

## FINANCING STRATEGIES FOR LEARNING AND ASSET DEVELOPMENT\*

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*Based on the assumption that lifelong learning is a form of asset accumulation, this paper discusses a range of financing strategies. The paper includes a summary of what has been learned about assets, both from research and demonstrations largely centered in the U.S. While the evidence strongly suggests that assets are worth accumulating for both economic and social reasons, this begs the question, how can the poor possibly accumulate assets? To answer this question, we closely examine the U.S. experience with Individual Development Accounts (IDAs), which has demonstrated the potential of the poor to save and build assets. One of the key insights arising from IDA demonstration projects is that “savings is a structure, not a habit,” which has many profound implications for financing lifelong learning—namely, that, absent new, targeted institutional arrangements provided by the public and private sectors, asset and lifelong learning strategies directed at disadvantaged persons are not likely to succeed. The experience of Individual Learning Accounts and other asset building efforts also provide a foundation for a set of broad public policy recommendations.*

### INTRODUCTION: LIFELONG LEARNING AND ASSET ACCUMULATION

Lifelong learning is a process of asset accumulation. By assets, we mean financial assets that can remain as financial assets or converted into real, intellectual or business assets—savings, a home, post-secondary education and training, investments, a business, and a nest-egg for retirement. Properly structured, asset and lifelong learning strategies can reduce inequality and expand opportunity. It is imperative to break the vicious cycle in which poverty and inequality passes from one generation to the next. A serious public-private intervention—informed by both the new and promising lifelong learning and asset development frameworks—is critical to retard, and ultimately end, the intergenerational transfer of poverty and poor skills.

Sherraden's (1991) groundbreaking idea of building assets for low-income persons has made remarkable progress in the U.S. over the last decade for three reasons. First, policymakers have easily grasped both the distinction between income and assets, and the importance of assets. Second, the idea debuted as the nation and policymakers were searching for alternatives to the prevailing welfare system. And third, data generated in subsequent program efforts showed that poor people could save, thus overcoming the principal doubt among politicians and others as to whether asset building could work (Schreiner et al., 2000 & 2001). Today, while the “income paradigm” still dominates anti-poverty thinking, the “assets paradigm” has made its mark and is now seriously considered in policymaking circles at all levels—not just in the U.S., but also around the world. In fact, the organizers of this

conference have already recognized the link between lifelong learning and asset accumulation, and have observed with great interest both the U.S. experience with Individual Development Accounts (IDAs) as well as British, Swedish and Dutch (and others') experiences with Individual Learning Accounts (ILAs). These experiences, and their implications for co-financing lifelong learning, will be discussed later in this paper, which is generally organized as follows.

The paper begins with a summary of what has been learned about assets, both from research and demonstrations largely centered in the U.S. While the evidence strongly suggests that assets are worth accumulating (for both economic and social reasons), this begs the question, How can the poor possibly accumulate assets? To answer this question, we closely examine the U.S. experience with IDAs, which thus far have demonstrated that the poor can in fact save and build assets. The next section closely examines one of the key insights arising from IDA demonstration projects, namely that “savings is a structure, not a habit.” This powerful insight about the “institutional” nature of savings then leads to a discussion of the profound implications of this insight for financing lifelong learning—in particular that, absent new, targeted institutional arrangements provided by the public and private sectors, asset and lifelong learning strategies directed at disadvantaged persons are not likely to succeed. Then, before the public policy implications are discussed in the penultimate section of the paper, we briefly examine the experience thus far with ILAs. We close the paper with a brief summary and conclusion.

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## WHAT WE KNOW ABOUT ASSETS – LESSONS FROM RESEARCH

Throughout policy and academic circles, there is a growing interest in the role that assets play in the lives of families and children. While income effects have been studied for years, asset effects have often been overlooked. The hypothesis is that asset holdings have positive effects and are suspected to improve household stability, create an orientation toward the future, increase social involvement, provide a foundation for risk taking, and enhance the well-being of children (Sherraden, 1991). These assumptions are based in part on the history of promoting asset holdings in the U.S. through programs that support homeownership, higher education, business ownership, investment and retirement savings. However, the study of asset building is relatively new; it has not been a central feature of studies of inequality despite the fact that asset inequality is much greater than income inequality (Wolff, 2001). Consequently, there is much to learn, but previous research findings have strongly suggested that assets are worth accumulating. This section will summarize what we know about the effects of asset holdings, especially on the lives of lower-income families and children.

