



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

Research plan for the American Dream Demonstration: Purpose, questions, and strategies

PURPOSE

A central purpose of the IDA demonstration is to learn as much as possible about how IDAs work or do not work, for whom, and under what circumstances. This knowledge will be invaluable to other programs that wish to start IDAs or some other asset-based community development strategy. A sound research agenda will also be essential in determining the extent to which IDAs might play a larger role in domestic policy in the United States. The research will seek answers to a wide range of questions. The most important of these are:

- What are good design features for an IDA program?
- What are the barriers and facilitators in starting and operating a successful IDA program?
- What is the pattern of savings in IDAs?
- What are IDA savings used for?
- What is the impact of IDAs on asset accumulation and meeting life goals?
- What affects savings behavior (how do people save) in an IDA program?
- What are the effects of asset holding for IDA participants and their families?
- What is the financial return of an IDA program to participants and society?
- What are the community level effects of an IDA program?

Experimental methods with a control group will be used at the large demonstration site. The control group will also serve, in a less rigorous way, as a comparative standard for other IDA demonstration sites. Survey methods will be complemented by in-depth interviews, focus groups, program records, and other qualitative methods. The research will incorporate carefully designed procedures to enhance quality of the research and prevent bias. These include:

- Guidance from an expert Evaluation Advisory Committee.
- Clear theoretical statements and hypotheses wherever possible.

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- Different research methods for different questions.
- Research designs that explicitly seek to find alternative explanations.
- Multiple data collection methods, which might confirm findings across different data sources.
- Careful selection and pre-testing of questions and measures.
- Impartial data collection procedures, with trained and impartial interviewers.
- An analysis plan that is based insofar as possible on hypothesis-testing, but allows for emergence of and exploration of unanticipated issues and unforeseen relationships.

AREAS OF RESEARCH

A good research design is multi-faceted, asking a number of different questions for different purposes, and using the appropriate methods for each. In our view, an IDA demonstration should be accompanied by eight areas of research, each asking different questions. The relevant areas of research are described below.

I. Design, Implementation, and Administration: Is the IDA Program Up and Running?

The first question is very practical: Is the IDA program up and running? This question leads to further inquiries, such as: What has enabled the program to get started? What has prevented the program from being fully implemented? The major issues related to these questions involve IDA design, implementation, and on-going administration. The purpose of assessing design, implementation, and administration is to assess the following:

- IDA design features
- Organizational issues and capacity
- IDA implementation sequence
- Barriers, challenges, and problem solving

Theory: While there is an extensive body of theory on organizational behavior and program implementation, there is no overarching theoretical issue on IDA program implementation that is of central importance. (This situation is unlike research on savings behavior and outcomes, discussed in following sections, where theoretical issues are of central importance.)

Working hypotheses: Although the analysis of implementation will not be “rigorous” in a statistical sense, we nonetheless begin with a set of *practical working hypotheses* that can serve to guide inquiry. These working hypotheses are roughly in the form of “if x, then more successful IDA implementation.” The possible x's (which can be understood as independent variables) include the following:

Organizational Capacity

- Organization has strong leadership.
- Organization is well regarded in the community.

- Organization has an established resource base and history of financial stability.
- Organization has experience in implementing new programs.

IDA Program Capacity

- Administration is supportive of new IDA program.
- Program director and staff are capable and committed.
- IDA program is well planned.
- IDA program is a good "fit" with other agency programs.
- IDA staff are committed and well trained.
- There is continuity of IDA staff.

IDA Design Features

- IDA purposes fit needs and goals of potential participants.
- Joining the IDA program is not complicated.
- IDA design features are simple and clear.
- There are clear rules for participation.
- Incentives are attractive.
- There are regular deposits, over a specified period.
- Restrictions and penalties are reasonable.

