

# Lifelong Learning Accounts Demonstration Interim Report One

## Executive Summary

The Lifelong Learning Accounts (LiLA) Demonstration is a project of the Council for Adult and Experiential Learning (CAEL). Major support for the LiLA project, as well as funding for the evaluation, comes from the Ford Foundation. Public Policy Associates, Inc., a national public policy research, development, and evaluation firm, located in Lansing, Michigan, is responsible for conducting the evaluation of the Demonstration. This report presents an initial data point in the overall evaluation of the impact of LiLAs on program participants and summarizes the process lessons that have been learned through the initial phase of implementation.

### Overview

**LiLA Program Objectives:** The program aims to increase funding for career-related education and training for all levels of incumbent workers, but particularly low-income adults. The project aims to engage smaller employers, but also includes employers of any size who typically offer limited training benefits for low-income workers. The ultimate objective is enactment of federal legislation offering tax breaks for Lifelong Learning Account holders and allowing businesses to claim tax credits for their contributions.

**Matched Savings:** In the Demonstration, LiLAs are a type of matched savings account in which funds deposited by employees and employers are held by a bank. For the purpose of the Demonstration, employee deposits are matched at a 3:1 ratio using employer and Foundation funds. Employee deposits are limited to \$500 per year.

**Use of Funds:** Fund use is restricted to purchase of education and training-related tuition, fees, books, supplies, and mandatory equipment. Account holders work with an assigned career advisor to develop an individual learning plan (ILP) that specifies educational and career goals and training plans. Class enrollment must be consistent with the ILP.

**Universal Access:** Although the primary goal of the LiLA program is to provide an incentive for lower-income workers to save for education and training (and ultimately experience wage improvements), the program is open to all employees in an effort to avoid the stigma of a program for low-income individuals only and to increase employer buy-in and commitment.

**Sites and Sectors:** The Demonstration is being operated at three sites, using a sector-focused employer recruiting strategy.

- Chicago – Restaurant and Food Services Sector
- San Francisco – Health Services Sector
- Northeast Indiana – Public Sector
- Northeast Indiana – Manufacturing Sector

**Scope:** The project is limited to approximately 75 LiLA account holders in most sectors. The Chicago site is somewhat larger with approximately 125 participants. Currently, LiLA employers include 16 restaurants, 5 public sector organizations, 8 manufacturing firms, and 4 health care organizations.

**Evaluation:** The evaluation is a longitudinal study using matched comparison groups of employers and employees in each sector. Data collection methods include telephone surveys, focus groups, administrative record reviews, and wage-record data analysis. Employee data for the health services sector is not included in the report because it was implemented at a later date than the other three sectors.

### Preliminary Findings

Employee enrollment targets were achieved in all sites and sectors.

Approaches and experiences with employer recruitment varied across sectors. Despite support from the leading employer group, the Illinois Restaurant Association, recruitment in the restaurant sector proved to be the most challenging. There were better results in Indiana, bolstered by the enthusiastic support of the project from the political leadership in Fort Wayne. The recruitment process was smoothest in San Francisco where the health care target sector seemed most receptive to the program.

Several employers mentioned retention of existing employees as a motivating factor for joining the program. Improving employee morale was cited as an important factor by more than 50% of employers across all sectors.

Education levels were comparable among participants and the comparison group in the public sector, although LiLA employees in the restaurant sector were less likely to have a high school education. Within the manufacturing sector, LiLA employees are less likely to have no postsecondary education and even less likely than their non-LiLA peers to have a bachelor's degree or higher.

Survey results show that in all sectors, more LiLA employees view financial assistance for education and training as motivation for participation more than any other reason. LiLA employees in the public sector were more likely to mention getting a degree, getting more training, and continuing their educations than were LiLA employees in the other two sectors. Yet, none of the LiLA employees in the public sector, and only a few in the restaurant and manufacturing sectors, mentioned the use of LiLAs as a direct means of increasing their earning potential or learning new and different skills. This may be related to the fact that 36% seek to change careers or industries or to pursue training related to secondary career interests.

As of June 2004, a total of 82 out of 359 LiLA employees have dropped out of the program. The dropout rate is highest in the restaurant sector, which is known for a high level of employee turnover, and relatively low in the public sector and health care. The reasons for this dropout vary, including resignations, terminations, business closures, and buy-outs that led employers to discontinue the program. Comparing demographics among participants and dropouts, LiLA dropouts are distributed across education levels while being clustered at the lower end of the income-level continuum in a pattern similar to LiLA employees as a whole.

Reasons for non-participation in the LiLA program varied, but the most frequently mentioned reason was being busy with other things and not having the time to go to school or take classes. Program staff has reported that some eligible workers lacked a Social Security number or other documentation needed to open an account.

The broad range of income levels among LiLA employees shows that the LiLA project is meeting expectations for being a universal-access program. Using 200% of the federal poverty level as a point of comparison, 13% of LiLA employees report personal income at or below that level. Approximately 47% of LiLA employees reported personal income below \$30,000 and 80% were below \$40,000.

LiLA employees and the comparison group have similar earnings in manufacturing and the public sector. Differences in income exist in the restaurant sector, however, and determination of their extent is problematic when employee tip income and multiple job earnings enter the equation.

Focus group participants from Illinois unanimously agreed that career advisors are important to their progress in the program. Overall, dropouts were more likely to report that they had not had a session with an advisor.

LiLA employees in the manufacturing sector were more likely to be enrolled in a training program at the time their ILPs were completed. Conversely, since a the majority of all LiLA employees were not participating in an education or training program prior to their enrollment in the program, the LiLA process may have been instrumental in rekindling an interest in learning.

## **Implications**

LiLAs allow smaller companies and establishments to offer an inexpensive benefit. Especially under the terms of the project, with a 3:1 match, LiLAs are an attractive vehicle for workers and employers who might otherwise not consider career-related education and training.

To a limited degree, certain program design elements may have constrained employer participation and individual enrollments. They include the account processing issues for companies without automatic payroll deduction, and for some employers, difficulty in understanding how the LiLA works. These issues have been addressed by CAEL through their efforts to continuously improve program operations.

Information to date indicates that most of those enrolled have continued to save regularly. Judgment about the effectiveness of LiLAs over the long term will relate to the impact of LiLA participation on individuals' career paths, wages, and the value they place on continuing education.

In anticipation of taking LiLAs to a broader scale, CAEL is working with consultants from D2D Fund on how to address the issue of financial returns to financial institutions holding LiLA accounts. If accounts are to exist in substantially larger numbers and to persist for long periods of time, a more viable system must be developed.

One obvious possibility to cover the cost of the program is to link the financing model to the public workforce system and to task the case managers in the One-Stop Career Centers with providing the needed career advising. The capacity of the One-Stop system would clearly need to expand to meet such a demand.

CAEL is working with leaders in several states to explore how to develop state-based systems for LiLAs.