It is important to recognize that, like many areas of social science, this is a challenging research terrain. Not only do many factors influence social behavior but also it is difficult to isolate individual variables in order to distinguish between associations and effects. But as the study of assets grows, more research is being conducted that includes wealth and asset variables and employs and sophisticated methodologies that enable researchers to make stronger claims. In general, there is growing evidence that assets are associated with household stability, educational attainment, local civic involvement, and health and satisfaction among adults. Assets are also associated with decreases in both marital dissolution and intergenerational poverty transmission. Finally, compelling evidence from Individual Development Account programs suggest that these “asset effects” are earlier and stronger than anticipated.

For most American families, homeownership plays a crucial role in wealth accumulation, as home equity accounts for 44 percent of total net worth (Eller & Fraser, 1995). Homeownership is widely acknowledged to be the single most important financial asset for most households, a perception supported strongly by financial data. For example, median net worth for homeowners in 1995 was \$78,000 while it was \$2,300 for renters. For minority households, home equity represents an overwhelming proportion of their net worth—almost three-quarters—compared with a median net worth of \$500 for minority renters.

Some researchers argue that homeownership produces beneficial outcomes through enhanced social status, behavioral changes designed to protect investments, and changes in outlook once people accumulate assets. Research findings do, in fact, support associations between homeownership and better health and mental health status

(controlling for effects of income and education), and greater economic stability (Page-Adams & Sherraden, 1996; Scanlon & Page-Adams, 2001). There are also positive intergenerational impacts, including more planning for education and higher educational attainment among children and decreased incidence of poverty among children in families living in their own homes. Homeownership is associated with increased neighborhood stability and functioning, along with increased property values (Lee, Culhane, & Wachter, 1999). Research has also found that homeownership is associated with greater residential stability, increased maintenance and repair of homes, and increased participation in local politics and civic organizations (DiPasquale & Glaeser, 1999, Galster, 1987, Rohe and Stewart 1996).

In a review of the literature on asset effects, Scanlon and Page-Adams found that much of the research focused on the impacts of homeownership, but a number of other studies focused on assets in the form of savings, net worth, or small business ownership. Despite the variety of asset measures used in this literature, they concluded that together financial and property assets appear to have positive effects on 1) economic security, 2) physical health, and 3) marriage and marital stability (Scanlon & Page-Adams, 2001).

The connection between assets and economic security appears to have broad support. This holds true for female-headed families and families receiving public assistance. Again, homeownership appears to play a role. Controlling for other factors, homeownership is associated with reduced length of joblessness, high school drop out, and teen pregnancy and increases in high school graduation and college entry for African-American youths (Kane, 1994).

Beyond homeownership, wealth is positively associated with financial transfers to both adult children and parents into their older years (McGarry & Schoeni, 1995), the economic security of women after a divorce, and the ability of single mothers to avoid living in poverty (Cho, 1999). In a study that controlled for a number of socio-economic factors, it was found that single mothers with money in a savings account are more likely to have incomes above the poverty line than those without savings (Rocha, 1997).

Assets are associated with good physical health. A broad review of health research found that asset holdings are linked with lower mortality in a manner that is partially independent of other socio-economic factors (Joshi & Macran, 1991). While assets and health are positively related, the effects appear strongest for older adults. For this population, homeownership is negatively associated with nursing home admission and positively associated with transition from a nursing home back into the community. (Greene & Ondrich, 1990) The positive asset effects on physical health correspond to the effects found on mental health. These include findings that asset ownership reduce stress, increase life satisfaction, and reduce neurosis (Rohe & Stegman, 1994).