Implementation and Administration

- Potential IDA participants understand the program.
- Deposits are facilitated and encouraged.
- Supplemental programming (economic literacy, long-range planning) is in place.
- Monitoring of accounts is simple and effective.
- IDA program is flexible, able to adapt to solve problems.

Community Support

- The community has a generally sound social and economic climate.
- There is support from a broad range of community groups and organizations.
- There is cooperation and support from a financial institution.
- There is good media coverage.

Resources

- Funding for the IDA program is secure.
- Potential for new resources is promising.

Working hypotheses will guide collection of data and information on IDA design, implementation, and administration. Researchers will want to know the features of the IDA accounts, who the participants are, how the IDA program is designed, how it was set up, how it fits into the agency, what problems were solved, what problems remain unsolved, and so forth.

The list of working hypotheses above is intended only as a starting place for research of IDA design, implementation, and administration. Very likely some of these suggested hypotheses will be found to be of little relevance, while others will be of crucial importance. Other factors, although not listed here, may be of importance as well.

Although no major theoretical point is at stake in this instance, a list of practical hypotheses is still very useful. The major advantage of beginning with a list of practical hypotheses is that the researcher puts forth statements that are subject to disproof, and in the process is guided as to what kinds of information to collect. Of course, research on pioneering IDA projects must be open to discovery and inductive reasoning (developing ideas from data). But discoveries will be more fruitful if we begin by stating clearly what we think is likely to happen and then putting these statements to test via deductive reasoning (using data to test ideas). Confirmation of a previously-stated hypothesis is always a much stronger finding than discovery of an unexpected relationship.

Unit of analysis: IDA program.

Sample: All IDA programs in the demonstration.

Data collection methods: (1) program documents, (2) guided program logs (diaries) and in-depth interviews of program staff, (3) meetings with IDA program staff convened by CFED, and (4) focus groups with IDA participants.

Close partnership with CFED. Implementation research will be closely integrated with CFED's technical assistance and problem solving with the IDA programs.

Timing of data collection: Intensively during the first two years of the demonstration.

Analysis strategy: Multiple case studies, integrating data from multiple sources into program "stories" of IDA implementation and operation, emphasizing the categories of assessment listed above, comparing and contrasting across sites.

Products: Reports on IDA design, implementation, and administration at the end of demonstration years one and three.

II. Program Process and Goal Attainment:

How Much Do Participants Save in IDAs? What Do They Use the Savings For?

Monitoring IDA program process and goal attainment will yield the basic and fundamental information about success or failure of the IDA demonstration.

The purpose of monitoring IDA program process and goal attainment is to assess the following:

IDA accumulations:

- Numbers of participants

- Longevity of participation
- Patterns of savings
- Amounts saved

Uses of IDAs:

- Homeownership
- Education
- Self-employment
- Other IDA uses

Theory: None (this is a program monitoring function).

Policy and program implications: Important program implications when tied to case study data; also important policy implications for how to design IDA policy (but limited impact implications because no control group in this aspect of the research).

Unit of analysis: IDA program, but also reporting participant level data.

Sample: All IDA programs in the demonstration.

Data collection methods: Monitoring instrument for collecting basic participant and program data (uniform across sites).

Timing of data collection: Periodic throughout the four demonstration years.

Analysis strategy: Aggregations within programs and across all programs. Descriptive statistics by program features and by individual characteristics of participants.

Products: Annual reports on program participation, asset accumulation, and uses of IDAs.

III. Program Impact:

What Effects Do IDAs Have on Asset Accumulation and Achieving Life Goals?

A more precise question is to ask what effect IDAs have on overall asset accumulation and achieving life goals.

Theory: None (this is a simple impact question).

Hypothesized impacts:

- **Assets accumulated**
 - Increase in IDA assets accumulated.
 - Increase in non-IDA assets accumulated (other savings, financial investments, real property, car, durable goods).
- **Achievement of life goals**
 - Greater educational achievement
 - Greater rate of home ownership
 - Increase in small business development

- Increases in other areas related to allowed uses of IDAs
- **Longer term economic impacts (not hypothesized in the short term, but investigated)**
 - Eventual increase in employment
 - Eventual increase in income
 - Eventual decrease in use of public assistance

Policy implications: The key policy issue is whether an IDA program enables poor people to accumulate and use assets to meet life goals.

