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# PANORAMA

## Individual learning accounts





Cedefop

## Individual learning accounts

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# Foreword

Since lifelong learning (European Commission, 2001) became one of the European Union priorities with the launch of the Lisbon strategy in 2000, individual learning accounts have been seen as a possible means of encouraging individuals to polish their knowledge, skills, and competences. High level of education promotes opportunities for personal development and welfare, and strengthens an individual's labour market potential. The Copenhagen declaration (European Commission, 2002) and Helsinki communiqué (European Commission, 2006) seek improvements in public and private investment in VET through balanced and shared funding and investment mechanisms. In line with this policy objective, Cedefop organised a seminar *Individual learning accounts: an incentive for financing continuing vocational education and training* and review of the financial instruments directed towards individuals.

Incentives to encourage early school leavers and illiterate adults to participate in training need to be different from those to motivate workers with high educational attainment and professional experience. Employment opportunities for the low educated are shrinking almost everywhere. Cedefop's recent study on future skill needs (Cedefop, 2008) shows that the net employment increase in Europe of over 20 million jobs between 2006 and 2020 comprises an increase of almost 19.6 million jobs at the highest qualification level and almost 9.5 million jobs at medium level, offset by a sharp decline of 12.5 million jobs for those with no or few formal qualifications. Some economists argue that the market will take care of imbalances; others advocate government intervention for better education and training. Companies mostly invest in training for qualified workers in the labour market because of their lower training costs. Certain groups, especially with low qualifications, have limited access to training. Because of this, some countries foster pilot projects focused on joint financing of education and training to help employees share costs between the State and individuals when they are not supported solely by employers.

Individual learning accounts are an example of such joint financing mechanisms and have been discussed in most EU Member States. Some countries have introduced them (some on a trial basis) while others have rejected them. However, the results differ by country and scheme, and there has been a shift from financing training providers in some countries to demand-led financing in recent years. The aim is to foster freedom of choice for individuals and bring training provision closer to trainee needs. Instruments such as individual learning accounts or vouchers give learners purchasing power for learning. However, development of new opportunities to promote continuing vocational training does not necessarily lead to wider participation of all cohorts in training, thus the challenge of how to reach the most disadvantaged remains.

I believe that this publication not only provides a review of recent developments in learning accounts but will be a useful example for evaluation of education and training programmes and will have an impact on research for policy formulation and programme design.

Aviana Bulgarelli  
Cedefop Director

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Cedefop would like to acknowledge the contributors who gathered and carried out the initial analysis of the material and drafted and presented their findings to Cedefop. Their names and affiliations appear in Annex 5.

This publication is the outcome of the seminar on *Individual learning accounts: an incentive for financing continuing vocational education and training* held in Thessaloniki in January 2008.

## Preface

On 31 January 2008 Cedefop's seminar, *Individual learning accounts: an incentive for financing continuing vocational education and training*, in Thessaloniki, presented research results on financing continuing vocational education and training (CVET) through such accounts. The seminar was attended by 21 participants (practitioners, researchers and policy-makers) from Europe, Canada and the US. Participants acknowledged that individual learning accounts (ILAs) may play a role in achieving the EU's objectives set out in the Copenhagen process, an integral part of the Lisbon strategy. Topics included how public policies and employment services develop ILAs and link them to career management and training, how social partners can cofinance ILAs, and what the outcomes of pilot ILA scheme evaluations show. Some clear policy lessons may be drawn by comparing the pilot projects presented at the seminar; however, several issues and challenges remain.

This publication is mainly based on the contributions from seminar participants. The preface briefly outlines the background, purpose and the scope of the event. The case studies highlight current trends in learning accounts and evaluation practices. The final section concludes with empirical and conceptual approaches and identifies further steps and questions to be addressed.

Substantial work on learning accounts has been done by the members of ELAP network <sup>(1)</sup>, representatives from countries and organisations within the EU, including Cedefop and beyond. They share an interest in developing and testing mechanisms that encourage adults to participate in learning and enable the costs of that learning to be shared by appropriate parties: individuals, employers, government and social partners. The OECD also contributed to this process by exploring various policy aspects of joint financing for lifelong learning.

Our intention was to examine current use of ILAs, see who participates in such schemes, discuss trends and gaps, and reflect on concrete strategies to broaden access to incentives for lifelong learning. Examples of good practice identified in several EU countries, together with other interesting case studies from participants, provided grounds for discussion. The main objective of the seminar was to provide a forum to discuss ILAs, presenting the results of current and completed work on financing CVET through ILA and suggesting further research. ILAs encourage people to contribute to the cost of their own learning, after compulsory education, through special deposit and/or savings accounts that attract matching funding or supplementary grants, benefiting from public and private funding.

The seminar brought together experts in ILAs involved in research and policy, representing different perspectives and approaches. It discussed innovative and best-practice initiatives, identified keys to success, challenges, and explored the conditions for expanding ILA

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<sup>(1)</sup> Available from the Internet: <http://www.e-lap.org/> [cited 25.6.2008].

provision. Participants were invited to present concrete examples and make suggestions to improve the effectiveness and efficiency of ILAs. The following themes were discussed:

- (a) the role of public policies and public employment services in developing ILAs and linking them to career management and training;
- (b) comparison of differences in managing and supervising ILAs in various countries, plus organisational forms (sectoral training funds, public authorities, non-governmental organisations, etc.);
- (c) lessons learned from the failure of ILA schemes;
- (d) opportunities and challenges offered by the introduction of ILAs;
- (e) the role of social partners in cofinancing ILAs.

The seminar addressed the following policy questions:

- (a) how can enterprises, trade unions, professional bodies, employers' organisations, public and private employment services, and community-based organisations collaborate in delivering ILAs effectively to target groups?
- (b) what key success stories have been developed in the national context?
- (c) what are the lessons learned?
- (d) what conditions are needed to transfer and expand these examples?
- (e) do ILA motivate account holders return to education and training?
- (f) what part of the cofinancing should be borne by trainees?
- (g) what measures should be taken to reduce improper use of funds or fraud?
- (h) how to ensure sound publicity and guidance for ILAs?
- (i) what should be the role of intermediaries in raising awareness of ILAs?
- (j) which groups should be the primary target of ILAs?
- (k) how to minimise the administrative burden associated with the scheme?
- (l) which policies, methodologies, approaches and tools have the most potential?

The answers to these questions were uneven. Further pilot work and experimentation with learning accounts is essential for systematic comparisons and better understanding of how funding mechanisms deliver more efficient and effective education and training for learners.

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# 1. Review of individual learning accounts in Europe <sup>(2)</sup>

**Dieter Dohmen**

## **Abstract**

There have been many trials of training vouchers and so-called learning accounts in recent years. Most western and south-western European countries have tried them in one form or another. The related financial funding amounts are usually comparatively small and the number of participants who can be involved also seems limited; this is the result of the trials mainly involving model programmes or programmes with limited budgets. Focus on disadvantaged target groups, who are reached at a disproportionately low level if they are not specifically addressed, is regarded as a particular challenge. Despite this failing, most approaches seem to have had a significant mobilising effect. Such effects must be contrasted with windfall gains, which can probably not be prevented but could be limited by subjecting funding to certain prerequisites, for example limited income and/or no participation in training over a certain period.

## **1.1. Introduction**

The aim of this paper is to provide a review of individual learning accounts (ILAs) in Europe. However, it should be accepted that the term ILA has been reinterpreted over the 10 years since its origination. In fact, the initial idea in Sweden and the UK was to open a bank account, in which to deposit and save money for education and training purposes. While the Swedish approach was never implemented, despite several years' debate, the approach finally introduced in the UK was different. Instead of saving over a longer period of time, it was sufficient to open up a bank account and to deposit GBP 25 (EUR 37); the government responded with a grant of around GBP 150 (EUR 225). Such first-generation ILAs were rarely introduced. Austria was first to establish a full-scale approach, only two years ago, while the Netherlands had one trial within some of its pilot models. A few years ago, the German Experts Commission (2004) suggested such a saving account for lifelong learning, while Dohmen et al. (2007a) have severe doubts whether 'traditional' saving for further professional training will work.

This suggests not concentrating on first-generation ILAs which would limit the scope and content of this paper, but to broaden the approach.

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<sup>(2)</sup> Paper presented at the Cedefop seminar on individual learning accounts in Thessaloniki (Greece) on 31 January 2008. It is based on the study *Current trends in the demand-led financing of further training in Europe – a synopsis*, commissioned by the German Federal Ministry of Education and Research, published as FiBS-Forum No 40 ([www.fibs.eu](http://www.fibs.eu)) (e-mail [D.Dohmen@fibs.eu](mailto:D.Dohmen@fibs.eu)).

Further, several approaches to individual learning accounts would not be covered by this paper, for example those in the UK, the Netherlands, the Basque Region, Austria, the Swiss canton of Geneva or Belgium. All these countries jointly finance further professional training with public grants to some degree, even though the details of each model are different. Yet, this – more practically oriented – approach to ILAs blurs the distinction between ILAs and some other funding modes, such as vouchers. Therefore, this paper does not distinguish between ILAs and vouchers but covers all approaches that jointly finance lifelong learning by similar means. In addition, we also offer a brief review of vouchers or learning accounts that are directed at small and medium-sized enterprises (SMEs) to complete the coverage.

## **1.2. First-generation ILAs: individual saving accounts**

Savings ILAs are comparable with home purchase savings or capital accumulation; savings are made over a longer period and usually in equal deposit amounts. This savings process is supported by the State, either by tax-reductions or increased interest payments. Often, as in Sweden, they are called individual learning accounts, though sometimes they are named differently. Two examples from Sweden and Austria are presented.

### **1.2.1. Swedish ILAs**

The introduction of ILAs, based on capital accumulation for further training funded through taxation, was discussed in Sweden for many years. Even though the model was not implemented in the end, it is presented here for the sake of completeness (Ljunggren-Lönneberg et al., 2003; Schütze, 2007).

Government funding of the accounts was to be based on the income tax system, not as a direct payment into the account as in Great Britain (Ljunggren-Lönneberg et al., 2003). Payments into the account could then be deducted from taxation up to an amount of SEK 37 700 (EUR 4 100 in 2001) <sup>(3)</sup>. To motivate employers to make payments into the accounts, they too would have been able to deduct the deposits from their tax. They would also have received a 10 % reduction in the income tax that would normally be payable.

The model, individual aspects of its approach, and the overall concept were all fiercely criticised, in particular by unions and trade associations. As a result, the scheme was not introduced and there is no concrete experience with this approach.

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<sup>(3)</sup> If the amounts paid in are withdrawn, the interest earned is taxed at 15 %.

### **1.2.2. Austrian savings plan for education and training**

The basic principle of the Austrian model is commensurate with saving for building purposes or the employee savings allowance. Money is to be saved for education and (further) training measures through linking participant investment with the corresponding training premium or interest. The type of saving the person decides on, whether a bankbook, funds, or another form, is not important. The government pays a bonus of 3 to 8 %, up to a maximum savings amount of EUR 1 000 annually.

At the end of the six-year saving period the saver is entitled to spend the amount saved plus the training savings plan premium on training or for any other purpose. During this period, the saver can withdraw money from the bank account to use for education and training only.

Since the bonus is not too attractive, the major attraction of the saving plan is the option to take up a low interest loan, available immediately the contract is signed. No maximum loan amount is set. A further advantage of savings plans for training and education is that parents and grandparents can pass the accounts on to their children and grandchildren, so they do not expire.

There has been limited use of the system so far. A recent study (Tölle, 2008) estimates the number of contracts to be approximately 1 000, with a loan sum of EUR 20 million in total, average loan being EUR 17 000 <sup>(4)</sup>. The credit is an important option to finance costly training programmes. Finally, it should be noted that the saving plan is available for other education and training costs, for example university tuition fees. This suggests that the number of savings or loan contracts that have been concluded, especially for further training, is very low.

### **1.2.3. Summary**

From the preceding details, and the Dutch pilot project, savings plans for training in the real sense – the accrual of savings, – seem to be of marginal importance. This may be because amounts saved for further training are usually fairly small, so targeted saving is only necessary to a limited extent, in particular for those with low incomes. On the other hand, the saving of larger amounts would be possible and perhaps also beneficial, but the prospect for corresponding expenditure on further training is comparatively limited, in contrast to the situation with university studies. Such a longer planning horizon would, however, be required to save larger amounts <sup>(5)</sup>. Savings plans for training are also unattractive to commercial banks for the same reasons – the fairly small amounts and low relevance of larger amounts saved at a relatively high cost.

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<sup>(4)</sup> It should be noted that this is a rather crude estimate, as Tölle himself mentions (Tölle, 2008).

<sup>(5)</sup> For example, to arrive at an amount of EUR 4 000 a savings period of approximately three years is required, when accruing EUR 100 per month.

### **1.3. Training vouchers and learning accounts**

Financial support in form of ILAs or vouchers can be provided for individuals and also for SMEs. Various instruments are used: training vouchers, training or learning accounts, training bonus and training cheques, to name just a few. Despite their different names, they have one thing in common: they support those taking part in further training through direct governmental payment of money. Usually, a payment - of varying proportions - is required from the participant.

Experiences with vouchers and learning and training accounts is presented in summary below, with reference to evaluations carried out in various countries (see Dohmen et al., 2007b for more details).

### **1.4. The scope of the model, funding recipients and target groups**

Two different approaches must be distinguished in terms of scope and the number of those eligible for funding and actual funding recipients. First, there are models oriented towards all, or at least larger groups, of the population, such as the British, Austrian or Italian models.

Among these, the British ILA model must be regarded as the biggest of its kind so far, directed towards all adults and resulting in a total of 2.6 million accounts opened. 1.75 million courses were booked and 1.4 million accounts used (activated). This also means, however, that 1.2 million or more than 50 % of the accounts opened did not result in actual participation in further training, which may be partly explained by suspension of the model.

Within the first four months of the Flemish training cheque project (target group: employees), from September to December 2003, almost 100 000 applications were registered, of which 85 000 had been granted and payouts already made for around 31 500.

In the Swiss canton of Geneva (target group: those who take part in further training at low levels) in the first four years after their introduction 8 027 further training vouchers were issued to 5 850 persons, a rate of 6 %.

In Italy the voucher is usually directed towards employees in various contractual relationships and specific life situations. The credit cards, introduced in 2006 in three regions, are available for individual further training, in particular for the unemployed and employees with atypical employment agreements. The regions and autonomous provinces have positioned and committed themselves in very different ways in recent years. Emilia-Romagna and the Marche were the first to try individual funding for training. Some regions have preferred to fund companies rather than provide individual vouchers. The autonomous province of Bolzano-

Bozen is the only territory in Italy that also provides individual vouchers to the unemployed registered with the employment office <sup>(6)</sup>.

Use in Austria is unclear and complex. Individual federal states can account for up to 10 000 participants funded, but there is no general overview. It must also be taken into account that vouchers are also available from the chambers of labour. In the first two years after the introduction of the model, the chambers issued a total of 120 000 vouchers and from 2002 to 2006 provided a total of around 290 000 vouchers. This gives an annual average of around 60 000 vouchers throughout Austria, reaching 2 % of the target groups. It would, therefore, seem reasonable to assume a total of just over 100 000 participants funded per year <sup>(7)</sup> when the *Länder* (states) models are included.

There is a second type of much smaller pilot projects that reach up to 1 500 people. In the Netherlands a total of around 2 500 accounts were opened in both trial phases together. These small plans aim to provide experience on suitable forms and functionality.

## **1.5. Funding amounts and joint payment**

The funding amounts provided vary considerably, but the majority are limited to under EUR 300 a year and some are much lower.

The funding provided through the Flemish training cheque is for 50 % of costs, with a maximum of EUR 250 per person per year. Only those who have no upper secondary education qualification receive funding of up to EUR 250 annually without making a contribution.

In Austria the vouchers provided by the *Länder* have, at first glance, a much higher value, although they are usually provided over several years and average annual amounts are within the normal range. Only Tyrol, where vouchers can be worth up to EUR 500, with 25 % of costs shared by the government, is different. Funding amounts are higher in Vorarlberg, with up to EUR 250 per month or 2 500 per year, but these are paid for full-time training and are, therefore, designed to replace income. The chamber of labour vouchers provide EUR 100 to 200 annually, with certain regional differences.

Government funding was around EUR 450 in both phases of the Dutch pilot project and could be added to considerably through payments made by participants or by third parties. In the first phase of the experiment with two pilot models, a personal contribution was required, either as a one-off deposit of EUR 22 to EUR 200 or through participation in a further training measure in the participant's free time. In the second project phase this was the case in five models.

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<sup>(6)</sup> For more information on the regions see Bianchi (2005) and Dohmen et al. (2007b).

<sup>(7)</sup> The responsibilities of the individual *Länder* (states) and the chambers of labour in the individual *Länder* means that not all the required information is available. These figures are designed to provide only an approximation of the scope.

In the canton of Geneva (Switzerland) the average value of the 8 000 training vouchers used was CHF 600 (about EUR 370). Great Britain's original ILA model was also in this range, with government funding of EUR 225 and a participant payment of at least EUR 37. This is also the case with the new models in Scotland and Wales. No details are currently available on the conditions of the future skills account model.

In Italy, in contrast, comparatively high amounts can be provided, with vouchers having a value of between EUR 500 and EUR 5 000 and covering around 80 % of costs. Participants have to pay up to 20 % of costs themselves. The training credit card, focused on certain target groups, has a value of up to EUR 3 000 over a period of two years.

## **1.6. Average further training expenditure**

Strikingly low average amounts are spent on further training. In Scotland the average was GBP 208 (EUR 312), in Flanders it was EUR 395 on average, with a median of EUR 300. Expenditure per measure or course corresponded to participant's educational levels. Other studies also repeatedly refer to comparatively low amounts.

## **1.7. Participants socioeconomic**

Examination of the socioeconomic characteristics of funding recipients shows that, in almost all models examined here, more women opened a learning account or used a voucher than men. This may result from the involvement of certain occupational groups in some cases, as in Flanders and the Netherlands, but seems not to depend on this factor alone.

The socioeconomic characteristics of participants also correspond to expectations; utilisation rates increase with educational levels and/or professional position. Some considerable mobilising effects would also seem to have been achieved since, during evaluations, it was often stated that further training would not have been possible without financial support.

In terms of reaching disadvantaged target groups, in particular unskilled, educationally disadvantaged, and older employees, a mixed picture emerges, leaving space for interpretation in both directions. In England, for example, 22 % of persons who opened an account had not requested any further training in the past 12 months, 56 % of users could not have otherwise financed the training and 16 % had no vocational qualification (McLaughlin, 2007). In Scotland 51 % of participants stated that they could have financed their training without the account; in England this rate was 44 %, in Northern Ireland it was 31 % and in Wales it was 49 % (Scottish Parliament, 2001).

Among those using the training voucher of the Austrian chambers of labour in the first two years, 18 % took part in further training for the first time and 45 % could not have taken part in training without the voucher (Elap report, 2006).

This means that in Great Britain and in Austria between one third and a half of participants could have undergone training without government assistance but that at least half, and in Northern Ireland over two thirds, could not have taken part in further training without support. Even if this does not show any direct effect on disadvantaged target groups, some not inconsiderable mobilising effects can be assumed. Further activity is, however, needed to improve achievement of goals in this area because, in most models, older employees, for example, are underrepresented. The same applies to low-skilled workers.

Conversely, the number of highly qualified participants is generally disproportionately high. In Flanders, rates of training cheque and learning account use increased with educational levels, with the proportion of the unskilled using the training cheque at 15 %, lower than the 23 % for the learning account.

Employees in SMEs are usually also comparatively underrepresented. Of those using the training cheque in Flanders, 40 % came from companies with fewer than 50 employees. Of users for whom information on training behaviour was available, 40 % had not taken part in any further training in the previous two years. This represents quite a significant effect.

Of the 123 companies participating in the Dutch pilot project, one third had fewer than 10 employees, one third had between 10 and 100 employees and the remaining third more than 100 employees. Among the account holders, 35 % had a general upper secondary education qualification at most, and 55 % a vocational upper secondary education qualification or comparable qualification. The remaining 10 % may have had a tertiary education or university degree, although Geertsma et al. (2004) do not make this clear. In the second phase, of the total of 1 400 learning accounts, 500 (36 %) were for job-seekers and 900 (64 %) were for employees.

## **1.8. Accreditation and quality assurance**

Reviewing the results of the various evaluations of the British ILA models, it becomes clear that the intention to keep the programme as unbureaucratic as possible is both beneficial and its main weak point. Since the ILAs were designed to achieve a clear increase in participation in further training and reach educationally deprived target groups, a simple application was, in principle, enough for the opening of an account. Since training providers also profited from the programme and saw new opportunities for business, they advertised massively for them. This motivation of the training providers was a major factor in most accounts opened.

In contrast to training providers, who receive direct government support and are subject to strict quality controls, accreditation was not required for participation in the ILA programme; this aimed to provide an incentive for fast growth in the demand-oriented training market. However, it turned out to be one of the central problems, because several disreputable training

providers took advantage of the situation, providing qualitatively inferior training<sup>(8)</sup>. The resulting complaints and high levels of utilisation were among the reasons for the programme ending. Outright fraud was also practised. Databases were searched for unused accounts and the corresponding amounts were then misappropriated, in some cases through faking signatures. Insufficient safeguards were partly due to the rapid implementation and introduction of the ILA. The risk of misuse and the criminal energy of certain parties were underestimated (Audit Scotland, 2003).

The central consequence of this experience, applied not only in succeeding models in England, Scotland and Wales, but also in other countries working with voucher models or learning accounts, is that the vouchers are only to be used with accredited institutions. Courses can usually only be selected and booked through centrally controlled databases or special training and education catalogues, in which providers must be entered after prior application and assessment, where applicable.

Training providers in Italy can also take part in regional tendering processes. Where public and private institutions offer voucher courses, they are selected according to the reliability of the structure and services. The region of Tuscany, for example, has set up its own accreditation institute that regulates the content, structure and scope of the training offered.

The new credit cards for individual training seem to require more promotion of system-related services. Monitoring, evaluation, consultation and qualification measures for consultants and tutors, and even modelling, feasibility and transferability studies, (success) analyses and more are planned. Acquired skills certification should also be more closely monitored among the target groups (Grelli, 2004).

Irrespective of the negative experiences with vouchers and ILAs, satisfaction with the courses undertaken is comparatively high in all countries. Participants' expectations were met or exceeded by 91 % of English further training and 90 % of participants in the Dutch pilot projects were also satisfied with the courses. Only 10 % found them too easy, cursory or too general, or complained of courses being too difficult and too theoretical. Similar satisfaction levels have also been achieved in other countries.

## **1.9. Addressing participants or those interested in further training**

The experiences with the various models again clearly show how important information, marketing and public relations are in reaching the designated target groups (see Gallacher, 2007). Personal communication would also seem to be important in the case of disadvantaged

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<sup>(8)</sup> Similar developments also occurred during German reunification and have been seen in other countries operating with free-market or similar instruments.

and educationally deprived groups. Newspaper articles on successful participation also seem to be particularly effective, as reported from the Netherlands. This is also an important building block of the Train to gain programme in the UK.

The involvement of employers can have an adverse effect if the training is oriented towards individual vocational further training. In the Dutch pilot project, some of the companies had only a limited interest in their employees' training and, therefore, did not motivate them, but rather hindered their participation. The British Train to gain programme involves companies very closely, but focuses on the companies' training and qualification requirements, which are also partly financed by the government. Employers may have a strong interest in such schemes.

