Financing lifelong learning:
Potential of and problems with Individual Learning Accounts in three countries

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**Introduction**

Lifelong learning has prominently risen to the top of policy agendas in many countries, and academic literature has focused on many aspects of a system of lifelong learning. In spite of the abundance of articles, books, and policy reports on different aspects of lifelong learning, there was until recently a paucity of studies on how such a system can be financed. After an initial discussion in the 1970s and early 1980s (Stoikov 1975; Levin & Schuetze, 1983) the theme was not taken up until recently, when a number of economists, and one of the international organizations that had been an early promoter of lifelong learning (OECD, 1973) have seriously started to plough the field (Levin, 1998; Oosterbeek 1998; Timmermann, 1996; McPherson & Shapiro, 2000; OECD 1997, 1999, 2000, 2001). Following this revival, some national governments have also commissioned work that looks into the issue of financing (e.g. German Expert Commission on Financing Lifelong Learning, 2004).

The renewed interest in lifelong learning is partly due to the interest by industry which considers lifelong learning as the appropriate skill formation strategy for the 'new economy' (Rubenson & Schuetze, 2000). This interest and the pressure from industry have caused policy makers to look for ways to implement and finance such a strategy. Besides this problem, the difficulty of estimating the approximate cost of lifelong learning, the principles by which these costs are to be distributed among the various stakeholders, and, finally, the problem of translating these principles into viable financing schemes, pose considerable challenges. In this paper, I shall concentrate on the financing issue, though there will be a brief discussion of what type and magnitude of cost needs to be financed.

'Lifelong learning' had a number of precursors, in particular “lifelong education” (Faure et al., 1972) and “recurrent education” (OECD 1973), two concepts which also postulated the distribution of organized learning over the entire life span rather than its concentration at a person’s “formative” years. It appears useful to briefly revisit the literature on financing for these earlier concepts. What were the principles discussed for designing financing systems to implement these earlier concepts of
lifelong learning, and to what extent are they still valid in a changed political and economic environment?

In the light of the earlier debate about various forms of financing and their suitability for lifelong learning, I shall discuss a particular financing model in some detail which focuses on lifelong learners rather than on system-wide financing models. Individual Learning Accounts (ILAs), which have been discussed or implemented on a trial basis in several countries, for example in Sweden and the United Kingdom. While different in both scope and design, these individual account models are of interest for a debate on lifelong learning financing as they reflect a shift from a focus on 'education' and educational institutions to 'learning' and individuals.

This paper is structured as follows. First, I shall discuss the main characteristics and models of lifelong learning, a necessary if sometimes overlooked prerequisite for a discussion on financing ('financing what?'). In a second section, I shall briefly present and analyze the main financing systems that have been suggested for a lifelong learning system. Thirdly, I shall elaborate on the more recently emerged model of ILAs and discuss their potential and actual role for financing lifelong learning.

1. Main features and models of Lifelong Learning

Main features
The concept of lifelong learning is based on three principles which break with the traditional notion of traditional ‘front-end’ formal education: Lifelong learning is life-long, 'life-wide', and centered on 'learning' rather than on 'education' and educational institutions.

Life-long
That lifelong learning should be life-long is seemingly a tautology, but there is ample evidence that most of the expansion of learning opportunities in the last forty years has occurred in the formal sector of education and at the front end. (Schuller et al, 2002). Lifelong learning implies that people should continue learning throughout their lives, not just in informal ways as everybody does anyway
('everyday learning'), but also through organized learning in formal and non-formal settings\(^1\). Most writers and policy makers take this to mean further or continuous learning after the phase of initial education (which is compulsory in all countries) and therefore concentrate on post-compulsory or post-secondary learning activities. However, there is general agreement that the extent and quality of education during the 'formative' years are considered of crucial importance for the ability and motivation to engage in further learning later in life (e.g. Hargreaves, 2002). Therefore, a strategy of lifelong learning must also include these formative years.

The lifelong aspect of learning raises questions about the structure and interrelationships between different sectors of the educational system. Since a crucial prerequisite for lifelong education is a system that allows and promotes smooth progression, which has multiple access and exit points, pathways and transitions, with no programs leading to dead ends, this would require some fundamental reforms. Transitions do not only entail pathways between different parts of the education system but also mechanisms for the passage from school to work as well as, conversely, between work, and education and training.

