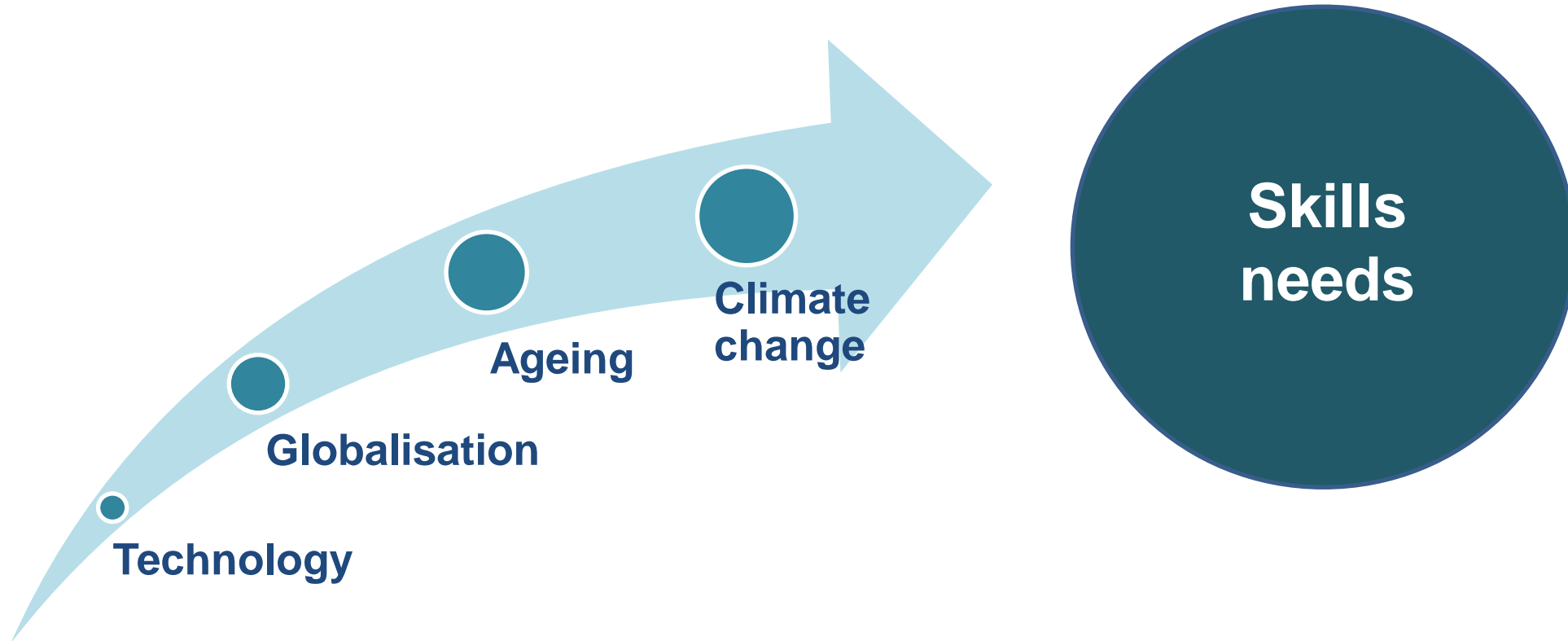


# FINANCING ADULT LEARNING: BEST PRACTICES ON FUNDING MECHANISMS

13 March 2024