The advertising for such schemes is also differently designed in the various Italian regions and autonomous provinces. Information and consultation is either provided centrally in the region or in the individual provinces, sometimes relying on existing administrative offices, sometimes in their own consulting centres. Promotional events are held at both levels. Various studies have, however, revealed a limited awareness of individual vouchers, of funding for training and education in general, and of public tendering processes. Lack of information and of skills-oriented consultation for participants has also been criticised.

## **1.10. Summary and conclusions**

There have been many trials of training vouchers and so-called learning accounts in recent years: most western and south-western European countries have tried them in one form or another. The related funding is usually small and the number of participants involved also seems limited, though the trials mainly involved model programmes or programmes with limited budgets.

Reaching certain disadvantaged target groups (educationally deprived groups, SMEs), who feature at a disproportionately low level if they are not specifically addressed, is regarded as a particular challenge. Despite this failing, most approaches seem to have had quite a significant mobilising effect. At the same time these mobilising effects must be contrasted with windfall gains; these can probably not be prevented but could be limited by subjecting funding to certain prerequisites, for example low income and/or no participation in training over a certain period. The examples from various countries also show that it is possible to fund specific target groups if the funding modalities are specified accordingly.

In addition to targeted communication, suitable marketing and public relations strategies, in particular information and counselling, are of central importance in reaching disadvantaged target groups. The vouchers or learning accounts should only be used with accredited institutions, to prevent misuse and poor service quality.

Some of the other financing schemes examined are of secondary importance in an international context; this is especially true of savings plans for training. Past experience has shown without exception that ‘real’ saving is hardly ever achieved in this way and that such schemes are also unsuitable for fundamental reasons. Despite several starts in this direction, only Austria is currently trying this type of approach and it does not seem to be fulfilling expectations.

Allowing tax deductions would seem to be systematically advisable so as not to discriminate against investment in further training compared with other investments, but they produce big windfall gains and low levels of mobilising effect. They also promote participation in further training that is correlated with income.

Experience shows that further training loans are also comparatively little used; however, they have been able to mobilise larger amounts and could therefore be a good complement to other forms of funding as (pre-)financing of cost-intensive measures. These could especially be considered to enable participation in training that is not directly in the public interest but which could otherwise not be undertaken due to the participant’s lack of own funding.

Similar results emerge in principle from a review of funding models for SMEs. Consultation and support in developing plans for further training also seems important here, as experience from England shows. It also seems that there has so far been no success in overcoming the disproportionately low level of participation of SMEs in further training.

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## **2. Training cheque North Rhine-Westphalia: continuing vocational training in SMEs**

**Claudia Thierfelder**

### **Abstract**

The paper presents the training cheque NRW initiative of the North Rhine-Westphalian Ministry of Labour. The programme is designed for employees of SMEs with up to 250 workers to give new impetus to continuing training. After more than two years of the programme as many as 195 000 training cheques have already been handed out. The usual funding with a training cheque is around EUR 330. On average 2.8 training cheques were issued per company counselling and one training cheque per individual counselling. The participation of women in the training cheque procedure is around 61 %. Nearly 67 % of the participating companies employ 1-49 employees. The proportion of employees with migration background is around 4 %. The advantage of the scheme is that it offers counselling and non-bureaucratic financial support to enterprises or directly to employees.

### **2.1. Main objectives**

Employees of small and medium-sized enterprises, in particular, participate to an insufficient degree in continuing training. Only 26 % of almost four million employees in North Rhine-Westphalia SMEs make use of continuing vocational training.

The North Rhine-Westphalia Ministry of Labour decided in January 2006 to introduce the programme Training cheque NRW (Moraal, 2007) for employees of SMEs with up to 250 employees to give new impetus to continuing training in these enterprises. The programme is financed by the European Social Fund.

Two types of access have been created for the training cheque: it is supplied to the company for its employees or to individual employees directly. Employees receive a reduction of 50 % of fees up to a maximum of EUR 500 for their continuing vocational training either at the company's or their own initiative.

The company or the individual employee has to undergo counselling at one of more than 220 counselling agencies in North Rhine-Westphalia before receiving the training cheque. Counselling agencies may be the chambers, adult education centres, counselling networks, and institutions for the promotion of economy, which are obliged to give neutral counselling independent from their organisation.

After counselling, those interested in training receive their training cheque and can then hand it in immediately at an institution offering training.

The special feature for the company or the employee is that they do not have to apply for training cheques or cash them in. This is carried out by the training institution offering the course.

The objective of the developers of the training cheque was to offer a low threshold, with as little bureaucracy as possible. That was managed – as demonstrated by the success of the instrument <sup>(9)</sup> – mainly due to two elements of the procedure. First, there is no complicated application, as is often necessary with public funding, which can deter people from participating. In addition, the procedure offers free obligatory counselling.

In contrast to similar instruments in other European countries, counselling was introduced to ease the way to qualifying for people not used to training or companies not active in training.

It is the task of the training cheque counselling agencies not only to make the continuing training market more transparent for those interested, but also to find out with them which training courses would be suitable at that moment or in the future. Counselling may, therefore, mean counselling for a complete training career or identifying qualifying demands in a company. This means that even someone with no idea of their training potential or employee qualifying demands can go to a training counselling agency.

The training cheque procedure has a further positive effect: it considers in-house training demands and broader vocational training courses together. Companies that want to use the training cheque cannot simply adapt internal actions to qualify: training has to focus on independent vocational use for the employee. This results in a gain for both the company and the employee.

The training cheque, therefore, overcomes to some extent the often criticised segmentation of responsibilities into in-house and vocational training.

## **2.2. Expert support for the training cheque**

Expert support from the Innovative Employment Promotion Company GmbH (GIB) provides several functions: continuous management of the neutrality of training counselling; regular training of training counselling agencies; participation in meetings of all regional actors; maintenance of an expert system with public access (FAQ); regular information to all actors via an electronic ‘training cheque info’; telephone counselling on individual questions as well as meetings as required.

The GIB also has to monitor the programme. There is regular evaluation of the process data, collected in continuing training counselling for the training cheque, and of corresponding financial data. In addition, random enquiries among training cheque users (companies and employees) are carried out in the course of the monitoring to obtain in-depth information. The monitoring supports programme management at federal state level as well as employees of the regional agencies in the 16 so-called labour-market regions.

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<sup>(9)</sup> Since the start of the programme at the end of January 2006 approximately 100 000 training cheque actions have been undertaken (as of October 2007).

## **2.3. Results**

After more than two years of the programme as many as 195 000 training cheques have already been handed out and more than 100 000 continuing training measures have been undertaken. In total, North Rhine-Westphalia provided EUR 34 million from funds of the European Social Fund in 2006 and 2007 for the training cheque programme.

On average 2.8 training cheques were issued per company counselling and one training cheque per individual counselling. The average funding with a training cheque is around EUR 330.

The participation of women in the training cheque procedure is around 61 %. Nearly 67 % of the participating companies employ 1 to 49 employees. The proportion of employees with migration background is around 4 %.

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### 3. Individual learner accounts in Upper Austria

Fritz Bauer

#### Abstract

Since 1994 the government of Upper Austria has financially supported vocational training for employees as long as the training is voluntarily chosen by the employee and fulfils certain quality standards. In addition, the training has to be already finished successfully and has to be paid for. The financial support works like a bank account: the government of Upper Austria opens the account and the employee has the possibility to use this money for accredited occupational training within five years.

About 20 000 employees per year benefit from the Upper Austrian training account, which provides around EUR 9.5 million annually. Training is focused on different aims, leading to high participation.

There is also financial support for lifelong learning from the Chamber of Labour <sup>(10)</sup>, namely the *Bildungsbonus* (training bonus) and *Leistungskartenrabatt* (a special discount for all chamber members). Actions are combined with special target group political approaches and the results are self-evident. The financial barriers to vocational training are lowered and, therefore, we find an atypically high participation of women, elderly and low-skilled workers. Individual learners' accounts complement the effects of on-the-job training.

#### 3.1. Introduction

All Austrian provinces have developed their own way of financially supporting employees. The methods differ in conception, target groups and amount of financial aid (Eichbauer, 2007). In addition to financial support from the provinces there is help from chambers of labour as well as the tax deductibility of occupational training and the *Bildungssparen* (saving for education and occupational training).

Financial support of the Upper Austrian government started in the run-up to EU accession. It worked differently in the early years but soon, working together with the Chamber of Labour, the concept was modified (Bauer and Hofer, 1999; Deutschbauer, 2003). Nowadays the Upper Austrian training account provides different kinds of support depending on age, qualification and the training itself. Due to this highly differentiated manner of support and the volumes involved it is regarded within Austria as an example of best practice.

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<sup>(10)</sup> The Chamber of Labour is a self-governing institution, established by law and representing the interests of 3.2 million employees and consumers in Austria. The chambers employ a staff of highly qualified experts who act as a think-tank for employees' interests, conducting studies on a wide range of relevant issues. Chambers participate in legislative processes and policy-making. There are regional chambers in each state, and also in Upper Austria.

Table 1: Benchmarks for ILAs of the federal states of Austria

2006	Budget in EUR 1000	Users	Employees	User-rate (%)	Budget/ employee (EUR)	Average payment
Upper Austria	8 860	20 173	553 251	3.6	16.0	439
Lower Austria	2 000	5 030	492 259	1.0	4.1	398
Vienna	3 330	6 819	780 754	0.9	4.3	488
Styria	1 330		451 860		2.9	
Burgenland	670	1 001	66 460	1.5	10.1	669
Carinthia	1 320	1 966	193 169	1.0	6.8	671
Salzburg	900		218 209		4.1	
Tyrol			278 151			
Vorarlberg	750	460	131 822	0.3	5.7	1 630
Austria	19 160	35 449	3 165 935	1.1	6.1	540

Source: Adapted from Eichbauer, 2007.

### 3.2. The Upper Austrian training account

The Upper Austrian training account works like a personal bank account, guaranteeing a certain level of financial support over five years. Responsibility for the account lies with the government, not with a bank. As soon as an employee applies for an account, and even before making any savings, they can ask for financial support. To cover the personal costs of the training a percentage (mostly 50 % of the total costs) is paid from the account; the rest has to be paid by the employee. The only conditions are that the vocational training is voluntary chosen by the employee, is related to actual work and fulfils certain quality standards. Besides, the training has to be already completed successfully and has to be paid for.

The original idea of the Upper Austrian training account was a compensatory one, meaning only workers and people without an A-level (Matura certification) were entitled to the benefit. Within time this was changed and today people with A-levels are also eligible. People with an academic degree can be eligible as long as they are older than 40 and have a low income. From 2002, the target group characteristics started to be more differentiated and now include age, sex and the level of qualification. For some target groups the support granted has risen to 80 % and the amount of financial support has been adjusted due to inflation.

Today the Upper Austrian training account consists of four different tools, varying in aim, target group and amount of the support.

Table 2: Actual scheme of the Upper Austrian training account

Tools	Rate of payment (%)	Maximum balance (for a period of five years, in EUR)	Description
General training account	50	830 (880)+	Vocational training or training to start higher vocational qualification
for 40+ employee unskilled	80	1 250	
Special training accounts	50	1 660 (1 770)+	Certificate oriented vocational training
for 40+ employee unskilled	80	2 090 (2 210)+	
Exceptional training accounts	75	1 250	Special projects, e.g. for women returning to work
For special target groups		<2 910>* (3 100)+	
Innovative training account	Open %	Yearly total amount of approximately EUR 730 000	Innovative programmes for special groups of learners (2007: cultural workers)
Yearly defined special scheme			

Status 2008 (+ Status 2009).

\* Value of a joint account for women returners to work under 40.

Over the years the budget for the Upper Austrian training account increased, as did the number who benefited from the account. In 2008 the budget amounts to over EUR 9.5 million.

Table 3: Available budget for the Upper Austrian training account from 1994 until 2008

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Budget	695	1 817	2 118	2 459	2 543	3 488	4 433	6 686	7 267	8 184	7 324	8 080	8 868	9 005	9 630

Budget in EUR 1 000

Source: Land Oberösterreich (Upper Austria Land).

To evaluate the effectiveness of the Upper Austrian individual learning account, it is necessary to consider a few other ways of financially supporting vocational training.

Even before the establishment of the Upper Austrian training account, the Chamber of Labour offered, from 1992, a member discount for lifelong learning. For each course taken (vocational and non-vocational), organised by the educational institutions of the Chamber of Labour, each member receives a 10 % discount up to EUR 75 per course.

The training bonus, started in 2001, brought Upper Austria another instrument of funding for vocational training. The training bonus is only valid for members of the Chamber of Labour, for a defined group of courses (languages, computer skills, basic training, personal training, etc.) held by leading institutes of education. The training bonus works like an ILA. Every year EUR 100 is credited to the account of each member. After graduation and application for the training bonus, 40 % of the costs up to EUR 100 are refunded. It is also possible to finance more than one course as long as the EUR 100 is not exceeded. The reason for the application and the 40 % limit is to avoid an ‘over’ support (together with the 10 % member discount and the 50 % to 80 % Upper Austrian training account).

The value of the support of the Chamber of Labour, assuming the maximum benefit (EUR 660 over five years), almost doubles the amount granted by the Upper Austria general training account. With the combination of Upper Austrian training account, the Chamber of Labour training bonus and member discount, the financial barriers to vocational training can be lowered enormously as the personal financial participation gets close to zero.

*Figure 1: Possible combined effects*

**Assumption 1: female employee, below 40, skilled**

<i>Price (training out of Chamber of Labour plus-program)</i>	<i>EUR</i>	<i>299.00</i>
– 10 % Chamber of Labour member discount	<i>EUR</i>	<i>–29.90</i>
<b>= Chamber of Labour member-price</b>	<b><i>EUR</i></b>	<b><i>269.10</i></b>
– Chamber of Labour training bonus	<i>EUR</i>	<i>–100.00</i>
– 50 % Upper Austria general training account from Chamber of Labour member-price <sup>(a)</sup>	<i>EUR</i>	<i>134.50</i>
<i>Personal price after support</i>	<i>EUR</i>	<i>34.55</i>

**Alternative assumption 2: unskilled or 40+ employee**

– 80 % Upper Austria general training account from the Chamber of Labour member-price (*)	<i>EUR</i>	<i>169.10</i>
<i>Personal price after support</i>	<i>EUR</i>	<i>0.00 <sup>(b)</sup></i>

<sup>(a)</sup> 793.50 left on the personal Upper Austria general training account for training in the following years.

<sup>(b)</sup> Maximum support up to zero. 1 081 left on the personal Upper Austria general training account for upcoming training; special training account in both cases still available for eligible training.

The different support to different target groups and the combined effects regarding the support of the Chamber of Labour have a measurable impact on the number of recipients.

### **3.3. Participation in Upper Austria individual learning accounts**

The Upper Austrian training account has been evaluated periodically, first during 1994-99 and then during 2000-03. There is no available evaluation of the current scheme but some figures for the year 2006 are already published. However, we have recent data from a still active data mining project describing the users of the Chamber of Labour programmes (<sup>11</sup>), including the Upper Austrian training account. The results clearly show the dynamic of the development both in quantity and quality, as well as the possibility of exerting influence through ILAs.

#### **3.3.1. General participation in the Upper Austrian ILA system**

The number of people who benefited from the Upper Austrian training account has increased significantly over the years. From 1994 to 1999 there were 20 000 beneficiaries, of which 6 000 were in 1999. In 2006, around 20 000 employees used the Upper Austrian training account.

Together with the financial support of the Chamber of Labour (training bonus and member discount) for its 550 000 members (all employees apart from civil servants) the employees in Upper Austria receive more than EUR 10 million financial support for their vocational training. About EUR 9 million comes from the Upper Austrian training account (average payment EUR 468 per person) with the rest funded by the Chamber of Labour.

In 2005 and 2006 about 38 000 members of the Chamber of Labour (6.9 %) received financial support from the Chamber of Labour for their training; 8.4 % of female members and 3 % of male members did this several times. Every year about 23 000 members use the member discount and about 11 000 use training bonus. Almost all of the latter could also benefit from the Upper Austrian training account.

The member discount is not restricted to vocational training but supports a wide range of adult education. Only 40 % use it for vocational training.

In 2006 approximately 40 000 employees were supported by different elements of the Upper Austria ILA lifelong learning system, 25 000 of them in vocational training. This covers approximately a third of all training activities in Upper Austria.

This is additional to business-based training, labour-market related training, non-subsidised training and non-vocational training. Together it adds up to 155 000 training activities for Upper Austrian employees per year.

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(<sup>11</sup>) Niederberger, 2008; N=553 456 members of the Chamber of Labour. 63 866 members or 11.5 % participated in 2005 and 2006 once or more often in lifelong learning, whereof 25 736 members participated only in business-based or labour-market related training, not supported by the Chamber of Labour. 38 130 or 6.9 % members used chamber educational supports for their learning activities.

Recent research work compares the participation rates in Upper Austria to Austria. The most important results are:

- (a) general participation (mostly vocational training and concerning men and women in equal measure) in lifelong learning in Upper Austria 2005 was 5 percentage points higher compared to Austria (Fritz, 2006, p. 104 et seq.);
- (b) ‘cofinancing of education increases the duration of training significantly in Upper Austria (in contrast to the results for Austria)’ (Fritz, 2006, p. 121).

*Table 4: Compared training rates Upper Austria/Austria (in percentages)*

	<b>Austria</b>	<b>Upper Austria</b>	<b>Difference</b>
General training rates population 25-64 years	25	31	6
Vocational training rates Workforce – micro census 05 ALL	25	30	5
25-44 years	27	32	5
45-64 years	20	25	
Female	25	30	5
Male	24	29	
Training rates Chamber of Labour members 03		39	
Training rates employees micro census 03	40		
Training rates young Chamber of Labour members 04		42	
Training rates young workforce 03	30		

### **3.3.2. Gender**

The first evaluation showed that 60 % of the people who benefited were men and 40 % women. This changed in the second evaluation to 46 % men and 54 % women and in 2006 45 % men and 55 % women. The reason for this change was the change in the target groups. In the beginning only workers without an A-level were eligible (the distribution of these people within the Austrian population being two thirds men and one third women). Further, a new target group for those returning to work was established. Another reason lies in the implementation of the Chamber of Labour training bonus; with this the financial barrier for people with a low income (women being the majority) was lowered again.

The financial support of the Chamber of Labour in 2005 and 2006 was provided to 75 % women and 25 % men. In these two years 16.5 % of the female members completed one or more vocational training exercise which were partly self-financed and financially supported. Within the male members it was only 7.5 %. The reason for this is that men profit more often

from on-the-job training (66 % men and 52 % women) so (partly) self-financed vocational training is an alternative for women (Bauer, 2006, p. 37).

### **3.3.3. Age**

The first evaluation (1994-99) showed that 50 % of the users were in the age-group 20-30 years and an additional 33 % between 30 and 40. The second evaluation (2000-03) showed that 63 % were younger than 35 and 10 % at the age of 45 plus. There are no age-related data for 2006. The innovative training account is more often used by older employees, whereas people aged 24 to 35 often benefit from the target group related funding for job returnees. An analysis of Chamber of Labour financial support (including the Upper Austrian training account) shows that, in 2005 and in 2006, 40 % and 44 % respectively of the beneficiaries were over 40 years old. A significantly low participation in vocational training was only found within the 15-19 and the 50-55 years old groups. A significantly high participation was found within the 25-35 years old group. Also here the concept of target group funding (female returners) and the financial support of elder employees have had an impact.

### **3.3.4. Education**

To compare the educational level of the people who benefited from the individual learning account is not really possible. Apart from those over 40 and of low income, people with an academic degree are not eligible and most of the time this aspect is not considered in the statistics. But because of the special programmes for people without any training qualification, there are some effects on less well educated.

### **3.3.5. Content of the training**

In the early years, ICT-training dominated the Upper Austrian training account, though the focus is now on language (60 % in 2006). This is remarkable because employers in Upper Austria finance language courses at a significantly low level (23 %). Of current Chamber of Labour financial support, 33 % of the funding goes to health and recreational training, 29 % to languages and 10 % to ICT.

### **3.3.6. Region and differences in business sectors**

In some rural areas participation is significantly lower than in urban areas. These are areas with lower market supply in training and education.

ILA-users work in SMEs more often than in larger companies, while employees in SMEs get less on-the-job training.

### 3.4. Conclusions and discussion

ILA-financed lifelong learning is a small, but important, part of the cake. To see what ILA can or cannot do, it is necessary to look at the whole picture.

The key question for ILA-financed learning is how many units of training can employees buy with their disposable income with or without the support of ILA? And what is the return on investment, and for whom?

For self-determined and self-(co)financed lifelong learning we can expect improved participation rates when public cofinancing is sufficient and long-lasting.

ILAs can improve participation rates of low income learners, when the ILA is based on high public cofinancing, not on preceding savings or later tax deductions. This is the same for special target groups (female returners, older or low-skilled employees). Financing in advance could also help to lower the barrier for low income learners.

As long as incentives and offers are broad and big enough, the donors can – also in cooperation – give some guidelines (target groups, amount of support, content of courses).

Without sufficient regional market supply and personal access to markets the participation rate will be lower than it could be.

ILAs allows those disadvantaged in the system of company-based training to find some access to lifelong learning, as long as it is well supported by the ILA programme.

Close cooperation between the regional government of Upper Austria and the Chamber of Labour on the one hand, and a sensible, knowledge-based policy-making and steering of ILA programmes on the other, is crucial for the success and the further improvement of the ILA system.

Improvements in Austria could be made through a more homogeneous ILA system for all regions under federal regulation, with federal and regional money and regional steering, that would combine the advantages of the Upper Austrian ILA system (for instance more social inclusion) with income-related contributions from learners, elements of savings and credits (Gusenbauer, 2002, p. 314 et seq.).

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## 4. Adult learner accounts in England

**Jonathan Dalton**

### **Abstract**

The Learning and Skills Council (LSC) exists to make England better skilled and more competitive. Our vision is that, by 2010, young people and adults in England have knowledge and skills matching the best in the world and are part of a truly competitive workforce. The UK government's white paper *Further education: raising skills, improving life chances* (2006) announced the programme of learner accounts which will be trialled, focused on helping people gain level 3 qualifications. The learner accounts can have a powerful effect in motivating learners, creating a sense of ownership, and attracting them back into learning.

The adult learner account trial is one of a number 'demand-led' policies being implemented by the LSC which is designed to make learning and skills more responsive to the needs of employers and learners. Through adult learner accounts, trial learners are able to access various free services which help them make the right choices about their learning. The trial is taking place in two English regions, the South East and the East Midlands, and will run for two years. Through the trial the LSC aims to:

- increase participation particularly among groups with traditionally low participation rates;
- raise rates of retention and achievement: as learners see the full value of the course they are undertaking, including details of the public contributions towards meeting the costs;
- demonstrate better value for money;
- increase the employability of learners.

### **4.1. Introduction**

The Learning and Skills Council (LSC) exists to make England better skilled and more competitive. It aims to improve the skills of England's young people and adults to ensure we have a workforce of world-class standard.

The LSC is responsible for planning and funding high quality education and training for everyone in England other than those in universities. The LSC is transforming the further education sector to meet the needs of employers and the local community and is committed to improving learning opportunities for everyone. The vision is that, by 2010, young people and adults in England have knowledge and skills matching the best in the world and are part of a truly competitive workforce.

The government's white paper *Further education: raising skills, improving life chances* (Secretary of State for Education and Skills, 2006) announced that we would trial a new type of adult learner account from autumn 2007. Adult learner accounts were to be trialled in a

small number of LSC areas from August 2007, initially targeted only at full level 3 <sup>(12)</sup> learners.