**Life-wide**

Organized learning occurs not just in schools, colleges, universities and training institutions, but in a variety of forms and in many different settings, many of them outside the formal educational system. In a system of “life-wide” learning the assessment and recognition of knowledge learned outside the formal education system become a fundamental necessity. Simple as this may appear, it poses a major challenge to the established hierarchy and traditional validation of different kinds of knowledge, that is both the places where, and the mode in which, knowledge and know-how (i.e. the

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\(^1\) ‘Formal’ settings comprise the education system, i.e. schools, colleges, universities whereas ‘non-formal’ settings are other places outside the formal sector where organized learning takes place (e.g. the workplace, museums, community centres, trade unions, sports clubs). By contrast, ‘informal’ learning is learning that takes place anywhere, yet in an unplanned, unorganized, and mostly incidental manner. This informal ‘everyday learning’ is not included in the discussion of the organization and financing of lifelong learning.
applied form of knowledge) have been acquired. If all forms and types of know-how are treated the same way no matter where and how they have been acquired, mechanisms are needed for assessing and recognizing skills and competencies (OECD 1996). These mechanisms must assess individual knowledge and abilities, instead of formal qualifications, or the reputation and quality of accredited or otherwise recognized formal educational institutions and their programs. That formal qualifications and actual abilities are not identical has been demonstrated impressively by the recent International Adult Literacy Survey (IALS) which was designed to assess literacy levels of the adult population in various countries (OECD 1995 and 1997). The surveys showed that discrepancies of certified and actual know-how exist on both ends of the spectrum: while a relatively sizable percentage of holders of high school or even advanced education qualifications have only minimal levels of literacy, others with few formal qualifications have demonstrated literacy competence at advanced levels. Under a lifelong learning aspect, both groups are ill served by the present system of front end education: The former group relying on qualifications acquired during their youth which are no longer adequate, the latter with know-how learned in non-formal settings and modes without the formal certification required for both admission to continuous studies in the formal system and access to good jobs in the labour market. Therefore, assessing and recognizing knowledge which has not been learned in and certified by the formal education system is a major conceptual as well as a practical problem.

From a policy perspective, the coordination of various programs and institutions is a major challenge. If learning is to become 'life-wide,' the organization, regulation, financing and so on of learning activities do not fall exclusively into the domain of ministers of education. They are also the responsibility of other government departments such as culture, economic and social affairs, health, and employment. Such a learning system requires a certain degree of consistency regarding policies, procedures, standards and so on of the various agencies concerned, and also efficient mechanisms of coordination. Moreover, coordination is not required solely between different public agencies. With a great amount of non-formal adult education occurring at the workplace, public and private
responsibilities need to be defined and coordinated to a greater extent than in the past. It follows that
the issue of financing must also be addressed differently within a perspective of lifelong learning and a
more diversified system of learning opportunities for adults.

**Learning and learner-centered**
The third principle of lifelong learning, the change of perspective from 'education' and
'schooling' to 'learning,' entails an even more radical departure from the present system than the former
two. The shift of perspective from 'education' to 'learning' has a couple of important consequences.
The first of these is the recognition that in a system of lifelong learning there is little room for
prescribed and rigidly structured and sequenced curricula or programs that apply to every individual
belonging to the same age group. With the exception of the early years of formal learning, what is
learned beyond initial education at home and in the early years of schooling and when, where and how
it is learned, should be determined, in principle, by learners themselves - learning as a menu à la carte
instead of a fixed meal. Secondly, in a learner-based system the individuals have not only much more
choice but also a greater responsibility for taking action and making meaningful - often difficult -
choices among the various options open to them. The shift from a supply-led to a demand-based
system also entails major changes of the way learning activities are financed (to be discussed further
below).

Crucial for exercising such choice is the individual's ability to engage in learning beyond
compulsory schooling. Lifelong and life-wide learning depend on the individual’s possession of the
personal characteristics necessary for the process. This principle is commonly discussed in terms of
the learners’ motivation and their capacity for learning, factors which depend on a number of others,
especially the individual's social-economic background, their endowment with cultural and social
capital, and the quality of their early childhood and of primary education experience. From a lifelong
angle, the capacity and motivation of further learning are also closely related to the structure and processes of day-to-day situations, especially the workplace (Rubenson & Schuetze, 2000).

**Principal models**

Due to its relative vagueness, the concept of lifelong learning has been compared to a chameleon whose colours are changing according to its environment. In fact, when looking more closely at the various policy reports there are different concepts or models using the same name while differing in essential features.

Real or potential demand for and support of lifelong learning comes from a variety of sources, but mainly three: (1) an increasing number of better educated adults who require continuous learning opportunities (2) a still large population of people who lack minimal qualifications needed for qualified work and for participation in and in civic and cultural life and (3) the economy, i.e. the private sector which operate in environments where markets, technology, work organization and hence skill requirements are frequently changing - changes related to the globalization of markets and major technological change. This economic imperative seems dominant in today’s public discourse and is the reasons why the call for lifelong learning is heard almost as often from employers and ministers of economic affairs as from educational leaders and ministers of education.