Marriage promotion as a policy objective has gained support in the U.S. because it is seen as a means of combating poverty. Yet research has shown that assets play an important role because married couples with property and savings are less likely to end their marriage than couples without assets. The finding that homeownership has a negative effect on divorce rates also holds up when controlling for social and economic factors. (South & Spitze, 1986) Homeownership may increase stability by creating rewards within marriage or financial or emotional disincentives to divorce. Alternatively, couples in distress may decide against making financial commitments.

There is much more to learn about the multi-dimensional ways that building assets impacts individual families. Research must extend beyond homeownership to examine the effects of other forms of asset ownership, such as savings and human capital investment. What many of the research findings to date indicate is that “asset effects” are real, and that they often appear earlier and more powerful than expected.

### HOW CAN THE POOR BUILD ASSETS – LESSONS FROM INDIVIDUAL DEVELOPMENT ACCOUNTS<sup>1</sup>

One particularly rewarding opportunity to investigate the dynamics of asset building among the poor is the experience of Individual Development Account (IDA) programs. IDAs are matched savings account that support long term investments to help working poor families build wealth. The first systematic study of IDAs has been the American Dream Demonstration, which is a multi-year, multi-site demonstration of programs across the U.S. For the past five years ADD has examined the saving experiences of 2,378 participants in 14 sites. A broad range of research methods has been used to chart the experience of participants, including an experimental site with IDA participant and non-participant controls. The research findings to date have been instructive and encouraging.

Over a five year study period, it was found that program participants saved an average of \$19 a month in accounts that are typically matched two-to-one, with an average accumulation of \$700 per year (Schreiner, et al., 2002). Savings withdrawals by 2001 included home purchase (28%), business investment (23%), post-secondary education (21%), and home repair (18%) (Schreiner, et al., 2002). The participants in the demonstration were, by most standards, poor; their average household income was \$17,952. Yet research found that with the right incentives, education, and support, these families could save and accumulate assets.

Furthermore, several qualitative studies investigation showed other meaningful results. One evaluation found that participants have perceived positive psychological effects, and are more likely to have good relationships with their families, be respected in their communities, and involved in their neighborhoods as a result of having an IDA (Moore, et al, 2003). Another used a comparison of IDA participants and non-participant controls at an experimental research site

to isolate program impacts. This work concluded that participants experienced greater positive financial, psychological, and cognitive outcomes of saving in IDAs than non-participants.

Collectively, these studies of the IDA experience strongly suggest that low-income people can save and build assets. Program participants will respond to incentives and institution supports that are designed to help them accumulate assets. Participant characteristics did not have an effect on savings patterns, nor did their income level. What did matter was the structure of the programs and the savings incentives.

### INSTITUTIONAL MECHANISMS AND SAVINGS

Sherraden’s key insight from the American Dream Demonstration (ADD) that “Savings is a structure, not a habit” deserves closer examination. In fact, Beverly and Sherraden (2001) pioneered an “institutional” view of savings, which was then, essentially, corroborated through the findings of the ADD a few years later.

In their initial institutional theory of savings and asset accumulation, savings is a function of *access, information, incentives, and facilitation*. In subsequent writings, they added two more, *expectations* and *limits*. An institutional perspective suggests that asset accumulations are primarily the result of the institutionalized mechanisms involving explicit rules and structures. Stated simply, those who have access to formal and structured saving opportunities, to appropriate financial education, to attractive saving incentives, and to mechanisms of facilitation will save a greater percentage of their incomes than those who do not. Their hope is that the institutional model will not replace current models, but that integrating an institutional perspective into existing models will provide a more coherent framework for further research. As articulated by Beverly and Sherraden (2001):

Each of the theories described above calls attention to institutional characteristics that are expected to affect saving and asset accumulation. Neoclassical economic theories emphasize the role of institutions that affect the economic costs and benefits of saving (e.g., markets and public policies). Psychological and sociological theories consider institutions that affect an individual’s understanding or perceptions of economic costs and benefits, that change non-economic costs and benefits, and/or that shape preferences (e.g., peers and family members). Behavioral theories highlight the role of institutions that allow *individuals* to modify the costs and benefits of saving by creating their own incentives and constraints (e.g., payroll deduction, saving clubs, and the option to over-withhold income taxes). By integrating

these theoretical perspectives, while emphasizing the role of institutions, it may be possible to develop a theory that more accurately explains saving and asset accumulation in the general population and in the low-income population.

