

# Is the Individual Learning Account suitable for low educated people?

Drs. Toon Janssen – Dutch Ministry of Social Affairs & Employment

## Summary

The question whether the individual learning account (ILA) works for low educated people must be preceded by the question what an ILA is. In this paper a difference is made between the ILA and an individual learning budget (ILB). The ILA is a saving account and demands a long-term personal investment. The ILB is an amount of money which is mostly placed at one's disposal only once and by which a personal financial contribution is not a standard demand. The conclusion is made that an ILA may be an effective instrument for higher educated people, but not for the low educated. For low educated people an ILB together with help at establishing the training need and at choosing a course or training programme is probably a successful strategy.

## 1. Introduction

In several countries the ILA is used to stimulate the learning of adult people. In modelling the concept all sorts of operationalisations are handled, which blur the original definition of the ILA. At first I want to put the question what we mean by an ILA and how to define it. The second question is, whether the ILA, understood as a saving account, stimulates lower educated people to pick up learning again. Also the question is posed about the effectiveness of the ILA amidst other instruments and measures to stimulate learning (of lower educated).

## 2. What is an individual learning account (ILA)?

Since 2001 the Netherlands are experimenting with the ILA. In the ILA<sup>1</sup> subsidy scheme the ILA is defined as: "...a saving account in name of an employee. The saving account is used to bear the costs of training." In her pure form the ILA is a saving account on which an employee can save money for a longer period to bear the costs of periodical training. The saving account is filled in by the accountholder (employee), but also the government and the employer can contribute to the ILA. There are several saving options. In the Netherlands the option is/has been considered to save a certain amount of money from the gross wages (before taxes) which is as a net sum placed in the saving account. In this way the government contributes in the form of a tax concession to the account. This saving model is similar to the "spaarloonregeling" which is already operational in the Netherlands for more than a decade. The "spaarloonregeling" has been introduced to stimulate saving (e.g. to buy a house). The ILA is considered to stimulate the selfresponsibility and freedom of choice for learning.

---

<sup>1</sup> Regeling experimenten individuele leerrekening voor laagopgeleide werknemers, Staatscourant 10 augustus 2005, nr. 153/p.13

In the current as well as in the two former subsidy schemes the ILA is not handled as a saving account, but as an ILB<sup>2</sup>, i.e. as a sum of money which is placed at the disposal of an employee to buy training. There are several reasons for that:

- a) Main goal of the experiments is to investigate whether employees pick up training when they have an own learning budget available and which choices they than make. Do they develop an intrinsic motivation and a greater responsibility for learning, are they becoming more independent from the employer?
- b) To be able to investigate the effectiveness of a saving account long-term-investigation (5 – 10 years) is needed. In the stage of policy development of lifelong learning this is to long a period to ground decisions on for implementing the ILA as a motivating instrument.
- c) The use of the term ILA has been maintained to keep the spirit of the instrument alive and as a prelude to effective implementation.

Because of these reasons the experiments focussed mainly on the efficiency and effectiveness of an individual learning budget rather than on the functionality of an ILA in the sense of a real saving account. Nevertheless the results of the experiments with the ILB may to a certain extent give the possibility to take conclusions about the functionality of an ILA. This will then be in terms of improving individual responsibility and freedom of choice, but not whether people are actually willing to save for learning.

In other words not the functionality of the ILA as a saving account is investigated in the Netherlands, but the effectiveness of an ILB on the learning attitude of employees. The current experiment focuses especially on the lower educated.

We must agree clearly on what we mean when speaking about an ILA. Do we speak about a saving account or about an individual learning budget? Only in relation to that we can also speak about the usefulness of the instrument and for whom. In the following I will try to maintain this distinction when I further go into the suitability of the ILA for low educated people.