## **4.2. Background**

In January 2007, the LSC and DfES published a consultation paper *Delivering world-class skills in a demand-led system* (LSC and DfES, 2007). This set out three funding models, including one designed to be responsive to adult learners which, in time, will be developed to encompass ALAs. In July 2007, the LSC response to the Leitch report, *Prosperity for all in the global economy – world class skills* (Leitch Review of Skills, 2006), highlighted the LSC commitment to trial skills accounts, based heavily on experiences gained from adult learner accounts trials. These will commence in the autumn 2008 in two regions (South East and East Midlands) before national roll-out the following year.

A ministerial submission set out the basic aims and requirements of the ALAs trial, which was designed to give learners ownership of their own learning and to support and encourage progression to higher levels of learning, once the initial learning period was completed.

Annex A gives details of the first year trials which will deliver full level 3 learning to up to 4 000 learning account holders within the two trial areas.

## **4.3. The aim of adult learner accounts**

The adult learner accounts are currently being trialled in the South East and East Midlands regions have the following aims:

- (a) to offer a wider choice of providers offering full level 3 learning, leading to an increased number of individuals being qualified to level 3;
- (b) to support learners in making the right learning choices by better access to information, advice and guidance on learning, work and careers;
- (c) to raise awareness of the support, costs and contribution that the State, employers and individuals are making towards an individual's learning through transparent statements.

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<sup>(12)</sup> More information on different types of qualifications grouped together into various levels is available from the Internet: [http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG\\_10039017](http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG_10039017) [cited 1.8.2008].

## **4.4. What is an adult learner account?**

It is a mechanism for individual learners that has the potential to draw together different elements of an offer to learners, promoting take up, attainment and progression to further learning. For individuals with learner accounts this means:

- (a) access to high quality, independent information, advice and guidance on career choices, courses at level 3 and providers, particularly via an extended Learndirect telephone service providing in-depth personal support and online;
- (b) receipt of an information pack setting out contact details and options;
- (c) a wider range of providers to choose from;
- (d) once their choice has been made, regular statements setting out details of provider, course, duration, total cost of tuition, state contribution;
- (e) individual/employer contributions, learner support provided, sources of further information (the learner account information will be linked together using the unique learner number);
- (f) personalised support and advice, both during and on completion of their course, to help learners achieve the qualifications they are aiming for and progress into work and further learning.

The learner accounts will have virtual funds to pay for learning chosen by the learner. Funding of learning will be through standard LSC further education funding arrangements using national fee remission categories and funding rates. Learners who are required to contribute to their account will have the amount set to reflect the LSC's national fee rate for that year (37.5 % fees and 62.5 % public funding subsidy in 2007-08).

## **4.5. Adult learner account year 1 trials**

From 1 August 2007 to 31 July 2008, learners will be given the opportunity of independent information, advice and guidance before starting their programme and will receive a welcome pack when they register.

Once they have begun learning they will receive a financial statement outlining their financial contribution and that of the State. Periodic financial update statements will be provided throughout their learning and, on completion, they will be provided with further information, advice and guidance on what level 4 <sup>(13)</sup> programmes they could consider. The learner journey is shown in the process form in Annex C.

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<sup>(13)</sup> More information on different types of qualifications grouped together into various levels is available from Internet: [http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG\\_10039017](http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG_10039017) [cited 1.8.2008].

Providers will need to apply to be able to accept learners funded through learner accounts. The LSC will review all applications and contracts with those who offer high quality and meet after criteria laid out in open and competitive tendering process.

Each successful provider will be given an allocation of funding, to be drawn down only when learners enrol with that provider.

Periodic reconciliation of actual enrolment against planned will take place with adjustments to volumes as required. At the year end a final reconciliation will take place and allocations for the following year will be made.

The provider journey is also shown as a process diagram within Annex D.

## **4.6. Bibliography**

Leitch Review of Skills. *Prosperity for all in the global economy: world class skills: final report*. Norwich: HMSO – Her Majesty’s Stationary Office, 2006.

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## Annex 1. Frequently asked questions and answers

1. Where in the South East and East Midlands will the trials take place?

The trials will be conducted in:

- (a) South East: key economic growth areas of Brighton, Crawley, Milton Keynes, Oxford, Reading, Basingstoke, Southampton/Portsmouth and Thames Gateway and Ashford;
- (b) East Midlands: Nottingham City, Boston, South Holland and Rutland.

2. Why were these areas chosen to trial adult learner accounts?

The areas chosen provide the opportunity to trial accounts in a range of different settings and targeting different categories of learners. The proposed areas cover different parts of the country and different sized areas with varying needs (e.g. deprived inner city and rural areas).

3. How many people will benefit from the introduction of adult learner accounts?

It is envisaged that up to 4 000 learners in the trial areas will benefit from the introduction of the adult learner account trial due to start in August 2007.

4. Why introduce adult learner accounts?

The white paper *Further education: raising skills, improving life chances* announced that we will trial in a small number of areas, a new type of learner account for adult learners from autumn 2007. Learner accounts can:

- (a) make adult further education and training more responsive to individual needs with learners exercising choice and control over their learning;
- (b) encourage a wider range of prospective learners to get involved in further education and training and help them make the right learning choices;
- (c) improve retention and achievement among adult learners.

5. What are the benefits of adult learner accounts?

The main potential benefits are:

- (a) giving learners more choice and enabling them to exercise that choice with access to independent information, advice and guidance;
- (b) giving learners a greater understanding of the contributions of the State, employer and the learner;
- (c) promotion of progression – accounts can be used to support successive, progressive periods of learning by creating a sense in the account holder of a genuine lifelong learning journey of skills development;

- (d) providers responding better to the demands of learners;
- (e) supporting the development of a national culture of learning and the value of training.

These benefits are cultural as well as practical; they will take time to develop and to show success. But if successful, they will deliver a significant change not only in the promotion of learning but also through the wider benefits of learning.

6. Why is this area of work important?

An account mechanism for individual learners has the potential to draw together different elements of the offer to learners, giving them choice and control over their learning, energising individuals and giving them a real sense of empowerment.

7. What is the purpose?

To ensure that adult further education and training is driven by the demands of learners, with learners exercising choice and control over their learning to improve outcomes and ensure learning providers are more responsive to the needs of learners.

8. What the problem do the adult learner accounts solve?

Individuals wanting to embark on learning, particularly, those who have been out of the education system for some time, are often faced with a plethora of information and choices that they often find complex and confusing. Learner accounts aim to resolve this problem by helping learners make more informed choices, providing better access to information, advice and guidance on learning and careers.

Adult learner accounts also have the potential to draw together different elements of the offer to learners and promote take up, attainment and progression to further learning. They can also attract private funds in joint financed learning, improve choice and contestability, and help motivate individuals who are disengaged from learning. Despite the failures of individual learning accounts, the approach unleashed a significant demand for learning. Such a mechanism, properly policed, could increase participation significantly.

9. What are the objectives of this initiative?

The objectives are to raise participation and achievement of adults in learning by:

- (a) offering a wider choice of providers of full level 3 learning, opening up level 3 provision to greater competition;
- (b) supporting learners in making the right learning choices by better access to information, advice and guidance on learning, work and careers;
- (c) raising awareness among individuals of the support, costs and contributions that the State, employers and individuals are making through learner account statements.

10. Why won't adult learner accounts be available to all learners?

Accounts will be trialled by the LSC from autumn 2007 and evaluated before any decision is taken to extend them geographically or to other forms of learning.

11. Why restrict adult learner accounts to just level 3 learners in the trials?

We expect accounts to work best where there is a customer group able and motivated to exercise real choice. In England we are increasing the number of people achieving a level 2 qualification, through Train to gain (<sup>14</sup>) and through provision delivered by colleges. These learners, having recently succeeded in their learning and others will provide a cohort of learners with whom we can trial accounts.

12. How will adult learner accounts support wider further education reform aims?

Adult learner accounts will help us move towards our aim of developing a demand-led funding structure for further education, providing more choice for learners and employers.

13. Can you deliver adult learner accounts for all publicly funded adult learning not delivered through Train to gain, by 2010?

That will be a major challenge and we need to look carefully at how that might be done. The important first steps are to start the trials and look at what we learn from them as they progress and see the resources available from the current comprehensive spending review.

14. Won't there be a huge bureaucracy attached to adult learner accounts? And costs?

The trials over two years will also be testing out the mechanisms and processes that must be in place to operate learner accounts successfully. These include quality assurance of providers, an IT-enabled learner account management system including learner registration using the unique learner number, production and distribution of statements, and a payments mechanism in line with wider funding changes. We are aiming to provide better information for learners and we accept that this may require some additional administration but we intend to keep this to a minimum and we will carefully evaluate the trials of adult learner accounts, including the level of bureaucracy, the added value to learners and the associated costs to inform any decision made to about expansion.

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(<sup>14</sup>) Available from Internet: <http://www.traintogain.gov.uk/What+Is+Train+To+Gain/> [cited 24.7.2008].

## **Annex 2. Success criteria for adult learner account trials**

Success criteria as follows:

**(a) learners:**

- (i) feel that they are in the driving seat and can find a provider to deliver the learning they want, when they want it;
- (ii) receive information on their individual funding and learning entitlement and the contribution that the government and they will make;
- (iii) can access information, advice and guidance services at key stages when they need it;
- (iv) undergo a quality, flexibly delivered learning experience;
- (v) achieve increased success rates;
- (vi) demonstrate increased satisfaction levels.

**(b) providers:**

- (i) understand, accept and operate effectively the funding systems and processes in place to support learning accounts;
- (ii) see the learner accounts as a positive way of empowering and engaging more individuals to participate and commit to their own learning.

**(c) LSC/DIUS (department for innovation, universities and skills):**

- (i) robust systems operate effectively and efficiently delivering accounts mechanism and information necessary for learners, providers and LSC;
- (ii) volume of level 3 provision comparable with previous years and in line with resources available;
- (iii) all resources for accounts trials used in line with LSC/NAO (national audit office) guidelines;
- (iv) trials deliver the information/evaluation needed to take decisions on next steps.

### Annex 3. Learner and provider journies of learner accounts

Figure 2: Learner journey of learner accounts

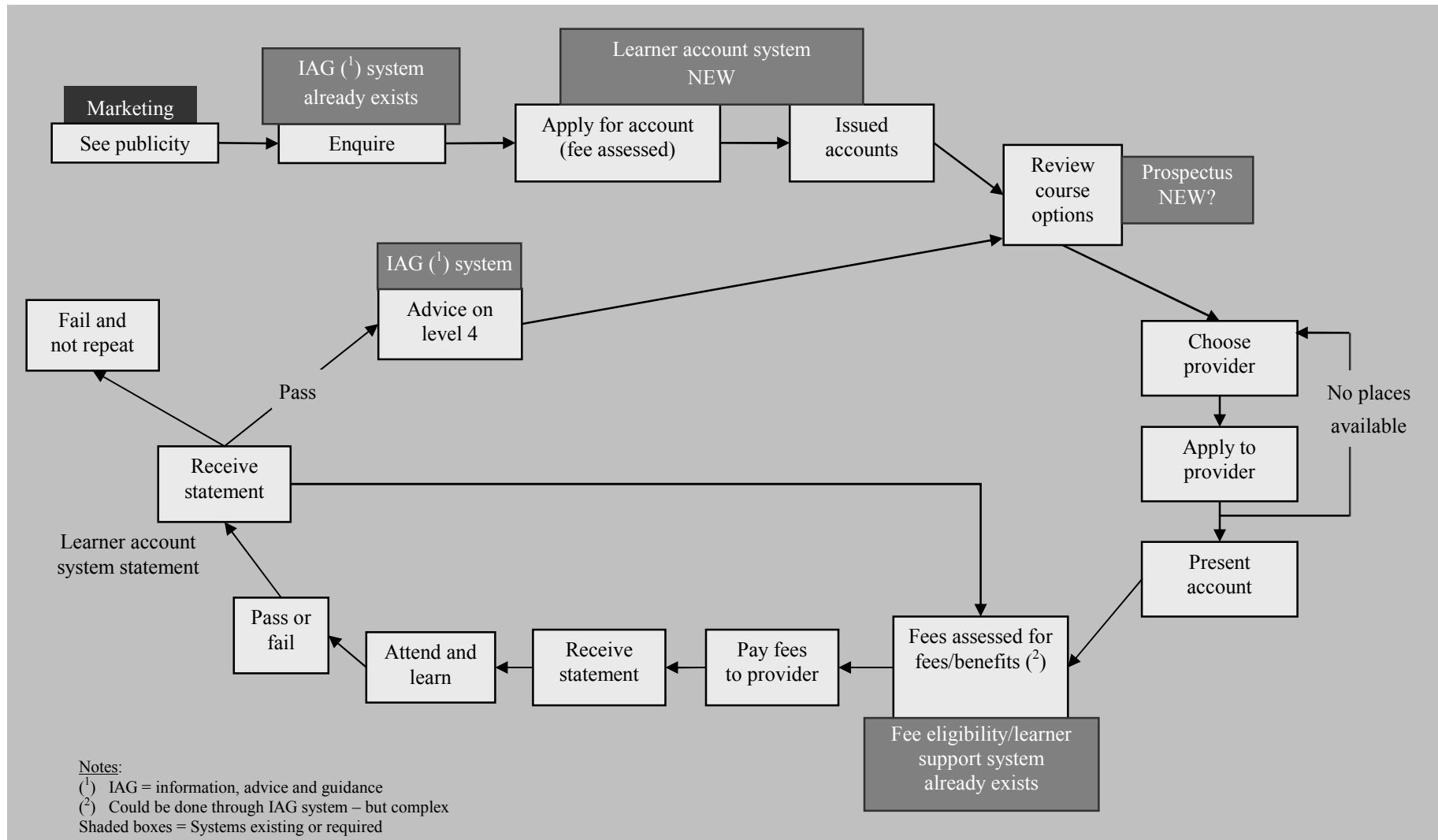
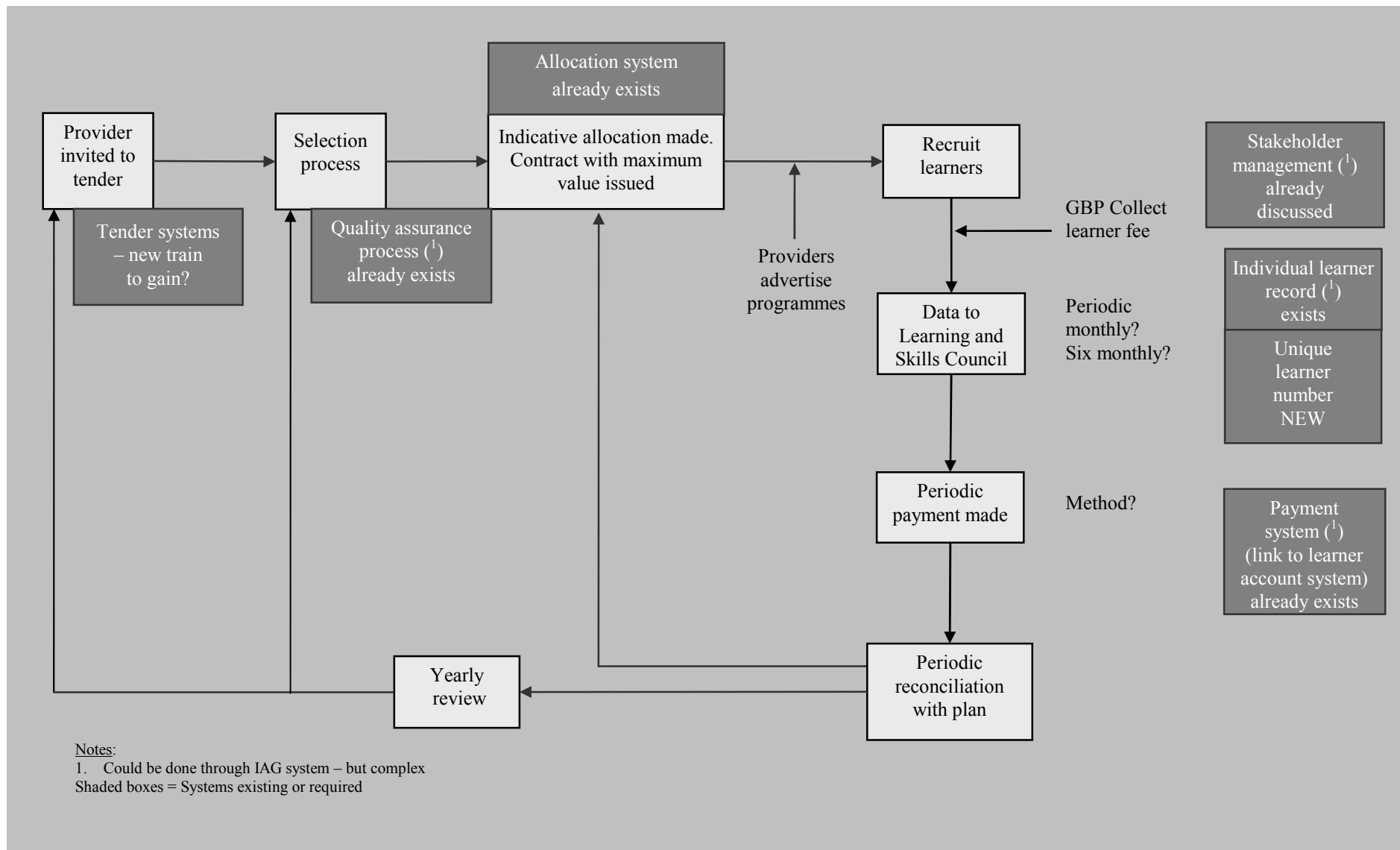


Figure 3: Provider journey of learner accounts



## **5. ILA Scotland: practical case study of demand-led funding for adult learning**

**Hazel Rutherford**

### **Abstract**

A practical case study for demand-led funding for adult learning, looking at where we are now with individual learning accounts (ILAs) in Scotland and where ILAs might go in the future. ILA Scotland is a national scheme which provides a learner funding entitlement (of up to GBP 200 a year) towards payment of course tuition fees. It has been running since December 2004, and currently has over 90 000 account holders and over 55 000 active accounts. ILA Scotland is recognised as a valuable part of lifelong learning funding in Scotland, and has helped increase access to lifelong learning, especially for lower income learners, women returners and older learners. We are actively looking at widening the reach of the scheme by extending learner, provider and course eligibility.

### **5.1. Introduction**

ILA Scotland is a national scheme which provides a learner funding entitlement towards payment of course tuition fees. The key aims of the scheme are to:

- (a) widen participation in adult learning by increasing interest and uptake;
- (b) introduce new learners to adult learning and provide an opportunity for those who have not recently participated in learning to do so;
- (c) encourage more learning progression;
- (d) encourage individuals to invest in their own learning;
- (e) prioritise the learning needs of certain groups of learners (such as people on low income);
- (f) support the development of a quality learning provider base in Scotland.

Individual learning accounts (ILAs) can help pay for a wide range of learning with various approved learning providers, including private and community based providers, colleges and some universities. A wide range of learning providers is essential to the scheme, to offer flexibility and encourage learner choice. All must hold accredited quality standards and be formally approved by ILA Scotland. The provider base has grown over time; currently there are nearly 300 approved learning providers, offering almost 16 000 courses at over 650 venues. Of these 300 there are:

- (a) 16 universities;
- (b) 46 colleges;
- (c) 67 community learning providers;
- (d) 167 private training providers.

The ILA Scotland scheme has two different offers, referred to as ILA200 and ILA100. ILA200 learners must be 18 or over, currently living in Scotland and must either be in receipt of benefits or have completed an income assessment which confirms that they meet ILA Scotland 'low income' criteria. The income assessment threshold was initially set at GBP 15 000 per annum (earned income), but from June 2007 was increased to GBP 18 000 per annum.

ILA200 learners can access up to GBP 200 a year towards the tuition fee costs of a very wide range of courses. There is currently no limitation on the subjects which can be studied or on the level of study which can be undertaken within the Scottish credit and qualifications framework (although full-time higher education is excluded). There is no requirement for ILA200 courses to lead to formal qualifications or certification (although most ILA learners choose courses which lead to qualifications). To support learner progression, ILA200 learners can have their funding entitlement renewed each 'learner year' (12 months after account opening and annually thereafter).

ILA100 learners must be 18 or over and currently living in Scotland but otherwise have no additional eligibility criteria to qualify to open an ILA. There is no income assessment for ILA100.

ILA100 learners can access up to GBP 100 a year towards the tuition fee costs of a much more limited range of courses. ILA100 courses must lead to qualifications or recognised certification and can only be at, or up to, Scottish credit and qualifications framework level 6. These requirements are primarily intended to focus ILA100 resources on encouraging people with lower level skills (but whose income may be above the income threshold) to attain qualifications. ILA100 funding is also renewed annually to support learner progression.

It is worth noting that while ILA applicants need to be ordinarily resident in Scotland, they do not require to be British nationals or to have spent a minimum residency period in Scotland (as is the case for example for higher education support). Although we do not presently gather nationality data, we are aware from learning provider feedback that a small, but growing, number of applicants are from newer EU Member States, especially Poland.

In both schemes the learner has to make a minimum contribution towards the cost of their course.

## **5.2. Participation and learner profile**

ILA management information is updated monthly. The statistical data here is to end December 2007. Learner numbers are cumulative from scheme start (December 2004 for ILA200, August 2005 for ILA100):

- (a) 91 000 accounts have been opened;
- (b) 56 500 ILA200 account holders have undertaken ILA-funded learning;

- (c) 4 500 ILA100 account holders have undertaken learning;
- (d) most ILA learners (88 %) are aged 25+;
- (e) most learners (63% ) take courses in college, 28 % at a private/community based provider and only 9 % at university.

For ILA200:

- (a) most ILA learners (92 %) are ILA200, (i.e. low income);
- (b) most are on low income but in work (75 %);
- (c) most are female (74 %);
- (d) pension age learners comprise 18 %;
- (e) most (55 %) have qualifications below the higher national certificate level;
- (f) most (82 %) choose courses leading to qualifications or certification; 50 %+ choose to do ICT courses, other popular subjects including health and welfare, business, arts and languages.

For ILA100:

- (a) most are female (but only 57 %, much lower than for ILA200);
- (b) most (79 %) work full-time;
- (c) most (54 %) have qualifications at or above the higher national certificate level.

Alongside this management information there has also been extensive learner feedback gathered through external learner research surveys. There have been two waves completed of ILA200 learner research. Phase 1 follow-up research with an initial cohort of ILA200 learners was published in March 2007 (McCoy, 2007) <sup>(15)</sup>. The ILA100 learner research has produced initial findings (not yet published); and the final learner survey findings are due to be published in March this year. This will provide further learner profile information to complement the scheme management information plus comprehensive qualitative learner feedback on all aspects of the ILA learner experience. We also commissioned research to examine the views of both learning providers and intermediary agencies associated with the ILA Scotland scheme; the final report of these findings was published in December 2007 (Gallacher et al., 2007) <sup>(16)</sup>. Overall the evaluation has been very positive about the ILA scheme in Scotland with high levels of learner satisfaction (around 90 %), and evidence of value-added in that over half of all ILA200 learners would not have undertaken the learning without ILA Scotland support.

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<sup>(15)</sup> The full report is available from the Internet <http://www.scotland.gov.uk/Publications/2007/03/07115752/0> and a research summary from <http://www.scotland.gov.uk/Publications/2007/03/07115752/1> [cited 30.6.2008].

<sup>(16)</sup> The full report is available from the Internet <http://www.scotland.gov.uk/Publications/2007/12/13151715> and a research summary at <http://www.scotland.gov.uk/Publications/2007/12/13151656> [cited 30.6.2008].

