



Promoting choice, responsibility and participation in training: individual learning accounts

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 why many EU countries have already tried on a pilot basis individual learning accounts (ILAs).

ILAs allocate money to individuals to purchase training. The different types of scheme are discussed below. However, irrespective of the type of scheme, ILAs are part of a recent trend to shift away from simply financing training providers to a more demand-led approach that finances learners who decide themselves 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, including the trainee.

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. In its forthcoming publication on individual learning accounts, Cedefop reviews current research, policy and practice concerning ILAs.

Table 1: 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 trainees' 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.

ILAs: 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 regularly (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 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 'dead-weight', 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, ILAs is also a term used to describe voucher (or cheque) schemes. Vouchers are issued by public authorities to eligible individuals for them 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 from the various countries show, at least on a pilot basis, that it is possible to fund target groups if the funding methods are specified accordingly, such as ceilings on levels of income, or no participation in training over a certain period.

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

For adults on low incomes, money does play 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.

European and international experience of ILAs

ILAs, in one form or another, have been piloted in many countries. ILA schemes have been, or are being run in Austria, Belgium, 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 a learner funding entitlement towards payment of course tuition fees. The scheme is open to all adults 18 and over resident in Scotland. The scheme has two parts called ILA 100 and ILA 200. Introduced in 2004, ILA 200 is for those on low incomes are entitled to up to GBP 200 (EUR 270) a year towards the 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 the vast majority choose courses that do). Introduced in 2005,

the ILA 200 scheme covers those not eligible for the ILA 100. It grants them 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 ILA 200 and 4 500 ILA 100 account holders had undertaken learning. Further, 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 being opened and about 100 companies participated. 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.

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. 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.

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 dis-

counts 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 (unemployed are excluded) to keep up and strengthen their position on the labour market by diminishing financial thresholds that hinder participation in lifelong learning. Employees can buy annually training vouchers to the 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. Yet 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. The Individual learning credit card project was launched in 2005 by the joint actions of three regions (Piedmont, Tuscany and Umbria) with the Ministry of Labour.

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.

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 in Table 2.

Even when the issues in Table 2 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 that can be drawn from over time which have an account balance and 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 PR 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.

Table 2: 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 – 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.

ILAs are relatively new instruments with 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.