The dominance of an economic rationale is stark contrast to the support for earlier reform concepts such as the aforementioned strategies of 'lifelong education' and 'recurrent education' which had a strong egalitarian thrust and rationale for reforming the front-end, school-based education system. Whereas the proposed reform recognized the need for workers to adjust their skills to changing workplace requirements and the concomitant need for further training, the objective of the proposed reform was also, and primarily aimed at expanding access to general learning opportunities for people who had no or little previous education as they came from less privileged socio-economic backgrounds. Thus the model of lifelong learning which formed the base of the proposed reforms of
the 1970s and early 1980s was primarily of an emancipatory nature and understood lifelong learning as having a strong emphasis on advancement of a free, equitable, democratic society which would be accomplished through emancipation of the underprivileged by giving them equal opportunity with regard to education and hence life chances.

The present discourse about lifelong learning is marked by an erosion of this commitment for emancipation and democratization. In spite of some similarities between the earlier and present concept, we can clearly see a shift from the emancipatory-utopian or social justice concept to a market-oriented model, from an understanding of opening up access to and participation in education as a means of achieving a more egalitarian society to a strategy of adjusting workers' skills to the requirements of changing production processes and global market conditions.

In summary, we can distinguish three different basic models, all sailing under the same banner of lifelong learning while charting different courses. They envision and advocate different models of education and learning, of work, and ultimately of society:

- An emancipatory or social justice model which pushes the notion of equality of opportunity and life chances through education in a democratic society (‘Lifelong learning for ALL’);

- A ‘open post-industrial society’ model in which lifelong learning is seen as an adequate learning system for citizens of developed, multicultural and democratic countries (‘Lifelong learning for all who want, and are able, to participate’)

- A human capital model where lifelong learning connotes continuous work-related training and skill development to meet the needs of the economy and employers for a qualified, flexible and adaptable workforce (‘Lifelong learning for finding or keeping jobs in a changing labour market’).

With this variety in concept and objectives, lifelong learning has been described as “both a cliché and an empty theoretical label: Motherhood and apple pie, all things to all people" (Frost & Taylor 2001, p. 51). However, behind these definitional differences stand concrete and diverging political agendas.
Of the three models, only the first is propagating lifelong learning for all, an idealistic, normative and somewhat utopian concept. In contrast, the others are more limited in scope, and the third particularly is most specific about which types of learning activities, namely work and job specific, are included.

The second model does not advocate a social policy like the first: it is partly designed to promote learning for learning’s sake, to cultural ends, and for leisure time (Okamoto, 1994), but also partly normative in that there should be no institutional barriers to learning opportunities for anyone who wants to learn. It embraces all developments that tend to eliminate such barriers, for example the modern information and communication technologies and education and learning at a distance, especially on-line learning. Unlike the first model which would achieve its objectives by targeting specific populations which face specific barriers of a dispositional and situational nature (for the classification of barriers to adult learning, see Cross, 1981), under the second model, individuals are responsible for informing and availing themselves of learning opportunities.

The third model is the one most prominently advocated. It sees lifelong learning as a (continuing) training system appropriate for a knowledge-based economy in which a well educated and adaptable (or 'flexible') workforce is seen as a principal prerequisite for industrial innovativeness and international competitiveness. In contrast to the traditional view which saw initial and continuing vocational or professional training as a responsibility of industry, the human capital notion of lifelong learning sees primarily individual workers as responsible for acquiring and updating their skills or for acquiring new qualifications in order to enhance their employability and career chances.

It follows from these differences in objective and scope that these models entail different financing mechanisms that reflect different principles and mechanisms for the distribution of costs among the various parties concerned, i.e. essentially private households, employers, and the state.
2. Financing lifelong learning

In this section I shall deal with what types of learning activities these models cover and what financing models have been proposed for lifelong learning. In the two following sections, I shall discuss in more detail one recent financing model, Individual Learning Accounts (ILAs) and discuss how suitable these models are for a system of lifelong learning.

Financing what?

As pointed out, lifelong learning is not just a special type of education, training or other learning activity, such as adult education or web-based learning, but covers various forms of formal and non-formal learning which are now at present largely separate and operate in isolation from each other, including the way they are financed. Table 1 shows which principal activities are constituent part of a lifelong learning system and how they are funded at present.