ILA Scotland is recognised as a valuable part of lifelong learning funding in Scotland, and ILAs have helped increase access to lifelong learning, especially for lower income learners, women returners, and older learners.

However, ILAs should aim to have greater strategic impact in the future. We have recently carried out a policy review of ILA Scotland. The purpose of the review is to build on the existing policy model to develop an enhanced ILA offer for Scottish learners from 2008 to 2011, which supports and reinforces the Scottish government's wider skills strategy (Scottish Government, 2007).

We have identified several changes that we could make to open up the reach and impact of ILAs further by extending learner, provider and course eligibility. Our emerging thoughts on this are to:

- (a) focus on the low income funding offer (ILA200) and potentially remove the non means-tested (ILA100) funding offer;
- (b) move towards a more targeted approach, directing more ILA funding at harder to reach learners (such as those with adult literacy and numeracy needs, or in low pay, low skill employment);
- (c) integrate ILA funding better with a wider package of information, advice and guidance;
- (d) position ILAs more explicitly as a lifelong learning grant (i.e. not necessarily requiring a personal financial contribution);
- (e) reinforce and expand the support role of intermediary bodies;
- (f) streamline scheme administration to make it more flexible and easier to use.

In addition we are introducing a GBP 500 part-time higher education fee grant from next academic year; this new funding will be delivered through a simplified ILA Scotland model.

### **5.3. Bibliography**

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## **6. Individual learning accounts in Wales**

**Simon Gugh**

### **Abstract**

ILA Wales is designed to increase levels of participation in learning among groups of adults who, in the past, have not tended to learn. Eligible individuals receive up to GBP 200 per annum to help contribute towards course fees up to national qualification framework level 3. The paper highlights some of the key outcomes of the evaluation report conducted in 2007. The programme has been successful at getting people into learning, mainly adults of working age and growing proportion of unemployed adults. For around half of all learners it is unlikely that they would have undertaken the learning they have done, if the programme had not been available; in nearly a third of cases learning would definitely not have taken place. Therefore, reported economic, personal and social benefits would not have occurred had it not been the ILA Wales programme.

### **6.1. Origins of ILA Wales scheme**

The individual learning accounts (ILAs) Wales scheme is the successor programme to the UK ILA scheme which was suspended in December 2001. The original UK ILA scheme was suspended as a result of registered learning providers abusing the scheme.

Wales was the first of the four UK countries to introduce a successor scheme in the form of ILA Wales, which opened to the public in July 2003.

### **6.2. Characteristics of ILA Wales**

The main focus of the scheme is to:

- (a) help people move from welfare benefits into employment or further learning;
- (b) assist in widening participation in learning;
- (c) encourage take-up from those who face financial barriers to participation;
- (d) encourage people to take ownership/responsibility for their learning.

ILA Wales provides an incentive in the form of a discount on the cost of a wide range of learning.

To be eligible for the scheme it is necessary to be:

- (a) aged 18 or over;
- (b) a British citizen, EU national or person entitled to live in the UK, also resident in Wales;
- (c) individual or partner in receipt of one or more of the specified income related benefits;
- (d) individual with a highest level of learning attainment at England, Wales and Northern Ireland national qualifications framework level 2 (<sup>17</sup>) or below.

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(<sup>17</sup>) More information on different types of qualifications grouped together into various levels is available from Internet: [http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG\\_10039017](http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG_10039017) [cited 1.8.2008].

The ILA Wales programme primarily targets individuals who are in receipt of income related welfare benefits.

Learning is supported up to a maximum of GBP 200 per annum to help contribute towards course fees. It applies up to and including national qualifications framework level 3 (equivalent to one A level).

The learning is provided by a pool of registered learning providers comprising 38 public sector bodies, for example further educational institutions (FEIs/colleges) and 34 private organisations.

### **6.3. Evaluation of the ILA Wales scheme**

In the first year (2003/04) it was recognised that learning providers and learners did not fully understand the new eligibility criteria or course booking process. Therefore, many learners had applied for ILA Wales support after they had started their course, which did not comply with the programme's terms and conditions: 'Learners should not enrol, start or pay towards their learning until ILA Wales has approved the funding for their chosen course.'

In 2004 course booking flexibilities were introduced to allow learners to apply for ILA Wales support after they had started their course. The flexibility can only apply to learners who enrol within seven days of their course start date and fall within the priority group.

Since 2003/04 appropriate measures have been taken to address the low response for example, revised the application form, produced new marketing materials and campaigns, and introduced some course booking flexibilities.

Learners are under no obligation to take up their ILA, and no money changes hands until they have registered for a course. It is inevitable that some people will change their minds and not proceed.

An independent evaluation report was published in December 2007 (Wiseman and Harrington, 2007) which looked at the longer-term benefits to see how ILA Wales has impacted on learners:

- (a) over half of learners from years 1 (2003-04) and 2 (2004-05) have experienced at least one change in their economic status since beginning their ILA Wales learning;
- (b) nearly three quarters of learners from years 1 and 2 say they now feel more confident about finding a new or better job;
- (c) 53 % said that they got a job due to the ILA Wales learning;
- (d) 58 % said they had a promotion/pay rise due to the ILA Wales learning;
- (e) 88 % said their ILA Wales learning has improved their knowledge/skills generally;
- (f) 92 % of learners were satisfied that their original ILA Wales funded course met their expectations;
- (g) 95 % of learners said their ILA Wales learning gave them a sense of achievement;

The ILA Wales programme has been very successful at getting people into learning. In particular ILA Wales is an excellent means by which hard to reach groups (for example, the unemployed, those with no or low level qualifications, and adults who have not recently undertaken learning) can be engaged – enabling those who would otherwise not have learnt, to undertake learning.

## 6.4. Summary

ILA Wales is relatively a small scheme and, since its inception in 2003, the programme is attracting a significant proportion of people into learning who are not traditional learners and would not have learned had it not been for the availability of ILA Wales.

Table 5 shows that since year one (academic year 2003/04) the conversion rate of registrations to course booking has greatly improved.

*Table 5: Conversion rate from approved applications to learning*

<b>August 2003/ July 2004</b>	<b>August 2004/ July 2005</b>	<b>August 2005/ July 2006</b>	<b>August 2006/ July 2007</b>	<b>August 2007/ to date</b>
41%	55%	60%	77%	96%

A review of average course costs was undertaken in 2005-06 and it was reported that 70 % of supported courses were GBP 200 or less. Figure 1 shows how much ILA Wales has contributed per approved course booking (by financial year).

*Figure 4: Average ILA Wales contribution per course booking by financial year*

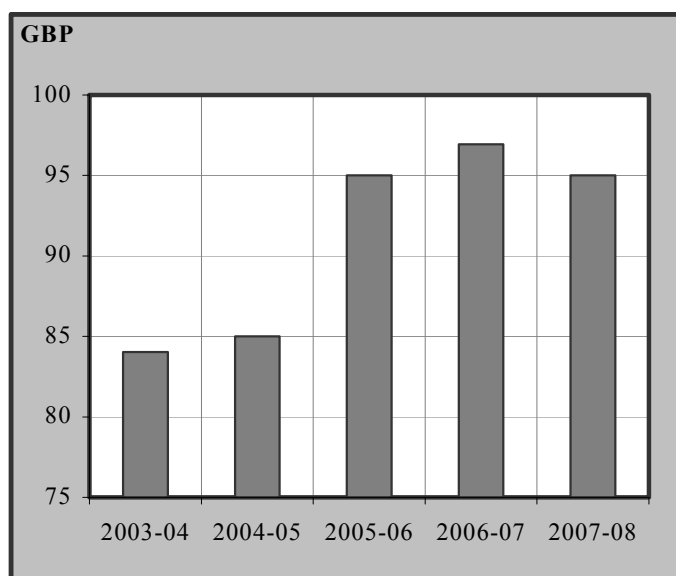
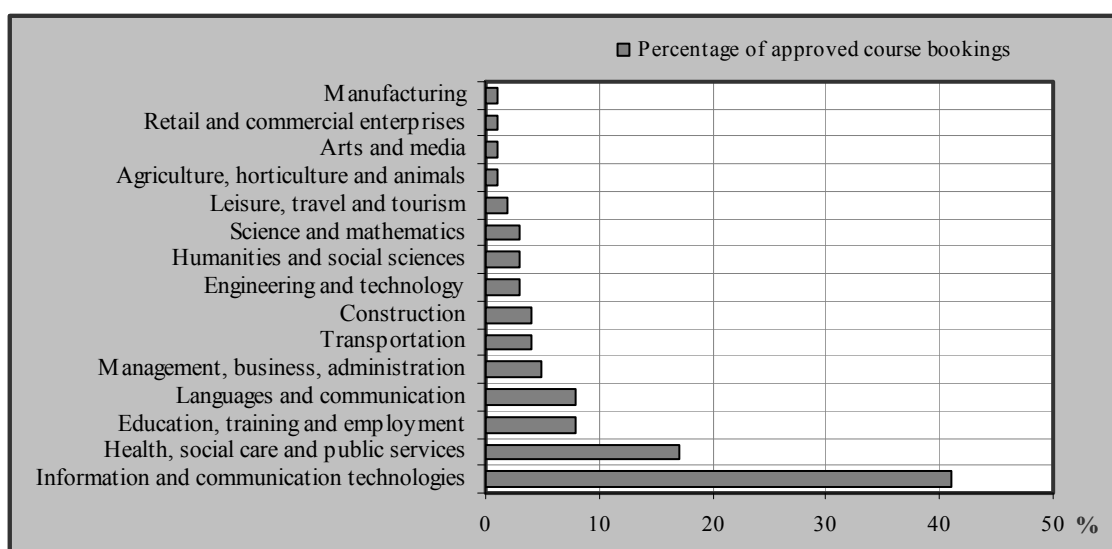


Figure 2 shows that information and communication technology courses have made up almost 50 % of approved learning.

Figure 5: Programme areas supported by ILA Wales



## 6.5. Conclusion

The scheme has been focused on poorly-qualified people who claim a range of social benefits, to support these people in acquiring learning to help them into employment. Going forward, we are considering whether priority should be given to helping poorly-qualified people who have recently entered employment, to try and ensure that their employment is sustained.

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## **7. Individual learning accounts: the Kent experience**

**Nicholas Fox**

### **Abstract**

The Individual Learning Company administered over 40 000 individual learning accounts (ILAs) across Kent and South East England using a voucher based system. The scheme was organised on behalf of the local government sponsored training and enterprise councils. The ILAs were promoted through a network of trusted intermediary organisations. Learners received a government grant of GBP 150 (EUR 200) against a minimum matched contribution of GBP 25 (EUR 35) for courses from registered providers.

Independent evaluation showed that in 80 % of cases the ILA was instrumental in stimulating learning that would not otherwise have taken place. There was significantly above average participation by low-skilled workers and skilled non-manual workers. 41 % of learners took an IT user qualification. On average, there was matched funding of GBP 191 (EUR 260) generated from the individual learner and/or their employer. There was no reported fraud. Contributory successes of the scheme included giving providers fixed volume contracts and enabling individuals to decide how much to spend on what type of training.

### **7.1. Introduction**

Kent is located in the south east corner of England. It has a population of 1.3 million people and is the second largest local authority in England. There is great diversity in economic and social conditions in different areas of the county. Kent Training and Enterprise Council was the local, government-sponsored agency responsible for delivering government skills programmes as well as supporting innovative local schemes.

Based on empirical research, a learner motivation model (Annex 1) was developed to inform the design and delivery of new learning initiatives. This model also identified four stages in the process of engagement in training: awareness, interest, decision and action. Research had also shown that access to finance was a major barrier for learners, particularly those who did not qualify for public funding. Several schemes were developed, including the Kent community learning fund <sup>(18)</sup>.

With the government's intention to introduce a national ILA scheme it was agreed that Kent would pilot test the idea on behalf of the eight training and enterprise councils in the south east of England. Initially a pilot scheme based on a real bank account was tested, through the local Kent Reliance Building Society. Several factors caused this approach to be changed for

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<sup>(18)</sup> The Kent community learning fund provides interest free loans to adults unable to access other sources of finance. Against an average loan of GBP 1 500 evaluation shows a median increase in earnings of GBP 4 000.

the second phase, which was based on individuals receiving paper-based vouchers with different values. This phase ran for 18 months during which 40 000 accounts were administered across the south east and eventually on behalf of 35 training and enterprise councils nationally. Each of these councils was able to target the scheme to meet local priorities while achieving the cost-effectiveness of a regional administrative support unit (the Individual Learning Company).

## **7.2. The scheme**

The Kent scheme offered individuals a grant of up to GBP 150 provided they contributed a further GBP 25 themselves. The scheme was open to all employed residents over the age of 18, with no restriction on prior qualifications or the type of learning to be undertaken. The scheme was promoted through a diverse range of intermediary organisations including public and private training providers, community groups and information, advice and guidance networks. Individuals were registered by a call-centre (regional ILA unit) and issued with an information pack containing a set of vouchers amounting to GBP 150. These vouchers could be used in any combination with any number of providers, enabling individuals to choose how many courses, of what type, from which provider they wanted to have subsidised. The vouchers could not be used for employer specified, job specific courses.

Providers were registered with the ILA unit through a contract spelling out the terms and conditions of the scheme and with an initial allocation of the maximum number of ILA accounts that could be redeemed. Although certain checks were made, via local training and enterprise councils, providers did not have to meet the full quality inspection standards normally required for colleges and similar organisations. This encouraged participation by smaller providers. It also enabled community groups to nominate providers who did not normally take part in such government schemes. Several individuals also 'pooled' their vouchers to commission courses designed to meet their needs.

## **7.3. The results**

Analysis of the scheme showed that:

- (a) 68 % of participants were female;
- (b) 80 % were aged between 20 and 49;
- (c) 80 % were employed, the rest were economically inactive;
- (d) 46 % worked in the business and financial services sector;
- (e) 33 % worked in the public sector.

The largest number of courses taken (41 %) were concerned with use of IT, for example various Microsoft Office programmes, accounting systems and databases. The second largest group (22 %) were general 'school education' courses. The majority of courses seemed to be

employment relevant; with over 91 % of evaluation respondents saying that their course was valuable in respect of their effectiveness at work. Equally, 93 % of account holders said that their course also had a value to their personal development outside of work.

An evaluation was also made as to the ‘additionality’ of the scheme, i.e. to what extent did the scheme increase the level of training against would have taken place without the scheme. The analysis identified three main groups. The first group (31 %) reported that the training would not have taken place and that the ILA was a direct incentive to the learning actually being undertaken. The second group (48 %) said that although they would have taken some learning, the ILA was a direct incentive to making sure it occurred. More detailed analysis suggests that for this group the ILC meant that learning was undertaken sooner, to a higher level and in a greater quantity. This suggests that there was at least 79 % additionality in learning due to the ILA scheme. The evaluation also suggests that there was matched funding of GBP 191 by the individuals and their employer. The completion rate of 91 % is significantly higher than that achieved for most publicly funded schemes for this target group.

## **7.4. Key learning points**

The Kent ILA experience proved effective in encouraging people to engage with learning and/or to increase the level of learning undertaken. The learning undertaken was generally relevant to their employment even though this was not a requirement of the scheme. The success of the scheme was also aided by detailed administrative dimensions which helped ensure that policy objectives were met in practice, as well as theory.

Issuing contracts directly to providers ensured that they were aware of the scheme objectives and the evidence required on which to be able to make a claim. The need to produce individually signed vouchers as evidence of learner activity helped ensure rigour. This approach provided a basis for controlling the basic quality of providers without unduly restricting their participation. An important aspect was to limit the number of ILAs that could be redeemed by a provider, encouraging them to promote the scheme to people who would not otherwise enrol. This helped reduce ‘deadweight’ and increase participation by non-learners.

Giving individuals actual paper vouchers created a high sense of ownership since individuals clearly recognised the value of the investment being made. The fact that different combinations of vouchers could be used enabled individuals to behave more effectively as discerning customers to achieve better value for money. It also gave them the opportunity to combine with others to commission their own training; this involved several providers not normally involved in public schemes (some of whom have now become mainstream providers). The fact that each voucher had to be signed also helped prevent fraud.

The involvement of a network of trusted intermediary organisations assisted in targeting the scheme towards priority groups. Such groups were also able to provide pre- and post course support, which both improved retention rates and supported progression into qualification

based learning (some 91 % of participants already had a clear idea of the purpose and course for their learning when they registered). The intermediary organisations were also able to link participants in the ILA scheme with other local schemes relevant to the learner.

## 7.5. Conclusion

The Kent experience demonstrated that a voucher-based ILA scheme can cost-effectively achieve several learning policy objectives.

## Annex 4. Learner group – AIDA matrix

Figure 6: Learner group- AIDA matrix

	Awareness	Interest	Decision	Action
Learning enthusiasts (14 %)				
Learning for its own sake (24 %)				
General assistance (15 %)		Open minds		CDL PAYL Bursary
Vocationally committed (24 %)		IiP		In-Co accreditation Fast track
Poor past experience (13 %)				Flexible learning provision Accredited family learning
Switched off (24 %)		RTL		
		SDP		

AIDA: Awareness, Interest, Decision, Action is a standard sales model outlining the four stages that a customer goes through in making a purchase; our innovation was to link it with different types of learner as defined by their motivation towards learning.

IiP: Investors in People, the official UK standard for good people management; similar to Total Quality Management models from the European Foundation for Quality Management.

RTL: Return to Learn. a scheme in which employers received 50 % subsidy for leisure learning for staff, designed to re-introduce staff into learning before progressing to work related training.

SDP: Social Development Programme, an ESF funded project for disaffected young people to give them vocational training and support to get back into employment.

CDL: Career Development Loan, UK government's scheme for providing individuals with loans for learning.

PAYL: Pay As You Learn, a scheme to allow individuals to pay for their learning during their course rather than having to pay all their course fees in advance.

## **8. Individual learning accounts: a FÁS perspective (Ireland)**

**Roger Fox**

### **Abstract**

Over recent years there has been increasing interest in individual learning accounts in Ireland. In 2007 two researchers, including this contributor, reviewed the experience in several countries. The paper summarises this review. It notes the confusion between ILAs and voucher schemes, which have already been run in Ireland. In view of the policy context in Ireland, which favours activities for low-skilled employees, a true ILA is not recommended. Rather, it is proposed that FÁS, the national training and employment authority, establish a voucher-type scheme to be known as individual learning options.

### **8.1. Introduction**

Over recent years there has been increasing interest in individual learning accounts (ILAs) in Ireland. The National Economic and Social Forum (NESF, 2006) recommended establishing a EUR 2 000 ILA for early school leavers in 2006. The National Centre for Partnership and Performance (NCPPE, 2005) called for an examination of personal learning accounts, while the National Economic and Social Council (NESC, 2005) suggested a training bond for persons who did not go on to third-level education after completing school. The expert group on future skills needs (EGFSN, 2007) at the national skills strategy in 2007 tentatively supported shared funding mechanisms such as ILAs. It recommended that further research be conducted into the possible use of ILAs in Ireland. The *Irish labour market review 2007* published by FÁS (2007) also considered this issue.

In response to these reports, Roger Fox (FÁS) and Kay Hallahan (Forfás) carried out desk and field research in Spring 2007 on ILAs. This led FÁS to produce a paper with proposals in the summer of 2007. A paper was also produced by Kay Hallahan for the EGFSN and an informal seminar on funding mechanisms was held by the EGFSN, with the OECD, in September 2007. Further discussions took place within the EGFSN in autumn 2007 but no final decision on the matter has yet been made. In parallel, FÁS considered what it might do and developed a proposal for limited pilots of an individual learning options scheme: as explained below, this is not an ILA-scheme but has some related features. FÁS will be making a decision at the beginning of 2008 as to whether it will implement this proposal in 2008.

The remainder of this paper summarises the research conducted by FÁS/Forfás in spring 2007 and the conclusions drawn by FÁS from this research.

## **8.2. Rationale**

As in many countries, the issue of funding initial education and VET for the unemployed in Ireland is widely agreed to be the responsibility of the State; the funding of education/training for the employed, and adults in general, is not agreed. There is a general consensus that, as the government, employers and individual employees are all likely to benefit from continuing vocational education and training, it is fair that they should all contribute to the cost. However, the difficulties of measuring the respective benefits, and the uncertainty about gaining them, mean that, in practice, it is not easy to agree a fair division of costs. The concept of individual learning accounts arises here as a mechanism for contributions from several actors (e.g. State, employers, employees) to be brought together to fund education/training.

However, individual learning accounts are also seen as potentially achieving another objective: allowing individuals greater choice of provision. Thus, rather than State (or other collective) funding being given to providers, who then offer courses (at reduced rates), purchasing power is given to the individual to select a course from competing providers. This has a dual purpose. First, it helps create a market in education/training provision: proponents argue that a market model will lead to greater innovation, flexibility and customer-focus among providers and hence better provision for learners. Second, providing the learner with purchasing ability will increase motivation and interest in learning as the learner feels more empowered to meet his/her own needs.

A further rationale for ILAs is found in the US and Canada where the focus is on encouraging savings to build-up personal economic success. Contributions from individuals, over a period of time, are matched by State and/or employer funds and can then be used to buy various approved goods or services. Thus, they can be used for education/training but also starting a small business or buying a house (US).

## **8.3. Operation of individual learning accounts**

The essence of ILAs is that funding is allocated to a particular individual's account. The individual may then use the funds to purchase training of his/her choice. In some cases this happens but in many cases the transfer and payment is notional. For example, an individual may open an account with the ILA managing organisation (not a real bank), select a course, receive approval, and then the course provider receives payment from the ILA managing organisation. However, whether a real or virtual account, the ILA holder receives regular statements of account balance.

There is considerable confusion between ILAs and learning vouchers. Several countries claim to be running ILA schemes that are, in reality, simply voucher systems. Vouchers are typically provided by a public authority to individuals to purchase education or training, aiming to empower individuals and create a more competitive market among providers. In some cases vouchers are given to suitable individuals, in others, they can be bought at a discount. Where

they are provided freely, there is clearly no joint financing. If they have to be bought there is joint financing and they are closer to an ILA.

Pilot ILAs, in one form or another, have been run in a wide range of countries. However, no large-scale national scheme is known. Schemes have been, or are being, run in England, Wales, Scotland, the Netherlands, Canada, Austria and certain US areas; voucher schemes are run in Belgium, France, Italy, and Austria, among others.

## **8.4. Consideration/issues**

In developing ILAs or similar individual-based schemes, several considerations and issues need to be decided, including funding apportionment. For example, one approach is to have a fixed maximum government payment which can be topped-up by individuals and/or employers. Another approach is to have a fixed percentage share formula, for example government (X %), individual (Y %) and employer (Z %).

Other issues are:

- (a) what the level of maximum government funding should be;
- (b) eligibility of participation (e.g. all employers, or employees at certain education levels, atypical employees);
- (c) provider eligibility (e.g. national trainer register);
- (d) course eligibility (e.g. level, nationally certified, subject: leisure courses, pure education);
- (e) fund management and payment transfers (commercial banks, virtual banks, pre- or post payments);
- (f) course completion incentives/disincentives (for providers and individuals);
- (g) extent of guidance (optional, compulsory, need to accept guidance);
- (h) whether other financial supports are linked (e.g. tax relief on contributions to the ILAs);
- (i) related cost eligibility (e.g. childcare, transport, wages);
- (j) role of employers (e.g. course and participant selection).