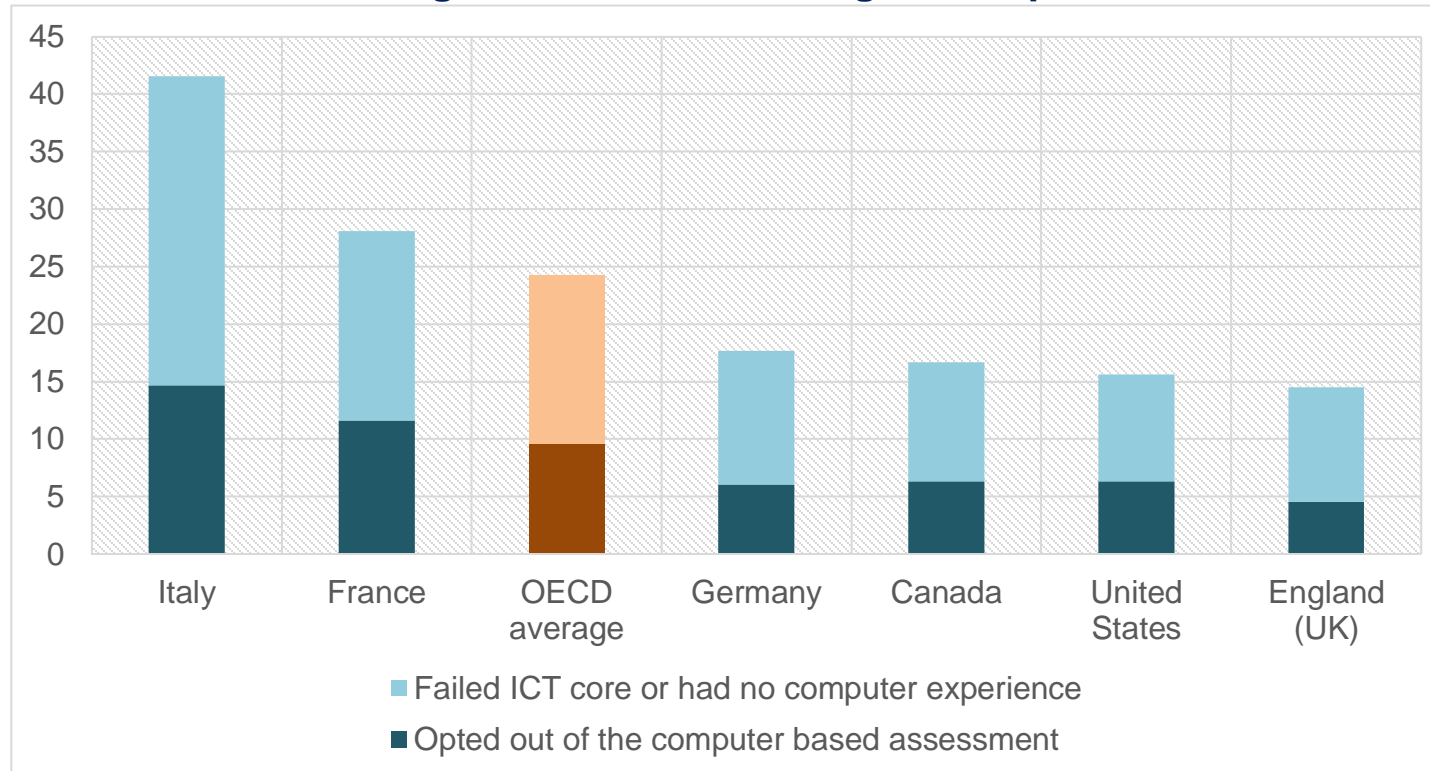
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Skills and Employability Division, OECD