Unit of analysis: IDA participant.

Sample: A random sample of IDA participants and a control group for the survey.

Data collection methods: Survey (survey methods for research on impact will be combined with survey methods for research on savings behavior and household outcomes, i.e., the survey will cover all of these major research questions.)

Timing of data collection: Survey during demonstration years two and four, and again at follow-up year two (three waves of survey).

Analysis strategy: Statistical analysis of survey data.

Products: Reports on impact at the end of demonstration year four and follow-up year two.

IV. Savings Behavior:

How Do Poor People Save and Accumulate Assets?

The purpose of an IDA program is to enable participants to save and accumulate assets. The question of interest is: Can poor people save and accumulate assets, and if so, under what circumstances? This question is based on specific theoretical assumptions about the nature of savings and asset accumulation.

The purpose of researching savings behavior is to determine not whether people save with IDAs, but *how* they manage (or do not manage) to do so.

Theoretical matters. A key theoretical issue is the hypothesized role of a new "institution" (IDA structure, incentives, and information) in affecting savings behavior of the poor. The primary assumption behind IDAs is that savings is an institutional phenomenon, i.e., when access and incentives are right, people -- including poor people -- are more likely to save. This assumption runs contrary to mainstream economic thinking about savings behavior, which focuses more on an individual's "propensity to save." If IDAs can be shown to facilitate asset accumulation by the poor, there would be important theoretical implications as well as policy implications. The commonly-accepted theories of savings rely on preferences for consumption across time. Consistent with their neoclassical origins, these perspectives view individuals as actors in an unstructured world. No attention is given to social or cultural factors that may influence saving behavior. More importantly, no attention is given to institutional arrangements that may facilitate or hinder saving.

Post-Keynesian theories of savings are best represented by Franco Modigliani's life-cycle hypothesis and Milton Friedman's permanent income hypothesis. In brief, these theories suggest that people consume in a long-term pattern that is more or less equal to their long-term expected incomes. They may save at one point in their lives, but the purpose of this saving is to consume more later on. According to these theories, the purpose of saving -- the only purpose -- is to create a storehouse for future consumption. Empirical evidence that might support various theories of savings is mixed. Overall, it is fair to say that the mainstream consumption-based, income-smoothing theories of savings are not strongly supported by empirical data.

This is especially true regarding savings behavior of the poor. The empirical discrepancies are twofold. As I pointed out in *Assets and the Poor*, the poor very often cannot borrow against their future earnings potential, i.e., they have "liquidity constraints" that do not enable them to consume in a permanent income manner. Second, the poor typically do not have access to mainstream financial institutions for savings, which would enable them to put money aside for future consumption needs.

Empirical discrepancies also occur regarding the broad middle class of America. The bulk of asset accumulation in most middle class households occurs not by individuals making savings deposits in an unstructured world, but through institutionalized and heavily subsidized public policies that support asset accumulation, principally in the form of subsidized home ownership and subsidized retirement pension accounts. Both access and financial incentives play key roles in this pattern of asset accumulation.

From this perspective, savings is not entirely a function of consumption preferences. For example, the mortgage interest tax deduction is a direct transfer of assets from public resources to individuals. This money is not "saved" out of incomes for future consumption. Also, accumulations in retirement accounts are structured, automatic, and subsidized. Individuals who have opportunities to participate in these asset accumulation programs are not simply "saving" money due to their "propensities to save." Instead, they are accepting a good offer. Because of the tax subsidy, the individual would be making an unwise decision to turn it down.

It is of central importance that, under the current structure of tax and labor policies, poor people do not have the same access and financial subsidies for asset accumulation in the form of home ownership and retirement pension accounts.

