The LiLA Demonstration After Four Years:

A Summary of Public Policy Associates' Second Interim Evaluation Report on the Lifelong Learning Account Demonstration Program

By: The Council for Adult and Experiential Learning

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Public Policy Associates (PPA) was commissioned by the Ford Foundation to conduct a five-year longitudinal evaluation of CAEL's Lifelong Learning Account (LiLA) demonstration program, which is being carried out in four sectors across three locations. The evaluation involves collection and analysis of information from the demonstration in order to determine whether and how LiLAs affect the behavior of individual workers and employers, as well as to inform continuous improvement of the model.

The evaluation has been designed to help answer several key questions that are critical to achieving the project's policy goals:

- *Will the availability and use of LiLAs increase the likelihood that individuals will engage in training and education?*
- *How does the experience of those who have LiLAs compare to the experience of those who do not?*
- *Does the availability of LiLAs increase the likelihood that employers will provide education and training benefits to their employees, particularly those in low-wage jobs?*
- *How can the demonstration best be replicated and brought to scale?*

Over the course of the evaluation, PPA is preparing three interim reports in addition to a final report on the demonstration. This document provides an executive summary of the Second Interim Evaluation Report finalized by PPA in September 2006. The report examines project data through the end of 2005. CAEL staff authored this summary, and PPA has reviewed and approved it. Following the summary, CAEL provides its own perspective on the evaluation findings that are of particular interest for understanding the value of LiLAs, as well as some information from CAEL's work with adult learners that may provide additional insight to understanding the evaluation data to date.

A pdf of the full version of PPA's Second Interim Evaluation Report can be found at http://www.publicpolicy.com/Reports.asp#16

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Overview of Lifelong Learning Accounts (LiLAs)

LiLAs are an innovative educational financing mechanism designed to help address the challenge of postsecondary educational access and financing for working adults, particularly lower-skilled, lower-wage, and entry-level employees who, for a variety of reasons, are often not eligible for student financial aid or employer-provided tuition benefits programs. The Council for Adult and Experiential Learning (CAEL) developed this concept with the vision that any worker would be able to contribute to a LiLA account and have that contribution matched by his/her employer and, in some cases, third parties, i.e., philanthropic foundations, government. The combined contributions could then be used for education, training and related activities throughout the employees' lives.

CAEL created the LiLA concept and demonstration programs because it understands the financial barriers facing adult learners, especially those learners who do not have access to employer-provided tuition assistance and who are attending school on a less than half time basis. According to the National Center for Education Statistics (NCES), 14 million U.S. higher education students – 43 percent of all students nationally – are "adult learners" age 25 or older. For these 14 million adult learners, the majority of whom are working full time and attending school part time, federal financial aid is not available. In most states, less-than-half-time students are not eligible for financial aid, nor do they qualify for a number of other federal tax credit programs that exist today. To help address this educational access gap for these individuals, CAEL created the Lifelong Learning Account concept, with a particular focus on aiding lower-income and lower-skilled workers who have the greatest need for postsecondary education access, yet face the greatest financial barriers along the way.

LiLAs, as envisioned by CAEL, are worker-owned, employer-matched, portable individual accounts used to finance education and training. Ideally, employer and employee contributions to the accounts would receive a tax benefit to provide an incentive to save for education and invest in workers, i.e., a federal and/or state tax credit. With LiLAs, adult learners can upgrade their skills and education at any point in their careers. CAEL's goal is to make LiLAs available to all working adults as part of standard employee compensation packages, *putting learning opportunities within reach of every working adult.*

CAEL's concept of LiLAs includes the following features:

- *Universal Eligibility:* All workers would be eligible for accounts, though the tax advantage would be graduated so that the more income someone earns the less of a tax advantage they would receive.

- *Employer-Sponsored*: Like other employee compensation programs, LiLAs would be workplace-based.

- *Broad Use of Funds:* Because individual learning needs vary, LiLAs could be used for a wide range of uses, including tuition and fees, assessment fees, supplies, materials, and books.

- *Portability:* Even though employers would contribute to LiLAs, the LiLA funds would always stay with the individual, regardless of the person's current employer or employment status (assuming a scaled-up program).

- *Voluntary Participation:* Individuals and employers would have the option of participating. The design would encourage and facilitate widespread participation.

- *Matched Funding:* LiLA accounts would be funded through individual contributions, employer matches, and potential matches from third party sources. The third party funds could be in the form of foundation or public sector funding allocations or federal or state tax credits.

- *Informed Choice:* Individual participants would choose the training and education they need to meet their career goals based on a learning plan developed with the assistance of qualified educational and career advisors.

Overview of CAEL's LiLA Demonstration Program and the PPA Evaluation

In 2001 CAEL launched a pilot LiLA program to demonstrate how this alternative financing mechanism would work. The demonstration included three sites and four different industry sectors (see below for more detail). The Chicago demonstration in the restaurant industry was launched in October 2001, with staggered enrollment; the Northeast Indiana demonstration in the public sector and manufacturing industry was launched in October 2002; and the San Francisco demonstration in the healthcare sector was launched in January 2003. Just over 350 workers have enrolled in the program. In each site, employees contribute to a LiLA savings account held at ShoreBank. Sponsoring employers match their participating employees' contributions dollar-for-dollar, up to a $500 annual cap. In this demonstration, foundation and public sector funds match both of these contributions for a 3:1 match ($1 from the employer and $2 from the program) for every employee dollar invested up to $500.[1]

Upon enrollment in the program, participating employees meet with an education and career advisor to create an Individual Learning Plan (ILP) to guide their educational decisions. Employees use their LiLA funds (including match dollars) to take education and training courses in line with their ILP (including credit and industry-recognized non-credit courses as well as basic and English language education). Anchor funding for the CAEL demonstration was provided by the Ford Foundation, and over twenty public and private sources have been supporting this demonstration program.