### **3. Participation in training in the Netherlands**

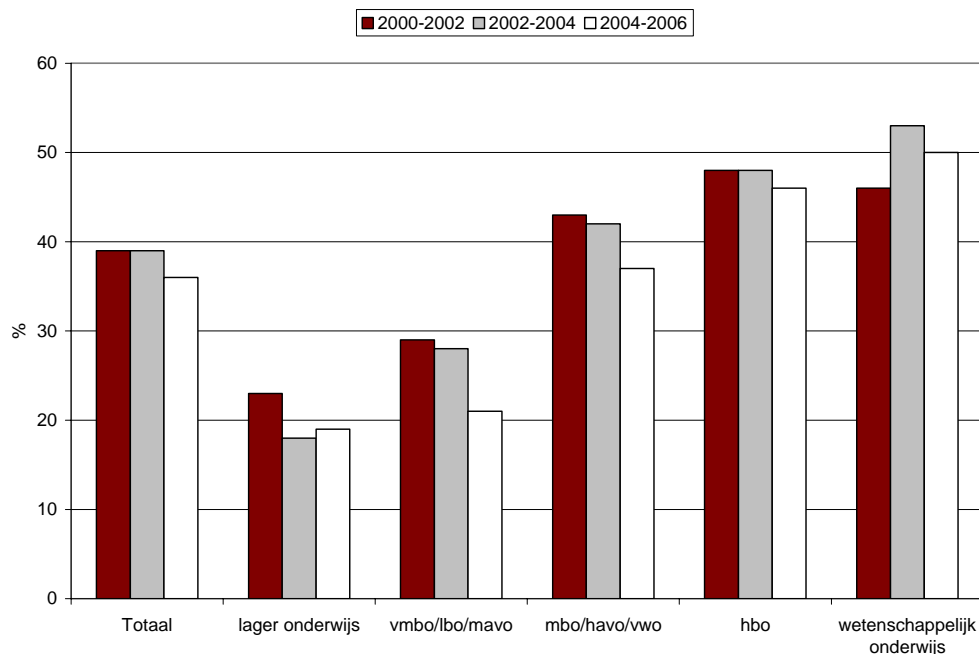
The Netherlands aim at a level-2 qualification in 2010 for 80% of the labour force between 25 en 64 years old. In 2000 this was 74,4% and in 2007 77,7%. So in 2007 23,3% didn't have a level-2 qualification, which are almost 2 million people.

Looking at the training participation we see that 36% of the Dutchmen between 16 to 65 year, who were not engaged in a fulltime daily course at the moment of interview, followed a work related course or training programme between 2004 and 2006 (so over a period of two years). Of the Dutchmen with only primary school this was only 19% and with lower secondary education 21%. The participation of people with higher professional education or university exceeded these percentages firmly with 46% respectively 50%. Obviously there is a huge gap in training participation between low and high educated people. Concluded may also be that participation shows a decline right down the line (see figure 1)

---

<sup>2</sup> An "individual learning budget" is a sum of money which is placed at the disposal of an adult (employee, unemployed person, not-working person) to buy training. A personal contribution may be asked of the beneficiary, but a structural own investment is not demanded of the individual.

*Participation in training or courses of all respondents, according to level of education, 2000-2006 (in percentages)*



**Source: OSA-Arbeidsaanbodpanel 2006**

#### **4. Why do lower educated take less part in education and training?**

The reasons for lower participation rates of low educated people in most cases is attributed to the employer or the low educated him-/herself.

In a state-of-the-art report about training of employees without level-2 qualification Regioplan<sup>3</sup> summarizes a number of these reasons:

- Crucial argument with **employers** is that they do not train their employees primarily to improve their chances at the labour market, but to solve short term problems in conduct of tenure. Company training is strongly focussed on the daily functioning of the employee within the company and not on strengthening his employability i.e. his labour market position. The lower educated employee often is only be considered for training if this is of instant importance for his job (e.g. operating a new machine, following a legally demanded security course). This obstructs the employability of the low educated.
- Research results show that low participation in training of low educated people often must be sought in employee characteristics and not in employer characteristics or educational supply. Many low educated have a negative attitude towards education and training. They don't want to, are afraid of, cannot or don't know how to learn. The training of low educated people stays behind cause of the following barriers:

<sup>3</sup> Mevissen, J.W.M. en M. Mosselman, Scholing van werkenden zonder startkwalificatie; stand van zaken en perspectieven, Amsterdam, januari 2006.

- a. Situational barriers (time, money, etc.);
- b. Institutional barriers (college hours, location, etc.);
- c. Informational barriers (lack of information, incomprehensible information, etc);
- d. Psychological barriers (too old, fear for learning, etc.).

A lot of factors influences the training participation of low educated people. Availability of financial means is just one of them.

## 5. How can low educated people be motivated to start learning?

Nonetheless there is also enough evidence that low educated people are willing to learn, but that they have to be approached and facilitated in a specific way. To do so we have to take use of different aspects within the organisation of learning, which can break the above mentioned barriers. These are mainly the following<sup>4</sup>:

- *Learning-on-the-job*: the best way to learn is at the workplace.
- *Short-term-goals*: low educated people learn easier with short-term-goals and direct relevance of what is learned. Therefore it is important to divide the subject material in modules.
- *Don't bring employees in an exceptional position*: low educated people sometimes are ashamed of not having certain basic competences.
- *Training in working time*
- *Show success-stories*: success of others with the same background may take away resistances.
- *No delay*: if the employee has decided to enrol in a course then he should be able to start in short notice. Otherwise motivation may fade away.
- *Learning in a group*: learning in a group stimulates and prevents from dropping-out.
- *Safe learning environment*: not too large a group, employees from the same team, familiar environment.
- *Way of examining*: no written tests, but practical assignments or oral tests.
- *Certificat, bonus, extra attention*.

