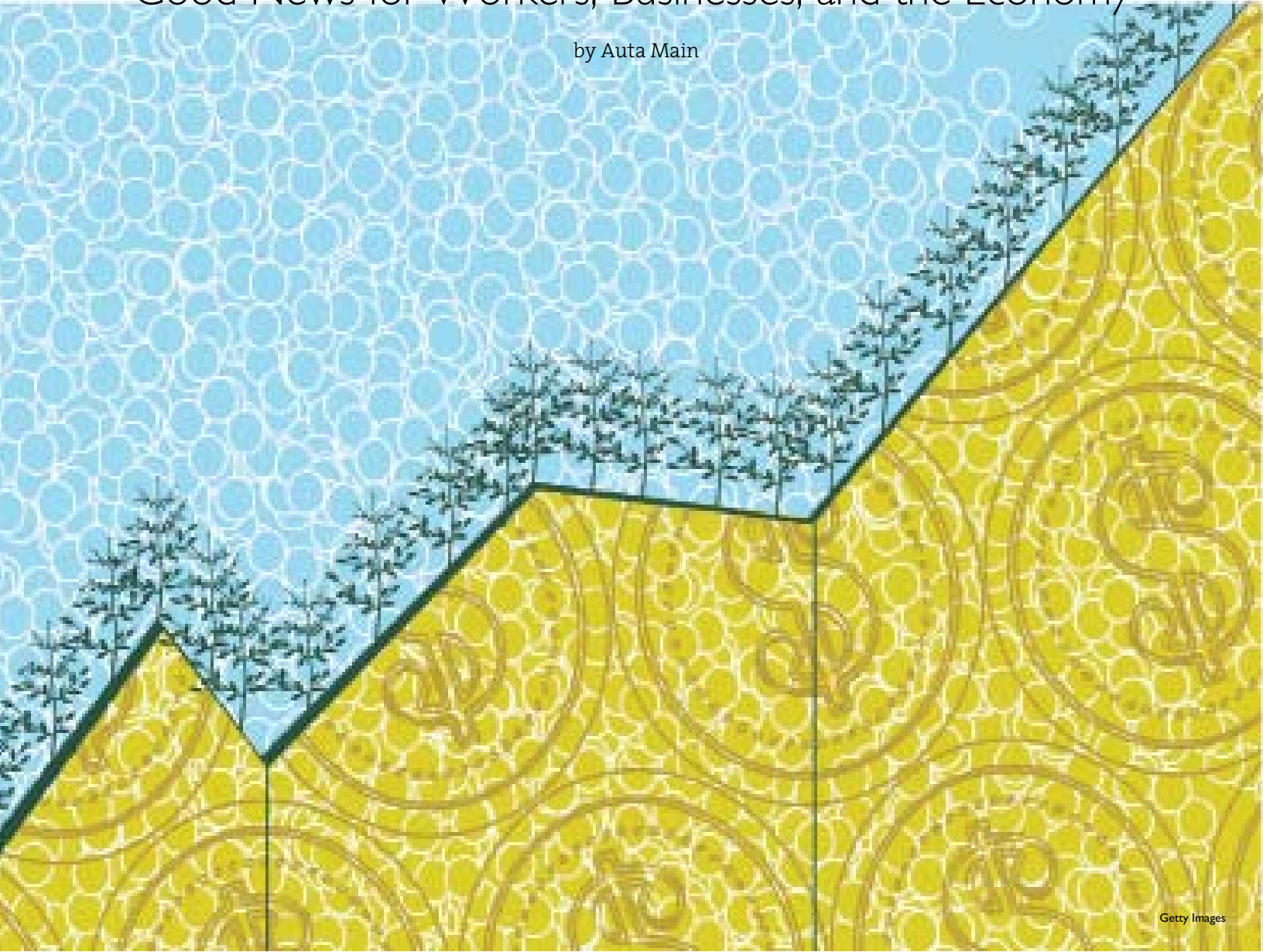


# MAINE'S

## Lifelong Learning Accounts

Good News for Workers, Businesses, and the Economy

by Auta Main



In late 2007, a group called Skills2Compete released a report refuting the idea that the new economy will depend primarily on a combination of very low-skilled jobs and very high-skilled jobs, with few of the jobs that support a healthy middle class. Skills 2 Compete argued that “the demand for workers to fill jobs in the middle of the labor market—those that require more than high-school, but less than a four-year degree—will likely remain quite robust relative to its supply.”<sup>1</sup>

Will we have the skilled workers to fill those positions? And if not, how do we get more people to go beyond high school and pursue the education and training they need for critical jobs in health care and emerging high-growth industries like clean energy?

One of the biggest challenges is paying for the additional education and training. Some believe that employers should foot the bill because they benefit from a skilled workforce, others say that workers should pay, and still others consider it a government responsibility. A reasonable solution may be the Lifelong Learning Account, or LiLA, which enables all parties to share the cost.

## What Are Lifelong Learning Accounts?

LiLAs are education and training savings accounts designed to leverage contributions from individual workers, employers, and third parties such as government agencies or nonprofits. They are similar to individual development accounts (IDAs) but are focused on education, whereas IDAs can be used for other purposes, such as housing.

They also differ from tuition-reimbursement plans. The employee builds a portable account with both an employer match and a third-party match, so the money is ready before registration. Moreover, any level of employee can build a LiLA, and there are advantages not generally associated with tuition-reimbursement programs. For example, career counseling is offered, and money can be spent on supplies and on classes unrelated to the industry the employee works in.

Jason Gamache, a carpenter at Morris Yachts in Bass Harbor, Maine, is one person who wanted to upgrade his welding skills and increase his knowledge of boat building. After Morris Yachts enrolled in Maine's Lifelong Learning Account pilot program, Gamache signed up and took welding classes offered

by the local adult education center and the Eastern Maine Community College. Now he plans to use his LiLA money toward his Morris Yachts apprenticeship classes.