# Skills needed in the labour market are changing



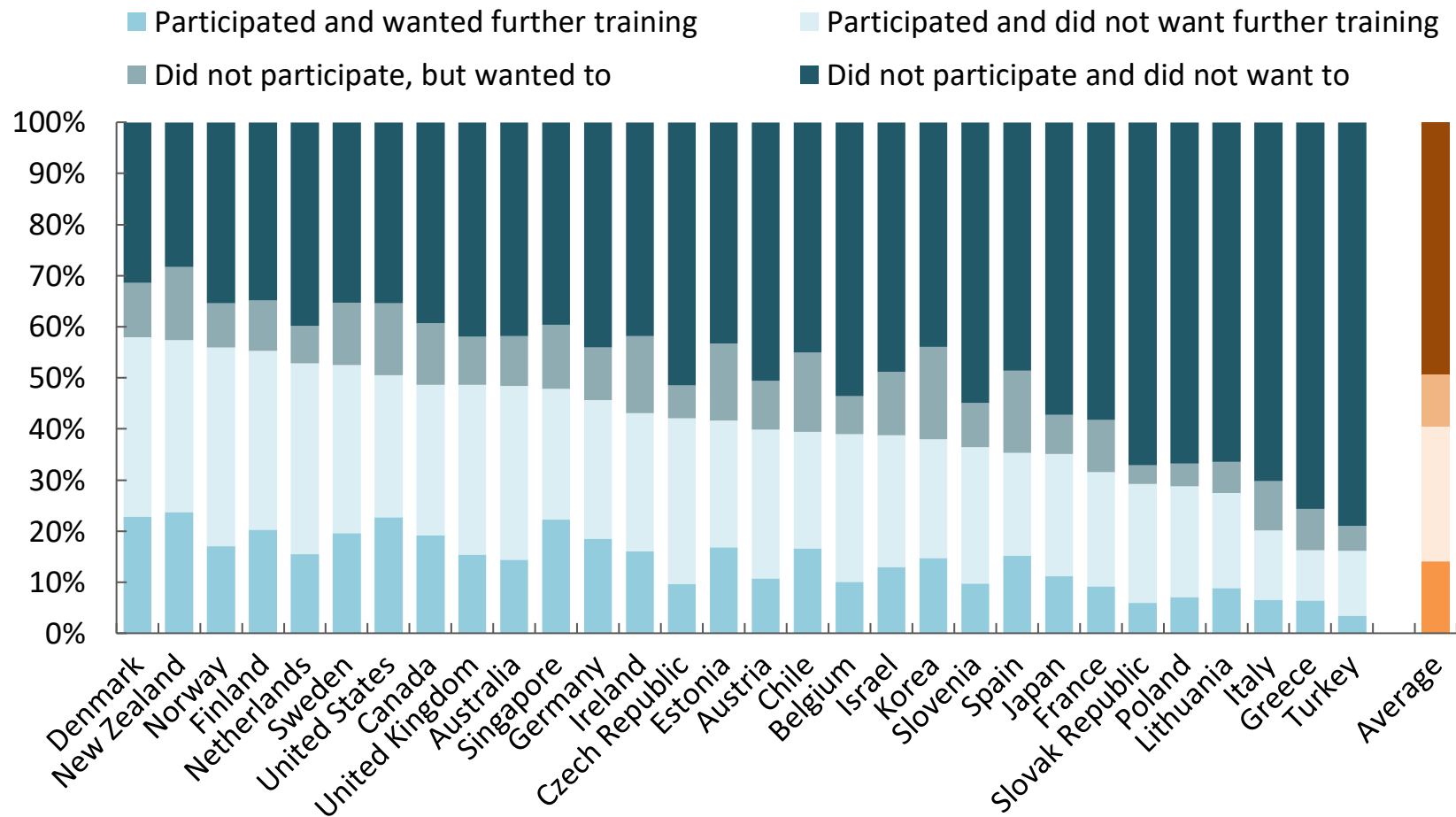
# One in four adults lacks basic digital skills