To be able to implement these points of attention the cooperation of the employer is needed. The employer must become conscious of the fact that a motivated and well educated employee is of more value for his company than an unqualified employee who only wants to learn how a new machine works.

Which role does money play in motivating low educated people to start learning? Obviously it is assumed that the financial means for training are available through the employer, the training and development fund (O&O-fonds) or the government, but that they don't have mean in the motivating process. At least, money is not seen as an incentive as we look at the above mentioned motivational aspects. Several examples show however that this is nevertheless the case.

---

<sup>4</sup> Smit, A.A., S. Andriessen en K. Stark, Lager opgeleiden in beweging, TNO Kwaliteit van leven, Amsterdam, 2005

As one of the provisional results of the ILA-experiment it turns out that the ILA has great influence on the initiative to enrol in a course. If a person has an ILA he takes more often a training initiative than if a person doesn't have an ILA.

The province of Noord-Brabant placed learning vouchers with a value of €250 at the disposal of low educated people (maximum lower secondary vocational education) to encourage them to attend a course. The conditions for spending the learning voucher have been kept deliberately easy accessible. The learning voucher is not only meant for work related training. Almost all kinds of courses were eligible. The aim was to set people going. From the evaluation it occurs that if low educated people are in command they actively get to work to find a training or course that appeals to their sentiment. And it shows that in the end a lot of people choose a course that has to do with work. Through a smart campaign and a professional back office with a personal approach the learning voucher has been brought to the attention of the low educated. The demand turned out to be higher than expected. Overall 1836 learning vouchers were allocated, while a number of 1600 was reckoned with. According to the evaluation the learning voucher can also serve as a stair to a continuation schooling. About half of the participants declare to have the intention of going into further training.

Meijers and Teerling<sup>5</sup> come to the conclusion in their article about the motivating influence of the individual learning budget that an individual learning budget leads to higher participation in education and training of lower educated people. This has to do with greater individual responsibility and greater choices that brings an own learning budget. Apart from that the authors point at the fact that most employees will need guidance in articulating their training need and in finding suitable training.

The conclusions seems to be permitted that an ILB can have a stimulating effect on the training motivation of low educated people. Conditions for a well use of the ILB however is that the ILB-product is well marketed and that is being taken care of adequate personal guidance.

## **6. Can an ILA, understood as a saving account, serve as a training incentive for low educated people?**

As far as I know there are no research results available which answers the question if an ILA, as a saving account, is an effective instrument to stimulate learning by low educated people. In general an ILA is considered to play a positive role, but these are mere assumptions. The ILA is also often mixed up with the ILB, by which the original function of the ILA is pushed to the background.

To memorize: the ILA is, according to the Dutch definition, a saving account, which is used for the financing of training. This implies that the account holder sets aside money (from his salary) which he in due course uses for the payment of a course or training. The idea behind an ILA is that people will have to retrain themselves periodically during their working live to be able to keep up with the demands of their job or to be able to keep up with society. And for that reason money is needed periodically.

---

<sup>5</sup> Meijers, F. en L. Teerling, Is Leren leuk? In: S. de Vries, E. Wortel & A. Nauta (red.), Excelleren voor en door mensen: Theorie en praktijk voor optimaal Human Resource Management (pp. 86-99), Kluwer, Deventer, 2003

The question now is who will make use of an ILA according to this principle. For the present we will have to approach this question by common sense, for research data are until now not available on this matter. It is reasonable that a (small) part of the higher educated in the Netherlands will make use of an ILA. Their training need is often articulated and their salaries are high enough to afford saving. Conditional however is that there are financial advantages in saving specifically for training. Otherwise there would be no use for it. The advantage could be for instance that the government offers tax concession and/or that the employer contributes a yearly sum to the account. The advantages also have to exceed the already existing advantages of other training regulations.

For low educated people it is far more doubtful whether they will use the possibilities of an ILA. The ILA demands personal investment, while the salary is often modest. Above that most of the time the low educated doesn't have an articulated training need and is he not used to think in terms of future goals. Also tax concession for lower salaried is lower than for higher salaried people. Contrary to the ILB it is most probable that there will be no stimulating effect from the ILA on the training of lower educated people.

## **Conclusion**

In the debate about the stimulating effects of demand driven financial instruments explicit distinction has to be made between the ILA understood as a saving account with structural personal investments and all sorts of ILB's (learning vouchers, training vouchers, training cheques) which demand no or only a sole (modest) own contribution to a course or training. The introduction of an ILA might be successful for higher educated people if the advantages are explicit with regard to existing regulations. For lower educated people the ILA will not work, but PLB's could very well fulfil an encouraging role. This has to be combined with a smart information strategy and a system of individual guidance.

Toon Janssen  
23 January 2008