## **8.5. Issues for FÁS**

It is fair to conclude that the ‘jury is still out’ about the introduction of ILAs in other countries and that, to date, they have only been successfully operated on a small scale. Nevertheless, the objective of empowering individual employees is seen as very positive. FÁS has had some positive experiences of this approach in relation to other client groups: for unemployed clients through the customised training fund (CTF) and through Own-time training for employment programme participants. However, as the customised training fund review found, any such

scheme needs to have clear criteria for participation and course selection. Otherwise, as in most financial supports, there will be large deadweight. This needs to be managed to avoid waste of public funds.

The present FÁS key priority is to reach low-skilled, poorly-qualified, employees. It is important to recognise that funding is only one of the factors in determining participation by the low-skilled in learning. Whatever scheme is put in place, it will not be guarantee a large increase in participation. Currently, courses explicitly for low-skilled employees can be 100 % funded by FÁS. The principle of 100 % funding for this client group has also been reiterated in the EGFSN's National skills strategy report in relation to programmes to achieve qualifications up to level 4/5 (upper secondary). Currently, however, many other courses that might be of interest to this group are not free. Within the public sector, FÁS evening courses, FÁS e-college, VEC adult education courses (except adult literacy) all charge fees; private sector providers also charge fees.

Thus, one issue for policy (in respect of low-qualified employees) is to decide whether all or only some courses should be 100 % State-funded, and, for the remainder, what rate of subsidy should be provided. At first sight, FÁS provision of a new ILA/voucher scheme with 100 % funding might seem financially dangerous. However, confining it to below upper secondary employees with (say) five years work experience would be likely to be of manageable size.

Putting in place a policy-decision along the lines set out above could involve ILAs or vouchers or simply some invoicing system between providers and FÁS. The first two options might provide benefits in highlighting empowerment. It would seem that if 100 % State funding is to be provided, establishing an ILA system is perverse: a voucher or 'right to purchase' system would be adequate. Consideration might also be given to requiring individuals to make a small, up-front, contribution to course cost (e.g. EUR 50) which would be refundable on successful completion.

## **8.6. FÁS proposal**

It is proposed to establish a pilot scheme of individual learning options for the employed. The objective is to meet the needs of low-skilled and vulnerable workers who would benefit from training and whose needs are not being addressed at present. The target group is employees with qualifications below upper secondary who have been in employment for a minimum of two years. They must attend courses provided by approved trainers, and such courses must lead to recognised certification. Grant aid will be given to cover 70-75 % of the course cost, subject to a maximum of EUR 1 300 per employee. In the pilot phase just 225 employees will receive funding.

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## **9. Individual learning accounts: Dutch experiences**

**Cees Doets**

### **Abstract**

Two experiments (pilots) with individual learning accounts (ILAs) were carried out in the Netherlands at the beginning of the 21st century. The first part of this paper states the background and the idea behind these experiments plus the main results and the lessons learned. Although the experiments were successful, one of the shortcomings was the impossibility of proving the effectiveness of the ILA, compared to more traditional instruments of learning stimulation. This was the main reason for the Dutch government setting up a research project (field experiment) in which the experiences of two groups, one group with and one group without ILAs, are compared. In the second part of this paper the first results of this research are presented.

### **9.1. Introduction**

The decision to initiate experiments with ILAs was taken by the Ministries of Education, Culture and Science and Social Affairs. It constitutes part of the Council resolution (Council of the EU, 2002) to base educational policy on lifelong learning. The ILA was introduced as an important instrument to stimulate a system change: from supply driven to demand driven training and learning. The ILA might increase the motivation to (lifelong) learn(ing) because it will provide the individual among other things with:

- (a) the freedom to formulate learning motives;
- (b) freedom in the organisation of learning;
- (c) more influence on the cost-benefit analysis of provision.

The important question behind the experiments was: do ILAs have a motivating effect on learning? In other words, do individual employees with an ILA:

- (a) broaden their interest in continuing learning;
- (b) raise their motivation to engage regularly in learning;
- (c) establish their own learning objectives;
- (d) influence the demand-led approach in the training market;
- (e) reflect on the contribution of learning to his career?

The government was particularly interested in the effectiveness of ILAs for employees with a low level of initial (formal) schooling.

To find an answer to these questions two pilots were carried out. The pilots were coordinated by CINOP Expertisecentre.

## **9.2. Two pilots: 2001-03**

The pilots were carried out in the years 2001-03: about 3 000 employees and 100 companies participated. Each individual participant received a grant of EUR 450 from the ministry for their ILA. This grant could be supplemented by the company and/or employees themselves. The money had to be spent within a period of 18 months.

It took time to recruit the account holders. The ILA was a new instrument and low-schooled employees are not very familiar with organising their own training. But after intensive recruitment with the help of the companies, each pilot started with about 1 500 employees interested in an ILA.

The motives of the employees participating in the pilots were:

- (a) personal development (61 %);
- (b) function better in present job (39 %);
- (c) learning as an enjoyable activity (11 %);
- (d) request of the employer (10 %);
- (e) financial advantage (9 %);
- (f) getting promotion (9 %).

The feelings of the individual participants about the importance of self-management of their learning activities were mixed. Half of the account holders thought it was important to choose the courses themselves and to take courses that were not directly related to their current job, so broadening their general occupational knowledge and skills. For the other half it made no difference, because the most important motive was the opportunity for training; who made the arrangements was less important. About 60 % stressed the importance of managing the accounts themselves. Arguments for self-management were that it strengthens the feeling of responsibility and it stimulates thinking about training for the future career. The other 40 % thought it a lot of fuss and indicated that they received adequate opportunities from their employers to engage in training.

## **9.3. Advantages/disadvantages of ILAs**

The companies which participated in the experiments also mentioned several (dis)advantages with learning accounts compared to other instruments.

Advantages (for employees) were:

- (a) stimulation of motivation to participate in training;
- (b) more awareness of capabilities instead of limitations;
- (c) the reduction of resistance against training.

Disadvantages were:

- (a) bureaucracy and new rules;
- (b) employer is less in charge;
- (c) absence of opportunity to average-out budgets;
- (d) choice of courses which are not related to current job.

## **9.4. Main conclusions after the pilots**

The main conclusions drawn from the two pilots were that the ILA might be an important way to stimulate lifelong learning and training but that there are several points to be examined:

- (a) how to combine two (national) systems of lifelong learning: supply driven and demand driven;
- (b) the training market is not very transparent for individuals: coaching and assessment are still needed;
- (c) most employees have no long-term career perspective and no priority to save money for their career;
- (d) financial incentives from the government are essential for low-educated employees but the decision to engage in learning is a complex one, not only based on rational/financial arguments;
- (e) the use of the ILA to stimulate non-formal learning.

## **9.5. The research project**

One weakness of the pilots was that, due to the fact that we had no control-group, it was not possible to prove the effectiveness of the ILA. So the Dutch government gave the order to start a research project in which two groups were compared: one group with an ILA and one group without. The research considered whether possession of an ILA has a positive effect on the following aspects:

- (a) attitude,
- (b) motivation,
- (c) participation,
- (d) position in the labour market.

The research was from the end of 2006 until March 2008. The research population consisted of 1 266 employees: 637 with an ILA and 629 without an ILA.

Employees with an ILA received EUR 450 from the government in their account, which had to be spent between November 2006 and March 2008. Participants were recruited by the

training and development funds. The maximum level of initial education of the participants was secondary vocational training (about 80 % had a lower level of initial education). The average age was 38 and about 75 % of the participants were male. The average wage was about EUR 13.50 per hour. Over 60 % had not undertaken training during the previous 12 months. About 50 % of the participants intended to undertake training in the near future. During the research there were three points of measurement for both groups: December 2006, September 2007, September 2008.

The next paragraph presents the main results of the second measurement.

## 9.6. First results of the research project

The results refer to the effects noticed after about 10 months. This paragraph will focus on the main differences between the two groups.

*Table 6: Attitude to learning*

		%	
Variable		No ILA	ILA
Initiative to follow a course	employee	33	61
	employer	29	13
Main reasons for employees with concrete plans	Personal development	58	74
	Improvement in functioning present job	48	39
Saving for learning		9	14

Certain significant differences were found:

- (a) more employees with an ILA personally take the initiative to follow a course;
- (b) personal development is an important reason for learning. This reason is relatively more important for employees with an ILA than for employees without an ILA;
- (c) for employees without an ILA, improvement of the present job is relatively more important;
- (d) only a small minority of the employees wants to save for learning. Employees with an ILA have a slightly more positive attitude towards saving

Table 7: Motivation to learn

		%	
Variable		No ILA	ILA
Intention to follow a course	Has no intention, nor has followed	32	15
	Intention, not yet followed	24	31
	Followed	44	54
Time of the course	During work time	36	15
	In spare time	49	73

Table 7 shows that:

- (a) about 30 % of the employees without an ILA are not motivated to learn; for employees with an ILA this is a significant lower percentage (about 15 %);
- (b) a significantly higher percentage of employees with an ILA are willing to follow a course in their spare time.

Table 8: Participation

		%	
Variable		No ILA	ILA
Course followed		44	54
Reasons	Personal development	69	70
	Improve functioning in present job	41	34
	Improve position labour market	29	37

Concerning participation, Table 8 shows that:

- (a) an ILA influences participation: relatively more employees with an ILA took a course recently;
- (b) personal development is the most important reason for both groups;
- (c) improvement of functioning in the present job is a relatively more important reason for employees without an ILA;
- (d) improvement of the position in the general labour market is more important for employees with an ILA.

Table 9: Position in the labour market

			%
Expectation of employees	Improve salary	Improve position in labour market	
No improvement	58	21	
Do not know	25	25	
Improvement	17	54	

More time is needed to determine the (factual) effects on the labour market. In the second measurement the expectations concerning labour-market effects of both groups were measured. Both groups did not significantly differ in their expectations.

Table 9 shows that more than 50 % of the employees expect an improvement of their position in the labour market (due to learning) and only 17 % expect a higher salary.

## 9.7. Conclusions

Although we must be very careful in drawing final conclusions from the pilots and research, some trends are visible:

- (a) the possession of an ILA has positive effects on the attitude, motivation and participation in (life)long learning of (low-schooled) employees;
- (b) personal development is an important motive for learning. This motive is even more important for employees with an ILA, followed by improvement of the position in the (general) labour market;
- (c) if employees have no ILA: learning for the present job is relatively important (stimulated by employer initiatives);
- (d) an ILA stimulates a significant proportion of employees to be responsible for their own learning and to follow courses in their spare time;
- (e) only a small minority is interested in saving for learning, but it seems that an ILA (slightly) stimulates the attitude to saving;
- (f) improvement of the general position in the labour market seems a more important (learning) motive for employees than improvement of salary.

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## **10. Is the individual learning account suitable for the lower educated?**

**Toon Janssen**

### **Abstract**

The question whether the individual learning account (ILA) works for the lower educated must be preceded by questioning what an ILA is. This paper distinguishes 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 available only once and for which a personal financial contribution is not a standard demand. The conclusion is made that an ILA may be an effective instrument for the higher educated, but not for the lower. For the latter an ILB together with help establishing the training need and choosing a course or training programme is probably a successful strategy.

### **10.1. Introduction**

In several countries the individual learning account (ILA) is used to stimulate learning by adults. In turning the concept into practice the original definition of an ILA can blur. It is important first to 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 the lower educated to pick up learning again. There is also the question of the effectiveness of the ILA among other instruments in stimulating learning (of the lower educated).

### **10.2. What is an ILA?**

The Netherlands have experimented with the ILA since 2001. In the ILA 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' (Staatscourant, 2005, p. 13). In its pure form the ILA is a saving account in 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 the government and the employer can also contribute. There are several saving options: in the Netherlands the option considered is to save a certain amount of money from gross wages (before taxes) which is placed as a net sum 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* (salary savings) which has been operational in the Netherlands for more than a decade; the system was introduced to stimulate saving (e.g. to buy a house). The ILA is considered to stimulate the self-responsibility and freedom of choice for learning.

In the current and the two former subsidy schemes the ILA is not handled as a saving account, but as an individual learning budget (ILB) <sup>(19)</sup>, a sum of money which is placed at the disposal of an employee to buy training. There are several reasons:

- (a) the main goal of the experiments is to investigate whether employees pick up training when they have their own learning budget available and which choices they then 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 examination (5-10 years) is needed. In the stage of policy development of lifelong learning this is too long a period to base 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.

For these reasons, the experiments focused mainly on the efficiency and effectiveness of an ILB 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 offer some conclusions about the functionality of an ILA. This will be in terms of improving individual responsibility and freedom of choice, but not whether people are actually willing to save for learning.

Hence, the functionality of the ILA as a saving account is not 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.

When speaking about an ILA does this mean a saving account or an individual learning budget? Only in relation to this distinction also is it possible to speak about the usefulness of the instrument and for whom. The following aims to maintain this distinction when examining the suitability of the ILA for those with low education.

### **10.3. Training participation in the Netherlands**

The Netherlands is seeking level-2 (basic vocational training) <sup>(20)</sup> qualification in 2010 for 80 % of the labour force between 25 and 64 years old. In 2000 this was 74.4 % and in 2007, 77.7 %. So, in 2007 23.3 %, almost 2 million people did not have a level-2 qualification.

The picture of training participation shows that 36 % of adults between 16 to 65, who were not engaged in a full-time daily course at the time of the interview, followed a work-related course or training programme between 2004 and 2006. Of those with only primary school

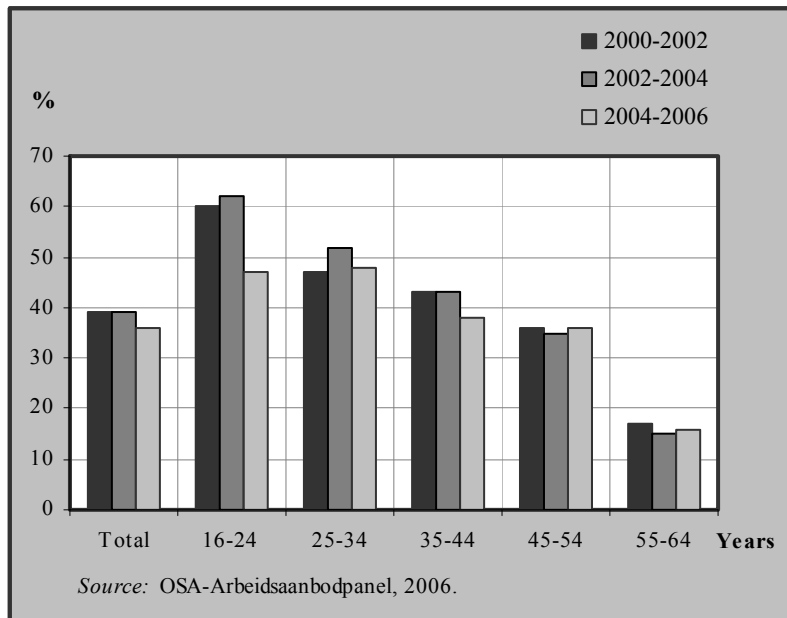
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<sup>(19)</sup> An ILB is a sum of money which is placed at the disposal of an adult (employee, unemployed, not-working person) to buy training. A personal contribution may be asked of the beneficiary, but a structured own investment is not demanded.

<sup>(20)</sup> Diagram of the Dutch educational system available from Internet: <http://www.nuffic.nl/international-students/dutch-higher-education/education-system> [cited 5.8.2008].

education this was only 19 % and for lower secondary education 21 %. The participation of people with higher professional or university education was far greater with 46 % and 50 % respectively. Participation over the period shows a decline in all categories (Figure 5)

*Figure 7: Participation in training or courses of all respondents, according to level of education, 2000-06 (in %)*



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

The reasons for lower participation rates in most cases are attributed to the employer or the individual him/herself. Several of these reasons can be found in the report from Regioplan on training employees without level-2 qualification (Mevissen and Mosselman, 2006).

One crucial argument from employers is that they do not train their employees primarily to improve their opportunities in the labour market, but to solve short-term problems in conduct of tenure. Company training is strongly focused on the daily functioning of the employee within the company and not on strengthening his employability. The lower educated employee is often only considered for training if this is of immediate importance for his job (e.g. operating a new machine, following a legally-demanded security course). This hinders the employability of the lower educated.

Research shows that low participation in training by lower educated people often results from employee characteristics and not employer characteristics or educational supply. Many of the low-educated have a negative attitude towards education and training. They do not want to, are afraid of, cannot or do not know how to learn. The training of low-educated people is hindered by:

- (i) situational barriers (time, money, etc.),

- (ii) institutional barriers (college hours, location, etc.),
- (iii) informational barriers (lack of information, incomprehensible information, etc.),
- (iv) psychological barriers (too old, fear of learning, etc.).

There are many influences; availability of financial means is just one of them.

## **10.5. How can low-educated people be motivated to start learning?**

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. This requires use of different aspects of organisation of learning, as summarised below (Smit et al., 2005):

- (a) learning-on-the-job: the best way to learn is at the workplace;
- (b) 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 into modules;
- (c) do not include employees with abnormal characteristics, as they may be ashamed of not having certain basic competences;
- (d) train in working time;
- (e) show success-stories: the success of others with the same background may reduce resistance;
- (f) no delay: if the employee has decided to enrol in a course he should be able to start before motivation may fade;
- (g) learning in a group: this stimulates and prevents drop-out;
- (h) safe learning environment: not too large a group, employees from the same team, familiar environment;
- (i) examination method: no written tests, but practical assignments or oral tests;
- (j) certificate, bonus, extra attention.

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

What role does money play in motivating low-educated people to start learning? It is assumed that the financial means for training are available through the employer, the training and development fund (O&O-funds) or the government. Money does not feature in the above motivational aspects. Several examples show, however, that this it does have an effect.

The ILA-experiment has shown that the ILA has great influence on the incentive to enrol in a course. A person with an ILA undertakes training more often than a person without.

The province of Noord-Brabant placed learning vouchers with a value of EUR 250 at the disposal of low-educated people (maximum lower secondary vocational education) to encourage them to take a course. The conditions for spending the learning voucher were kept accessible. The learning voucher is not only meant for work-related training; many kinds of course are eligible with the aim of getting people going. The evaluation indicates that if low-educated people are in command, they actively get to work to find training that appeals to their attitude; it also shows that many ultimately choose a course related to work. Through an effective 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 1 836 learning vouchers were allocated, against 1 600 expected. According to the evaluation, the learning voucher can also serve as a step to continuation schooling. About half of the participants declare an intention of going into further training.

Meijers and Teerling (2003) 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 arises from the greater individual responsibility and greater choices an own learning budget brings. However, they emphasise that most employees will need guidance in identifying their training needs and in finding suitable training.

The conclusions seem to be that an ILB can stimulate the training motivation of low-educated people. Conditions for appropriate use of the ILB, however, are that the ILB-product is well marketed and that there is adequate personal guidance.

## **10.6. Can a saving account serve as a training incentive?**

There are no known research results available to answer the question of whether an ILA as a saving account is an effective instrument to stimulate learning by low-educated people. An ILA is generally considered as playing a positive role but this is an assumption. The ILA is also often mixed up with the ILB, which pushes the original function of the ILA to the background.

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

The question is who will make use of this form of ILA? At present we have to approach this question using common sense, as research data are not yet available. 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 identified and their salaries are high enough to afford saving. However, there

must exist financial advantages in saving specifically for training, otherwise there would be no purpose. The advantage could be, for instance, government tax concessions 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 much more doubtful whether they will use the potential of an ILA, which demands personal investment, while their salary is often modest. Further, most of the time the low-educated do not have an identified training need and do not think in terms of future goals. Also tax concessions for the lower salaried are not so attractive as for higher salaried people. In contrast to the ILB, it is most probable that there will be no stimulating effect from the ILA on the training of lower-educated people.

## 10.7. Conclusion

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

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# **11. Individual learning accounts in Flanders**

**Mieke Augustyns, Lieselotte Bommerez, Lieven Van Wichelen**

## **Abstract**

This paper presents the Flemish training and guidance vouchers scheme for employees with public and private cofinancing. Half of the EUR 250 voucher is paid by the government; the rest is the contribution of the learner. Since their launch in 2003, these training vouchers have achieved widespread use and quantitative success in the Flemish region, with over 200 000 requests made by employees on a yearly basis. The measure stimulates employees (the unemployed are excluded) to ‘keep up’ and strengthen their position in the labour market by diminishing financial thresholds that hinder participation in lifelong learning. The results of the evaluation show an overrepresentation of medium- and high-skilled employees, workers under the age of 30 years old and females. Although the scheme has proven quite successful, from a policy perspective it is not explicit whether the vouchers really raise workforce employability.

## **11.1. Introduction**

The Flemish government actively seeks the further participation of adults in training and education programmes. Since 2003 the government has contributed to direct training costs through training and guidance vouchers. This stimulates employees (the unemployed are excluded) to ‘keep up’ and strengthen their position in the labour market by diminishing financial thresholds that hinder participation in lifelong learning.

Employees can buy training vouchers up to an annual amount of EUR 250. Half of it is paid by the government, the rest is at the expense of the learner. The vouchers can be used to cover the direct costs related to training, career guidance or competency measuring but cannot be used to replace training costs for the employer. Additional intervention is possible, under certain conditions, for employees without higher and/or secondary education, and those who start training after undergoing career guidance. To guarantee quality, the training has to be organised by authorised training agencies.

## **11.2. Scope of the scheme**

A survey of the scope of the training and guidance vouchers in Flanders is presented in the following tables.

Table 10: Number of training and guidance vouchers, and their value (2005-07)

	2005	2006	2007
Number of vouchers <sup>(1)</sup>	214 149	233 835	250 130
Total value (EUR)	25 266 950	28 896 450	34 077 810

Source: VDAB (Flemish public employment service).

<sup>(1)</sup> The number of vouchers exceeds the number of users since multiple vouchers can be used by one person.

Table 11: Training and guidance vouchers according to level of education, age and gender (2007)

	Vouchers <sup>(1)</sup>		Value of the vouchers	
	Number	%	Value (EUR)	%
<b>Level of education</b>				
Low	37 321	14.9	4 933 790	14.5
Medium	88 257	35.3	12 299 500	36.1
High	124 552	49.8	16 844 520	49.4
Total	250 130	100.0	34 077 810	100.0
<b>Age groups</b>				
< 20	2 746	1.1	570 640	1.7
20-29	78 149	31.2	12 567 680	36.9
30-39	66 102	26.4	9 070 580	26.6
40-49	63 991	25.6	7 669 640	22.5
50+	39 142	9.3	4 199 270	12.3
Total	250 130	100.0	34 077 810	100
<b>Gender</b>				
Males	98 324	39.3	14 257 470	41.8
Females	151 806	60.7	19 820 340	58.2
Total	250 130	100.0	34 077 810	100.0

Source: VDAB (Flemish public employment service).

<sup>(1)</sup> The number of vouchers exceeds the number of users since multiple vouchers can be used by one person.

As shown in Table 11, the scheme has been growing constantly over the last three years. Even though the scheme is successful, the vouchers are under discussion at the moment.

A well-known problem on the European labour market is the limited participation of low-skilled and elderly workers in lifelong learning. Extra incentives were introduced in 2004 to stimulate low-skilled workers to engage in learning activities through the use of training vouchers. More vouchers (up to EUR 500) can be obtained for employees starting higher education, and free vouchers (without 50 % personal contribution) are available for low-skilled employees. However, these additional measures have shown moderate success, with low-skilled workers remaining significantly underrepresented in the training voucher

scheme: in 2007 only 15 % of all voucher users were low-skilled, compared to an average of 24 % low-skilled workers in Flanders.

