great many similarities, there are very real political, institutional and social differences. The first stage in the development of the asset-building field in Canada saw the start-up of our own large IDA demonstration, learn$ave, and laid the groundwork to continue testing the asset-building approach in a variety of Canadian applications. Using a demonstration research methodology to produce policy evidence was a compelling and timely strategy in Canada. The federal department of Human Resource Development Canada, (since renamed Human Resources and Skills Development Canada or HRSDC) had funded other large scale demonstrations in the past
and believed in the value of the evidence a rigorously designed demonstration could produce. This led to learn$ave, a $35 million nine year demonstration of IDAS for adult learning. However, learn$ave did not reflect SEDI’s original project proposal.

SEDI’s first proposal mirrored ADD in scope and design. However, the federal department (HRDC) that received and reviewed the proposal decided that they were only prepared to fund a demonstration that fit with their priority policy goal of the day -- life-long learning. Ultimately, this meant that the proposal was reduced to a test of adult learning. HRSDC’s reaction points to a central and repeating difference between the two countries – in the US, the objective of asset-building is to increase ownership for the sake of ownership, in Canada, it is viewed more as an innovative tool to achieve a number of well-established policy objectives (life-long learning, retirement, affordable housing, access to post secondary education, etc…)

learn$ave Demonstration

The learn$ave project has two parts. The first is that there is a need to augment the existing set of programs promoting life-long learning with one that is aimed at low-income adults who are likely to want to study part-time or part-year. The second is that the way in which the new program provides aid is critical, that offering matched savings rather than loans or grants will increase the benefits of the program.

Learn$ave is based on the assumption that several groups of disadvantaged Canadians might respond to greater financial incentives to engage in adult education. Many Canadians left high school or college before it became evident that the new information and communications technologies
would transform the world of work. Now, as adults, they may wish that they had acquired more education but may find it difficult to return to full-time studies if they have families to support. Part-time or part-year education is their only recourse. New immigrants are another group who may be in need of educational subsidies; upon arriving in Canada, some new immigrants must learn one of the official languages at the same time as they struggle to survive economically. Moreover, the education they received in their home countries may not be accepted as evidence of their job qualifications. Such immigrants must engage in adult education in order to adjust to life in Canada or to acquire credentials that are acceptable to Canadian employers. Finally, Canadians who did not do well in school as young people — school leavers or those with poor scholastic records — may need help if they are to return to a setting in which they previously had difficulty. We believe that learn$ave may be especially relevant for these groups, who are not well-served by traditional student aid programs.

To date learn$ave has produced some very promising data. The project is fully subscribed with 3,608 participants. This group has opened 3,302 accounts and saved $3,124,376 of their own funds earning $9,502,880 in matched savings credits. A total of $3,319,385 credits have been used to date with the majority or $2,026,845 being accessed for education.

**Home$ave demonstration**

In 2003, SEDI was contracted by the Canada Housing and Mortgage Corporation (CMHC) to design a large scale demonstration of IDAs for homeownership. This work was completed in March 2005. After consulting with hundreds of low-income people, local housing stakeholders and governments the report has concluded that a national demonstration of IDAs for homeownership is both warranted and feasible. If funded, this will be a 2000 account national demonstration.
Participants will be provided with matched savings incentives. Funds may only be used for a downpayment and other costs associated with first time home purchase. All participants will be required to undertake approximately 12 hours of asset specific financial literacy training. Local financial institution partners will manage deposits. The project will be co-financed by the federal and provincial governments (likely as part of the federal–provincial housing framework agreements), local housing authorities with the federal government underwriting the lion’s share of the costs including administration and evaluation.

**Independent Living Accounts (ILAs) demonstration**

While homeownership is a desirable asset goal for many low-income people, some need help in reaching the stage that enables them to make the transition into owning their own home. SEDI is now demonstrating how an IDA-type savings approach can be used to achieve this goal by enabling low income residents living in transitional housing to access the private rental market.