PPA was commissioned by the Ford Foundation to conduct a five-year longitudinal evaluation of the demonstration program. The evaluation includes analysis of qualitative and quantitative data on both employer and employee participants. The evaluation methodology also includes comparison groups for employees and employers to help determine the true impacts of LiLAs.[2] PPA released the first interim report in 2004, which focused on CAEL's initial efforts to establish the LiLA program and recruit employers and employees. This paper summarizes the main findings of the second interim report, which was released in fall 2006, and focuses on early experiences of LiLA account holders. Additional findings noted by CAEL but not in the evaluation report are presented in the concluding section of this document. The PPA evaluation team plans to submit the third interim report in summer 2007 and a final report following the conclusion of the demonstration.

[1] This third-party match is designed to act as a proxy for a possible tax credit.
[2] PPA constructed the employee comparison group by recruiting non-LiLA employees at companies participating in the LiLA program. The evaluation team analyzed demographic data on LiLA employees and potential comparison group members to constructed as similar as group as possible. PPA constructed the employer comparison group by researching and recruiting similar employers in the sectors and regions to those participating in the program. Again, the evaluation team conducted a careful analysis of participating companies and potential comparison companies to construct as similar a comparison group as possible.

Characteristics of Sponsoring Employers and Participating Employees

Employers

A total of 37 companies have participated in the LiLA demonstration, representing three different geographical areas and four different industry sectors.[3] A total of 359 participants have opened LiLA accounts to date.[4] The table below provides a summary of participating companies and workers.

Geographic Area	Industry Sector	# companies	# participants
Chicago, IL	Restaurant	19	127
Northeast Indiana	Public Sector	5	76
	Manufacturing	9	79
San Francisco, CA	Healthcare	4	77
TOTAL		**37**	**359**

The size of participating companies varies considerably from 3 employees to 5,500. Most companies have fewer than 110 employees (65 percent). Ten companies are unionized.

Employees

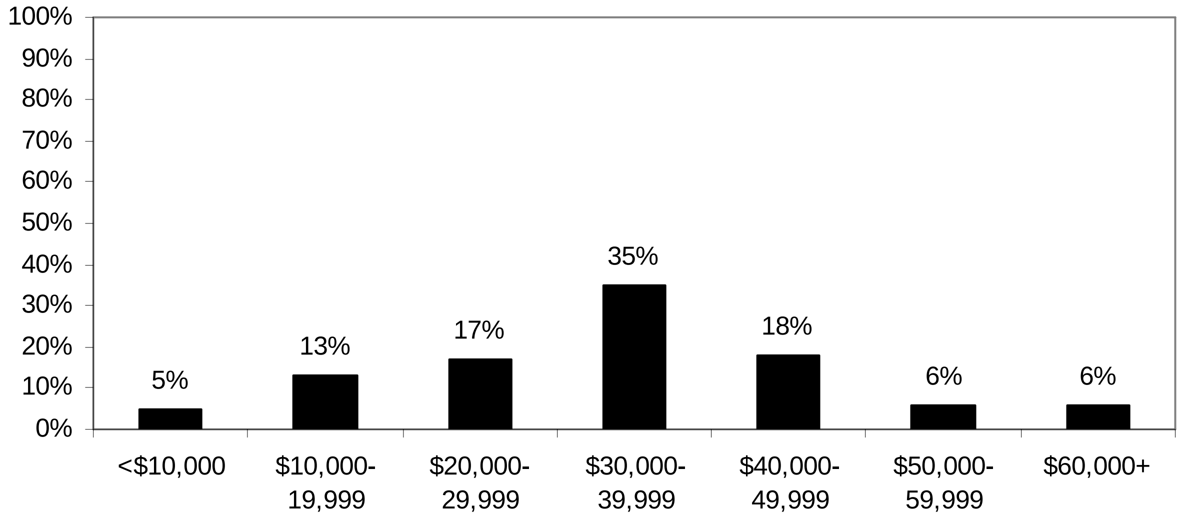
The Second Interim Report for the evaluation provides demographic data on 604 study participants (328 of the 359 employees that originally opened LiLA accounts, and 276 comparison group workers) who responded to either a first or second wave of employee surveys (or both) as of November 1, 2005.[5] In addition, wage record data was available for 468 study participants in the restaurant, public and manufacturing sectors and was used to analyze income and employee retention. Below is a summary of significant demographic characteristics of participating workers.

Personal Income

Eighteen percent of participating LiLA employees earned less than $20,000 annually in 2004, according to state Wage Record Data and participant surveys.[6] Thirty-five percent earned less than $30,000, and 70 percent earned less than $40,000.[7]

[3] Four companies have subsequently dropped from the program for various reasons, including one manufacturing company that ceased operations.
[4] Includes active, completed, and dropped participants.
[5] Even among those who completed either or both surveys, some respondents failed to respond to all survey questions. Where possible, this information is noted in this summary.
[6] The evaluation team was able to obtain State Wage Record Data in Illinois and Indiana, but not in California. It relied on self-reporting in participant surveys for income data for participants in this state instead.
[7] Wage record data provides total income per quarter from all jobs reporting income for the worker. While the vast majority of workers held just one job in any given quarter of the evaluation period to date, between 24 and 36 percent of LiLA participants did report earnings from more than one job.