In a system of lifelong learning, the various activities, programs, sectors and providers would need to be more clearly than at present articulated in relation to each other. They would also need a certain degree of coordination to allow lifelong learners to navigate through the system without encountering unexpected road blocks, major detours, or dead ends that are the result of piecemeal sectoral or institutional policies and regulations. Besides some consistencies of such policies and regulations such a better articulated, or better coordinated system would require also a transparent system of reliable information which would enable the lifelong learner to find out about available options and make informed decisions. At the end of such a development of articulation and coordination of the existing elements stands the vision of an integrated system of lifelong learning. Whether this is seen as a necessary or desirable corner stone of a future system is debatable and depends probably as much on the feasibility and practicality as on the respective observer's trust in market mechanisms and voluntary arrangements as opposed to a coordinating role of the state or other public body.
Another question is whether the present variation of financing mechanisms should be further
developed into a more comprehensive or unified system of finance for all lifelong learning activities.
Presently, financing systems for the different learning activities vary a great deal, depending not only
on type of program or institution, but also on factors such as personal background (especially age,
socio-economic background, national or ethnic origin), geographical location, and employment status.

### Table 1: Formal and Non-Formal Learning Activities and their financing

<table>
<thead>
<tr>
<th>Types of non-formal education and training</th>
<th>Funders/financing instruments</th>
<th>Types of formal education and training</th>
<th>Funders/financing instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Voluntary sector-based</td>
<td>Member and user fees, state subsidies</td>
<td>• pre-school</td>
<td>State</td>
</tr>
<tr>
<td>• Community-based</td>
<td>Local taxes and user fees, state subsidies</td>
<td>Compulsory schooling</td>
<td>State</td>
</tr>
<tr>
<td>• Workplace-based</td>
<td>Employers and/or parafiscal funds</td>
<td>• primary</td>
<td>State</td>
</tr>
<tr>
<td>• Organized individual</td>
<td>Individual households</td>
<td>• lower secondary</td>
<td>State and/or private households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• upper secondary</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Post-secondary education/training</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• college</td>
<td>State and/or private households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• university</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• private training institutes</td>
<td>Private households</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Continuing education/training</strong></td>
<td>Private households, employers</td>
</tr>
</tbody>
</table>

articulation, coordination, integration
The question of whether a financing system for lifelong learning should be comprehensive in the sense that it includes all learning activities and learners, or allow for a variety of financing schemes so long as they are consistent and equitable, is probably more a question of practicality than of necessity.

**Financing models**

For the various concepts of lifelong learning proposed in the 1970s and 1980s, the suitability of a number of financing models were discussed and assessed. More recently, the idea of individual learning accounts emerged and were embraced by a number of countries that wanted to increase individual choice and hence motivation for work-related skill development training. Seven basic models (or eight if financing by individuals of all their costs associated with learning are seen as a model), can be distinguished, ranging from single funder and single purpose to more comprehensive models (see Table 2). Most of these models do not cover the whole gamut of learning activities that fall under a comprehensive lifelong learning concept, nor do all cover the various costs involved with learning, both the direct ones such as tuition and other closely associated cost, and the indirect cost, primarily the cost of living while learning (and therefore not being in full time employment). In other words, the different models vary widely with respect to their comprehensiveness in terms of financing of the range of learning opportunities they cover. While some support only specific activities, or target specific groups (for example labour-market training for the unemployed, or language education for immigrants), others provide a single financing system for all lifelong learning activities. Three basic types of financing models can be distinguished with respect to their scope: (1) single financing systems for all lifelong learning activities (integrated model); (2) multiple systems for different activities and/or populations however with a certain degree of consistency and a certain level of coordination (coordinated model); and (3) single purpose or program systems, unconnected to and complementing others (complementary model).
Of the seven financing models, only the drawing rights model would fall under the first whereas voucher systems would probably fall under the second, depending on their design. Parafiscal funding for labour market training is an example of the third category. Single-employer funding covers normally strictly work-related activities, mostly during working time and on employers' premises, but not others which are pursued during non-work time and not directly work-related. However, employer-funded activities are commonly pursued during working time and workers' wages are maintained in full. Conversely, state funding for education and training institutions would cover the whole or, in countries in which public institutions charge student fees, the bulk of the tuition cost but not, except in the case of needy students, indirect costs. This applies also to those forms of public funding given to students in the form of individual entitlements or vouchers: these are in most cases meant to cover tuition costs (fees) but not indirect costs (Levin 1983 and 1998). In these cases, the individual learner contributes to their learning by assuming a number of cost items from their own sources.