SEDI launched the ILA three sites (Edmonton, Toronto, and Fredericton) demonstration in January 2005. In the demonstration project participants living in a transitional (shelter) housing situation will have the opportunity to open a specialized savings account and have their savings matched up to pre-established limits and within a specified timeframe. The matched savings, allocated as a monthly virtual credit, can be withdrawn on condition that they are used for approved purposes such as first and last months rent, damage deposits, moving costs, content insurance, first utility payments etc. The matched credits are provided directly to the vendor (landlord) together with the personal contribution of the participant.
In addition to the matched contribution, the community-based agency facilitates a mandatory financial literacy course which provides the participants with information and personalized training on basic banking, budgeting, credit and debt management, saving and spending strategies, as well as activities that promote positive self-esteem, goal setting, and achievement. SEDI provided capacity building in financial literacy delivery to enable the agencies to deliver the service.

The research for this project is being funded by the federal government through their National Secretariat on Homelessness. The matched contributions and financial literacy services are funded through a range of sources including a bank, a Rotary club, a union and two municipalities. SEDI was contracted by the federal government to manage the research and evaluation of the project.

Influences of ADD on SEDI demonstrations since 1997

Credibility of the concept

The development and design work for ADD, the funders’ consortium, the passage of the Assets for Independence Act (AFIA) and the early results combined to add credibility to SEDI’s asset-building research and policy work in Canada.

Research design

As noted earlier in this paper the ADD project had an enormous influence on the design of SEDI’s demonstrations. For example, all the SEDI projects include a rigorous evaluation that incorporates a similar mix of the same methodologies employed by the ADD including case studies, randomised
trials, cost benefit analyses and follow up participant interviews. In addition the scale of ADD lent credence to undertaking a large scale demonstration in Canada. SEDI demonstrations also include management information systems similar in nature to MISIDA.

**Program design**

SEDI’s demonstrations include matched contributions managed by local financial institutions, financial literacy delivered by local community agency partners, matched savings rates similar in range to those in ADD and savings protocols similar to those in ADD. ADD example gave SEDI and our partners both a list of key questions for design and implementation, as well as examples of possible responses. It highlighted for us both the challenges to anticipate, for example in recruiting participants, and the resources that would be required to deliver an IDA demonstration of this size.

It also enabled us to more effectively plan. We had some estimate of the financial costs associated and we knew the value of a full planning year before recruitment. It provided us with an example of partnership structure that included a national coordinator, local delivery organizations, financial services institutions and researchers. It helped us understand the need for an MIS that would produce the data required to ensure a substantive impact evaluation.
Policy Impacts since 1997

In the area of policy we have been promoting initiatives that build on existing public programs that deliver savings incentives for the non poor.

The Canada Learning Bond

This resulted in the recent introduction of the national $180 million Canada Learning Bond (CLB) and improvements to the Canada Education Savings Grant (CESG) which provide financial incentives for low-income families to save for their children’s post secondary education and funds to support the delivery of education and savings outreach activities by the not for profit sector . Starting in 2004 a $500 Canada Learning Bond will be provided at birth for children in families that are entitled to the National Child Benefit (NCB) supplement—generally families with incomes under $35,000. Subsequently, these children will qualify for annual $100 CLB instalments until age 15; in each year their family is entitled to the NCB supplement. Children born after 2003 who are not eligible for the CLB at birth but become entitled to the NCB supplement in a subsequent year will qualify at that time for a $500 CLB. Thereafter, they will qualify for annual $100 CLB instalments in each year their family is entitled to the NCB supplement. The CLB will be paid into a Registered Education Savings Plan (RESP) established by the family for the child’s post-secondary education. An additional $25 will be paid with the initial $500 bond in recognition of the cost of establishing an RESP. A child in a low-income family could receive CLB payments totalling up to $2,000, which—with a 3.5 per cent real rate of return—could be worth up to $3,000 by age 18.
The Alberta Centennial Bond

The $100 million Alberta Centennial Bond which provides a savings grant to all newborn children in that province. The Alberta Centennial Education Savings (ACES) Plan was passed on March 11th, 2004. The ACES plan comes into effect January 1st, 2005. The Plan will provide a $500 grant into an RESP for children born to or adopted by an Alberta family beginning in 2005. Subsequent grants of $100 will be available to Alberta students at age 8, 11 and 14 beginning in 2013. A deposit of up to $100 during the previous year will be required to receive the $100 grant. The government of Alberta will be investing $20 million annually, growing to approximately $30 million annually by 2019. It is estimated that 40,000 children will be eligible for the grant each year.