Distribution of Personal Earned Annual Income of Participating LiLA Employees



An important goal of the LiLA initiative is to assist low-wage workers in financing education and training. The evaluation report does not provide specific percentages of participants who are low-income according to the federal poverty guidelines based on household income and family size. However, it is clear from this first-level data on personal income that nearly one out of five LiLA participants (18 percent) falls below 200 percent of the federal poverty level for a single person ($18,620 in 2004). It is unclear based on the data what percentage would be considered low-income if total household income and family size were to be considered. In addition, even though wage earners may have been relatively high in comparison to the personal annual income standard, it is nonetheless possible that they were at or near the bottom of the pay range for employees in any given company.

Baseline income data collected also indicates that LiLA employees who have since dropped out of the program earned considerably less between 2002 and 2004 than did continuing LiLA employees. The average program dropout earned approximately $32,000 less over three years [8] than the average continuing LiLA employee. However, while it is clear that enrollees with lesser earnings history are more susceptible to dropping out, (and is clear that many program dropouts have occurred when employees quit or were terminated from their positions), it is not clear whether this is because they are more likely to lose their jobs, to leave voluntarily, or both.

Interestingly, a significant percentage of LiLA participants worked second (or more) jobs in addition to their primary job in which LiLAs were offered. Depending on the industry sector, between 24 and 36 percent of LiLA participants worked second jobs (or more) during the eight quarter baseline period (this is comparable to the comparison group).

Employment Tenure

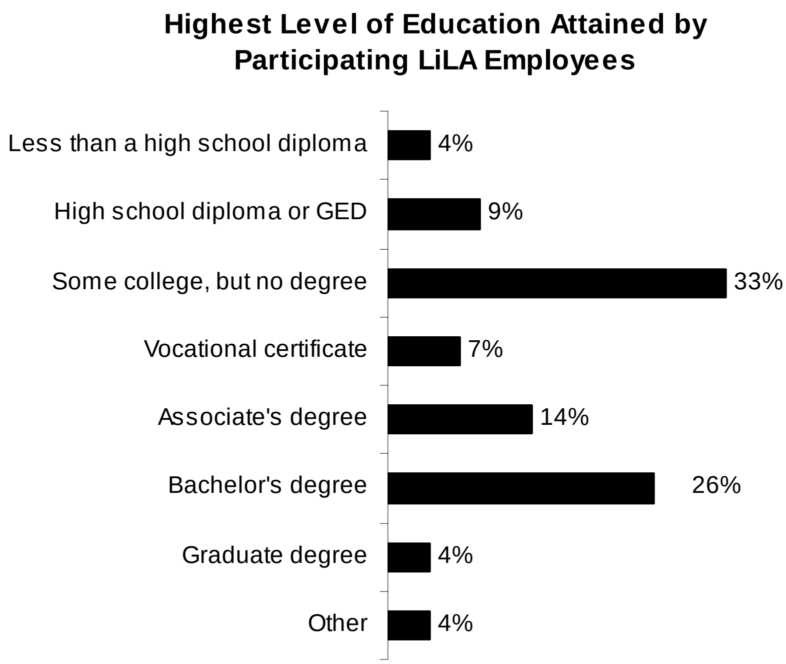
The majority of LiLA participants have worked at their current place of employment for at least two years – 42 percent between 2 and 5 years; 31 percent 6 to 10 years, and 25 percent over 10 years. LiLA

[8] Based on an analysis of 2002-2004 wage record data for restaurant, public and manufacturing sectors.

participants in the restaurant and health care industries have slightly less tenure at their current employer compared to those in other industries, and those in the manufacturing industry have the highest percentage of participants with more than 10 years with their current employer.

Education Levels

Nearly half (46 percent) of the LiLA participants lack any sort of postsecondary certificate or degree from a vocational school or college. However, because LiLAs are universal, participants of all educational levels – from less–than-high school through advanced degrees – are participating.



Family Make-Up

Across the sectors, nearly half of LiLA participants are married (49 percent), and over one-third are single and have never been married (37 percent). A small percentage are divorced (10 percent), with the remaining LiLA participants living with a partner (2 percent), widowed (1 percent), or in some other marital status (2 percent). Depending on the sector, between 54 and 65 percent of LiLA participants report being head of their households.

Age

The majority of LiLA participants were between ages 26 and 55 at the time of data collection in 2004 (85 percent). Overall, 8 percent were 25 years old or younger, 48 percent were between the ages of 26 and 40, 37 percent were between the ages of 41 and 55, and 6 percent were older than 55 years.

Gender

Across sectors, 56 percent of LiLA participants are female. As might be expected, gender varies by industry sector. Males outnumber females in the manufacturing sector (58 to 42 percent) and females vastly outnumber males in the health care sector (78 percent to 22 percent).

Race

Across industry sectors, most LiLA participants reported their race as Caucasian (62 percent).[9] Fourteen percent reported their race as Latino/Hispanic, 11 percent as Asian/Pacific Islander, 8 percent as African American, and 5 percent as multiracial or other. Race varies considerably by industry sector, with just over one-quarter in the restaurant industry being Latino/Hispanic (28 percent), and nearly half in the healthcare industry Asian/Pacific Islander (45 percent). The high percentage of Asian/Pacific Islander participants in healthcare reflects the population of San Francisco, which has a high percentage of Asian/Pacific Islander residents.

Evaluation Findings – Highlights

Saving and Spending

From the fourth quarter of 2002 through the second quarter of 2005, LiLA employees had deposited a total of $187,690 into their LiLA accounts. Across all sectors, the average quarterly savings amount was $70.27.