Percentage of adults without digital competences



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

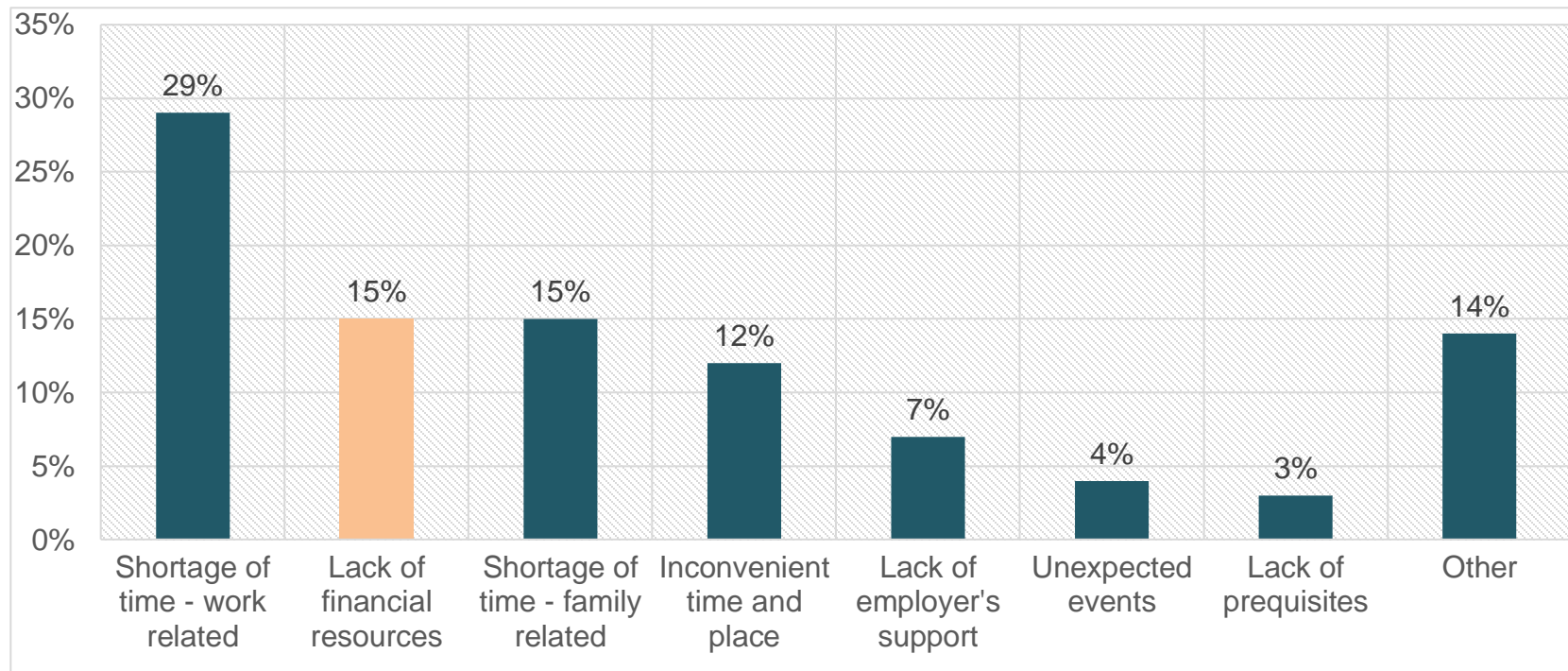
# Yet many adults do not train



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  
 Source: PIAAC data (2012, 2015).

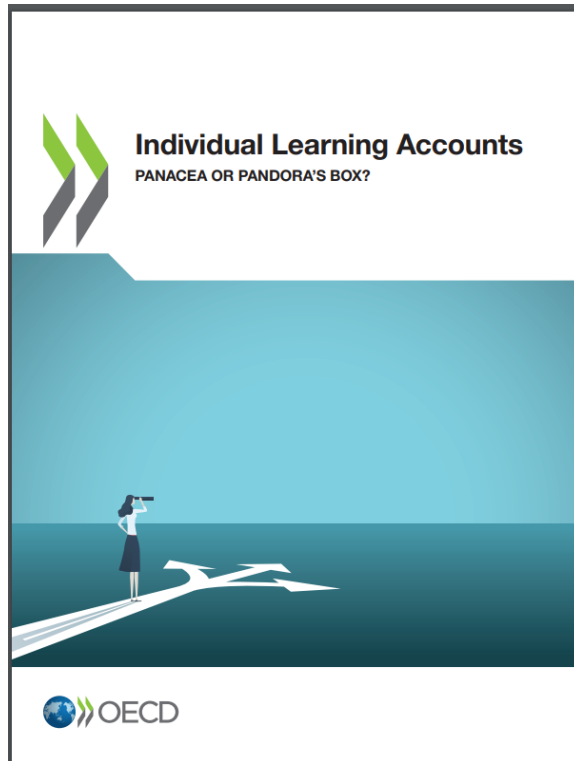
# Lack of time and financial resources are amongst the most cited barriers

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



Source: Survey of Adult Skills (PIAAC) (2012, 2015 and 2018)