The six institutional mechanisms that structure savings can be summarized as follows:

Access. Does a savings mechanism exist, and do people have access to it?

Information. Information usually refers to some kind of education materials or outreach about the savings mechanism.

Incentives. Typical incentives include matching deposits tax deductions, such as through retirement 401(k)s.

Facilitation. Facilitation means that somebody else makes savings easy for the participant, or sets it up, such as through an automatic payroll deduction.

Expectations. Examples of expectations are monthly saving targets and social pressure of program staff, friends, or family members.

Limits. Limits refer to savings caps, restrictions or other limitations (usually imposed as a necessary condition of public policy or limitations on program funding) and, unlike the previous five mechanisms, may actually suppress savings above a certain level.

Perhaps it is obvious, but low-income persons have far less access to these mechanisms, thus helping to explain their traditionally low rates of savings and asset ownership. Conversely, the fact that the poor saved and accumulated assets in IDAs suggests that the presence of these institutional arrangements (in various degrees and forms) made savings and asset accumulation both possible and likely. Sherraden et al. conclude:

Overall, the institutional structure of IDAs may cause people with less income to save a larger share of their income. In general, if participants lived in a more deprived institutional environment before IDAs, then the institution of IDAs may have a greater effect on their savings than on others. This seems plausible, and evidence is suggestive, but for now it is conjecture. The broad message is that, all else constant, less income need not be associated with less savings, and less income may be associated with a higher savings rate. (Sherraden et al., 2002)

Just as institutional mechanisms or structures may help explain low rates of savings and asset accumulation at the household level, structures may—and should—help explain

low rates of savings and asset ownership at the macroeconomic level. While employers and financial institutions obviously play a large and influential role in supporting savings, it is public policy that plays perhaps the most significant role in structuring—or not structuring—asset development (See Boshara 2001, Sherraden et al. 2002, and Oliver & Shapiro, 1995 for a fuller discussion on the role of federal policy in structuring asset accumulation). For example, over \$300 billion a year is provided through tax incentives for Americans to save for college and retirement, build up home equity, make investments, and start and expand businesses. While theoretically available to all taxpayers, larger benefits accrue to those with larger tax liabilities—and, conversely, smaller or no benefits accrue to those with little or no tax liability. Not surprisingly, over 90% of these benefits accrue to households earning more than \$50,000 per year—roughly half of all households in the U.S. Moreover, low-income persons face asset limits in public assistance programs, meaning they may not accumulate savings and assets above a certain level in order to receive certain public benefits (such as cash, food, and medical assistance).

Given, therefore, that the U.S. has an “asset building” policy for higher-income Americans, and an “asset denial” policy for lower-income Americans—and that the U.S. has an anti-poverty policy focused on *income* support—is it any surprise that the distribution of wealth in the U.S. is highly unequal and more unequal than the distribution of income? In other words, it does not appear to be a coincidence that the structure of tax benefits for asset accumulation mirrors the structure of wealth inequality in the U.S. As reported by Edward N. Wolff (2001), the top 20 percent of households earn about 56 percent of the nation’s income and command 83 percent of our wealth. The very top 1 percent earns about 17 percent of national income and owns 38 percent of national wealth. By contrast, Wolff shows that the bottom 40 percent earns 10 percent of national income, but owns less than 1 percent of the wealth, and the bottom 60 percent—the majority of the country—earns about 23 percent of the nation’s income, but owns less than 5 percent of the wealth.

In other words, public policy is, to a large extent, responsible for the very institutional mechanisms that, according to Sherraden (1991), Boshara (2001), Oliver and Shapiro (1995), and others inform (and possibly determine) who saves and accumulates assets *and* who does not. For example, so called “private” savings vehicles such as 401(k)s and IRAs are in fact created, defined, and heavily subsidized by public policy; savings in those asset accounts is facilitated through tax returns and automatic employer-based tax deductions; and information about these profitable financial products (thanks, in part, to the public subsidies) is widely available through many commercial and educational channels. Sherraden’s key observation, then, about the institutional nature of savings (“savings is a structure”) must apply not just to the household level, but to the level of public policy as well.