Therefore, the key theoretical issue in savings behavior is whether institutions (IDA programs in this case) can have a substantial impact on savings of the poor. If so, there are important implications for theories of saving and how saving is structured and promoted by public policy and private institutions.

Hypotheses on saving. Based on the above thinking, we can offer several propositions that should be tested regarding savings behavior in IDA programs. These fall roughly under the categories of access, incentives, information, and facilitation.

Access. The overall proposition is that ease of access will facilitate increased savings. The hypotheses are:

- The closer the IDA program, the greater the participation and savings.

- The fewer the organizational barriers to the IDA system, the greater the participation and savings.

Incentives. The overall proposition is that greater incentives will yield greater savings. The hypotheses are:

- The higher the matching deposits, the greater the participation and savings in IDAs.
- The more local partners in matching deposits, the greater the participation and savings in IDAs.
- The higher the earnings on savings, the greater the participation and saving in IDAs.
- The more feasible the IDA goal (home purchase, microenterprise, job training, etc.), the greater the participation and savings in IDAs.

Information. The overall proposition is that information and education about IDAs will increase their use. The assumption is that *awareness and knowledge* of access and incentives must be present before people can act on these conditions. The hypotheses are:

- The greater the program outreach, the higher the participation in IDAs.
- The more educational programming on IDAs and “economic literacy,” the greater the participation and savings in IDAs.
- The more peer modeling and information sharing, the better the participation and savings in IDAs.

Facilitation. The overall proposition is that structured and/or active assistance in IDA participation will increase IDA savings.

- The more involved the IDA staff in helping with savings, the greater the savings.
- A program of automatic deposits will increase IDA savings most of all.

Alternative explanations. In order to test alternative explanations, savings behavior research will also assess the relationships of other institutional, cultural, and individual characteristics to savings, as follows:

- **Other institutional variables:**
 - Availability and access to saving other than in IDA program
 - Economic incentives or disincentives to save other than in IDA program
- **Cultural variables:**
 - Savings values and behavior in the participant's “culture” (ethnic group, friends, neighborhood)
 - Savings values and behavior in the preceding generation
- **Individual and household variables:**
 - Personal and family values regarding saving
 - Personal and family saving behavior prior to IDAs
 - Strategies for saving with IDAs

- Increases in income
- Consumption efficiencies
- “Rules of thumb” or patterns of saving (self-imposed structure)

Unit of analysis: IDA participant.

Sample: A random sample of IDA participants and a control group for the survey. Sub-samples of successful and unsuccessful IDA participants for in-depth interviews.

Data collection methods: (1) Survey and (2) in-depth interviews. (Methods for research on savings behavior will be combined with survey methods for the impacts research, with more detailed data from in-depth interviews.)

Timing of data collection: Survey during demonstration years two and four, and again at follow-up year two (three waves of survey). Qualitative methods (in-depth interviews) in demonstration year two.

Analysis strategy: Quantitative analysis of survey data, and systematic qualitative analysis of in-depth interview data. The two data sets will also be combined for richer understanding of savings behavior.

Products: Reports on savings behavior at the end of demonstration years two and four and follow-up year two.

V. Asset Effects:

What Are the Effects of Asset Accumulation on Individuals and Families?

Asset accumulation is not an end in itself. The next research question -- what are the effects of asset accumulation? -- is an "outcomes" question that has the potential to expand the operational definition of well-being in social policy to include asset accumulation. There are two pathways to answering this question. The first is basic research using existing data sets, and CSD has embarked on a program of basic research that is proving to be fruitful. We are finding significant, sometimes surprisingly strong, asset effects in a wide range of data sets (some of this and related work is summarized in Deborah Page-Adams and Michael Sherraden, "What We Know about Effects of Asset Accumulation," working paper 96-1, Center for Social Development).