Industry Sector	Participants' Average Quarterly Deposits
Restaurant	$52.40
Manufacturing	$73.60
Public Sector	$81.79
Healthcare	$84.98
Overall	**$70.27**

In general, the average savings rate increased with participant age. Asian/Pacific Islander participants saved the highest quarterly average ($100.23) and Latino/Hispanic the lowest ($53.85).

According to the PPA evaluation, by June 2005, 156 LiLA participants (43 percent) had withdrawn funds from their accounts for education and training activities ($75,199 total). A slightly higher percentage of public sector LiLA participants had withdrawn funds (54 percent) than in the manufacturing (42 percent), restaurant (40 percent) or healthcare (40 percent) industries. The vast majority reported no problems using their accounts (86 to 90 percent), indicating that processes were well implemented.

[9] Twenty-six LiLA participants did not report their race on either PPA participant survey.

Education and Training

In the summer of 2005, 20 percent of all LiLA employees were currently enrolled in education or training (71 out of 359), compared to 16 percent in the comparison group[10] (45 out of 289). In total, 191 LiLA employees had taken at least one course up to that point (53 percent).[11] Many have taken more than one class, and the average number of classes per student ranged from 2.5 in healthcare and manufacturing to 3.9 in the public sector to 4.2 in the restaurant industry.

An important component of the LiLA model is that employees can choose to use their funds for education within their current industry or to retool for another industry. When asked if their coursework related to their current job, LiLA participants on average indicated that it was somewhat related (around 50 percent relatedness). As one might expect, when asked how closely their coursework related to their desired future job, participants ranked the coursework closer to "very related." The evaluation noted that this finding suggests that participation in the LiLA program has led LiLA employees in the public sector and restaurant industries to be more focused on education and training that is linked to career advancement, compared to the non-LiLA employees. Employees in manufacturing and healthcare are a notable exception to this pattern. While both LiLA and non-LiLA employees in these sectors consider their current coursework as more strongly oriented to future rather than current employment, the comparison group is slightly more likely to see that connection. The reasons for this difference are not clear.

LiLAs make up one part of a package of financial supports for working adult students. Working with their career advisors, participants drew upon a number of funding sources in addition to their LiLAs to pay for coursework, including other employer support, student financial aid, and out-of-pocket. Some students also enrolled in free courses, which enabled them to save their LiLA funds for other education.

Early evidence indicates that LiLAs have served as a catalyst in many employees' decisions to pursue (or continue to pursue) education and training. When surveyed, nearly half of the LiLA employees indicated that they were not planning to take courses or training prior to the LiLA program, which indicates that LiLAs served as a catalyst for a significant percentage of workers to return to education. Just over half (53 percent) of the LiLA employees across sectors indicated that they were either already enrolled or were planning to take classes or training before they enrolled in the LiLA program (the percentage varied by sector, with a high of 63 percent in healthcare to a low of 42 percent in the restaurant sector).

The evaluation noted that it was apparent that the LiLA program, while not being the sole incentive for enrolling in training programs, was nevertheless a significant factor in returning to learning activities, continuing with existing training programs and/or considering new ones. It is possible that without the LiLA program, those who had previously planned to further their education may have delayed or abandoned their plans because of the financial hardship. When asked directly how influential the LiLA program was in employees' decisions to pursue further education and training, all LiLA employees reported that the program was influential.

[10] As known through survey data.

[11] More participants had enrolled in courses than had withdrawn funds from their LiLA accounts for a variety of reasons, including they might have received a letter of credit to enroll in the class with payment coming upon completion; they might have enrolled in a free course, i.e., adult basic education or English for Speakers of Other Languages; or they might have used other funds to pay for the course.

Career Advising and Individual Learning Plans

A unique and important component of the LiLA model is the education and career advising. Advisors help guide participants toward education and training that will enable them to reach their career goals in manageable steps. Advisors also help participants who are still defining their career goals to assess their options and pursue one that fits their skills, interests and personal and professional goals. Upon enrollment, each LiLA employee meets with an advisor hired by CAEL for the demonstration program to create an Individual Learning Plan (ILP), which serves as a roadmap for career goals, education and training, and action steps for overcoming barriers to success. The meeting could be in-person or over the telephone, depending on the site.

During the first year of the demonstration, advisors spent between 1 and 3 hours with each LiLA employee. Because the LiLA program is for currently working individuals, the amount of advising is lower than it might be for unemployed individuals, for example. Current workers, for the most part, have been able to overcome obstacles and barriers to employment that unemployed individuals still face, and are more likely to be ready to focus specifically on education, training, and career advancement.

LiLA employees have indicated that their advisors are very helpful. Those surveyed in the first year of the demonstration ranked their advisors' helpfulness between a 1.1 and a 1.4 on a scale of 1 to 4, with "1" being "very helpful." The rankings fell slightly in year two, likely because LiLA employees consulted less often with their advisors according to the evaluation report.

The evaluation reported that 30 to 40 percent of LiLA employees valued the advising so much that they would have been willing to pay for career advising themselves if it had not been offered for free through the program (high of 40 percent in healthcare and low of 30 percent in restaurants).

The evaluation found that few employees make dramatic changes to their ILPs; however, many "fine tune" them as they progress through their action steps and goals, with assistance from their career advisor. As one advisor commented in an interview for the evaluation, "participants often begin with goals that allow them to 'escape' their current jobs without true consideration of the realities they face. Once they have spent more time exploring these realities, participants focus on slower progress, often rooted in their current employment experience." Also, LiLA employees were highly confident that they would complete their ILPs.