## IMPLICATIONS FOR FINANCING LIFELONG LEARNING

This institutional nature of savings and asset accumulation has profound implications for the financing of lifelong learning. *New, pro-active, and targeted government policies are critical for establishing institutional mechanisms for lifelong learning for disadvantaged persons.* Just as asset accumulation efforts by the poor in the U.S. are not likely to succeed at scale without the creation and expansion of targeted financial tools, such as the IDA, lifelong learning efforts by disadvantaged persons in OECD countries are not likely to advance absent large-scale, national, policy-led initiatives. While government is not, of course, the only answer, it is fundamentally a necessary component, or the *sine qua non*.

In order to explore how the U.S. experience can contribute to OECD efforts to expand lifelong learning for disadvantaged persons, other implications deserve consideration:

- *Structure lifelong learning from “cradle to grave” to fully realize asset effects.*

Given the positive effects of asset holding on children, families, and neighborhoods, the evidence from IDA demonstrations that asset effects were earlier and stronger than predicted, and that the “magic” of compound interest can be best realized with longer time horizons, it makes sense to begin the financing of lifelong learning—as a form of asset accumulation—as early as possible.

- *Structured mechanisms precede learning behavior—not vice-versa.*

One of the most remarkable findings from ADD was that income was not a factor in determining who and who did not save—the better-off poor and the poorest-of-the-poor saved about the same amount each month, meaning, of course, that the poorest accountholders saved a greater proportion of their income. Related findings were that participant characteristics generally do not matter while program characteristics (structures) do matter in predicting who will and will not save. Overall, there is fairly compelling evidence that all people, regardless of income, race, and educational background, will save if given the opportunity to do so in a structured savings mechanism. In other words, accountholders did not, as classic economic theory would have predicted, first make the decision to save and then seek a savings vehicle; rather, they—like many non-poor persons—saved in *response* to the structure that had been provided for them. Accordingly, disadvantaged persons seeking lifelong learning opportunities are not likely to first make the decision to pursue lifelong learning; they will respond to structures of lifelong learning provided by others—government, employers, financial institutions, and local organizations.

- *Localize structure.*

While public policy is critical, in fact paramount, the institutional mechanisms must be present at the local level in order to engage disadvantaged persons in the process of

lifelong learning. In the IDA experience, community-based organizations have played this role by setting up the accounts (access), requiring financial education courses (information), raising matching funds (incentives) from public and private sources, sometimes setting up automatic payroll deductions for savings (facilitation), and creating a culture where saving and asset accumulation were the goal (expectations). For non-poor persons, employers have largely played this role, and in all cases financial institutions have been involved by holding accounts as well as by providing some of the mechanisms offered through community organizations and employers.

- *Local structure must fit into a larger policy framework.* Paradoxically, while local structures are necessary, they must fit into a larger policy framework. While there are clear roles for local organizations, public policy plays a critical role in setting objectives, creating and standardizing the product (such as an Individual Learning Account), defining the learning choices, providing subsidies (both universal and targeted), and removing institutional barriers, such as asset limits in public assistance programs.

## EXPERIENCE AND LESSONS FROM INDIVIDUAL LEARNING ACCOUNTS (ILAS)

Opportunities to continue skill development and learning throughout a lifetime can help individuals adapt to changing economic realities and create an effective workforce. Partnerships between the government, employers, education providers, and prospective students can be forged through institutional mechanisms that help finance lifetime learning. Several approaches that reduce the cost of lifelong learning to individuals have been implemented in several countries, including grants, tax and interest rate subsidies, earnings replacement, and special purpose accounts such as Individual Learning Accounts (ILAs). In adopting one or more of these strategies, governments must decide whether to target specific populations or take a more comprehensive approach. They must decide which incentives to provide and the degree of flexibility and accountability to incorporate. The United Kingdom, Sweden, and the U.S. offer a range of lifetime learning schemes.

