

**LIFELONG LEARNING AS AN AFFORDABLE INVESTMENT**

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**Learning Accounts – working in partnership with a finance  
institution**

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# **LIFELONG LEARNING AS AN AFFORDABLE INVESTMENT**

## **Learning Accounts – working in partnership with a finance institution**

### **1 THE GLOUCESTERSHIRE SKILL ACCOUNT PROJECT**

#### **a) Introduction**

This paper describes a pilot project developed by the Gloucestershire Training and Enterprise Council<sup>1</sup> (TEC) in England in co-operation with the HSBC Bank to encourage employed people to take more responsibility for their future career development and share the cost. The Project was set up as part of a local strategy to encourage individuals already in work to acquire the skills that could improve their future job prospects and earnings. 'The message that 'learning pays' is also important for those individuals already in work: acquiring skills can improve people's future job prospects and their earnings potential in the future.'<sup>2</sup> The Project required individuals to open a savings account, known as a 'Skill Account', with the HSBC Bank and use the money saved to fund learning that would help them to remain economically active within a rapidly changing labour market.

The paper identifies the economic context within which the Project operated and outlines its aims and objectives, together with a description of how the savings account package was implemented. It also includes data collected during a final evaluation of the Project on its impact on participating groups, how the Skill Accounts were managed and to what use they were put.

The paper does not seek to promote the savings account as a means of financing training, but draws out some of the advantages and disadvantages of using the mechanism as a means for investing in learning and highlights relevant issues to be considered when implementing such a system.

#### **b) Background**

The county of Gloucestershire is situated approximately 160 km west of London. Although regarded as a rural county, it has a working population of 286,000 and a strong business oriented economy, based predominantly on the manufacturing, finance and tourism sectors. With the unemployment level standing currently at 2.2%, it is one of the more prosperous counties of the South West of England. However, this prosperity co-exists with pockets of both urban and rural deprivation, low skill and wage levels as well as skill shortages.

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<sup>1</sup> Gloucestershire Training & Enterprise Council (now known as The Link Group) is one of 74 similar organisations across England and Wales currently funded by central Government to develop training and enterprise activities in their geographical area.

<sup>2</sup> Learning Pays and Learning Works (NACETT 1999)

As part of a wider economic development plan for the county introduced in 1995, Gloucestershire TEC secured Government funding to support a number of business competitiveness and workforce development projects.

One such initiative was designed to address increasing skill shortages within key areas of the economy, in particular manufacturing and information technology. Its aim was to encourage employed people to take more responsibility for their own future career development and to share the cost by opening a designated savings account, or individual learning account.

## **b) National Developments**

In 1998, the UK Government announced that individual learning accounts would play a key role in its lifelong learning strategy<sup>3</sup>. The aim was to set up a national framework, within which individual learning accounts would be offered to the working population, targeting new learners and those with low skills and qualifications. £150 million of Government money would be used to fund the first million accounts by providing those account holders with £150 towards the cost of their chosen learning.

Prior to the launch of the national individual learning account framework in September 2000, extensive consultation and market research were undertaken by the Department for Education and Employment (DfEE) to test the most effective and appropriate way of introducing these accounts. The Gloucestershire Skill Account Project, as this individual learning account project was known, was one of thirteen national pilot projects during this research phase, which influenced the shape of the final framework.

## **2 PROJECT IMPLEMENTATION**

### **a) Methodology**

In addition to encouraging individual employed people to take responsibility for their own learning and to share the cost, the Gloucestershire Skill Account project sought to evaluate the effectiveness of using a savings account as a mechanism to achieve this. It also provided the opportunity to discover whether saving into such a designated account increased an individual's commitment and motivation to learn on an ongoing basis.

The Project was run in partnership with the HSBC Bank, which agreed to re-brand one of its standard savings accounts as a 'Skill Account.' Individuals opening a Skill Account had to commit themselves to making regular payments through a standing order and all normal banking procedures applied, with the Bank reserving the right to refuse an application. In reality this only occurred once. Although the purpose of the Skill Account was to save for learning, individual Account holders had right of access to their money at all times and

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<sup>3</sup> The Learning Age - Green Paper 1998

could use it for purposes other than learning if they wished to do so. Skill Accounts could be opened across the county and bank staff employed in each branch were trained to deal with enquiries.