The second pathway to answering the outcomes question is to research outcome effects of IDAs. Outcome research methods are of the greatest importance in confirming, not confirming, or revising theoretical propositions.

Theoretical matters. The key theoretical issue is whether assets yield positive effects other than deferred consumption. If this can be answered in the affirmative, it may have important implications for theories of “welfare” (well-being) as well as for public policy related to savings.

Key questions regarding effects of asset accumulation include a range of economic, psychological, social, civic/political, and intergenerational outcomes, which are stated here in the form of hypotheses. Confirmation of a substantial number of these hypotheses would be sufficient to establish the value of asset-based policy.

Hypotheses. In addition to the hypothesized “impacts” listed above, IDAs and other asset-based policy strategies have multiple hypothesized effects or outcomes. Some of these may be supported by empirical research, while others may not. Our thinking about effects of asset-based policy will be refined and specified by results of IDA and other asset-based policy demonstrations. At this stage, we want to attend to a broad range of likely effects. We can identify potential asset effects in several different categories: economic, personal (or psychological), family and household, relationship to the community and society, civic and political, and intergenerational:

Economic

- Greater effort and success in increasing asset values.
 - Maintenance and improvement of real property.
 - Learning and applying knowledge of financial investments.
- Decrease in financial crises in the household.
- More investments in human capital (in addition to formal education)
- Improved consumption efficiency (shopping at supermarket, buying on sale, buying in bulk).
- Decrease in use of second-tier financial services (check cashing places, rent-to-own stores).

Personal

- Affective:
 - Improved self regard.
 - Improved outlook on life.
 - Greater sense of personal control over life.
- Cognitive:
 - Greater knowledge of financial matters.
 - Lengthened time horizons.
- Behavioral:
 - Better record in attending school, job training, or other personal advancement activities.
 - More time spent on financial matters.
 - Better planning for the future.

Family and household

- More stable household composition.
- Decreased moving due to negative causes (unable to afford rent, eviction).

- Increased moving due to positive causes (move to a better neighborhood, move for a job).
- Decrease in domestic violence.

Relationship to community and society

- Improvement in perceived social status.
- Increase in social connectedness and/or decrease in social isolation.
- Increase in caring for and helping others.

Civic and political

- Involvement in neighborhood/community affairs:
 - More discussions with neighbors.
 - More behaviors to improve public space.
 - Increased involvement in community organizations.
- Involvement in formal political processes:
 - Increased voting.
 - Greater effort in working on or contributing to an issue.
 - Greater effort in supporting or contributing to a political candidate.

Intergenerational

- Social behaviors of offspring:
 - Improved school behaviors (attendance, grades, completion).
 - Avoidance of pregnancy.
 - Fewer arrests.
- Eventual financial well-being of offspring:
 - Increased savings behavior of offspring.
 - Increased investments in education of offspring.
 - Increased asset transfers to offspring.

Unit of analysis: IDA participant.

Sample: A random sample of IDA participants and a control group for the survey. Subsamples of successful and unsuccessful IDA participants for in-depth interviews.

Data collection methods: (1) Survey and (2) in-depth interviews. (As mentioned above, these methods will be combined with savings behavior research).

Limits. Due to practical limitations on survey length and time span of the demonstration, we cannot test all of the above hypotheses. We will test as many as possible within the constraints of the study.

Timing of data collection: Survey during demonstration years two and four, and follow-up year two (three waves of survey). Qualitative methods (in-depth interviews) in program year two.

Analysis strategy: Quantitative analysis of survey data, and systematic qualitative analysis of in-depth interview data. Data sets will be combined for richer understanding of household outcomes.

Products: Reports on household outcomes following demonstration years two and four and follow-up year two.

VI. Cost Analysis:

Are IDAs worth the investment?

The purpose of the cost analysis is to assess the financial investment in the IDA program.