Financial capability

SEDI believes that for asset-based policy to be truly inclusive it must address both the financial and non financial barriers to saving and asset-building. Therefore the absence of a policy on financial capability in Canada inhibits our ability to reach our broader vision of a comprehensive policy on asset-building for all Canadians. We believe the financial capability model currently being developed in the UK is a good starting point for the development of a made in Canada policy. A dialogue on the research needed to build an effective policy will be the main focus of a by invitation national policy symposium on financial capability being hosted by SEDI, the Financial Consumer Agency of Canada and the federal government's Policy Research Initiative in May of 2005.
Welfare regulatory reform

We have been advocating for reform of provincial welfare regulations that serve as barriers to savings and asset-building for social assistance recipients. Specific positive reforms to the treatment of savings and assets by welfare recipients have occurred in seven of our ten provinces. In some provinces the reform is in the form of a waiver for people participating in ‘approved IDA’ type programs. In other provinces reform is characterized by the removal of restrictions on savings for specific goals such as savings for a child’s education.

SEDI’s Asset-building agenda for Canada for 2005 and beyond

SEDI has played a leading role in the Canadian and international asset-building field, articulating key issues, research, policy innovation, and creating community capacity. To reach our goals, SEDI will work in the following areas:

- Identifying key policy strategies
- Basic research
- Applied research
- Discussion, publication and capacity building
**Identifying key policy strategies**

SEDI has articulated four possible avenues for asset-building policy: 1) eliminating barriers to savings and asset retention (such as means tests in provincial social assistance); 2) making current asset-building initiatives like Registered Retirement Savings Plans (RRSPs) more accessible to low-income Canadians; 3) introducing financial incentives to match the savings of low-income Canadians (through IDAs or Canada Education Savings Grant models); 4) introducing direct transfers of assets or grants (such as the Canada Learning Bond). We view financial capability measures as necessary preconditions for the success of any asset-building policy along any of the four avenues described above. We plan to continue to explore these avenues for asset-building and financial capability, and to develop workable, affordable and effective policy options.

**Basic research**

**Bringing wealth into the picture of poverty in Canada**

There is a growing recognition that poverty in Canada must be defined in terms that reach beyond income alone. However, the absence of good data and indicators limits the discussion of asset-poverty and prevents a more realistic and full understanding of poverty dynamics. SEDI will continue to advocate for the collection of better and more data on the savings, debts and wealth of Canadians. We will work with our network of stakeholders and with Statistics Canada to look for options to collect more accurate, relevant, timely and longitudinal data on individual wealth. One option might be to replicate the 1999 Statistics Canada Survey of Financial Security, but options such as annual or triennial surveys used in the UK and the US will also be examined.
Understanding the impacts of asset-holding

Asset-building is founded on a theoretical premise that access to capital has a range of real and measurable positive effects on well-being, independent of income or other variables. Research in the UK and the US is beginning to uncover evidence to support this claim and SEDI believes that Canada could contribute significantly to this research if data on wealth were more widely available and more frequently included as variables in survey and other research into well-being.

Applied research

SEDI’s applied research will look at asset-building over the life-course and among target groups most at risk of poverty and exclusion. We will research and present options for consideration and look for opportunities to test our ideas through community practice and evaluation.

Asset-building and the life-course perspective

We will continue to identify asset-based options for policy aimed at a wide range of life events and transitions including:

- Child development – by expanding on the Canada Learning Bond and looking more inclusively at the role of assets in childhood outcomes.
- Access to post-secondary education – through learn$ave and improvements to saving for a child’s education.
• Access to affordable housing – through the Independent Living Accounts and a national Home$ave demonstration projects.

• Retirement – through improvements to Canada’s retirement and pension programs, including RRSPs and the removal of disincentives in the current design of public pension programs.