In addition to any financial interest accrued through the Account itself, a package of additional benefits was negotiated and included discounts on fees charged by local colleges and training suppliers as well as reductions on the purchase of books and course aids at local shops.

As an additional incentive to saving, the TEC gave each Account holder £150 towards the cost of their training when they had saved the required amount for their first course. (To encourage Account holders to continue to save it was important that this financial contribution was presented as an incentive or reward for saving, rather than as a 'one off grant'.) To eliminate potential fraud, this contribution was paid directly to the college or private training supplier and not into the individual accounts.

Therefore, the key features of the Skill Account were:

- A dedicated savings account through a recognised financial institution
- Potential for saving and the possibility of borrowing – not developed at this stage
- Individually owned with access to funds at all times
- To be used for learning to enhance future job prospects and employment options, including self-employment
- A package of associated benefits and incentives to encourage ongoing saving for future learning

The Project operated over a period of almost three years from 1996 - 1999, after which Account holders were given the option of transferring to the national Learning Account framework. During that period nearly 3,000 Accounts were opened in Gloucestershire

## **b) Marketing and Promotion**

Since one of the aims of the Project was to encourage individuals take responsibility for their own learning, initial marketing was aimed specifically at attracting individuals. Bearing in mind that a contribution of £150 was on offer to each individual Account holder, marketing was intentionally confined to a low level of activity to reduce the risk of creating a demand that could not be met.

Basic literature specifically aimed at individuals was promoted through the HSBC Bank, colleges, training suppliers and local organisations. However, the most effective way of promoting Skill Accounts took place by word of mouth as individuals opened their Accounts and began to appreciate the benefits of taking responsibility for their own learning seriously, perhaps for the first time since leaving full time education.

Although the original intention was to address skill shortages in the manufacturing and information technology sectors, targeting individuals wishing to train in these areas did not take place. Rather, the initiative was opened up to all employed people over the age of 18 years, who wished to use their Account to pursue learning which would enhance their future job prospects.

### **c) Employer Involvement**

Although the Accounts were promoted to individuals, employers soon became involved. Some wanted to provide Skill Accounts for their staff while employees elsewhere introduced their employers to the Skill Account idea. Anecdotal evidence shows that having made a commitment to open an Account, individuals grew in confidence and their motivation to learn increased, resulting in their approaching their own employers for a financial contribution. During the pilot stage, this support was a taxable benefit, however subsequent legislation, linked to the national framework, has changed this position and tax relief to employers is now available.

As the Project progressed, employers were recruited to encourage staff to open Accounts. This involvement was on the basis that any learning undertaken by staff should not be required in order to carry out their current job. This distinction was important since the intention was not to relieve employers of their responsibility for job specific training.

### **d) Working with the Bank**

The Area Manager of the HSBC Bank had the authority to implement local initiatives and it was with his co-operation that the Project was set up. It was the first time a Bank product had been re-badged to be used for such a specific purpose, and in view of the national learning account developments taking place at this time, the Project was supported in principle by the Bank at both local and national levels. (Subsequently, there has been no requirement made within the national framework for an individual to open a separate savings account. They are required simply to commit to saving a minimum of £25 towards the cost of each period of learning undertaken.)

A good working relationship was built up with HSBC Bank locally and although providing the Skill Account service increased their work load, bank staff appreciated the benefits of opening such an Account and often provided

additional support and advice to customers about where to obtain information about training opportunities.

### **3 PROJECT ANALYSIS**

In July 2000, a firm of external consultants undertook a final evaluation of the Skill Account Project<sup>4</sup>. The results of that evaluation, relating specifically to the use of the Skill Account as a mechanism for investing in learning, are recorded below. The evaluation was conducted by questionnaire, which was sent to 2,781 Account holders. 670 replies were received back, constituting a representative sample of 24% of the total.

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<sup>4</sup> Skill Account Evaluation, June 2000, P & L Marketing Solutions

The following provides a resume of the main findings

## **a) Profile of Account holders**

### **Age range**

Individuals were asked to indicate their age within the following bands. By far the largest percentages were between the ages of 35 – 44 years (38%) and 45 – 59 years (28%). While there are no data available to support why individuals opened Accounts, it is reasonable to suppose that they had reached a stage in their working lives where they saw the need to update their skills.