The proportion of elderly workers (50+) in the voucher users has risen gradually over the last few years – from 13 % in 2004 to almost 16 % in 2007 – but remains below the share of 20 % elderly workers in total employment.

*Table 12: Equity in training vouchers for employees*

	2003	2004	2005	2006	2007
Low-skilled	13.4 % (13 359)	15.3 % (29 259)	15.4 % (32 996)	14.9 % (34 755)	14.9 % (37 321)
Elderly (50+)	11.1 % (11 066)	12.7 % (24 287)	13.8 % (29 657)	14.7 % (34 407)	15.6 % (39 142)
Total vouchers requested	99 696	191 235	214 149	233 835	250 130

Source: VDAB (Flemish public employment service).

NB The amount of vouchers exceeds the number of users since multiple vouchers can be used by one person.

### 11.3. Typology of courses in relation to the labour market

The training vouchers can be used by all Flemish employees for different types of training courses, as long as they are provided by authorised training agencies (authorisation provided by the Flemish government, Section 1.4).

*Table 13: Types of courses for which the training and guidance vouchers were used (2005-07)*

Type of course	2005		2006		2007	
	Amount	%	Amount	%	Amount	%
Administrative and commercial	4 530	2.5	5 541	2.9	4 557	2.7
Industrial automation	669	0.4	538	0.3	424	0.3
Information and communication technology (ICT)	12 868	7.0	13 089	6.8	10 926	6.4
Office automation	26 389	14.4	24 287	12.6	18 128	10.6
Management	4 454	2.4	4 156	2.2	3 936	2.3
Sector specific training	43 206	23.6	45 519	23.6	42 864	25.0
Social and basic skills	21 766	11.9	21 113	11.0	21 343	12.5
Language	31 427	17.2	34 795	18.1	28 667	16.7
Others (e.g. hobby-training)	37 689	20.6	43 399	22.5	40 366	23.6
Total	182 998	100	192 437	100	171 211	100

Source: VDAB (Flemish public employment service).

The most popular types of training for which the vouchers are used are sector specific training (25 %), language training (17 %), social and basic skills (13 %) and office automation (11 %).

Over the last few years, we notice a slight increase in sector specific training, ‘other’ training and social and basic skills training, and a reduction in training on office automation and ICT.

The substantial category ‘other’ courses (24 % of total amount) is often far from being labour market driven and tends to be in the private area. This category contains different types of ‘hobby courses’ (although not exclusively).

In 2007 approximately 80 % of the vouchers were used for labour market related training. The share of ‘other’ training (often not labour market related) increased from 20 % in 2005 to 24 % in 2007.

The occasional lack of relation to the labour market performance of the training vouchers is a key issue in the current policy debate on the scheme in Flanders, because it indicates a possible risk of major dead weight loss effects of the scheme.

## 11.4. The authorised training providers

To guarantee the quality of the training, it has to be organised by authorised training agencies. Once a provider is recognised within the scheme, employees are free to use their vouchers to pay for all training offered by that organisation (Section 1.3).

The Flemish government has authorised different types of public and private training providers in the context of the training voucher scheme for employees.

*Table 14: Type of training providers where training vouchers were used (2007)*

Type of training providers	Amount of vouchers	
	(n)	%
Public centres for adult education	85 038	50
Public agency for entrepreneurial training (Syntra)	18 349	11
Public and private universities and institutions for higher education	14 465	8
Public part-time art education	13 167	8
Public Employment Service (VDAB)	1 321	1
Public centres for basic education	224	0
Private training organisations	38 180	22
Career guidance	467	0
Total	171 211	100

*Source:* VDAB (Flemish public employment service).

Almost 80 % of the vouchers are used in publicly funded training organisations, especially in the public centres for adult education (50 %). This implies that the training voucher scheme operates as an additional source of demand-led public financing for these different public training institutions, although the proportion of this additional funding in the total public subsidies of these institutions remains relatively limited to an estimated 5 %.

Only 22 % of the training vouchers are used by private training organisations. As a result, the impact of the scheme in relation to the widespread offer of training courses provided by private organisations remains rather limited. This is partly because these vouchers cannot be used to replace training costs for the employer: the initiative to start the training has to be taken by the individual employees. Another possible reason is the difference in price level between public and private providers, with lower prices being offered by public institutions. An important point of policy interest in this perspective is the indication of an uplifting impact on price setting by certain training providers as a result of the training voucher scheme.

## 11.5. Evaluation and future reforms

Five years after launch in 2003, the training and guidance vouchers are being evaluated. Although the scope of the scheme has proven quite successful, from a policy perspective it is questionable whether the vouchers really raise the employability of the workforce.

To guarantee quality, training has to be organised by authorised training agencies. Once an organisation is recognised within the scheme, employees can use their vouchers for any training offered by that organisation. In practice the chosen training is often far from being driven by the labour market and tends to be in the private area. How is it possible to ensure that the Flemish ILA's reinforce the employability of employees, to eliminate dead weight effects, and stimulate disadvantaged groups to participate in training and education? Given the decreasing participation in lifelong learning over the last two years in Flanders, these questions are important for Flemish policy-makers (Figures 6, 7 and 8).

Flemish trade union and employer's federations, supported by academic researchers, will investigate training and guidance vouchers in 2008 within the framework of the 'competence agenda 2010' <sup>(21)</sup>, and benchmark them with different instruments from other EU Member States. Based on this benchmarking the federations will provide a recommendation to the Flemish government concerning existing training incentives.

Possible future reforms of the training voucher for employees include:

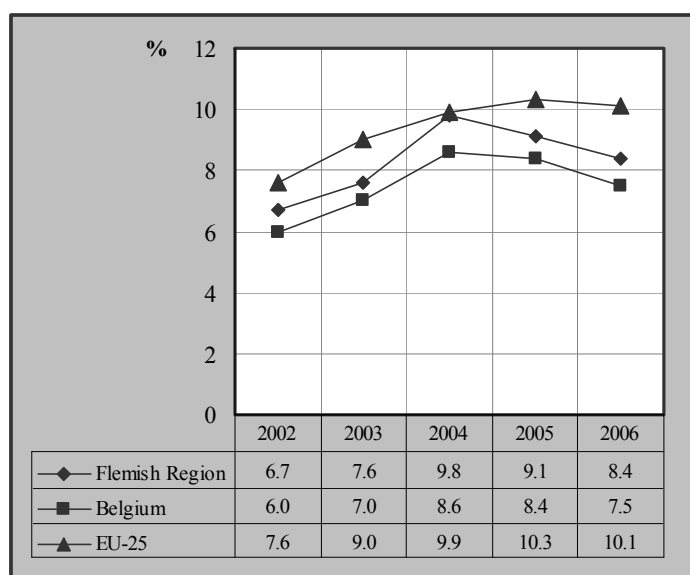
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<sup>(21)</sup> On 14 May 2007 trade unions, employers federations and the Flemish Government agreed on the competence agenda 2010 (*Competentieagenda 2010* available from Internet: [http://www.ond.vlaanderen.be/nieuws/2007p/files/1121\\_CA\\_2010.pdf](http://www.ond.vlaanderen.be/nieuws/2007p/files/1121_CA_2010.pdf) [cited 25.6.2008]). The competence agenda consists of 10 priorities that aim to recognise and deploy the capacities of students, job-seekers and employees alike, across the boundaries of education and employers' or workers' organisations. Different action plans and schemes in the policy fields of 'education and training' and 'work and social economy' are gathered in a joined framework.

- (a) limitation strictly to labour market related training;
- (b) limitation to training which leads to formal recognition (certification);
- (c) higher proportion of public co-financing for target groups (low-skilled, 50+);
- (d) limitation to target groups;
- (e) limitation to new users;
- (f) reform of reimbursement scheme.

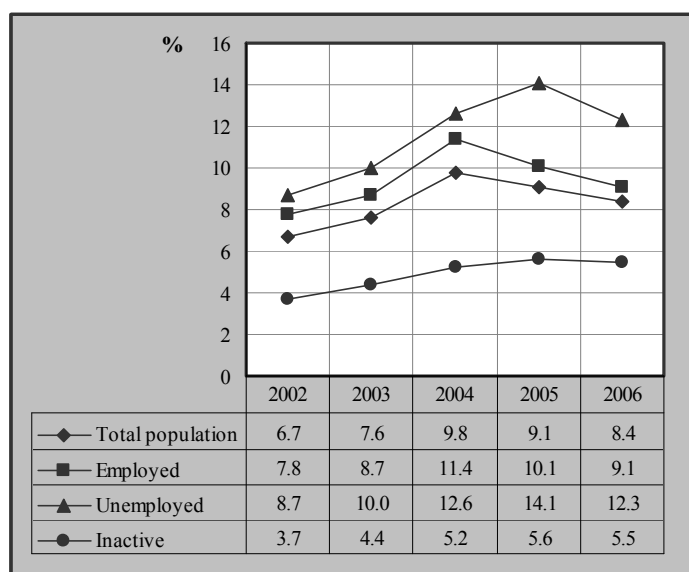
## 11.6. Background figures

*Figure 8: Participation in lifelong learning (25-64 years) in the EU-25, Belgium and the Flemish region (2002-06)*



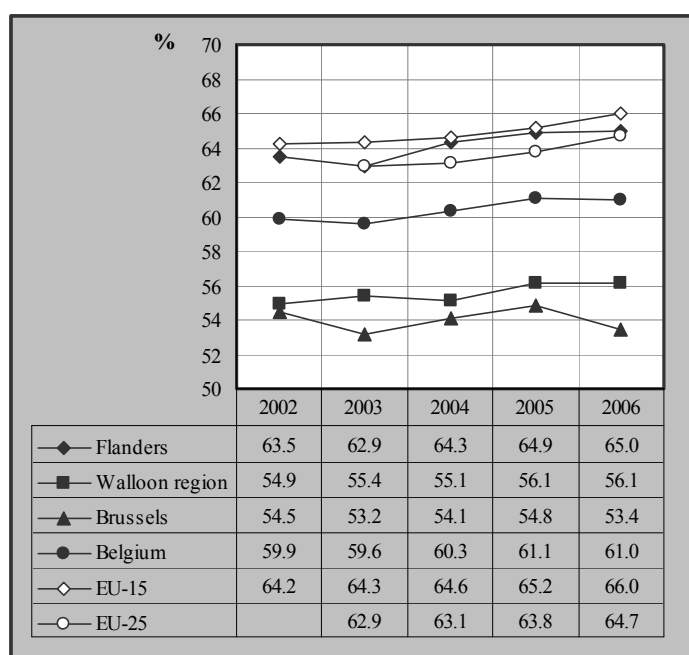
Source: FOD Economie – Algemene Directie Statistiek – EAK, Eurostat LFS (bewerking Steunpunt WSE/Departement WSE).

Figure 9: Participation in lifelong learning (25-64 years) in Flanders (2002-06)



Source: FOD Economie – Algemene Directie Statistiek – EAK, Eurostat  
LFS (bewerking Steunpunt WSE/Departement WSE).

Figure 10: Employment rate (15-64 years) in the EU, Belgium and its regions (2002-06)



Source: FOD Economie – Afdeling statistiek – EAK (bewerking  
Steunpunt WSE/Departement WSE).

Table 15: Employment rate (15-64 years), Flemish region (2002-06)

	2002	2003	2004	2005	2006
<b>General</b>					
Employment rate (%)	63.5	62.9	64.3	64.9	65.0
<b>Gender</b>					
Males	71.6	70.7	71.6	71.8	71.5
Females	55.2	55.0	56.7	57.8	58.3
<b>Age</b>					
15-24 years	34.4	32.6	32.8	31.8	32.0
15-24 years excl. students	81.9	78.0	79.5	78.9	80.8
25-49 years	84.2	83.2	84.9	85.6	85.8
50-64 years	40.6	42.1	43.8	45.9	46.3
55-64 years	25.6	26.5	29.5	30.7	31.4
<b>Level of education</b>					
Low	45.1	44.4	44.3	43.7	43.1
Medium	68.8	68.3	69.0	69.9	69.8
High	84.2	83.8	84.8	84.9	84.7

Source: FOD Economie – Afdeling statistiek EAK (Bewerking: Steunpunt WSE/Departement WSE).

## **12. Italian Ministry of Labour and Welfare support for ILAs**

**Claudia Villante**

### **Abstract**

The individual learning credit card is a key tool for the strategic objectives set out by the Lisbon European Council of 2000 <sup>(22)</sup> and their subsequent revision (Lisbon 2). Among the benchmarks to be achieved by 2010 is a 12.5 % rate of adult participation in education and training. This goal requires enforcing proactive labour-market measures, promoting mobility and flexibility in both workers and enterprises, and improving access to training.

In Italy, the credit card has been activated in five provinces (Arezzo, Grosseto, Livorno, Pistoia – for the Tuscany Region – and Terni – for the Umbria Region). To assure assistance to these administrations, the Italian Ministry of Labour and Welfare started a support intervention in cooperation with a group of four firms.

The project provides for specific actions which should help the implementation of the card and its diffusion across Italy, in particular through the support, monitoring, evaluation and modelling of local experiences.

### **12.1. Lifelong learning in Italy**

The renewed Lisbon strategy and the new policy for a European social cohesion give importance once again to lifelong learning as an instrument for rethinking our economy in terms of a knowledge-based system. Among the objectives to be achieved by 2010, set out by the Council Conclusions on reference levels of European average performance in education and training (benchmarks) (Council of the EU, 2003), there is a 12.5 % rate of adult participation in education and training. This requires enforcing proactive labour-market rules, promoting mobility and flexibility in both workers and enterprises, and improving access to training (Grelli et al., 2004; E-lap and Ikei, 2004).

Statistics on implementing lifelong learning in Italy highlight the necessity of adopting new strategies and instruments with a higher potential impact on the labour market, especially through a more efficient matching of labour demand and supply (Presidency of the Italian Cabinet, 2007). In Italy, only 6.2 % of the population aged 25-64 is constantly involved in learning activities <sup>(23)</sup>. This is still far from the above mentioned target of a 12.5 % rate of adult participation in education and training.

The suggested interventions to promote the participation of the unemployed and workers in learning and training activities requires strategic input, especially for the third sector, which requires constantly increasing professionalism.

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<sup>(22)</sup> Available from Internet: [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressdata/en/ec/00100-r1.en0.htm](http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/ec/00100-r1.en0.htm) [cited 2.7.2008].

<sup>(23)</sup> Source: European Commission – DG EAC, Eurostat, Crell.

Therefore, it is particularly important to enlarge participation in learning activities not only by better skilled workers but also by those people in social or economic difficulties (i.e. women, unemployed people or workers with atypical contracts) (Battistoni and Cattani, 1998).

## **12.2. The individual learning credit card**

The individual learning credit card is a highly innovative instrument. It fosters the rationalisation of a supply-driven market, giving holders the opportunity to choose customised learning solutions.

It is a prepaid credit card that allows card holders to be refunded part or total training expenses. The main goal is to put individuals (the demand side) at the heart of their own vocational training process, and have training providers (the supply side) offer fully customisable, progressive training paths. Those eligible for the subsidies are mainly unemployed people (high school or university graduates, immigrants, women) and employees with atypical contracts.

The career and training counsellors at the employment centres of Arezzo, Grosseto, Livorno and Pistoia (demand-supply convergence) interview users to verify their customised training and career projects. Through single or repeated interviews (depending on actual needs), the counsellors check the user's eligibility and agree on customised training projects to achieve employment/professional goals, try to remove any obstacles to attending training activities, and monitor the training process until completion.

Once the individual training project is defined, the provincial employment service informs the user and the reference local credit institution that a prepaid credit card is to be issued in her/his name. A card is issued with a EUR 2 500 spending limit, divided into single EUR 500 refills. This can be invested in formal, non-formal, or informal training; learning material; travel and accommodation; further expenses.

The card can be particularly useful in the Italian learning context because it allows the holders to remove tackle those factors <sup>(24)</sup> which could constitute potential obstacles to participation in learning activities:

- (a) 23.8 % of people older than 18 find the courses too expensive;
- (b) 16.2 % find difficulty in moving from home or living where courses take place;
- (c) 40.0 % are too busy because of their own family commitments;
- (d) 16.1 % are scared by the idea of 'going back to school';
- (e) 20.1 % of those who have attended some form of course do not consider these experiences suitable to their own needs and expectations.

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<sup>(24)</sup> The survey was carried out in May 2006 and concerns the participation of adults (over 18 years old) in learning activities during the last 12 months (ISTAT, 2008).

The card, instead:

- (a) offers an economic aid which allows the holder to buy courses (or to pay part of its cost);
- (b) can also be used for accessory costs of learning (travel expenses and accommodation, fees, food, etc.);
- (c) covers family expenses and child care services (nursery, baby sitting, etc.).
- (d) also allows the holder to attend non-formal learning activities (e.g. training on the job);
- (e) allows the holder to choose, among a wide range of learning activities, the one which is best suited to own need or expectations. It also permits buying one or more segments of a course, avoiding those ones considered less interesting or useful.

### **12.3. The testing phase**

The individual learning credit card project was launched in 2005 by the joint actions of three regions (Tuscany, Umbria and Piedmont); currently, it is active only in some provinces of Tuscany and Umbria. Each provincial administration has defined specific delivery procedures and eligible target groups, as well as allocated a specific budget for the experimentation:

- (a) Terni (Umbria Region):
  - (i) starting date: February 2006,
  - (ii) target group: high school or university graduates,
  - (iii) sums allocated: EUR 100 000 (50 % from the regional administration and 50 % from the provincial administration),
  - (iv) number of cards to deliver: 39,
  - (v) number of cards delivered: 9,
  - (vi) procedure: announcement of competition;
- (b) Arezzo (Tuscany Region):
  - (i) starting date: January 2006,
  - (ii) target group: unemployed women (with a high school or university degree, women older than 40, female workers with atypical contracts),
  - (iii) sums allocated: EUR 2 million (50 % from the regional administration and 50 % from the provincial administration),
  - (iv) number of cards to deliver: 800,
  - (v) number of cards delivered: 798,
  - (vi) procedure: open until depletion of sums;
- (c) Pistoia (Tuscany Region):
  - (i) starting date: April 2006,

- (ii) target group: unemployed (with a high school or university degree), immigrants, workers with atypical contracts, transsexual and transgender people,
  - (iii) sums allocated: EUR 2 million (50 % regional administration and 50 % provincial administration) + EUR 150 thousands (regional administration) for transsexual and transgender people,
  - (iv) number of cards to deliver: 800 + 50 (transsexual + transgender people),
  - (v) number of cards delivered: 807,
  - (vi) procedure: open until depletion of sums;
- (d) Grosseto (Tuscany Region):
- (i) starting date: January 2006,
  - (ii) target group: unemployed (between 18 and 35), women coming back to work, workers with atypical contracts,
  - (iii) sums allocated: EUR 702 500 (100 % from the provincial administration),
  - (iv) number of cards to deliver: 281,
  - (v) number of cards delivered: 267,
  - (vi) procedure: open until depletion of sums;
- (e) Livorno (Tuscany Region):
- (i) starting date: June 2006,
  - (ii) target group: unemployed (between 18 and 35), women coming back to work, workers with atypical contracts,
  - (iii) sums allocated: EUR 2 million (50 % from the regional administration and 50 % from the provincial administration),
  - (iv) number of cards to deliver: 800;
  - (v) number of cards delivered: 401,
  - (vi) procedure: open until depletion of sums.

## 12.4. Main credit card features

Experience at national and level across Europe (Germany, the Netherlands, Austria, the UK, etc.) indicated that the credit card (and individual learning accounts, in general) is an instrument with well defined features (IRS and CRAS, 2006):

- (a) strengths:
  - (i) encourage people to have a personal stake in their own learning and a greater control over their personal development;
  - (ii) personalisation/individualisation of the learning projects;

- (iii) defining of customised policies for each specific target group;
  - (iv) empowerment of the individual (as citizen, worker and ‘customer’);
  - (v) covering of direct and non-direct training costs;
- (b) weaknesses:
  - (i) need for specific professional figures dedicated to counselling and delivering;
  - (ii) need for a well-structured monitoring system;
  - (iii) difficulty for regional and provincial administrations in making the learning supply more flexible;
- (c) opportunities:
  - (i) rationalisation of a supply-driven market;
  - (ii) promotion of cost-sharing in learning;
  - (iii) increase of the training value of actors belonging to the productive system: SMEs, craftsmen, professionals;
- (d) threats:
  - (i) low flexibility in the learning supply from local learning providers;
  - (ii) risks of fraud without adequate control by public administrations;
  - (iii) card holders do not really understand the opportunities offered and functioning.

## 12.5. Ministry support intervention

Aware of the difficulties connected to a testing phase, the Italian Ministry of Labour and Welfare tasked a group of four firms (Ernst & Young Italy – project leader – Iter, Sigla and Studio Come) with intervention aimed at supporting, monitoring, evaluating and modelling local experiences.

The project provides for the following actions:

- (a) qualitative and quantitative data monitoring on card holders and learning projects;
- (b) support to local actors in the experiment;
- (c) information about experiences at local and national level;
- (d) case studies to analyse the most representative experiences;
- (e) *ex post* evaluation on the employment and learning impacts;
- (f) transfer of successful experiences and best practices towards other contexts;
- (g) exchange of experiences at European level.

Action ‘A’ tries to satisfy the need to understand the main features and ways of implementing the individual learning credit card and for harmonisation in the administrative management of

the individual learning credit card. It aims to gather data and information useful for the monitoring and management of the experiment.

Action 'B' tries to fill the lack of specific professionalism among the local actors and to facilitate transfer of uniform specialised knowledge and knowledge sharing between the counsellors involved. It permits definition of a methodology for the analysis of the learning supply, support in identifying new target groups and the building of a 'counsellors' community'.

Action 'C' has been conceived to compensate for lack of promotion of the card outside the local contexts where it is active and the lack of models and solutions in the card management which could be common to all local administrations. It aims to promote thematic forums, meetings between the primary actors (administrations, counsellors, learning providers, etc.) and seminars on ILA to illustrate the results achieved.

Action 'D' derives from the need to identify the strengths and weaknesses of the individual learning credit card and to rationalise its mechanics. It provides for case analysis and mapping of the administrative procedures followed for card delivery.

Action 'E' tries to investigate the real impacts produced by the credit card on the holders. It comprises an *ex post* evaluation on the employment and learning impacts produced by the credit card and a counterfactual analysis on people who have not obtained the credit card, to calculate the gap between these people and the card holders.

Action 'F' aims to enlarge the experiment by identifying common elements and features that can be exported to other local contexts and defining a new model which takes into account the critical aspects and identifies the conditions for the transfer.

Action 'G' seeks to build a network or a link with other European countries and institutions involved in the ILA experimentation. It works via meetings with European experts to share knowledge and best practices.

## **12.6. Evaluation of employment and learning impacts**

The last paragraph of this paper focuses on the outcome of the *ex post* evaluation, carried out within the support intervention, on the employment and learning impacts produced by the credit card. Since the testing phase (and therefore the evaluation) is continuing, the outcome presented here is from a survey carried out on completed learning projects.

The survey sample consisted of 55 people: 12 males (22 %) and 43 females (78 %); 54 Italians plus one from a non-EU Member State. The greater part of the sample has a high educational level (51 % are university graduates, 7 % have a post-university master; 22 % are high school graduates) but at the moment they are unemployed (36 % have lost their job while 42 % never got one). Nearly all live within a family ambit: 53 % still live with the original family group; while 44 % have built a new one.