Career Progression and Earnings

PPA has collected and analyzed data from two sources to assess the impact of LiLAs on participants' career progression and earnings: self-reported data from participant surveys and state wage record data. Data from participant surveys finds that in most sectors LiLA employees have experienced greater success than their non-LiLA comparison group counterparts. Across the restaurant, health care, and public sector, a larger proportion of LiLA employees compared to non-LiLA employees reported receiving a promotion over the past year. Also in these sectors, larger percentages of LiLA employees reported receiving an increase in their salary or wages over the past year. In contrast, non-LiLA participants in manufacturing report receiving a greater number of promotions and wage increases than their LiLA counterparts.

The evaluation report also presents data from state wage records for participants in the restaurant, public sector, and manufacturing industry sectors (wage records were not available for the California site in the healthcare industry). Unlike the self-reported participant survey data, wage record data has not yet detected a difference in the earnings trajectories between LiLA and non-LiLA participants. Given the lag time in wage record reporting, this data is a few quarters behind the self-reported data from participant surveys. State wage records also are different from survey data in that they include earnings from all jobs in each quarter. This is particularly significant as between one-quarter and one-third of LiLA participants worked second jobs, depending on the industry sector.

While these data are encouraging, it is still too early in the program to claim that there is a direct connection between participation in the LiLA program and employee advancement as at this point few participants had completed their LiLA individual learning program. As the evaluation progresses, advancement will continue to be monitored closely.

Leaving the Program

Completions

The LiLA demonstration includes two calendar years of savings and matches and an additional year for completing training. Due to the staggered nature of the site implementation process and the staggered LiLA employee enrollment dates at each of the sites, individual LiLA employees are completing their LiLA program at different times. At the time of the Second Interim Evaluation Report, 25 LiLA employees have officially completed the program. According to CAEL's policy, a "completion" is defined as an employee who maxes out of funds, completes his/her ILP goal, or times out of the program, i.e., reaches the two-year limit for saving and additional one-year limit for utilizing the LiLA funds.

Attrition

As of the writing of the Second Interim Evaluation Report, a total of 163 LiLA employees have left the program, indicating 45% attrition over all sectors. The single most frequently cited reason for leaving the program is no longer being employed by a participating LiLA employer, as LiLAs were not "portable" in this small-scale demonstration. Other reasons included going back to school full time, dealing with family responsibilities, and having other financial responsibilities. The public sector has experienced the lowest attrition rate (21%), and the restaurant sector has the highest (58%).

A total of 8% of LiLA employees (and 18% of those who left the program) are considered to be "partial completers" because they made at least one withdrawal from their LiLA accounts for the purpose of education and training.

Dropout rates were highest for younger participants, those in the lowest income groups, non-Caucasians (except for Asians in the healthcare sector), those who are not heads of households, and employees with shorter tenure.

As the evaluation continues, analysis of the extent of actual use of the LiLA accounts will provide additional insights about the factors contributing to differential effects among LiLA employees both within and between sectors.

Employee Satisfaction

Over 90 percent of the LiLA employees in the public sector, manufacturing, and healthcare were “satisfied” or “very satisfied” with the program. In the restaurant sector, 88 percent were “satisfied” or “very satisfied.” When asked to compare the LiLA program to an ideal program, LiLA employees ranked the LiLA demonstration as pretty close to ideal – between 8 and 8.4 on a scale of 1 to 10, with “1” being “not close at all” and “10” being “very close to ideal.”

The evaluation team also asked LiLA employees if they would be interested in participating in the LiLA program if the program was altered and only included the employer matching funds but not the foundation match. The vast majority said that they would be interested (a high of 91 percent in the public sector and a low of 85 percent in manufacturing).

Employer Satisfaction

Like the participating employees, employers participating in the demonstration have been highly satisfied. In surveys, PPA found that 87 percent were “somewhat” or “very” satisfied. When asked by evaluators to reflect what they have learned from their participation in the program, employers’ responses fell into three themes. First, they remarked how “pleasantly surprised” they were with the program, how easy it was to manage, and how there were “no surprises.” Second, they saw the need for constant reinforcement of the program for the employees. Third, the program reinforced for the employers that “a well-rounded education is needed” and that their “employees in the industry are interested in college.” Related, employers noted that the program was a good way to retain employees, and that employers can have a role in promoting education.

High percentages of sponsoring employers reported smooth operation of the program. The vast majority reported that they were helped promptly with their issue(s). For example, early in the program, a few employers reported delays in obtaining accurate account balances or reimbursements. However, by the second wave of employer interviews for the evaluation, employer respondents reported that they had been receiving regular bank statements, indicating that the issue had been resolved.

Business Impact

When asked about the primary benefits to participating in the program, employers cited a variety of different positive impacts, including improved morale and relations with their employees, an expanded benefits package, and improved employee skill sets. For example, 41 percent of employer respondents said that they saw an increase in morale as a result of the LiLA program. Employers also reported positive effects on worker productivity. The vast majority of LiLA employers indicated that education was very important to employee productivity in general. Across sectors 14 out of 38 LiLA employer respondents (44 percent) saw at least some evidence that LiLA employees were more productive as a result of the program. Employer responses varied significantly by sector – 3 out of 4 respondents in healthcare, 5 out of 8 respondents in manufacturing, 2 out of 5 respondents in public sector, and 4 out of 15 respondents in restaurants saw evidence of improved worker productivity. Overall, 3 out of all 38 employer respondents were unsure or did not know what impact LiLAs had on worker productivity, and 15 out of 38 saw no evidence of enhanced worker productivity (mostly concentrated in the restaurant industry).