### **Gender**

The gender split between males and females in the current working population of 286,000 in Gloucestershire is 54% male and 46% female. This contrasts with the higher Project participation rate of females, of whom a significant number in the 25 – 44 age range were working part-time (70%). These individuals saw the Skill Account as a means of upgrading their skills, particularly in information technology, in order to return to full time employment when some of their child care responsibilities had been reduced.

### **Salary Band at Account Opening Stage**

During the life of the Project and the development of the national learning account framework, concerns have been raised that unless accounts are targeted at those who need help most, significant 'dead weight' will be created by those who can afford to fund their own training and would do so anyway. Therefore it is encouraging to note from the evaluation data that 73.5% of Account holders earned less than £15,000 per annum.

### **Frequency of Training**

Again, in relation to the concern that Skill Accounts might create 'dead weight' by not attracting new learners, it is significant that 68% of Account holders had not engaged in any formal learning since leaving school or college.

### **Motivation to Train**

When asked what their motivation was for undertaking training, many of the Account holders responded with more than one answer. However since Accounts were to be used to fund learning that would enhance future job prospects, it could be anticipated that many were looking to change career or improve their promotion prospects.

## **b) The Account**

### **Financial contribution**

The response to a question as to who should make the largest contribution to their learning was worth noting. 36% of Account holders felt they should make the contribution to their own learning with employers and the government contributing. In terms of promoting sharing of learning, this is encouraging.

### **Main benefits to Account holders**

The fact that Account holders received £150 towards the cost of their learning once they had saved sufficient money in their Accounts was a major influencing factor in seeking training and the Account's most appealing feature. However, when asked what part the Skill Account had played in making the decision to take up learning, 34% said they would not have been able to afford it without financial support from the Account and 50% indicated that the contribution to costs had been an important factor. Only 14% indicated they would have undertaken the learning anyway.

In addition, 13% of Account holders indicated that the most appealing features were having a mechanism to save regularly for training and the possibility of having access to discounts.

Clearly, the possibility of repeating any initial financial incentive to encourage Account holders to continue to save and learn may not be a viable option and indeed may not be appropriate. However, evidence from the Project indicates that the ongoing provision of a package of discounts and support would have a beneficial effect on sustaining participation.

### **Dedicated Account**

63% of Account holders felt it was useful to have a separate Account to fund their learning. This was encouraging in terms of exploring the possibility of using a savings account as a mechanism to promote lifelong learning. However, anecdotal evidence suggests that more choice in terms of finance institution would have been welcomed.

### **Use of the Account**

Although only 20% of Account holders planned to contribute regularly to their Account, a further 43% said they would use it from time to time. In view of the fact that formal learning rarely takes place continuously, it is not surprising that there would be times when Accounts would lie dormant. Clearly, patterns of saving and use of the Accounts will be an issue for any participating finance institution and this will be explored in Section 4.

## **Training undertaken**

In order to promote personal responsibility for learning, Skill Accounts were promoted directly to individuals as far as possible. It was not surprising, therefore, that a wide variety of courses was selected to meet personal need. However, by far the most popular course selected (34%) was information technology training, which was undertaken, in the majority of cases, at basic level.

It is interesting to note that the Account holders had responded positively to making their own choices about learning with 72% indicating they had made the decision themselves. However, since Gloucestershire has a well-developed adult information, advice and guidance service freely available on a countywide basis, further research is needed to determine what role this service might have played in supporting Account holders to make their choices.

## **The difference learning made**

When asked the question as to how they felt about the learning they had undertaken, 74% of Account holders said they had enjoyed it and found it useful with 52% finding an application for it within their current job. However, a major constraint on participation for 36% was the availability of sufficient time. This was particularly relevant to females in the middle age range, who had family commitments.

As a mechanism for increasing participation in learning, using the Skill Account indicates a positive effect with 60% of Account holders planning to continue some form of learning and a further 27% responding with positive intentions.

As a rider to the question about future intentions to learn, Account holders were asked what difference their learning had made to them. By far the largest group (47%) said that it had increased their self-esteem and 34% had an expectation they would increase their future earning power.

## **Qualifications**

Although there had been no requirement to achieve a recognised qualification linked to the £150 incentive, 67% of Account holders had already achieved one or would do so on the successful completion of their courses. The vast majority of qualifications were National Vocational Qualifications (NVQs) and other nationally recognised skills qualifications, but there were also a few university degrees and professional qualifications achieved as well.