# 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

## DEMAND

### Institutions

### Individuals

### Employers



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

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

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

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

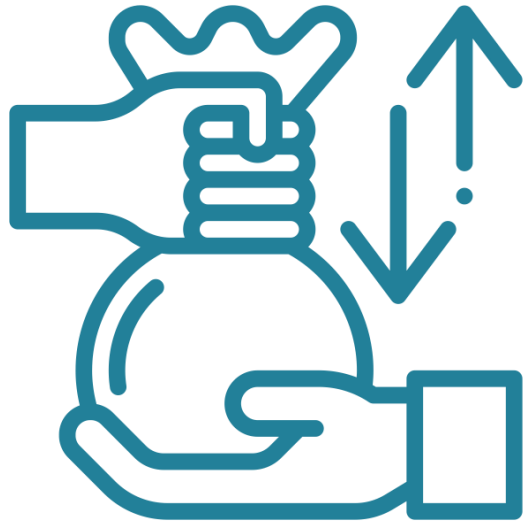


- ✓ Easy to target
- ✓ Capacity to steer training towards skills in high demand
- ✓ Individual has flexibility to select training course
- × Quality control essential to prevent abuse, as with ILAs

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
- x 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



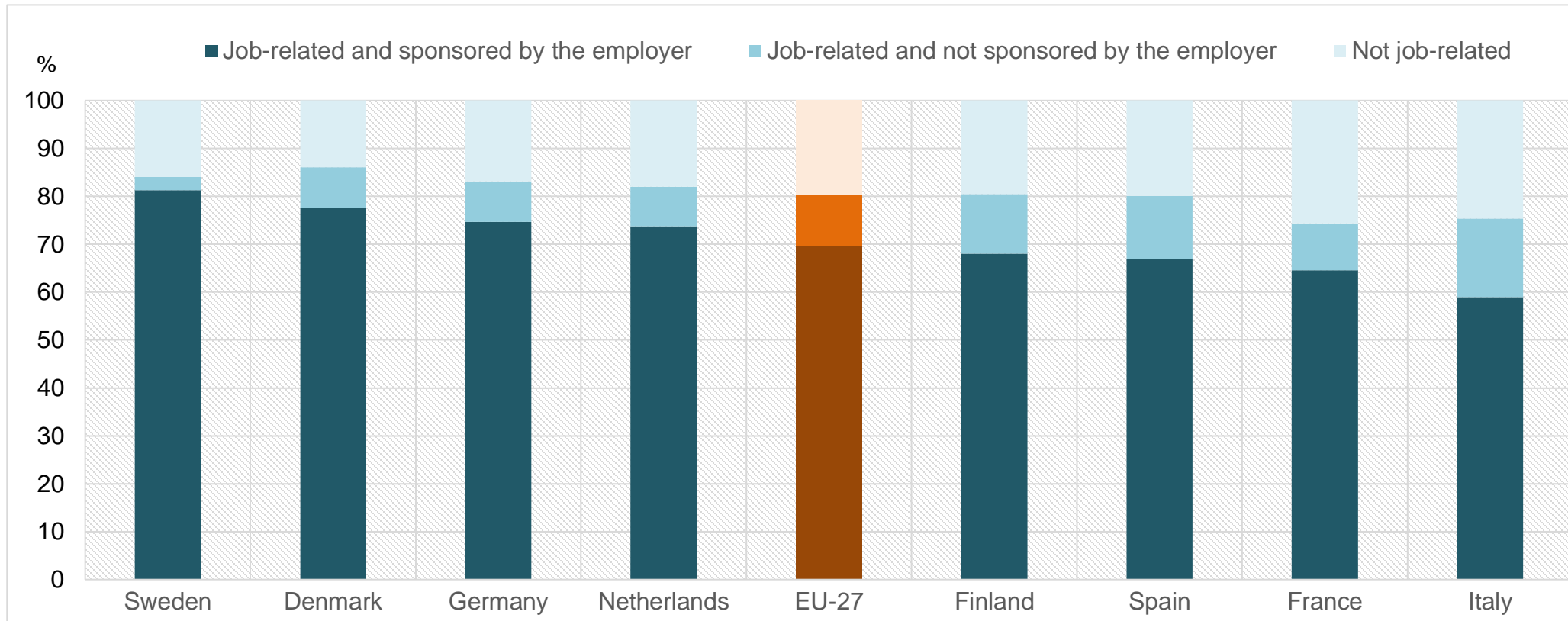
- ✓ Low admin costs
- x Difficult to target under-represented groups
- x Doesn't easily support job transitions

**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.
- x Don't facilitate job transitions because tied to the employer

In **Lithuania** firms had to develop a training plan identifying training needs

## Key take-aways

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!

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