The Chicago-based nonprofit Council for Adult and Experiential Learning is the force behind LiLAs. Since 2001, CAEL has helped launch several small-scale initiatives nationwide. New demonstrations and pilot programs are adapting CAEL's LiLA model to specific uses, administrative structures, and target populations. The Maine Department of Labor, for example, is piloting LiLAs through its network of Career-Centers. They have partnered with Maine's NextGen college-investing plan to provide account management and with the Maine Centers for Women, Work, and Community to provide advice to LiLA participants. Of the employers who signed up for Maine's LiLAs, 75 percent had no tuition assistance before. Others like to supplement what they already offer.

LiLAs share the following design features:

- **Universality.** All individual workers are eligible for accounts.
- **Broad Use of Funds.** A wide range of uses are eligible, including tuition and fees, assessments, supplies, materials, and books.
- **Portability.** Even though employers can contribute to LiLAs—typically by matching the individual's contribution up to an established annual cap—the accounts are owned by the individual, regardless of the person's current employer or employment status.
- **Voluntary Participation.** Individuals and employers have the option of participating. The design encourages and facilitates widespread participation.
- **Informed Choice.** Individual participants choose what they need to meet their career goals based on a learning plan that is developed with educational and career advisers.

## Good for Workers

In several of CAEL's demonstration programs around the country, participating workers have seen firsthand how using LiLAs to access education and training can change lives.

Tracey Perkins is another Maine example. A bookkeeper in the accounting department at gas manufacturer Maine Oxy in Auburn, she became one of the state's first LiLA holders in fall 2007. Although she

had long known that an accounting degree was necessary for a promotion, she had been holding off. Tuition was just too expensive. When Maine Oxy decided to provide a LiLA program as a new education benefit, Perkins jumped at the opportunity. She is now taking classes at Central Maine Community College in Auburn and hopes to finish her degree by 2009. Meanwhile, Maine Oxy executives are grooming her to be the company's chief financial officer after the current CFO retires.

## Good for Business

Workers are not the only ones to benefit. Employers who have participated in LiLA demonstrations across the country find that LiLAs are helping the business. They are an affordable benefit. In South Thomaston, Maine, the chief financial officer at Ask ... For Home Care reports that LiLAs are serving as a recruitment tool. “It's great to be able to offer possible employees the opportunity to further their education,” Jodie Heal says. For a recent hire who wanted to attend nursing school in the fall, the deciding factor was Ask ... For Home Care's LiLA contribution. Additionally, she says that for current employees and home-care aides “to be able to continuously save toward these classes and have us match those funds, that's a big asset to them—and a major retention tool for us.”

Human resource director Diane Claremont of employee-owned Maine Oxy agrees. “Our future relies on our employees. Educated individuals are our future and will bring this company into the next decade and beyond.”

Other employers see LiLAs as a way to foster positive attitudes. Michael Coughlin, executive director of Goodwill Industries of Northern New England, has heard repeatedly from employees that help with funding education is important. When Goodwill announced its participation in the LiLA program, workers were thrilled. He hopes it “will create a sense among employees that there is a path to growth, even when management positions are in short supply. Employees who can better themselves through education are living the values and the mission of our organization: ‘A hand up, not a hand-out.’”

## Good for the Economy

CAEL's vision is for LiLAs to become a standard feature of employee compensa-



tion packages. Government champions are also working on the issue. In 2007, federal legislation was introduced in both the U.S. Senate and House of Representatives that would establish demonstration LiLAs in up to 10 states and give both employers and employees a tax credit for their account contributions. In cooperation with CAEL, Maine's Congressional Delegation has supported and cosponsored the federal LiLA legislation in both houses.

U.S. Senator Olympia Snowe, a cosponsor of the Senate bill, says, "The Life-long Learning Accounts program will give millions of Americans an opportunity to develop the skills necessary to compete in an increasingly knowledge-based economy." U.S. Representative Tom Allen says, "Stunning advances in science and technology are creating exciting opportunities for American businesses and American workers, but to take advantage of the promise these innovations hold and for America to remain competitive in the global economy, we must have a workforce with the education and training to fill the jobs businesses create. ... We see Life-

long Learning Accounts as a way to keep our workforce educated and current in today's technology and business environments."

In addition to the federal efforts, several state officials are working to make LiLAs available on a larger scale, sometimes with government-sponsored incentives such as additional matching dollars for low- or moderate-income workers or tax credits for individual employer contributions. Maine has established the first phase of a state-based program in which the state's finance authority manages the investment of LiLA funds through the NextGen program.

Although LiLAs provide a promising response to the need for a competitive workforce, they are not a replacement for current employer-based education and training benefits, which education consulting firm Eduventures has estimated could be as high as \$20 billion annually. Nor can they be a substitute for targeted aid to disadvantaged populations. Instead, LiLAs help to fill a gap in the current landscape of funding for worker education. They can help the working poor, individuals in dead-end

jobs, workers and employers in highly competitive industries, and they can help retrain workers in professions that are becoming obsolete. In getting individuals, employers, and government to co-invest, they make education a more affordable prospect for all. As one LiLA account holder says, "People should never stop learning. The LiLA program helps you financially, and it won't break the bank."

---

**Auta Main** is LiLA program manager for the state of Maine. She is based in Augusta.

#### Endnote

<sup>1</sup> Harry J. Holzer and Robert I. Lerman, *America's Forgotten Middle-Skill Jobs* (Washington, DC: Skills2Compete Campaign, November 2007).

► This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bos.frb.org/commdev/c&cb/index.htm](http://www.bos.frb.org/commdev/c&cb/index.htm).