## **4 CONCLUDING OBSERVATIONS**

The Gloucestershire Skill Account Project was a small pilot project conducted at a time when major developments were beginning to take place nationally, not only to promote the benefits of lifelong learning but to provide increased opportunities and access for all sections of the community to become involved in learning. It is within this context that the following observations are made.

In essence the Skill Account Project was about exploring ways of changing people's attitudes and behaviour towards learning. Since learning does not take place in isolation, all active participants in the Project - the Account holders, the Bank, employers, training suppliers etc - had to see the potential benefits of becoming involved. In other words a 'win win' situation for all had to be created.

In terms of its aims and objectives the Skill Account Project was a success. An increased number of people became involved in learning, some for the very first time. They took responsibility for making choices about the learning they undertook and they saved regularly to pay for it. Locally, Skill Accounts are still viewed very positively in terms of the contribution they made to widen participation in learning.

However, in terms of longer-term viability, the Skill Account Project raised three issues in relation to using a dedicated savings account for investing in learning, namely:

- It's general appropriateness as a universal mechanism for investing in learning

- The cost effectiveness of such a mechanism for investing in learning

- Its long term sustainability as a mechanism for investing in learning

The following observations are based on the evaluation data together with the practical experience gained when managing the Project.

**a) The savings account as an appropriate mechanism for investing in learning**

Clearly, some individuals do not see the benefits of having a separate Account for learning, particularly if they already hold a savings account, particularly with another finance institution and this view has been born out in national research.

However, the Skill Account Project demonstrated that having a dedicated Account where money can be saved for future learning is attractive to some people, providing them with the motivation to become involved and increasing their confidence to make life choices. Once individuals saw the benefits of learning even their level of income did not seem to be a real obstacle to

becoming involved. However, in order to encourage participation, a wider choice of financial institutions would be required.

Creating a total 'savings package' was important. The inclusion of benefits and discounts provided an added incentive to save and created for the Skill Account holders the feeling that they belonged to a special group. Being given an Account holders discount card also reinforced this feeling. The potential this 'special group' idea had to encourage Account holders to keep learning and saving was viewed as very important. Although outside the scope of the Project, the idea of developing a Skill Account holders' club was considered, providing the possibility of access to a wide variety of information and support networks.

The savings account can play a useful role in encouraging people to take responsibility for sharing the cost of learning. The fact that the costs of learning can be shared from time to time by employers and the government through the mechanism of the Account demonstrates not only a shared commitment but also the basis for genuine partnership.

In addition, the Skill Account Project demonstrated that, by contributing towards the cost of their own learning, Account holders become more discerning over their choice of training supplier, which, in turn, has the potential to create a more demand led training market.

Although having a dedicated savings account is an attractive option for some and an idea with great potential for further development, it is clear that being prescriptive over how individuals should pay for learning would be counter productive. Therefore, using a dedicated savings account should only be viewed as one possible option within a broader framework for investing in learning.

#### **b) The cost effectiveness of using a savings account**

The HSBC Bank participated in the Skill Account Project because it provided a service to local people and because it saw the potential, should the idea be developed more widely, to increase business for the Bank.

However, generally speaking, individual savings accounts are not an attractive option for finance institutions. Although information on the level of saving into the Skill Accounts was confidential, it is likely in the majority of cases that it would not have been high, since, on average, the cost of most courses would probably not have exceeded £300. The fact that some accounts might lie dormant in between periods of learning was also an unattractive feature. In addition, the administration costs of managing the 'savings package' including any incentive or discounts should be taken into consideration.

However, the potential to attract new customers through such a savings account is obvious and HSBC Bank had the opportunity to secure the regular business of nearly 3,000 new customers.

### **c) Long term sustainability**

The long-term sustainability of savings accounts as a means of investing in learning is yet to be proven. The recorded intentions of Skill Account holders to continue to save and learn are promising. However, if these positive intentions are to materialise into actions in Gloucestershire or indeed, wherever such a mechanism is implemented, they must be underpinned by a range of policies and practices that will actively support the changes needed in individual behaviour and attitudes to learning, to make dedicated savings accounts a viable option for investing in training.

### **In conclusion**

This paper has sought to present a balanced view of how a dedicated savings account might be used to invest in learning and the issues that raises. However, the Skill Account Project in Gloucestershire demonstrated clearly the potential collective benefits of such a mechanism for both learners, employers, providers of learning and other partners and that it is an idea, which, therefore, warrants further research and practical development.

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