Financing through collective funds which are financed by contributions from employers and workers, in some systems topped up by public funding, is designed for covering workplace related skill development but usually not general education. Such collective funds exist in several countries and are either the result of legislation, or of collective bargaining agreements (Clement 1983). Examples are the funds for continuing education and training ("formation continue") in France (see e.g. Caspar 1983), parafiscal funds for labour market training as they exist in Germany, Austria and the Scandinavian countries, and industry-specific levy-grant schemes as the former Industrial Training Boards in the UK, for example in the construction and roofing trades.

By far the most extensive of the various financing systems proposed is the 'drawing rights' model, (Rehn,1983) an integrated financing system that would cover the essential parts of the costs of post-compulsory learning activities over a person's lifetime. The drawing rights model is not limited to education or learning, however. It is a "single comprehensive system for financing all periods of
voluntary or age-determined non-work that would (not only) replace the present systems of financing youth education, (and) adult studies (but also) vacations, old age retirement, and other leisure periods that need income maintenance (such as) sabbaticals, long service leave and temporary retirement" (p. 70). Because it is buildt on the idea of an individual account, this model resembles the ILAs (to be discussed below). It is however quite different with regard to its objective and scope. Drawing rights are primarily an income maintenance financing system for all types of non-work activities, funded by contributions from the individuals themselves, but also their employers, and the state. It could be used however for the purpose of financing various learning activities after compulsory schooling and financial incentives could be provided within it for individuals to use their assets for the purpose of learning.

There are other innovative systems which were proposed and discussed, and in some instances implemented, in the late 1980s and 1990s. Prominent among these are the income contingent loans, an idea on which the Australian Higher Education Contribution System (HECS) system is based. The Australian model has been emulated, or is under discussion in several other countries which wish to shift public funding, or parts thereof, for post-secondary education from funding for educational institutions to more learner-centred forms of support2.

Another more recent financing model for post-secondary education and training are ‘individual learning accounts’ (or alternatively ‘training’ or ‘development accounts’) that have been discussed or implemented on a trial basis in some countries (see the following section). With the objective of giving the individuals more personal choice and ownership of their learning, such individual accounts provide learners with money to pay for their learning activities, mainly tuition fees. In all cases where such accounts exist or are being discussed, eligible learning activities are confined to participation in programs related to skill or competency development.
Table 2: Financing models for lifelong learning and their coverage

<table>
<thead>
<tr>
<th>Financing Models</th>
<th>Characteristics</th>
<th>Scope</th>
<th>Costs covered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Direct*</td>
</tr>
<tr>
<td><strong>Self-funding</strong></td>
<td>participants bear all costs (pay-as-you-use)</td>
<td>Not applicable</td>
<td>all</td>
</tr>
<tr>
<td>(single) employer funding</td>
<td>on-the-job-training, apprenticeship and professional contin. ed.</td>
<td>complementary</td>
<td>all or some</td>
</tr>
<tr>
<td>State funding</td>
<td>institutional funding from general tax revenues or through specific taxes</td>
<td>complementary</td>
<td>all or some</td>
</tr>
<tr>
<td>Parafiscal funding</td>
<td>funding from employers' and workers' contributions and public subsidies managed through autonomous public bodies</td>
<td>complementary</td>
<td>all or some</td>
</tr>
<tr>
<td>Income contingent student loans</td>
<td>deferred financing by the individual, however partly subsidized and risk of non-completion of studies or not finding a job with commensurate income alleviated</td>
<td>complementary</td>
<td>all or some</td>
</tr>
<tr>
<td>Individual learning accounts</td>
<td>tax-friendly individual savings for the purpose of increasing vocational skills, augmented by contributions by the state</td>
<td>complementary</td>
<td>all or some</td>
</tr>
<tr>
<td>Individual entitlements</td>
<td>public funding given to students/learners instead to institutions, mostly covering fees</td>
<td>complementary</td>
<td>all or some</td>
</tr>
<tr>
<td>Individual 'drawing rights'</td>
<td>comprehensive transfer system of extending social security to cover all non-work activities</td>
<td>integrated</td>
<td>all</td>
</tr>
</tbody>
</table>

* primarily the cost of tuition, but also books or tools, and transportation  
** living costs during full-time education learning if learner is not receiving income from (full-time) work

2 However in view of massive opposition from the tertiary sector, the Australian government has decided recently, not to adopt a far more radical proposal for financing post-secondary education which would have combined a voucher system with an extended income-contingent loan scheme (see Commonwealth of Australia, 1998, and Harman, 1999)
3. Individual Learning Accounts

Individual learning accounts are innovative financing mechanisms that are presently under discussion in some countries, or have been introduced, in some cases on a trial basis, in a few others. While they differ in important details, they are discussed or implemented in these countries "as a means of putting flesh to the bones of the lifelong learning vision" (OECD 2001, p. 122). From a political economy perspective, they are an instrument of shifting from an institutional to a learner-centred, or, in economic terminology, from a supply to a demand approach. To the extent that it is primarily the savings of the learners and not government-provided funds that replenish these accounts, it is also a shift in the distribution of the financial burden and thus from a welfare to a market approach to (post-compulsory) education and training.