• Life-time accounts – through exploration of international examples and proposals for a portable, transferable policy mechanism that could flexibly support early childhood, enhance access to education, smooth the transition from school-to-work, help Canadians better manage work-family demands, support life-long learning and work transitions and support the transition into retirement.

**Assets and groups at risk**

SEDI is interested in piloting a series of initiatives to find ways to use asset-building to help those Canadians most at risk of poverty and exclusion. We will work with our network of community-based organizations to develop a wide range of asset-based projects that will inform policy for:

• Children living in low-income – based on international experience in the US and the UK

• Aboriginal communities – including First Nations living on and off reserve.

• Persons with disabilities – based on SEDI’s experience in self-employment for persons with disabilities and initiatives at the World Institute on Disability.

• Newcomers to Canada – based on a major study SEDI has just completed that suggests asset-building might significantly enhance existing settlement services and outcomes.
Discussion, publication and capacity-building

In every area of activity, SEDI seeks out opportunities to engage in an active dialogue with stakeholders, including individual Canadians, community organizations, researchers, private sector organizations and policy-makers. We also publish and disseminate our work widely in Canada and around the world. And, because our ultimate objective is effective and informed policy action, we continue to build the capacity of voluntary sector organizations to deliver programs and services while acting as a link between social policy and community practice.

Conclusion

There is no doubt that ADD and its proponents have had profound impacts on the asset building field in Canada. This paper had modestly documented the evidence of those impacts. As the concept of asset-building takes root in Canadian public policy it will be important that these developments benefit from the knowledge that continues to be generated in the US and abroad.
Appendix 1

Canadian Citations Index for ADD Research

With notes on impact

SEDI Publications


- Implementation and impact research from ADD played heavily in the design of the learn$ave project – both in the programmatic and research elements. SEDI and our community and financial institution partners were very influenced by the experience in ADD in our approach and decisions on the multiple details associated with any demonstration of IDAs on such a large scale. SRDC has similarly indicated that their research strategy was informed by the type of research conducted on ADD and by the types of research that ADD suggested would be needed in future IDA projects. ADD signalled both the types of questions SEDI and SRDC might want to ask in designing the learn$ave project as well options for responding to those same questions.


Gosse, Barbara (2003c), “Research Highlights: Independent Living Accounts (ILAs) – Asset-building to increase access to affordable private rental accommodation”, SEDI, Toronto.

- These three reports funded by two federal bodies have since lead to the inclusion of asset-building in options presented to the federal Cabinet at discussions on the renewal of the national homelessness initiative. Multiple funders, including the National Homelessness Secretariat are currently supporting a series of pilot projects to test the ILAs model in several Canadian communities. Finally, SEDI has continued its housing research and to lay the groundwork for Home$ave, with the support of CMHC and has recently received several endorsements and financial commitments from other levels of government and other housing stakeholders. We are currently completing the final report on this phase of the research and are very hopeful that a national demonstration of IDAs for affordable homeownership will soon be launched.


- Informed the first Canadian national conference on asset-building, hosted by the federal Policy Research Initiative. This conference brought together leaders from across Canada’s social policy community, including federal and provincial governments, academics, think-tanks and community-based organizations. Following the conference, the PRI integrated asset-building among its policy research priorities for the Government of Canada.


- SEDI’s advice informed and influenced federal policy-makers across government in the design of the Canada Learning Bond (CLB) and changes to the Canada Education Savings Grant (CESG). Several of SEDI’s proposals were ultimately adopted in the final CLB and enhanced CESG programs enacted in legislation under Bill C-5 An Act to provide financial assistance for post-secondary education savings.


- SEDI’s review of the role of financial capability in addressing poverty and exclusion drew extensively on UK and US research and practice, much of it from the body of work on ADD. The paper has informed a new collaboration between SEDI and the PRI, who are now joined by the Financial Consumer Agency of Canada, in convening the first ever national conference in Canada on financial literacy. SEDI hopes that this event may kick-start a national and inclusive strategy on financial literacy for all Canadians.
Selected publications from other Canadian organizations


Over the years, many of SEDI’s community partners have referenced ADD in developing and promoting local IDA projects in several communities across Canada. There have been several local IDA projects launched in Canada in the years since ADD first started.