Theory: If this method compared costs to benefits, we would use the hypotheses on multiple outcomes of IDAs (as with household outcome method) to assess overall return on human investment. However, because most of these outcomes cannot be measured in financial terms, a cost analysis alone is used and compared (though to a limited degree due dissimilar components) to costs associated with other human capital and financial saving programs.

Policy implications: A key policy issue is the return in financial terms on the resources invested in the IDA program. If a substantial positive return is confirmed, the policy case for IDAs would be much stronger. On the other hand, if IDAs do not yield a positive return, there would be little reason to make the investment. The costs associated with running an IDA program are compared to the costs associated with other human capital and financial saving programs to assess whether the IDA program design is affordable, as well as replicable and scalable.

Unit of analysis: IDA program, large site.

Data collection methods: The cost analysis will use data from program monitoring (with particular attention to program cost data and participant use of IDA data), the survey (with particular attention to economic outcomes data), and financial records and notes from the program site.

Timing of data collection: Design of the cost analysis will occur in demonstration year one (to guide data collection via other methods), and analysis will occur during follow-up years.

Analysis strategy: (a) Identify stakeholders affected, resources used (cash and non-cash) and assign values to those social and financial resources that are non-cash (such as in-kind donations). (b) Control for costs associated with a research demonstration. (c) apply analytic techniques over the period of the demonstration using participant-months of participation, net participant savings, and participant asset accumulation.

Product: Report on costs at the end of the first two years, first 3 years, and at program completion (5 years) of the experiment demonstration years.

VII. Community Outcomes:

What are the Effects of Assets on the Neighborhood?

The purpose of community outcome research is to assess outcomes at the neighborhood level. For example, Dennis West of Eastside Community Investments in Indianapolis has noted a sharp reduction in turnover of the school population with increasing home ownership in the community. But community effects are unlikely to occur until asset building involves a substantial proportion of people in a particular neighborhood.

Theory: It is possible that asset accumulation by households will have effects on neighborhoods and communities if implemented on a sufficient scale within a circumscribed area. These potential effects might be identified as economic, community life, schooling, and civic and political affairs:

Economic

- Increased home-ownership rate.
- More new housing construction or major remodeling.
- Increased business investment in the neighborhood.
- Increased economic activity in new or existing businesses.
- Decreased unemployment.
- Increase in average earnings.
- Increase in access to first-tier financial services in the community.

Community life

- Appearance of the neighborhood:
 - Houses in better repair.
 - Yards better kept.
 - Less clutter, junk on the street.
- Social life in the neighborhood:
 - More people talking with neighbors.
 - More social events in the neighborhood.
 - More mutual support and “good neighborliness.”

Schooling

- Reduced turnover in school population.
- Better school attendance.
- Better school performance (grades, test scores, completion).

Civic and political affairs

- More public meetings and discussions on issues.
- More active civic associations.
- Increases in contributions to political candidates or issues (both time and money).
- Increase in voting rate.
- Increase in taxes paid.

Unit of analysis: Neighborhood.

Sample: One or more neighborhood(s) where IDAs are implemented intensively, plus matched comparison neighborhood(s) in the same municipality.

Data collection methods: (1) Community level data on the local economy, social activity, schooling, crime, political participation, and other indicators, and (2) systematic community assessments using structured instruments.

Timing of data collection: Before IDA program begins, at demonstration year three, and follow-up year one.

Analysis strategy: Pre- and post-IDA change in the community-level indicators, comparing across neighborhoods.

Products: Reports on community outcomes following demonstration year three and follow-up year one.

Fall back strategy: No ADD demonstration site was conducive to effectively assessing community level impacts of an IDA program. CSD consulted with the IDA program at United Way of Greater Metropolitan Atlanta on a community level assessment with their program. The following report was produced by researchers at Georgia State University:

Emshoff, J., Courtenay-Quirk, C., Broomfield, K., & Jones, C. (2002). *Atlanta Individual Development Account (IDA) Initiative Final Evaluation Report*. Atlanta: United Way of Metropolitan Atlanta.