### United Kingdom

After an introductory pilot program in 1999, the United Kingdom implemented a universal ILA program in September 2000 (Cornell, 2003). To open an account, an individual would deposit £25, which the government would then supplement with £150 for the first million accounts opened. In addition, all accountholders received tuition discounts of 80% for information technology and math courses and 20 percent discounts for other forms of education (Fletcher, 2003). The British ILA program exceeded expected demand, with a total of 2.6 million accounts opened (Fletcher, 2003). Unfortunately, the program was susceptible to fraud, with many bogus accounts opened and unauthorized withdrawals taken from individual accounts. In addition, because no quality controls were imposed on education and training providers, some of the offerings were of little utility (Fletcher, 2003). Because

of these concerns, the British government shut the program down in November 2001.

In addition to problems with fraud, the ILA program faced additional challenges. Studies of the program concluded that more than half of accountholders would have been able to pay for the education they gained without government support (Fletcher, 2003). These participants—who would have gained the same amount of education anyway—represented a large “deadweight” loss for the program and called into question whether a targeted approach would be more effective.

While the ILA program will not be reconstituted in the United Kingdom, the government still remains engaged in lifetime learning efforts. In 2003, a successor program was detailed that incorporates some elements of the ILA program but takes a much more targeted approach. This new collection of lifetime learning strategies creates a new entitlement that provides free educational access to adults with low education levels and provides a means-tested adult learning grant to those who need additional financial help (“Twenty-first Century Skills,” 2003). These programs will begin in 2003 and 2004, with a nationwide rollout in later years.

### **Sweden**

Sweden has developed a comprehensive education and training system, with public spending on education comprising 6.5 percent of total GDP (Lynel, 2003). Through programs such as its Adult Education Initiative and the Adult Education Recruitment Grant, the Swedish government has targeted funds to unemployed, less educated, and at-risk workers to pursue the education and training needed to attain better jobs and update necessary skills (Lynel, 2003). In addition to these targeted programs, Sweden has programs available to the general population. Through the Employee’s Right to Educational Leave Act, workers can take leave from their jobs to pursue an education and be assured an equivalent position within their company upon their return (Lynel, 2003). The government also provides financial support in the form of grants and loans to help students with living costs and other expenses. Students with greater needs receive a larger portion of grant funding, while those with less financial need receive smaller grant amounts and have more of a reliance on loans (Lynel, 2003).

To compliment these programs, Sweden is in the process of implementing a universal ILA program. Both individuals and their employers could contribute into an ILA on a tax-preferred basis. Individuals will be able to contribute on a pre-tax basis and employers can deduct a percentage of their contributions from their payroll tax obligations. In addition, once individuals use these accounts to further their education, they will receive a competence premium grant in the form of a tax deduction (“Individual Learning Accounts-Sweden”). While the final administrative and technical issues are being addressed now, Sweden hopes that two million ILA accounts will be opened in the first ten years once this program is fully operational (Cornell, 2003).

### **United States**

While the U.S. has not implemented a universal ILA scheme like those in Britain and Sweden—nor has it seriously ever considered using the lifelong learning framework advocated by the OECD—it has undertaken several initiatives that can encourage lifelong learning and skills development. Under the Workforce Investment Act of 1998, local Workforce Investment Boards were given the authority to offer their clients Individual Training Accounts (ITAs) that allow job seekers and others who are determined eligible by the local Board a flexible way to obtain necessary training and education (Patel & Savner, 2001). President Bush has also proposed a system of Personal Re-employment Accounts for those who are unemployed and likely to remain so after their unemployment benefits have expired. Under this plan, these individuals would receive an account of up to \$3,000 to use for job training and supports such as child care (Goldberg & Primus, 2003).

Various pilot programs for ILAs have also been created at various U.S. institutions. Recently, the federal government piloted an ILA program for employees at 13 agencies. An evaluation of this pilot program has shown a largely positive response and may result in a larger scale program in the future (“Individual Learning Account Pilot,” 2003).