Nearly one-third of LiLA employers and comparison group employers felt retention was an issue for their companies (28 percent), and most noted that it was concentrated in a certain segment of their workforce. Across sectors, 8 of the LiLA employers that responded to this question felt that the program had made at least a modest contribution to employee retention while four felt it had made no contribution. The results are based on a small sample size; however, they reflect positively on LiLAs.

The evaluation team reported data on participant earnings and retention from wage record data to serve as a baseline for future comparison and when LiLA participants complete the program. They found that retention was slightly higher for LiLA participants in the public sector compared to non-LiLA participants. In the restaurant and manufacturing sectors, however, retention was higher for non-LiLA participants than for LiLA participants.[12] The evaluation team will continue to collect and analyze data to answer this question in relation to the impact on retention through the course of and after completion of the LiLA program.[13]

LiLAs appear to have had an impact on employers' participation in education and training benefits for their workers. Three companies out of 37 reported that they have added education, training, and supportive benefits as a direct result of this program.

Employers were asked about their likelihood of continuing the program after the demonstration ends and were provided with two possible scenarios. In scenario one, the program would continue as in the demonstration with employee contributions matched dollar-for-dollar by the employer and both employee and employer contributions matched by a foundation. In this scenario, most responding employers indicated that they would be likely to continue the program – 7 out of 8 in manufacturing, 13 out of 15 in restaurants, 4 out of 5 in the public sector, and 2 out of 3 in healthcare (the third healthcare employer said "I don't know").

In scenario two, the program would include just the employee and employer contributions, i.e., there would be no foundation match. All three of the responding healthcare employers indicated that they would be likely to continue, along with 6 of the 8 responding manufacturing employers, 3 of the 5 responding public sector employers, and only 1 of the 9 responding restaurant employers.

Conclusions and Recommendations

Even though the LiLA Demonstration is still underway, important lessons have been learned. This section summarizes these observations under the study's research questions.

Is the LiLA program process working smoothly in an administrative sense? If not, what needs to be changed?

Overall, the LiLA program is working smoothly. The career advising component has been widely recognized as a welcome component of the program in helping LiLA employees and employers understand the program, develop learning plans, and access funds to pay for training. PPA suggested providing monthly account summaries, rather than quarterly.

[12] State wage data for the healthcare participants are not available.
[13] Two comparisons of retention data will be important to understanding the impacts of LiLAs on employee retention. First, a comparison of the retention rate among LiLA participants to that of comparison group members. Second, a comparison of the retention rate among LiLA participants to that of the entire company overall. CAEL has requested this analysis for future reports if possible.

Are participants using the opportunity as was expected? What are the varying patterns of use? Do usage patterns have implications for the program strategy? Could the strategy be changed to encourage use of the LiLA program that is more in keeping with the intent?

LiLA accounts are being used in precisely the way they were intended. Employees are using funds to purchase a diverse range of education and training and the courses are aligned with individual learning plans.

Given the tremendous financial opportunity afforded by the LiLA program, i.e., a 3:1 match on employee contributions, it comes as no surprise that the large majority of account holders expressed a high level of satisfaction with the LiLA program. Numerous employees across all four industry sectors have already used their LiLA accounts to purchase education and training, and those who have not already done so most likely intend to use their accounts in the near future. LiLAs appear to be an attractive tool, particularly for individuals who have an existing interest in education and training. However, the extent to which LiLA accounts are the determining factor that motivates individuals to pursue education and training is not yet clear.

Another difference was noted in regards to the savings patterns of individuals in the health care and public sectors. In both instances, account holders tended to make larger average deposits. This difference may be a function of the age of employees, since the sectors were characterized by older employees with more job security and most likely a stronger orientation towards savings.

The fact that some LiLA employees have left the program before using their LiLA accounts might be expected. What may not have been expected was the tendency across industry sectors for high percentages of dropouts among low-wage workers and members of minority groups. This pattern was most evident in the restaurant and manufacturing sectors but was not present in the public sector, where just 3 percent of employees earned less than $20,000 per year. The patterns of LiLA use among low-wage workers will continue to be examined as the evaluation continues.

Are participants exhibiting any signs of the intended impacts—career goals, participation in training, career advances? If not, is it too early, or are there remediable problems with program process or theory? If yes, how can the impacts be increased?

In general, it is too early to witness much impact of the LiLA program on employers or employees. At this point in the implementation process there are relatively few program completers. In addition, wage record data for recent program completers will not be available for several months. However, early evidence suggests that LiLA employees in two of the sectors have become more focused on education linked to career advancement. In addition, in all but the manufacturing sector, LiLA employees have been somewhat more likely to receive job promotions than those in the comparison group. However, again, at this early stage of education and training account use, it is unclear if this career advancement is due to the LiLA program. Over time, the evaluation will look for evidence of impact, including self-reported promotions, increased wages, credentialing, and increases in earnings.

Are employers exhibiting any signs of the intended impacts—employee retention, productivity, morale; increased appreciation of the benefits of employee training? If not, is it too early, or are there remediable problems with program process or theory? If yes, how can the impacts be increased?

At this early point in the program the evidence of impact has been modest. Employers have noted modest improvements in employee morale, retention, and productivity but believe that the LiLA program is operating at too small a scale to have a broad impact on the workplace. However, despite the modest size of the demonstration, as a direct result of the program a few employers have added educational benefits to their employee benefits packages.