If the eligibility for such learning accounts, or the size of government contributions to them, depend on the socio-economic background of the individuals, learning accounts “are part of a general class of policies aimed at individuals, especially from a population that traditionally has not participated in such activities, to increase their asset holdings and, with that, their 'stake-holding'” (ibid.), in this case in their own learning after compulsory school or, more specifically, their skill development.

There are three countries which have introduced leaning account programs, or have been planning of doing so, the UK, Sweden and Canada. They will be briefly introduced in the following.

**The United Kingdom ILA program**

A system of Individual Learning Accounts was introduced in the England in Spring 2000, with similar programs being launched in Scotland, Northern Ireland and Wales. Individual Learning Accounts made available public money for individuals to gain the skills they need for employment. The overall aim was to widen participation in learning and to help overcome financial barriers to learning faced by individuals (Payne, 2000).
The program in England was started in September 2000 using £150 million of funds from Training and Enterprise Councils (TECs). This offered a contribution of up to £150, alongside small contributions from individuals (£25), which together funded certain training opportunities. Employers were encouraged to make voluntary contributions to these funds.

The ILA program was universal; everyone aged 19 or over (subject to some nationality and residency conditions) had a right to an ILA, except those in full-time education. ILAs were designed to develop in everyone a commitment to lifelong learning and to give individuals control and freedom of choice. ILAs were individual, universally available accounts but provided discounts for learning. The level of discount had to be sufficient to act as an incentive to individuals to manage, plan and invest in their own learning throughout their lives, whilst ensuring they retained a personal stake through individual contributions.

Stated program objectives were:

- to contribute to creating a better-equipped workforce;
- to encourage people to have a personal stake in lifelong learning, with greater control over their personal development;
- to increase levels of private (individual and employer) investment in learning;
- to increase levels of participation and achievement in learning activities particularly amongst targeted groups where levels are traditionally low by providing discounts on the cost of learning as incentives to encourage individuals to register for ILAs, particularly from the target groups, e.g. ethnic minorities, women labour market returnees, younger workers with low skills or few qualifications aged 21-30, and self-employed people;
- to encourage the development of wider choice and innovation in the delivery of training and to attract new providers, particularly those operating in smaller niche markets and with new, non-traditional learners (Department of Education and Skills, 2002).

The non-bureaucratic nature of the program designed to reach non-traditional learners was successful - 1.4 million learning episodes were booked, 16% of ILA redeemers had no previous
qualifications and 22% had not participated in any training/learning in the 12 months preceding ILA use - yet there was also some 'deadweight' as it was estimated that over half (54%) of redeemers would have been able to pay for their most recent ILA-supported course without their ILA.

By May 2001, the commitment to reach one million Individual Learning Accounts (964,000 in England) had been met, a year early, and an average of 3,000 accounts were being opened each day. Expenditure on the program had reached some £90m at this point and the majority of this was on payments to learning providers for the introductory £150 ILA incentive using recycled TEC resources. By September 2001, expenditure on the program had reached some £180m and had doubled since May 2001 reflecting rapid program expansion over the period, exceeding all expectations. This also raised further concerns about the way the program had been promoted and sold particularly in the light of growing evidence that some training providers were abusing the system offering low value, poor quality learning (Thursfield et al, 2000).

In November 2001, less than six month later, the program which had prominently figured as a major plank in the Labour Party's educational policy platform, was suddenly suspended because of major irregularities and fraud. The Ministry announced it would introduce a successor program, but that the new program would be part of a wider review of the funding of adult learning and a skills strategy for the future. The program was also closed down in Scotland, Wales and Northern Ireland.

As of the beginning of 2005, plans for a similar program are still on hold although the responsible ministry has repeatedly insisted that it will be continued once the flaws in the implementation of the program have been analyzed and eliminated. The new Skills Strategy White Paper that the UK government launched in Summer 2003 (Department for Education and Skills, 2003) makes no mention of ILAs even if it incorporates several the successful elements of the ILA program. Thus the White Paper stresses individual responsibility and choice, postulates an entitlement for all adults to access training to increase their skills to the basic level of employability, and affirms the
principle that the costs of higher level skills development must be shared with individuals and employers. Which form such an entitlement is going to take is still unclear.

