FINANCING ADULT LEARNING: BEST PRACTICES ON FUNDING MECHANISMS

13 March 2024

Patricia Navarro-Palau
Economist
Skills and Employability Division, OECD
Skills needed in the labour market are changing

- Globalisation
- Technology
- Ageing
- Climate change

Skills needs
One in four adults lacks basic digital skills

Source: Survey of Adult Skills (PIAAC) (2012 and 2015)
Yet many adults do not train

Note: The average refers to the unweighted average of OECD countries participating in PIAAC; formal and non-formal job-related education and training; data for England and Northern Ireland only
Lack of time and financial resources are amongst the most cited barriers

% of adults who did not participate in training by barrier to participation, OECD average

- Shortage of time - work related: 29%
- Lack of financial resources: 15%
- Shortage of time - family related: 15%
- Inconvenient time and place: 12%
- Lack of employer's support: 7%
- Unexpected events: 4%
- Lack of prequisites: 3%
- Other: 14%

OECD work on financial incentives for adult learning

DG Reform support:
- Supporting employers to promote skills development in Latvia
- Incentivising Italian firms to invest in skills
Why should financial incentives be offered?

- To reduce **cost of training** to promote greater participation
- To **steer training** towards skills in high demand
- To promote **job transitions** between occupations or sectors
- To encourage greater **employer** investment/responsibility for training
- To encourage greater **individual** investment/responsibility for training
- To make training more **inclusive**
Financial incentives: A simple taxonomy

**SUPPLY**
- Institutions
  - Subsidies
  - Performance-based funding
  - Performance contracts
  - One-off (capital) funding
  - Regulating start-up of new programmes
  - Tuition fee policy

**DEMAND**
- Individuals
  - Subsidies
  - Savings and asset building mechanisms
  - Time accounts
  - Tax incentives
  - Loans
  - Study/training leave

- Employers
  - Subsidies
  - Tax incentives
  - Loans
  - Training levies/funds
  - Job rotation
  - Payback clauses
  - Public procurement

**Cross-cutting measures**

Institutions

Individuals

Employers

- SUPPLY
- DEMAND

Cross-cutting measures
Individual learning accounts

- Portability of training rights from one job or employment status to another
- Quality control is a challenge
- Low-skilled individuals not using ILAs
- Funding often insufficient for upskilling

France’s CPF allocates more training rights to low-educated adults
Subsidies and training vouchers

- Easy to target
- Capacity to steer training towards skills in high demand
- Individual has flexibility to select training course
- Quality control essential to prevent abuse, as with ILAs

In **Estonia** and **Latvia**, vouchers can only be used for training in shortage occupations.

In **Flanders (Belgium)**, adults can only access training subsidies after they speak to a career counsellor.
Loans

✔ Overcomes liquidity constraints
✗ May deter people who are debt averse

In England (UK) repayment is due only once the trainee earns more than a given amount.
Tax incentives

- Low admin costs
- Difficult to target under-represented groups
- Doesn’t easily support job transitions

The Netherlands switched from a tax deduction to direct subsidies for better targeting.

Germany and Austria allow tax relief for work-related training to prepare for job change.
Firms are the main provider of training for adults across

Distribution of non-formal education and training activities by type and financial support

Source: Survey of Adult Skills (PIAAC) (2012 and 2015)
Training levies

✓ Overcomes the free-rider problem, and may induce greater employer investment in training
✓ Training likely to be aligned with labour market needs
x Risk that employers see them as another tax
x Don’t facilitate job transitions because tied to the employer

In **Italy**, Fondi Inter-profesionali were introduced by national law but are managed by social partners

In the **UK**, SMEs don’t pay into the Apprenticeship levy but can still access subsidies
Training vouchers to firms

- Overcomes the free-rider problem, and may induce greater employer investment in training
- Training likely to be aligned with labour market needs
- Depending on the structure, easy to target.
- Don’t facilitate job transitions because tied to the employer

In Lithuania firms had to develop a training plan identifying training needs
1. Need to be clear about objectives and consider the entire training ecosystem
2. Financial support needs to be high enough to support real upskilling
3. Distributive and sustainability implications depending on financing method
4. Accompanying measures are needed to boost participation of low-skilled
5. Keep governance and processes simple
6. Targeting reduces deadweight loss but increases administrative burden
7. Quality assurance of providers and the training itself is essential
8. Involve the social partners
Thank you!

Email - Patricia.Navarro-Palau@oecd.org
Blog - https://oecdskillsandwork.wordpress.com/