The first impact of the credit card has been to allow holders to cover almost all the direct costs of learning. With average expense for learning activities at EUR 1 711, at least EUR 1 336 have come from the credit card. This confirms that the card has been used mainly to pay for learning activities, removing one of the main potential obstacles to participation in education (30 % of the sample had never participated before because of budget problems). In other cases (34 %), the card has allowed the holder to get around difficulties (family commitments, etc.) causing a lack of sufficient free time.

As far as the impacts on the holders' employment conditions are concerned, the main results are:

- (a) 67 % of the sample improved their conditions;
- (b) 62 % confirm that the learning activities carried out have contributed to this improvement;
- (c) 58 % felt strongly motivated to go on searching for a new or better job (in most cases, the search started during or soon after the conclusion of the learning activities).

As far as the impacts on the educational level of the holders is concerned, the main results are:

- (a) in 74 % of the cases, the learning activity met the holders' expectations;
- (b) in 13 % of the cases, the learning activity exceeded the holders' expectations;
- (c) the main effects of the card have been to update knowledge and skills (64 %), increase knowledge and skills (45 %), improve the relational capability (42 %) and achieve a better attitude towards working activities (33 %).

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# 13. Individual learning accounts in Gipuzkoa

Jose Ramon Guridi, Iñaki Ibarra, Joseba Amondarain

## Abstract

Lifelong learning is a strategic priority for Gipuzkoa Provincial Council. Over the last few years it has carried out a significant number of activities aimed at encouraging the population of Guipuzcoa to undertake education/training activities, using individual learning accounts (ILAs) as a tool.

This paper details the actions carried out and the lessons learned in promoting lifelong learning and the use of individual learning accounts. The measures carried out are structured in three main sections: internationalisation, research and experimentation.

The main conclusions on this series of measures, is that the use of ILAs as an appropriate tool for encouraging lifelong learning is considered to be positive.

This support must be supplemented, to a large extent as a *sine qua non*, by raising public awareness and providing society with more information about the need and future opportunities for lifelong learning. The offer must also be personalised and adapted to meet the characteristics and specific needs of each group to be offered training.

## 13.1. Towards a lifelong training model

The province of Gipuzkoa, which forms part of the Basque Country, has a population of 700 000 people in an area of barely 2 000 km<sup>2</sup>.

Its income per capita is 135 % of the EU-27 average, in terms of purchasing power parity, and the unemployment rate is 3 % of the active population.

People over the age of 65 make up almost one fifth of the population, and this trend is increasing; further, the high population density and the dynamism of businesses and communications are gradually affecting the environment.

Gipuzkoa Provincial Council, <sup>(25)</sup> as a top-level administrative body, has wide-ranging competences and financial resources, as well as the capacity to collect taxes through an autonomous tax office of its own.

A key factor among the key strategic priorities in innovation and the knowledge society, since the beginning of this century and aiming for the horizon of the year 2020, is the creation and development of a specific lifelong training model of our own, to promote economic and social change.

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<sup>(25)</sup> Available from [www.gipuzkoa.net](http://www.gipuzkoa.net) [cited 1.7.2008].

In the current programme for this legislative period (until 2011) among the four pillars that support the competitive Gipuzkoa strategy is the promotion and encouragement of lifelong learning.

## **13.2. Actions and lessons**

The actions carried out over the last few years by Gipuzkoa Provincial Council, that focus on creating and developing the lifelong training model, have centred on three basic approaches: internationalisation, research and experimentation.

### **13.2.1. Internationalisation**

This is done through participation in collaborative networks, in which the ELAP network is key<sup>(26)</sup>: the aim of this network is research and experimentation with lifelong learning funding mechanisms. Analysis of the various financial incentives for promoting and participating in lifelong training has also been prepared and presented at international forums.

Experiences with tax measures to encourage lifelong training are relatively limited and recent. The latter characteristic is because the conception of education as a permanent lifelong attitude, instead of as a stage in life that occurs between childhood and the transition to adult life, has only recently begun to be considered as fundamental for future societies and economies. It is limited because experiments to encourage training up to now have been more linked to ‘voucher’ systems and other types of supply-led incentives for training: demand-led incentives have been in short supply.

Most aid targets companies, while demand-led incentives (aimed at people) are limited, and are also almost always for job training. Most of the time there is a direct relationship between support for training and the job market. Moreover, support is normally for training that simplifies or makes it possible to keep a job.

### **13.2.2. Research**

Research activity, as far as ILAs are concerned, has focused on analysing existing incentive schemes and their suitability and possibilities with regard to creating these accounts. We have also analysed the availability and possible collaboration among financial institutions, and the characteristics of this, in promoting the setting up of ILAs and more general financing of lifelong training.

In Gipuzkoa it is felt that the ultimate aim of tax incentive schemes must be to attract everyone to the world of education, to encourage attitudes and motivations that will have an

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<sup>(26)</sup> Available from [www.elap.org/](http://www.elap.org/) [cited 1.7.2008].

impact on different areas of people's entire lives, and above all, to create a culture of lifelong learning in society.

As for the tax scheme to be applied to encourage training, the concept of tax deduction is in principle more progressive (as against tax reduction). It offers a single amount to be applied directly to the tax levied, which favours low-income earners.

However, the possibility is being considered of establishing a system of 'pension versus recycling' funds. This new fund would operate like the one currently operating for pension funds, except that these funds could be used for education with no tax levy whatsoever. With this mixed formula, the funds that a person accumulates for their future pension could be used at various moments in their life to finance different educational activities.

We have jointly studied the role and availability of the main financial institutions, as well as the characteristics of a possible finance scheme for lifelong training. This analysis has focused on two aspects. First are the financial products marketed by financial institutions in Gipuzkoa that have been applied or could be applied to lifelong training. Second is the vision that financial institutions have of a hypothetical establishment of a financial tool that would channel funding to lifelong training.

A financial account, with low tax contribution and a restricted amount, for 'noble purposes', for a specific period, which could include housing and education, is considered to be interesting. Another option is to use pension plans, whose aim is long-term, and might appropriately fulfil the concept of lifelong learning.

Whatever the decision, it is vital to define the target groups for tax incentives for the promotion of lifelong learning as this will largely determine other later decisions regarding the design and concept of the financial tool.

### **13.2.3. Research for experimentation**

The first step towards lifelong learning pilot projects was research in different towns in Gipuzkoa. This used a wide-ranging survey of the resident adult population in the towns in which the pilot projects were implemented later, aiming to find out how citizens rated lifelong learning and how interested they were in this and the measures to promote it.

Among the main results were following:

- (a) most people consider lifelong learning to be very or fairly important for their personal, professional or social lives;
- (b) lack of time, directly caused by problems in combining personal life and work with educational activities, especially among women, is the main reason for not carrying out learning activities;

- (c) identified educational needs focus on the ability to take initiatives and face up to different situations, and on the ability to communicate with other people. However, most training measures have focused on learning how to use IT tools;
- (d) approximately one quarter of the population takes part in educational activities, although just over half would take part if the required conditions were right. Approximately 1 in 10 people consider that learning is essential for their lives, although current circumstances prevent them from participating.

The survey, plus analysis of the main international statistics and lifelong learning indicators, were used to define a wide-ranging panel of lifelong learning indicators for Gipuzkoa, to diagnose, monitor and assess public policies to encourage lifelong learning.

Four fields were defined: (people, demand, supply and advice), broken down into 35 subfields. The following three kinds of indicators were also defined: input/availability indicators, output/results indicators and impact/aims indicators.

#### 13.2.4. Experimentation

Four specific pilot programmes, experimenting with lifelong learning initiatives by carrying out pilot programmes, were targeted at teachers, the unemployed, the inactive or entrepreneurs. These include various funded concepts and jointly financed actions.

*Table 16: Characteristics of the programmes carried out*

	Target addressees/groups	Learning area
Txekin	Entrepreneurs	Starting a business and managing a small company
Ikastxekin	Teachers of higher secondary education	ICT + emotional intelligence
Txekinbide	Long-term unemployed (young, women, over 40 and long term)	ICT (later extended to other areas)
Emaweb	Women out of work	ICT, digital literacy

17 017 people took part in these programmes and altogether used 11 107 learning cheques.

Table 17: Number of accounts and participants in Gipuzkoa

	Requested accounts	Accounts allocated	Accounts used	% use	Number of participants
Txekin	2 960	2 912	2 912	100	2 960
Ikastxekin	3 780	3 725	2 900	78	7 010
Txekinbide	2 180	2 180	2 180	100	2 180
Emaweb	3 200	3 113	3 113	100	4 867
Total	12 120	11 930	11 105		17 017

### 13.3. Conclusions

In general, ILAs are considered an adequate instrument for lifelong learning, allowing:

- (a) individually assistance for each person;
- (b) actions designed for different target groups;
- (c) promoting individual compromise (joint financing);
- (d) individual monitoring and assessment;
- (e) organisation and promotion of training supply;
- (f) promotion of lifelong learning;
- (g) different types of public and public/private partnerships for management and financing.

However, difficulties in generalising ILA exist and there are specific needs:

- (a) greater social understanding of the need and importance of lifelong learning. There is a lack of tradition;
- (b) to customise the training supply and access conditions (and channels) for everybody. To improve adaptation;
- (c) simplification (regarding supply qualification, type of users, dimension and characteristics of training), both for the public agents (tax treatment) as for the financial institutions (collaboration) and for potential users.

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## 14. ILAs in Canada: research and demonstration

Hans G. Schuetze

### Abstract

Canada is still testing the merits and feasibility of individual learning accounts (ILAs). The original plan to introduce ILAs in Canada goes back to the federal elections in Spring 2001. The government had promised, if re-elected, to create registered ILAs to 'help Canadians finance their learning needs'. Although the government was re-elected, there was considerable opposition to the programme from within the government, especially from the Ministry of Finance, the sectoral councils, the unions and officials within Human Resources Development Canada (HRDC), the department which would have been responsible for implementing the programme. The Ministry of Finance was concerned that ILAs were similar to two other government tax-shelter programmes which could also be used for educational purposes. Moreover, ILAs were seen as difficult to implement. Sectoral councils and the unions found the ILA concept too individualistic, arguing it would be much more effective if the money was invested in sectoral activities in which unions could be involved, organising essential learning and training activities. Thus, the country-wide project was not implemented, but quietly buried. Instead, a feasibility study and demonstration project related to the ILAs concept was funded by the government (called *learn\$ave/\$avoir en banque*). This project was to be operated in 10 communities across Canada, involving more than 3 000 low-income Canadians who would build savings to improve their training, return to school or learn by starting a small business. The project started in spring 2001 and is funded for a duration of nine years.

### 14.1. Introduction

Individual learning accounts (ILAs) appeared prominently for the first time on the public agenda in Canada when the Liberal Party, in its 2000 programme platform for the federal election in Spring 2001, promised to 'create registered individual learning accounts to help Canadians finance their learning needs' (Liberal Party programme, 2000). After the elections, ILAs were announced, in the *Speech from the throne* in September 2000, as a part of the programme of the newly (re)elected government: 'the government will help adults who want to improve their skills, but who may face difficulty in finding the time or resources to do this while providing for themselves and their families. It will create registered individual learning accounts to make it easier for Canadians to finance their learning'.

Although the ILA scheme was to be part of the government's political agenda, there was considerable opposition to the programme. This came primarily from within the newly elected government, especially from the Ministry of Finance, but also from officials within Human Resources Development Canada (HRDC), the department which would have been responsible for the programme.

The Ministry of Finance was concerned that ILAs were similar to existing schemes, especially the registered retirement savings plans (RRSPs) and registered education savings plans

(RESPs) which they would duplicate <sup>(27)</sup>. Moreover, an ILA programme was seen as difficult to implement and misuse and deadweight would be hard to avoid.

Within HRDC there were two major concerns with regard to the objective of benefiting low-income Canadians to improve their skills or education. One was that this initiative would serve as a(nother) tax shelter programme from which only people of middle and upper income levels would benefit. Poorer people, who were the original target group of the initiative, would find it hard to accumulate disposable income to be put away in ILAs. Another major concern was that if the objective was to help adults learn, in most instances ILAs would mean that it would just take too long before people would be able to take up training.

Sectoral councils <sup>(28)</sup> and the unions found the ILA approach too individualistic, arguing it would be much more effective if the money was invested in sectoral activities in which sectoral councils and unions would be involved, organising the needed learning and training activities.

When, in autumn 2001, the English ILA programme was spectacularly shut down (Schuetze, 2007), the critical views were confirmed and the decision made that the project would not be implemented. Thus, it was quietly buried, without any explanation or much (if any) public discussion.

Instead, a feasibility study and demonstration project was initiated and funded by HRDC which was to be conducted by the Social and Enterprise Development Innovations (SEDI) and accompanied by research and evaluated by the Social Research and Demonstration

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<sup>(27)</sup> In principle, Canadian students have access to educational support programmes, including both the federal Canada student loans programme and province-specific programmes. However, these programmes typically have certain age ceilings and part-time students are not eligible. Also, in principle, tax-deferred registered educational savings plans (RESPs), Canada education savings grants (CESGs), and the registered retirement savings plan (RRSP) can be used for educational purposes. Individuals can deposit up to CAD 4 000 per year into an RESP and defer taxation on the resulting interest, dividends, and capital gains; each RESP has a beneficiary who can use the accumulated funds for post-secondary education. For RESP beneficiaries who are children, the CESG provides a matching contribution of 20 % of the amount put into the RESP, up to a maximum of CAD 400 per year. Similarly, the RRSP lifelong learning plan allows Canadians to make tax-free withdrawals from their RRSPs for lifelong learning. However, these programmes are not specifically targeted at low-income adults who might be considering going back to school on a part-time basis. Also, low-income adults have typically no, or a much more limited, ability to save and accumulate funds in RESPs or RRSPs. In particular, their low taxable income tends to remove much of the incentive inherent in tax-based savings (see Kingwell et al., 2005, for more details).

<sup>(28)</sup> Sectoral councils are government-sponsored bodies but self-governing whose mandate it is to coordinate existing training and continuing training industries. Generally, the sectoral council programme is intended to aid industry sectors and others in advancing human resources issues, and enhance the skill levels of their workforce. Sectoral councils operate mainly at national level, although some collaborate with provincial-territorial partners. Sectoral councils bring together industry participants (companies, organised labour), and other key players such as educational institutions, to solve industry human resources problems and to develop initiatives such as national occupational standards, certification, and partnerships in human resources generally. An umbrella group, the Association of Sector Councils provides limited coordination services. Programmes developed include web-sites with labour-market information, youth internships and other specific programmes. Completing these tasks sometimes involves coordination with provincial sectoral councils (where these exist) and other agencies. In 2006, there were 29 federal sectoral councils with a government budget of over CAD 70 million in project and infrastructure funding.

Corporation (SRDC), a decentralised government agency in the form of a non-profit organisation and registered charity. This project is still continuing, though some interim results have been published which will be discussed below. The final report is expected to be published in spring 2009.

This paper describes the methodology of this demonstration project, reports on some preliminary results and speculates on whether or not ILAs will be implemented in Canada as a national programme.

## **14.2. The learn\$ave demonstration project**

The demonstration project (called learn\$ave) was designed to help low-income Canadians build savings to improve their skills through training, return to school, or learn by starting a small business. Individual development accounts not only matched the savings of low-income participants one dollar for one dollar, but each dollar that was saved over a three year period (up to a maximum of CAD 1 500) was matched by a CAD 3 credit (to a maximum of CAD 4 500) <sup>(29)</sup>. The project, which started in spring 2001, was to be evaluated and its impacts measured throughout and for up to two years after the project was terminated (Eckel et al., 2002).

The learn\$ave demonstration had been designed to address several research questions:

- (a) will the offer of financial incentives to save for education, training, or starting a new small business be sufficiently attractive to a significant number of low-income Canadians and landed immigrants? Which groups will find it most attractive?
- (b) will they be able to save more to achieve these goals?
- (c) will they continue their education and training with their savings?
- (d) will they start new businesses with their savings?
- (e) will these activities yield improved earnings and employment prospects in future?
- (f) can such a programme be cost-effective from the perspectives of individual participants, governments, and Canadian society as a whole?

A network of local not-for-profit partners was chosen to deliver learn\$ave as a pilot programme at 10 sites in seven provinces across Canada (three primary sites in three major cities, as well as seven secondary sites). Participants (between age 18 and 65) had to meet several requirements. Specifically, they had to be of low income, have few assets (liquid assets or houses) and could not be in school full-time.

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<sup>(29)</sup> Since there were some variations among the various sites, this is an average matching rate.  
EUR 1 = CAD 1.5964 rate (%) as 31 July 2008 (National Bank of Canada).

Interested and eligible individuals were invited to apply through extensive outreach and recruitment activities at each of the 10 sites. The objective was to recruit some 5 000 participants in total.

There were some minor differences across the 10 sites, but in general participants had to comply with the following. Once accepted, the majority of applicants were invited to open a learn\$ave account at a partner bank. Each dollar they saved over a three-year period (up to a maximum of CAD 1 500) was matched by a CAD 3 credit to a maximum of CAD 4 500. During this savings period, a net deposit of at least CAD 10 had to be deposited to count as an ‘active savings month’.

After 12 ‘active savings months’ have accumulated, a participant could then claim the savings and matched credits and spend the total proceeds on an approved purchase related to education, training, or starting a new small business. Matched credits had to be claimed within four years of the enrolment date.

In addition, participants were expected to attend sessions of financial training intended to enhance participants’ financial literacy and money management skills, such as budgeting, use of credit, and spending. Participants attending training sessions also had access to case management services from the local delivery agencies (for further details see Kingwell et al., 2005).

Four hypotheses concerning the impact of the pilot project were formulated that were to be tested:

- (a) the provision of training sessions and case management services will increase the likelihood that the following hypotheses will hold true;
- (b) participants will save more and will accumulate greater assets;
- (c) participants will complete more courses and start more small businesses;
- (d) participants will have a greater likelihood of employment and will eventually have higher earnings.

As of January 2008, the project, which is quite ambitious in terms of quantitative target and methodological design, has not yet been completed with regard to the results as affected by these hypotheses. However, a few lessons can be learned concerning the set-up and management of a wide-scale demonstration project like this (for details, see Kingwell et al., 2005).

The first is that the recruitment of participants was difficult, took longer, and took more resources than expected. In the end, a total of 4 827 participants enrolled in learn\$ave which was close to the target number.

A second result was that the programme had greater appeal for certain groups within the low-income population than for others. Those who were ready for the changes in their lives and who were in a position to take advantage of these benefits were recent immigrants, as many of them already had high levels of formal education and they needed to obtain Canadian

credentials. This is not surprising as immigrants in Canada tend to be generally aware that education is crucial for integration and social advancement (<sup>30</sup>).

In general, participants tended to be younger, single, already well-educated, and employed than the eligible population as a whole. This raises the larger and familiar issue of how to reach the 'hard core' population of poor and under-educated adults and help them to avail themselves of the opportunities of becoming more qualified and capable of earning their own living.

### **14.3. Project evaluation preliminary results**

As the time span within which project participants could use their savings has just been terminated (December 2007), it is too early for overall assessment of the project. However, it can already be said that learn\$ave matched saving credits had a definite and sizable incremental impact on the total amount of savings. Members of the learn\$ave-only group had saved, on average, CAD 679: that is 71 % more than the control group, which did not have the matched savings credits. However, astonishingly, the learn\$ave financial management training and case management services had played no role in increasing saving activity (Leckie et al., 2008).

Also, early impact analysis shows that the learn\$ave programme had significant positive impacts on participant attitudes towards education. The impact is largely a result of the matched saving credits, as management training and related services made little incremental difference in that regard. This suggests that the very act of putting money aside for purposes of education or training, rather than being instructed in goal-setting, improves attitudes to education (Leckie et al., 2008).

These data are preliminary and do not show the extent to which savings have indeed been used for education (as opposed to starting a new business) nor which type of education or training has been financed with these savings, nor, most importantly, what the outcome of this training was with respect to employability, jobs, and income. It is, therefore, too early to ascertain the results of the project. Because of the scale and complexity of the demonstration project, it will be spring 2009 at the earliest when conclusive results and analysis will be available.

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(<sup>30</sup>) Despite this general observation, the participation rate might be skewed somewhat by the fact that recent immigrants were held eligible despite the fact that immigrants are required to bring large sums of money into the country to prove they can support themselves for an initial settlement period of six months without recourse to income assistance. Many recent immigrants, therefore, had high levels of liquid assets when they entered Canada. It was decided by the project management that it was unjust to penalise these immigrants by treating the funds that they are required to bring into the country to use for living expenses as assets. While this decision may be fair and equitable, it is also clear that this group is neither poor nor under-educated with regard to financial matters in general and savings in particular.

## 14.4. Summary and outlook <sup>(31)</sup>

Instead of implementing ILAs on a large scale, Canada has preferred to engage in a targeted demonstration project with an extensive research and evaluation programme. This is presumably affected by the impression of great problems with the British ILA programmes,

It should be noted that learn\$ave is modelled not on the British concept of ILAs but on the antipoverty programmes called individual development accounts (IDAs) that were initially pioneered in the US in the early 1990s. As of 2007, these IDAs are more widespread throughout the US and have emerged elsewhere in recent years. The differences between IDAs and ILAs are several, but the most important is that subsidised individual savings cannot be used solely for learning purposes (i.e. formal education and training) but also for other objectives thought to alleviate poverty, namely starting a new business and contribution to retirement funds. While the latter is not part of the Canadian pilot scheme, the former is, and it will be interesting to see how much of the subsidised savings will have gone to business start-ups as opposed to formal learning activities.

As this project was funded in 2000 for nine years, the evaluation is not yet complete. Early impact results for the project, i.e. results after 18 months of full operation, will be released in the spring of 2009. For the moment, there are solid results only for assessing savings activities, which have indeed increased. It is still too early, however, to say how much of the incremental savings are actually translating into additional participation in education and training. The final data collection and analysis are in progress and the final report for the project will be published around March 2009.

What are the chances of a fully fledged IDA programme in Canada if the outcomes of the demonstration project are generally positive? Obviously, there will be a policy discussion once the final report is out but, for several reasons, it seems doubtful at this point that there will be any major follow-up in terms of introducing ILAs on a national scale. One of these, and probably the most important, is that the government has changed in the interim and the present Conservative government is less likely than the previous Liberal government to initiate such a programme, not least because it was a programme initiated by the Liberal party (the well-known ‘not-invented-here’ rationale). But that would not be the only reason: true to its basic neo-liberal philosophy, the Conservative government tends to cut public budgets and let market forces take up many functions which the (welfare) state had assumed in the past. With regard to post-secondary education and training that means that the government is trying to shift the responsibility and financial burden for education and training to private parties, i.e. companies and individuals. On the other hand, the ILAs are introducing market mechanisms into adult education and training which might make the model more attractive to the present government.

As the Conservatives form a minority government and might call elections any time to win a majority of seats in parliament, it is difficult to predict what the political situation in Canada

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<sup>(31)</sup> January 2008.

will be when the evaluations of the demonstration project are completed. The Liberals, who are now the main opposition party, have so far not indicated that an IDA programme might be part of their electoral platform. The more left-leaning New Democratic Party would most certainly increase state funding for education and training and could be expected to target low-income groups. However it is unlikely that, under the present electoral system in Canada, this party would form a government or be part of a coalition government. Also, the New Democratic Party would probably be opposed, as the unions were, to an individualistic market type approach and prefer more collective solutions.

In a nutshell then, the chances that IDAs will be introduced as a full scale national programme, once the present demonstration project has been completed, seem rather thin. However, it is possible individual provinces might take up the idea and implement an IDA programme within their jurisdiction. Also, the federal or provincial governments might use ILAs to target specific populations such as Aboriginals or immigrants.