The main focus in the U.S., however, is on college financial assistance through loans, need-based grants, and tax incentives such as the Lifetime Learning Tax Credit. Though institutional mechanisms for education saving accounts—such as Coverdell Accounts, Roth IRAs, and state-sponsored College Savings “529” Plans—currently benefit middle and upper income accountholders that can take advantage of tax incentives, it is possible that these could be modified to help lower-income Americans build assets that can be used to fund educational pursuits. Recently, several states have modified their 529 plans to provide matches for low-income families saving in these accounts (Kim, 2003).

### **POLICY IMPLICATIONS FOR FINANCING LIFELONG LEARNING**

Our analysis and discussion thus far suggest four policy implications:

1. Public policy should create and expand demand-led, portable Individual Learning Accounts that operate through employers, financial institutions, and local institutions.
2. Government must:
  - Standardize the financial product and learning choices
  - Provide universal and targeted subsidies (what the UK calls “progressive universalism”)
  - “Protect” ILA savings by revising asset limits in welfare programs

3. 



- 3 Citizens should own the account, while employers, financial institutions and local organizations should own the program.
4. Multiple government agencies could—and should—contribute to the accounts. Lifelong learning provides a coherent framework for consolidating existing funding streams.

These policy implications strongly suggest that a “whole of government” approach would be well suited to expand lifelong learning opportunities within OECD countries. Clearly each person and each sector—government, financial institutions, employers, and local institutions—has a critical role to play, and multiple government agencies could and should play a role, too. In fact, both asset building and lifelong learning represent a convergence of social and economic policy, so it makes sense that disparate government agencies should also converge to fund the accounts. In general, policymakers should aim for a lifelong learning account that is created, standardized, regulated, and subsidized by public policy but operates through private sector actors, especially financial institutions, employers, and community-based organizations. Contributions should be expected from government, financial institutions, employers, and citizens, but with the greatest benefits accruing to persons with the greatest need.

To get everyone into the same system—to get the “plumbing” in place—small but universal “seed” deposits should be provided to every citizen. These can be as low as US\$100. But to encourage participation by those with the greatest need, the seed deposits should be followed by matching deposits that phase-out as income rises. Tax policy may also be used to encourage contributions to the accounts of disadvantaged persons, regardless of age. Moreover, corporations, foundations and others may adopt an entire school or community, and contribute to the accounts of disadvantaged children and youth who complete certain levels of school, perform well academically, and/or provide community service. And in any school-based system, financial literacy should be incorporated into pre-college curricula.

Finally, while market-based ILAs should be used, policymakers and others need to be mindful of the British and Swedish ILA experiences thus far. Too many accounts too fast, without proper consideration to fraud, deadweight, and interest from the private sector could, as in Britain, be fatal. We accordingly recommend that initial policy goals should be modest, but scalable, and grow in accordance with local experience.

## SUMMARY AND CONCLUSION

This paper’s key points can be reiterated as follows:

- Society presently, and effectively, “institutionalizes” asset accumulation for the non-poor.

- Lifelong learning is also an asset-building strategy, but cannot succeed as such for the disadvantaged without new and targeted institutional structures in the public and private sectors.
- Savings (and subsequent asset accumulation) is a structure, not a habit.

As the OECD wrote in 2001, “In knowledge economies, the distribution of education and lifelong learning has profound effects on social equity. Broad access to learning could narrow inequalities, but the opposite will happen if human capital becomes concentrated—the more so because it can be passed from one generation to the next.” If lifelong learning, as an asset development strategy, succeeds, and nations begin to endow each new generation of children and workers with assets and the resources necessary to build education and skills throughout life (from “cradle to grave”), we can begin to ensure that inequality of outcomes in one generation does not become inequality of opportunity in the next.

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<sup>1</sup> Individual Development Accounts (IDAs) reward the savings of working-poor families who aim to buy their first home, pay for post-secondary education, or start a small business. Other uses, such as retirement, home repair, and computer or automobile purchase, are sometimes permitted. This incentive is provided through the use of matching funds that typically come from a variety of private and public sources. IDAs are usually managed by community-based organizations with accounts held at local financial institutions. Accountholders typically receive financial education and training.