In Wales, a follow-up program has been launched in 2003 that targets people with low or no qualifications (www.ilawales.com). The level of funding is determined by the learners' qualification levels and their employment status, with a maximum of state funding of Can$ 440.-. Because of the objective of widening participation in learning from less qualified people, no financial contribution is required from those unemployed while those with higher levels of qualifications and being employed are required to contribute 50 percent of the cost of the education or training chosen.

The Swedish ILA program

A financing system for ‘individual competence development’ has been discussed for several years in Sweden, especially between employers and unions. Many reports and hearings of main stakeholders have preceded the report (of December 2000) by a special commission which had been established to draw up a report on a system of individual competence development to the government.

Based on the recommendations of this report, the Swedish government presented to the Swedish Parliament in April 2002 a so-called Guideline Bill on Individual Learning and Skills Development. The Bill provided for individual saving accounts for which individuals can set aside a certain amount of money and receive a tax reduction for the amount saved. Withdrawals from the account could be done for all purposes, subject to the usual income tax. However, when money would be withdrawn for learning purposes, a so-called competence premium would be granted. The ILA system was not designed to replace the existing variety of public support for adult education and training, but as complement and addition to present support mechanisms for 'competence development.'

The main purpose of the ILA scheme was to create a voluntary system that permits individuals themselves to open a 'learning account' on their own initiative and to determine how the money -
basically own savings, plus a tax premium when used for learning purposes, and possibly augmented by contributions of their employers - was to be used.

Individuals who choose to set up a learning account could put deductible savings into their account. These were limited to 25 percent of a base amount, i.e. SEK 9,500 (approx. US $1,344) per year. The account was liable to the usual capital tax (30 percent), and funds withdrawn from the account to income tax. The ‘competence premium’ mentioned above was not to exceed 50 percent of the amount withdrawn. On top of that tax premium there was a fixed amount grant (SEK 1,000, or US $141) which applied for learning programs of more than 5 days’ duration. Employers could contribute to an individual’s learning account up to half a base amount. These contributions were to be treated as salaries and are thus neutral in terms of costs (Swedish Ministry of Industry and Communications, 2002).

The government expected that ten percent of the labour force, or 650,000 individuals, will start a learning account during the first year and that, over the first ten years, some thirty percent of the workforce (2 million individuals) would have active learning accounts.

As of Winter 2004 the plan to launch such a national ILA system was abandoned when the government rescinded the plan in its budget proposal for 2005. Several factors contributed to this decision: The labour unions regarded the scheme as favoring the already well educated and well-off. The Ministry of Finance saw ILAs as another tax subsidized scheme similar to the existing pension saving accounts. The Education Ministry was negative as it had just completed a major overhaul of the regular system of student support in which the ILAs had no place. And finally, the Ministry of Industry and Commerce, the initial driver of ILAs, wavered on its support when a new minister came into office who had no great interest in ILAs (Strömqvist, 2005).
ILAs in Canada

In Canada, ILAs appeared for the first time prominently on the public agenda when the Liberal Party, in its 2000 programmatic platform for the election in Spring 2001, promised to "create Registered Individual Learning Accounts to help Canadians finance their learning needs" (Liberal Party program, 2000). In the Speech from the Throne (Sept 2000) it was made part of the program of the newly (re)elected government: "The Government will also 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 announced in the party's electoral platform and the Speech from the Throne, there was considerable opposition to the program within the newly elected government, especially 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 the implementation of the program.

The Ministry of Finance was concerned that ILAs contained nothing novel and were similar to Registered Retirement Savings Plans (RRSPs) or Registered Education Savings Plans (RESPs). Moreover, such a program was seen as difficult to implement while benefits were doubtful. Sectoral councils and the unions found this approach was too individualistic, arguing it would be much more effective if the money was invested in sectoral activities in which unions could be involved, organizing the needed learning and training activities.

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 program 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 be just take too a long time before people would be able to take up training. Thus, the project was never implemented. Instead it was quietly buried - without any explanation or public discussion.

However, a feasibility study and demonstration project related to the ILAs concept was funded by HRDC, conducted by the Social Research and Demonstration Corporation (SRDC). This project (called learn$ave / Savoir en banque ) will help, in conjunction with organizations in ten communities across Canada, more than 3,000 low-income Canadians build savings to improve their training, return to school or learn by starting a small business. Delivering Individual Development Accounts for learning purposes, it matches the savings of low-income participants, dollar for dollar. The project, which started in Spring 2001, will be evaluated and impacts measured throughout and for up to 2 years after the project is delivered (Eckel et al, 2002).