CAEL Synthesis and Comment

CAEL wishes to thank Public Policy Associates, Inc. for its thoughtful approach to the Lifelong Learning Account demonstration data. We have learned a great deal from PPA's analysis and recommendations; they also have helped to improve the demonstration during implementation. This has been beneficial both to the participants as well as to CAEL's understanding of how LiLAs might best be replicated in other locations and at a larger scale. This is particularly helpful as we continue our policy activities at the federal level and with states and regions to advance LiLAs.[14]

In this response paper, CAEL is providing commentary that we believe can be helpful for understanding the evaluation data and results, but which perhaps falls outside of the scope of PPA's analysis. First, we highlight and summarize the lessons that we have taken from PPA's Second Interim Report. Second, we provide our perspective on the definition of "low income." And third, we examine some other possible explanations for participant attrition, drawing on our long history of working with adult learners in the workforce.

Summary of CAEL's Lessons From the Demonstration and Its Evaluation

While PPA has been careful to note that it is still early to draw firm conclusions about the impact of LiLAs – particularly the impact on employee earnings and career progression, and employer business impact – the preliminary evidence is positive. In addition, the evidence indicates that LiLAs are serving as an important financial support for workers to pursue education and training. Key findings that inform our policy work include the following:

- **The program model works well.** The research shows that CAEL has implemented the demonstration program model well and that these LiLA demonstrations have been well-run, with few glitches for both workers and employers. However, this specific program model was implemented for demonstration purposes only; it would be difficult to replicate it on a national scale. CAEL has learned much about how to improve the model for future use in other demonstration programs and on a broader scale. We are incorporating these lessons as we work with others on regional and state LiLA demonstration programs and on the design of federal legislation for a national LiLA demonstration program.
- **There is broad appeal.** LiLAs are attractive and beneficial to many types of workers, including front-line lower-income workers, workers with limited education, and workers from minority groups. However, these workers may need additional supports to sustain their participation.
- **LiLAs are used as intended.** Workers use their LiLAs to enhance skills in their current line of work and to retrain for new work. Notable is that prior to the start of the program, one-third of the LiLA participants had had some college courses, but no degree. This speaks to the important role that LiLAs could potentially play in helping adults complete unfinished degrees.

[14] CAEL has been working since 2001 to educate national and state policy leaders on LiLAs, working with many of them to explore ways to promote LiLAs on a broader scale. Today, there are many different efforts to advance LiLAs. For example, in January 2007, U.S. Senators Cantwell (D-WA) and Snowe (R-ME) introduced the *Lifelong Learning Accounts Act of 2007* for a national LiLA demonstration to provide tax credits to employee and employer LiLA contributions for up to 200,000 workers in up to 10 states. Similar legislation has been introduced in the House by Representative Tom Allen (D-ME). At the same time, CAEL is assisting several states as they pursue their own LiLA strategies, including a legislation-backed pilot of LiLAs in Illinois, a state-led multi-sector LiLA pilot in Maine, a Kansas City regional pilot, and activities in California, Hawaii, Massachusetts, Michigan, New York, Pennsylvania, and Washington.

- **Participants are focused on advancing in their current industry.** Although an important tenant of the LiLA model is that courses taken do not have to be job-related, CAEL found it of great interest that most participants are taking courses that are related to their current industry. They are also focused on education and training that is linked to career advancement.
- **The advising component is valued.** Educational and career advising is an important and valuable component of the model – as many as 30-40 percent of participants valued it enough to pay for it themselves had it not been offered for free through the program.
- **LiLAs are motivating workers to go back to school.** Almost half (47%) of the participants said that they had not been planning to go back to school prior to the start of the LiLA program. This indicates that LiLAs can be an important catalyst for helping workers realize their career dreams.
- **Workers are satisfied with and benefit from the program.** Employees are very satisfied with LiLAs and most would participate in a LiLA program even in the absence of third party match dollars. In addition, there is preliminary evidence that those who have enrolled in the LiLA program are more likely to receive promotions and salary or wage increases than their non-LiLA counterparts.
- **Employers are satisfied with and find value in the program.** Employers are satisfied with the LiLA model, with high percentages of employers indicating an interest in continuing with the program after the demonstration ends. In addition, many employers see benefits to their workplaces as a result of offering LiLAs. Some employers have a developed greater appreciation for the value of education and training benefits for their workers as a direct result of this program. CAEL was particularly pleased to learn that three of the employers have added new education and training benefits as a result of their participation in the LiLA demonstration.
- **Sector matters.** Thus far, the LiLA experience appears to vary greatly from sector to sector in terms of enrollment, savings patterns, and educational choices. Additionally, employer interest and participation in the program as well as perceived value of the program varied by sector. It will be interesting to see how these and other sector differences play out through the conclusion of the demonstration.

CAEL Comment on Income Distribution of Participants

One of the goals of the LiLA demonstration was to help workers who were most in need of assistance in the financing for education and training. PPA reports that nearly one out of five LiLA participants (18 percent) falls below 200 percent of the federal poverty level for a single person ($18,620 in 2004). CAEL finds it also noteworthy that 35 percent of participants earned less than $30,000 per year, and 70 percent earned less than $40,000.

CAEL did not have a specific wage range in mind for who would best benefit from LiLAs. Rather, CAEL's view was that LiLAs would be most beneficial to workers with the following characteristics:

- They cannot afford to pay for education by themselves.
- They make too much money to qualify for publicly-funded programs (e.g., Welfare to Work, Individual Training Accounts, Pell Grants, etc.).
- They work too many hours and attend school too few hours to make other financial aid a reasonable option (e.g. federal financial aid requires learners to go to school at least half time).
- Their employers do not offer tuition assistance as a benefit or do not allow employees to learn skills below the college level through the tuition program (or just offer special learning resources for management level employees).

This group includes the "working poor" – those who may make a living wage by some measures, but may not have significant savings or the ability to save. In addition, it also includes workers who are "at risk," meaning that they may be at risk of unemployment due to the evolving skill needs of employers.