## 14.5. List of abbreviations

RRSPs	Registered retirement savings plans
RESPs	Registered education savings plans
HRDC	Human Resources Development Canada
IDA	Individual development account

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# **15. US lifelong learning accounts as partnership in learning**

**Amy Sherman**

## **Abstract**

The Council for Adult and Experiential Learning (CAEL) has pioneered a programme, lifelong learning accounts (LiLAs), developed to increase access to education and training for working adults in the US. LiLAs are employer-matched, employee-owned, portable accounts used to finance education and training. They are similar to 401(k) retirement accounts, as individual workers contribute regularly to LiLAs and employers match these contributions up to an established cap. LiLAs encourage partnership between workers and employers to leverage resources effectively to increase the skill levels of the workforce, increase productivity and meet the changing needs of the US economy. This paper discusses the programme demonstrations that have taken place throughout the US including the demographics of the participants, what they achieved, and the preliminary findings from those demonstrations from the employee and employer perspectives.

CAEL is actively working to support LiLAs through state and national level policy so that millions of Americans can benefit from this financing vehicle. LiLAs provide a way for individuals, employers, and the government to invest jointly in education and training, making them a more affordable prospect for all.

## **15.1. Introduction**

There is widespread agreement in the US among policy-makers, researchers and economists that for the US to compete in the new global economy, workers need to be better educated, ready to learn, and highly skilled. Such a workforce will enable greater innovation, higher quality, and the ability to respond quickly to a changing world (Friedman, 2007; Kirsch et al., 2007; NCEE, 2007). The benefits of education also extend to individual workers themselves, as those with higher educational attainment tend to enjoy higher rates of employment, higher incomes, better health, and greater civic engagement (IHEP, 2005). The percentage of the workforce with a college degree was on the rise for several decades, but that trend has started to slow in recent years, even as other countries such as Korea and Japan are seeing rising levels of educational achievement.

Many policy-makers and educational leaders are working on solutions that encourage more youth transit to postsecondary learning, or to help adults pursue postsecondary degrees. But a significant barrier to the skills of our workforce is the cost of tuition and related expenses. It is often a struggle – particularly for people with low to moderate incomes – to afford education and training on top of the expenses of daily life. Despite these challenges, working adults may have an important advantage: an employer who could become a joint investor in learning through lifelong learning accounts (LiLAs).

## **15.2. What are lifelong learning accounts (LiLAs)?**

As pioneered by the CAEL, LiLAs, are employer-matched, portable, individual accounts that finance workers' education and training. LiLAs have the following features:

- (a) universal eligibility: all individual workers are eligible for accounts;
- (b) broad use of funds: eligible expenses include tuition and fees, supplies, materials, and books;
- (c) portability (employee-owned): funds stay with the individual, regardless of the person's current employer or employment status;
- (d) voluntary participation: individuals and employers have the option of participating;
- (e) matching funding: accounts are funded through individual contributions, employer matches, and potentially through matches from third party sources. The third party funds can be in the form of foundation or public sector funding, national or local tax credits;
- (f) informed choice: individual participants choose the training and education they need to meet their career goals. They make these choices based on a learning plan developed with educational and career advisors.

What is innovative about LiLAs is that this new tool provides a way for the main beneficiaries of learning – individual students and their employers – to share the cost of education and training. This joint investment model makes education more affordable for both parties.

### **15.3. LiLA pilot demonstration**

Since 2001, LiLAs have been launched in several small-scale initiatives across the United States. These initiatives generally follow the above LiLA model while exploring different ways to structure LiLAs and make them available to special populations.

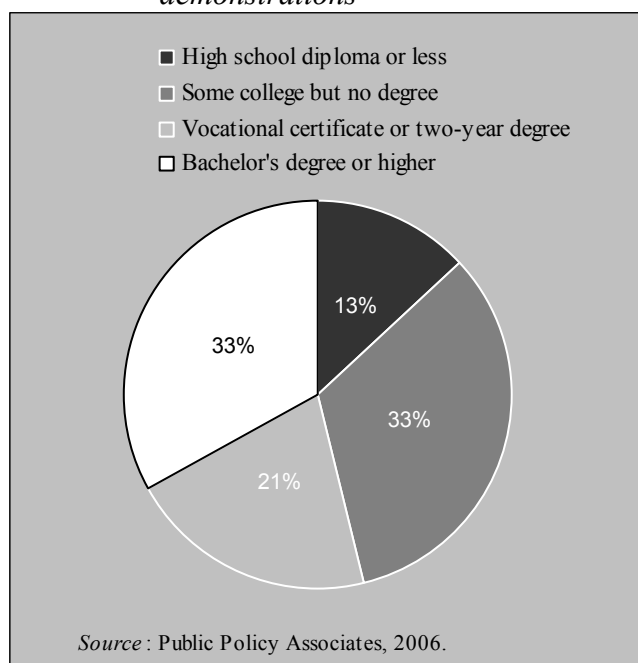
The first LiLA demonstrations took place in Chicago, northeast Indiana and San Francisco, reaching over 300 employees in the healthcare, restaurant industry, manufacturing and public sectors. The demonstration involved 37 employers ranging in size from as few as three employees to over 5 000. Of these, 65 % had fewer than 110 employees.

When CAEL began working with these employers, we asked them what specifically appealed to them about LiLAs. They reported the following reasons for wanting to participate in the LiLA:

- (a) LiLAs may help to increase recruitment and retention of employees;
- (b) they are an affordable addition to existing benefit packages;
- (c) they offer career and education advice for frontline staff;
- (d) the programme sets a cap on monthly and total annual LiLA contributions (thus controlling the cost for budgeting purposes).

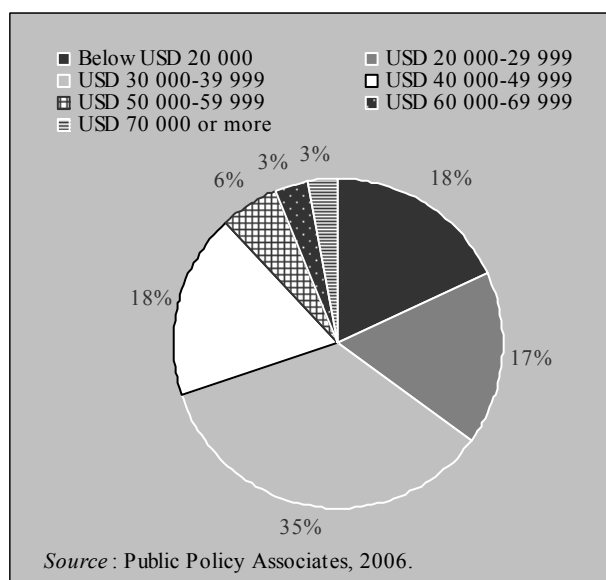
One finding from the project was that LiLAs appealed to a broad range of workers in terms of gender, age, income level and previous education attainment. Some 46 % lacked any postsecondary credentials prior to participation, and one third had some college education but no degree (Figure 9). This finding is particularly noteworthy as it suggests that LiLAs could be a great way to reach a segment of the population that some researchers are calling 'the low-hanging fruit', adults who already have some credits towards a postsecondary degree.

*Figure 11: Breakdown of education attained by employees before entering LiLA demonstrations*



Almost half of the participants were over the age of 40. Of the participants 55 % were female and 37 % were minorities. Almost three quarters (70 %) of participants had income levels of less than USD 40 000 (Figure 10). Almost one in five reported earning less than USD 20 000 annually <sup>(32)</sup>.

*Figure 12: Breakdown of income levels of LiLA participants*



<sup>(32)</sup> EUR 1 = USD 1.5611 rate (%) as 31 July 2008 (European Central Bank).

## 15.4. Preliminary findings on LiLA usage

The findings of our external evaluator and information that we gathered show that:

- (a) participants are pleased with LiLAs. Our external evaluator's evaluations have consistently reported high marks from participants and employers for the LiLA demonstration, with 88-90 % (depending on the sector) of participants being 'satisfied' or 'very satisfied';
- (b) employers are pleased with LiLAs. Employers have also been highly satisfied with the LiLA programme. Our evaluation reports that all but three of the 29 responding employers were 'very' or 'somewhat' satisfied with the programme. When asked about their plans for when the programme concludes, five employers told CAEL that they were interested in continuing a LiLA-like programme, and four of these were actively seeking grant funding or some other resource to support the continuation of a LiLA-like programme for their companies;
- (c) advising is valuable to participants. An important part of the demonstration has been the individual advising offered to the workers: 97 % of participants found their advisor to be somewhat or very helpful. Our latest findings show 46-50 % of participants (depending on sector) said that they would be willing to pay for advising themselves if it had not been offered for free through the programme. CAEL sees this as an important finding that underscores the value of advising to adult learners;
- (d) participants are using the LiLAs to help with advancement goals. LiLA participants generally told our external evaluator that they saw a closer relationship between their studies and a future job than between their studies and their present job. This suggests that LiLAs are being used with career advancement in mind, illustrating the potential of LiLAs to help people improve their lives and careers;
- (e) most participants are using their LiLAs in a way that could benefit their current employer. CAEL records show that 70 % of all participants, across all sites, are using the LiLA for goals related to their current job, a promotion with the same employer, or related work with the same employer or in the same industry. Only 30 % of participants were planning to use their LiLA for a possible career change in a new industry. This finding shows that, more often than not, employees will choose courses of study that benefit their employer in some way;
- (f) LiLAs serve as a catalyst in pursuing education and training. In addition to assisting workers who are already committed to seeking education by providing a means to pay for it, LiLAs also give the impetus to pursue education to those who might not have seriously considered it before. Approximately half of all LiLA participants in restaurant, manufacturing and healthcare sectors (44-58 %, depending on the sector) had not been planning to enrol in training prior to the start of the LiLA programme, illustrating the role of LiLAs as a catalyst for education and training. Participants in all sectors generally rated the LiLA programme between 'very influential' and 'somewhat influential' in encouraging their decision to enrol in classes.

## 15.5. Policy at the national and state level

Building on the success of the LiLA pilot demonstrations, CAEL has been working with policy-makers at national and state level. At national level, Senators Maria Cantwell (Democrat from Washington) and Olympia Snowe (Republican from Maine) introduced LiLA legislation in January of 2007. The LiLAs Act of 2007 would:

- (a) serve up to 200 000 workers in up to 10 states. The states would be competitively selected by the Treasury Secretary;
- (b) provide tax credits of up to USD 500 for both worker and employer contributions into LiLA ;
- (c) target tax credits to low- and moderate-income workers.

Representative Thomas H. Allen (Democrat from Maine) has introduced similar legislation in the US House of Representatives.

At the same time, CAEL has been providing technical assistance to individual states interested in their own LiLA initiatives. In the state of Maine, CAEL has partnered with the states Department of Labour to launch the first phase of a state-wide LiLA programme. The Maine programme is closely tied to the state's one-stop career centre network, which is conducting programme outreach to employers. In addition, the Maine centres for women, work and community are providing education and career advising to participants, and the Maine Finance Authority is managing the investment of LiLA funds as part of the state's nextGen 529 college savings programme<sup>(33)</sup>. In the state of Illinois, the governor signed a bill into law that authorised the establishment of a state LiLA pilot. This pilot is focusing on the healthcare sector. The state is providing matching dollars for account contributions. State LiLA legislation is also pending in Iowa and Minnesota. In addition to state legislation, there are LiLA initiatives in Kansas City, San Francisco (with a focus on mature workers), New York City, Philadelphia, Boston, Michigan, and Washington state – ranging from planning activities to pilot programmes to policy drives.

Finally, more and more individual companies are offering matched account programmes. For example, IBM is launching a programme for its US employees, earmarking USD 40 million over the next three years for account contributions. BJC Healthcare, one of the largest non-profit healthcare providers in the world, added a matching account programme modelled after LiLAs to its existing educational assistance plan in 2005. It currently has over 1 000 employees participating in the programme.

## 15.6. Conclusion

LiLAs are a promising strategy to respond to the great and growing need for a competitive workforce in the US by leveraging resources from individuals, employers and government. They are not a replacement for current employer-based education and training benefits.

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<sup>(33)</sup> A 529 plan, sometimes known as a qualified tuition plan, is a tax-advantaged savings plan designed to encourage saving for future college costs.

Instead, they help fill an important gap in the current landscape of funding for worker education. LiLAs can help a broad spectrum of individuals, including the working poor, individuals in front-line jobs, workers and employers in highly competitive industries, and workers in professions that are becoming obsolete. They provide a way for individuals, employers, and the government to invest jointly in education, making it a more affordable prospect for all.

## 15.7. List of abbreviations

CAEL            Council for Adult and Experiential Learning

LiLAs           lifelong learning accounts

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## 16. Conclusions and the way forward

**Peter Szovics**

To increase freedom of choice for individuals, make learning providers more responsive to learners' needs and to influence positively attitudes and motivation towards personal development and participation in training: these are just some of the reasons (See *Policy objectives* below) why many EU Member States have already tried pilot individual learning accounts (ILAs).

ILAs allocate money to individuals to purchase training. The different types of schemes are discussed below. However, irrespective of the type of scheme, ILAs are part of the trend in recent years to shift away from simply financing training providers to a more demand-led approach that finances learners who decide themselves on the training they want. The aim is to create a market for education and training and encourage innovation, flexibility and responsiveness among competing providers. The idea is that financing learners will also promote investment in subjects prioritised by learners themselves, bringing greatest advantage to learners and responding to labour-market needs. However, with freedom of choice also comes responsibility and many ILAs include a joint financing element that shares training costs between different partners.

By providing incentives for individuals through choice and a financial contribution from the State, a third party or both, the aim is to increase participation in learning.

### *Policy objectives for ILAs*

Policy objectives vary according to country and the particular scheme reviewed. Examples include:

- increase the freedom of choice for individuals;
- make learning providers more responsive to trainee needs;
- influence positively attitudes, motivation, personal development and participation in training;
- help create a market for education and training by fostering innovation, flexibility and responsiveness among competing providers;
- promote investment in learning to focus on priority subjects that bring the greatest advantage to learners;
- share training costs between different partners;
- encourage transparency in allocation of education and training resources.

## 16.1. Savings schemes and vouchers

ILAs allocate money to an individual's account to purchase training of his or her choice. Sometimes 'real' money is used but, in many cases, the transfer and payment is notional. For example, an individual opens an account with an ILA managing organisation (not necessarily a real bank), selects a course and receives approval. The course provider is then paid by the ILA managing organisation.

Whether the account is 'real' or 'virtual', ILA holders receive regular statements of their account balance. In the debate on ILAs a distinction must be made between ILAs understood as saving accounts, requiring personal investment, and vouchers requiring little or no personal financial contribution for training.

Some ILAs operate as savings schemes that require account holders to set aside money (from their income) to use in due course to pay for training. The idea is that people can retrain themselves periodically during their working lives to keep up with their work and social demands. Incentives lie in governments, employers, or both, matching the savings through a financial contribution.

ILAs as saving schemes may be more successful for highly-educated people but experience is limited. The training needs of such people are often more clearly defined and their salaries high enough to afford saving, especially when there are financial advantages in saving specifically for training. Advantages could be tax concessions, employer contributions or both, so that they are more attractive than other training options. However, tax deductions may also entail large windfall gains and encourage 'deadweight', simply substituting public funding for private training that would have taken place anyway.

It is doubtful that low-educated people will use ILAs in the savings account form. Their income is often modest and it is more difficult to define their training needs. Further, tax incentives are less attractive for lower-paid people.

However, ILA is also a term used to describe voucher (or cheque) schemes. Vouchers are issued by public authorities to eligible individuals to purchase approved education or training. In some cases vouchers are given free, in others they can be bought at a discount, introducing an element of joint financing. Several programmes are jointly financed by the European Social Fund. ILA schemes without a savings component, such as a subsidy, voucher, individual learning budget or grant, appear more suitable for low-skilled people and groups at risk.

Examples show, at least on a pilot basis, that it is possible to fund target groups if funding is specified accordingly; ceilings on levels of income, or no participation in training over a certain period might be relevant aspects.

Some researchers question the suitability of ILAs for people with a low educational background, lack of motivation, or both.

For adults with low incomes money plays a role. However, other factors, such as opportunities to learn, temperament, circumstances, institutional barriers and lack of information are more important in determining participation in learning.

## **16.2. European and international experience**

ILAs, in one form or another, have been piloted in many countries. ILA savings schemes have been, or are being, run in Austria, Canada, Ireland, Italy, the Netherlands, Spain, Switzerland, the UK (England, Scotland and Wales) and the US.

Experience with ILAs differs in the types of scheme, their scope (many schemes are pilots) and eligibility criteria. The sums awarded also vary, but the average is around EUR 300.

In the UK, England, Scotland and Wales have successfully implemented slightly different ILA schemes to meet local learning needs. ILA Scotland is a scheme which provides learner funding entitlement towards payment of course tuition fees. The scheme is open to all adults aged 18 and over resident in Scotland. The scheme has two parts called ILA100 and ILA200.

Introduced in 2004, ILA200 is for those with low incomes who are entitled to up to GBP 200 (EUR 270) a year towards tuition fee costs. There is a wide range of courses, no limit on the subjects of study and no requirement for the courses to lead to formal qualifications (although most choose courses that do). Introduced in 2005, the ILA100 scheme covers those not eligible for the ILA200. It grants them to up to GBP 100 (EUR 135) a year towards tuition fees, but for a much more limited range of courses that must lead to qualifications up to a certain level.

By the end of 2007, over 90 000 accounts had been opened; 55 000 ILA200 and 4 500 ILA100 account holders had undertaken learning. There were nearly 300 approved learning providers, offering almost 16 000 courses at over 650 venues, including colleges and universities.

Two similar, but much smaller, pilot projects in the Netherlands saw about 3 000 accounts opened with about 100 companies participating. The government provided funding of around EUR 450 that could be added to by participants or by third parties.

Personal contributions were required, either as a one-off deposit of EUR 22 to EUR 200 or through participation in further training in the participant's free time.

Individual learning options, a small pilot scheme in Ireland, plans to open 225 accounts, focusing on low-skilled employees who have been in a job for at least two years. The grant will cover up to 75 % of the cost of an approved training course, up to a maximum of EUR 1 300 per employee.

Austria has several voucher schemes operated by the individual federal States and the chambers of labour. Funding levels vary. In the Tyrol, vouchers can be worth up to EUR 500, with 25 % of costs provided by the government. The state training account in Upper Austria

provides bonuses and member discounts for employed learners and 80 % of the costs for special target groups (low-skilled workers, workers aged over 40 and women returning to the labour market). About 20 000 participants from the Upper Austrian training account have been funded each year. The budget for this scheme amounts to about EUR 9.5 million in 2008.

In Belgium since 2003, the Flemish government has been contributing to the direct training costs by means of training and guidance vouchers. This measure stimulates employees (the unemployed are excluded) to keep up and strengthen their position in the labour market by diminishing financial thresholds that hinder participation in lifelong learning. Employees can buy training vouchers to an annual amount of EUR 250: half of the voucher cost is paid by the government; the rest by the learner. The vouchers can be used to cover the direct costs related to training, career guidance or competence measuring but they cannot be used to replace training costs for the employer. The project received more than 250 000 applications with a total value of more than EUR 34 million in 2007.

Some regions in Italy provide vouchers for the unemployed but mostly for high school and university graduates. The individual learning credit card project was launched in 2005 by the joint actions of three regions (Tuscany, Umbria and Piedmont).

Currently, the card is active only in some provinces of Tuscany and Umbria. Each provincial administration has defined specific supply procedures and eligible target groups, as well as a specific budget for the projects. The card is issued with a EUR 2 500 spending limit (divided into single EUR 500 payments). The money can be spent on formal, non formal or informal training, learning material, travel, accommodation and further expenses.

Outside the EU, Canada's Learn\$ave pilot project helps people on low incomes to improve their skills through training, returning to school, or by starting a small business. Results of the project will be known in 2009. Different types of lifelong individual learning accounts (LILAs) are being tried in the US to promote links between employers, education and the public workforce system. Individual development accounts are matched savings accounts focused on helping low income families. Individual training accounts are for unemployed people needing occupational skills training. The private sector also uses ILAs or Lilas. For example, the learning account is part of IBM's global citizen portfolio and helps their US employees to increase their skills and further their careers.

### **16.3. Setting up ILA schemes: issues and challenges**

It is acknowledged that ILAs may help increase participation in learning. However, implementation of ILAs as nationwide programmes is at an early stage. In most countries pilot schemes operate successfully on a small scale, but it is unclear whether additional problems arise in launching them nationwide. Some clear policy lessons may be drawn by comparing experience and practice. In setting up ILAs or similar individual-based schemes, several issues must be decided. These are summarised below.

### *Setting up ILA schemes: issues to decide*

- apportioning funding. Examples are a fixed maximum government payment topped up by individuals, employers or both; or a fixed percentage share formula, i.e. government (X %), individuals (Y %) and employers (Z %);
- maximum levels of government funding;
- form of participant contribution (financial, training in free time);
- eligibility conditions for participation (all potential learners, targeted);
- definition of the target group (self-employed, women returnees, elderly, immigrants, unemployed, low income or qualification level);
- training provider eligibility (approved training organisations);
- course eligibility (levels, certification, subjects);
- fund management and payment transfers (commercial banks, virtual banks, outsourced organisations, pre- or post-payments);
- course completion incentives and disincentives for non-completion (for providers and individuals);
- role of guidance (optional, compulsory, obligation to follow);
- links with other financial support (tax relief, loans);
- related cost eligibility (childcare, transport, wages);
- role of employers (advice in course selection);
- linking funding for learning with other purposes (saving for retirement, starting up a new business);
- scheme administration (national, regional or local framework);
- scheme administration must be streamlined to make ILAs flexible and easy to use and prevent misuse of funds.

Even when the issues above have been decided, several challenges remain. The major one lies in coordinating ILAs with existing supply and demand systems of financing adult learning and continuing vocational education and training. It is important to distinguish between the different types of ILA scheme (savings, vouchers) to choose the right approach to meet policy objectives.

Some form of classification would help distinguish between different features of ILAs and so help policy-makers to make informed decisions. A classification may be based on criteria such as presence of a savings element, requirement for shared funding, accounts with a balance that can be drawn from over time, the target group of the scheme.

It is evident that support and guidance for learning account holders is important to help them make informed choices and meet administrative obligations. ILA funding needs integrating into a wider package of information, advice and guidance.

Suitable marketing and public relations strategies informing people of the scope and amount of funding available are also important for reaching target groups. Here networks of reliable intermediary organisations can help target priority groups. They can link learners in ILA schemes to other relevant local schemes. Their role should be reinforced and expanded.

ILAs are relatively new instruments with a potential to improve learning. Innovation in, and streamlining of, the schemes benefits both learners and training providers. Learning from experience will be crucial in the coming years. Further research at European level to determine the effects of ILAs compared with other instruments, and their 'deadweight' and substitution effects would help the policy process.

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This publication examines the design and use of individual learning accounts for learning. It is based on the Cedefop seminar, *Individual learning accounts: an incentive for financing continuing vocational education and training*, which presented research results on financing continuing vocational education and training through such accounts, in Thessaloniki on 31 January 2008.

The term individual learning account is in widespread use and is widely understood. Applied in a broad range of schemes, such accounts can serve to increase freedom of choice for individuals, make learning providers more responsive to learner needs and to influence positively attitudes and motivation towards personal development and participation in training. These are just some of the reasons why many EU countries have already tried pilot individual learning accounts.

The case studies present various approaches to personal accounts. The conclusions indicate that these schemes can provide a flexible approach to meeting education and training policy objectives.

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