As this project has been funded in 2000 for a duration of nine years, it can be argued that Canada is still testing the merits and feasibility of ILAs; however it seems highly unlikely at this point that there will be any major follow-up in terms of introducing ILAs on a national scale.

Table 3: ILAs in Canada, Sweden and the United Kingdom

<table>
<thead>
<tr>
<th>Country</th>
<th>Objectives/ type of learning</th>
<th>Characteristics</th>
<th>Amount of contributions</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>N/a</td>
<td>N/a</td>
<td>N/a</td>
<td>Abandoned before enacted; small pilot project ongoing</td>
</tr>
<tr>
<td>Sweden</td>
<td>Adult education and training for 'competence development'</td>
<td>Individual savings accounts with contributions from the state and employers</td>
<td>Savings of up to Can$ 1,600 p.a., tax deductible when used for education</td>
<td>Abandoned before enacted</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Skill training for employment</td>
<td>Individual savings accounts with sizeable contribution from state</td>
<td>Individual saving of Can$ 55.-, state contribution of Can$ 325.-</td>
<td>Abandoned after incidences of fraud/</td>
</tr>
</tbody>
</table>
As can be seen from the short description and review, ILAs in the three countries, albeit similar in name, have different features. Table 3 provides an overview.

There is some evidence however that the ILA idea can work if they are well defined, locally administered and embedded in a larger legislative framework. An example are the US Individual Training Accounts (ITAs) which are part of the tool box of the Workforce Investment Act of 1998. This Act\(^3\) has the objective of meeting the needs of businesses for skilled workers and the training, education, and employment needs of individuals and to enable adults to obtain the training they find most appropriate through Individual Training Accounts.

Different from the UK and Swedish ILA schemes, the ITAs have been in operation for a number of years. ITAs are vouchers given to individuals (‘customers’) who need occupational skills training to become gainfully employed or re-employed. Individuals may use their ITAs for training in any program on the list of eligible programs and providers.

Summary

There is no 'ideal' financing system that would benefit all potential lifelong learners in the same way. Rather, a number of different criteria have been identified that can be used to assess the various financing systems with respect to the multiple objectives a lifelong learning system is expected to realize (see e.g. Timmermann, 1996). It is fairly obvious that the objective of providing

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\(^3\) The Act is based on the principles that
- Training and employment programs must be designed and managed at the local level – where the needs of businesses and individuals are best understood
- Customers must be able to conveniently access the employment, education, training, and information services they need at a single location in their neighborhoods
- Customers should have choices in deciding the training program that best fits their needs and the organizations that will provide that service. They should have control over their own career development

Under the new Workforce Investment System, state workforce investment boards were established and states developed five-year strategic plans. Individuals are referred to a “One-Stop” delivery system, with career centers in their neighborhoods where they can access core employment services and be referred directly to job training, education, or other services. ITAs are to promote individual responsibility and personal decision-making or they allow adult customers to “purchase” the training they determine best for them.
incentives for further learning for high school drop-outs and illiterate adults will need to emphasize different principles and mechanisms than the objective of inciting highly educated professionals to engage in continuing professional education.

Learner-based financing systems emphasize the importance of individual responsibility for both investing in their further learning and in the freedom of choice in what, when, and how they learn. This emphasis on freedom of choice is closely linked to a more general move towards a 'privatization' or 'marketization' of education and training, and to 'consumer' choice among different 'education service providers'.

In the course of this shift which reflects the progressive move from a welfare state model to a market model (see e.g, Dale, 1997) governments which in the past have provided and financed a large array of formal education and training activities have more recently advocated and actively promoted private investments and individual choice in education by setting up a variety of 'learner-centered' financing schemes.

Like some of the other financing models mentioned, ILAs are designed to stimulate investments by individuals in their own education and training. Financial incentives, particularly public grants or subsidies from the individual's employer, that can be put into these accounts thereby increasing their cash balance, are thought to motivate individuals to participate in education and training activities in which they would otherwise not participate. This would be of particular importance for groups who are under-represented. Like vouchers, ILAs are instruments of demand-oriented financing, designed to empower the learner who can make choices as to what to learn, and with what provider. As such, ILAs could be an innovative response to some of the thorny problems concerning participation by under-educated adults in post-secondary education or training and could, if and to the extent that the scheme works as intended, lead to increased participation in organized learning activities by such groups. The experience of the three countries that have been briefly reviewed here has shown how difficult it is to design ILAs that realize this potential. Maybe, a closer
look at the results of the Canadian pilot project and a study of the ITAs in the US can show how ILAs can be made to work. Ex Occidente Lux?
References:


Department of Education and Skills (2002), ILAs.


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¹ An exception are wages or allowances for apprentices which are lower than those for a qualified worker.