CAEL's view of need, therefore, goes beyond a simple wage measure. That alone may be difficult to reconcile with any analysis that depends on an income standard. Yet, we do recognize the value in using income as a proxy for need in order to understand whether LiLAs are reaching the very groups we hoped to reach. CAEL has reservations about using the *federal poverty guidelines* for that kind of proxy. This income standard has a very narrow view of "low income" that includes only individuals and families who are extremely poor. Research and logic indicate that people earning poverty wages are highly unlikely to be enrolled in postsecondary education, unless additional social supports are provided. Nor are they likely to have an extra $10 or $20 per month for saving. Using the federal poverty measure is also problematic because it does not take into consideration the highly variable regional differences in cost of living, i.e., $18,620 in Northeast Indiana is considerably different than in San Francisco.[15] As a result, we believe that using the federal poverty measure in this analysis greatly underestimates what we would consider to be "low income" or needy, in terms of access to financial resources for education and training. An alternate approach that PPA may consider for future reports is to include an analysis of the participant's wage *relative to others employed by the same company.* This would help us to see how many participants are in entry-level jobs – having the lowest income and being perhaps the most "at risk" of layoff.

It is also important to keep in mind that *the universal nature of the LiLA model skewed participant incomes higher than might be found in a program strictly targeting lower-income workers.* A key principle of the LiLA model is providing LiLAs as a universal benefit for all employees. This helps to gain employer buy-in, strengthens public policy efforts, and avoids stigmatizing lower-income participants. Therefore, participants in this demonstration had slightly higher incomes than one would find in a program targeted solely to lower income participants.

CAEL Comment on Factors Affecting Attrition

Since the beginning of the demonstration, CAEL has been tracking participant attrition and following up with participants to learn more about their reasons for leaving the program. We have learned from these participants that several factors are indeed at play, and these factors may not always be something that can be explained through demographic and income analysis. These factors include:

- **Change in employment status.** As PPA has noted, a large portion of the attrition is due to changes in employment status, which includes people working for employers who withdrew early from the program, people who were promoted and lost eligibility, people on military leave, or people who quit or were laid off. Thus, if LiLAs were portable, as is our goal, attrition might have been reduced significantly.
- **The lack of time plays a role for many of the dropouts**. In follow-up phone interviews with participants who have dropped out, 26 of the 44 respondents said they withdrew because of lack of time or competing responsibilities. Six of these cited family responsibilities and five cited work responsibilities/shift change.
- **Work environments:** What goes on in the workplace can play a role, such as difficult relationships between workers and management, the lack of automated administrative functions, and the threat of layoff. This turned out to be the case in some of the participating worksites.
- **Common Adult Learning Patterns.** Adult learners typically show lower levels of educational persistence than traditional-aged students, meaning that they are less likely to be *continuously* enrolled and they are also less likely to re-enroll after dropping out. Studies by the National Center for Education Statistics have shown that the reasons for this difference include: greater family and work demands, goals that are "less than degree" (in other words, they may say they want a bachelor's degree, when actually they want to learn specific skills to advance in their job, for example, and leave after achieving those objectives), and the fact that they have been out of school longer and may therefore be less prepared academically or psychologically to be in school.

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[15] The Economic Policy Institute's Family Budget Calculator, for example, determines the minimum annual salary needed for families of various sizes to make ends meet in different geographic locations. Using that calculator, a 1 parent, 1 child family would need $33,240 in Chicago, $28,560 in Fort Wayne, Indiana, and $45,528 in San Francisco. The 200 percent of the federal poverty standards for that same family size would be only $24,980.

- **The short duration of the demonstration**. Currently, participants are allowed to save for up to two years, followed by an additional year in which they can spend their LiLAs. In the follow-up phone interviews, CAEL asked whether the dropped participants might have stayed in longer if the program were over ten years instead of three. Out of 25 respondents who had dropped out, 21 (84%) said “yes” (13 said, “Yes, definitely” and another 8 said, “Yes, possibly”). Interestingly, all of these dropped participants interviewed said they would recommend LiLAs to their friends.

Looking Forward: CAEL on the Future of LiLAs

The CAEL LiLA demonstration is scheduled to conclude in Summer 2007. PPA will be preparing a third interim report (based on data through the end of 2006) then and will issue a final report at the conclusion of the demonstration. CAEL expects to learn more from the new data and gain a fuller picture of LiLA usage, effectiveness and impact on employers and workers.

CAEL originally designed LiLAs in response to two main phenomena. First, we had long been learning about the great need for improving the skills of the workforce in order to meet 21st century business needs. And second, we had observed that the only opportunities for worker education typically come by placing the full cost burden on a single entity – on the employer, on the individual worker or on the public sector. CAEL developed the concept of Lifelong Learning Accounts to allow for – and to encourage – *co-investment* in workforce education and training as a way to increase the total resources that could be made available for this purpose. We have been pleased to observe directly, as well as to hear from evidence gathered by PPA, that this co-investment strategy works and holds great appeal with both workers and their employers.

The demonstration is, however, an artificial construct and it cannot fully predict outcomes in a “real world” setting. We believe, for example, that the short time frame of the demonstration may be playing a role in how far participants can be expected to progress in their educational pursuits, and we believe that the sectors targeted in this demonstration are also playing a role in some of the outcomes. We nevertheless have found this demonstration extraordinarily helpful in shaping the design and development of other LiLA demonstrations and pilot programs, such as the one just launched in Maine and others being launched in Illinois, San Francisco, and Kansas City.

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