Box 4.2  What actually happens to the earnings of adult learners? Evidence from Canada

The Canadian Survey of Labour and Income Dynamics (SLID) is a panel survey that tracks individuals for up to six years. Because SLID collects extensive information on an annual basis from the same individuals it enables more detailed analysis of the effect of changes in qualifications than is normally provided by cross-section data at a single point in time. Specifically, the OECD Secretariat used SLID data to examine the earnings of individuals, aged 30-49, who acquired a formal education qualification in the middle of a five-year interval (i.e. those obtaining a qualification in the third of the five years, so that “before and after” earnings could be analysed). The qualifications included a college certificate or a university degree. (Qualification at upper secondary level was also considered but there were too few cases to analyse.) The earnings profiles of such individuals were then compared with those of similar age who had not upgraded their qualifications. Figure 4.1 shows the results for the period 1993-98.

![Figure 4.1](image-url)

Source: OECD Secretariat analysis of data from the Canadian Survey of Labour and Income Dynamics, 1993-98 panel. Data for Figure 4.1, p. 101.

The findings indicate that those who upgraded their qualifications in Year 3 of the 5-year period experienced rapid earnings growth over the next two years: by 32% for those obtaining a university degree; and 37% for a college certificate. By contrast, the three groups shown in Figure 4.1 who did not upgrade their qualifications experienced growth of only 8-9% over those two years. Those 30-49 year-olds who obtained a higher qualification in Year 3 in fact only took two years to catch up with the average earnings of those who already held that level of qualification. The upward trajectory of earnings for those with upgraded qualifications is very steep which indicates that the assumptions about earnings gains that underlie the analysis in this chapter may be conservative, and that the estimated returns may underestimate the actual returns for the various scenarios.

(continued on next page)
CHAPTER 4

STRATEGIES FOR SUSTAINABLE INVESTMENT IN ADULT LIFELONG LEARNING

3.1 Results of the analysis

Using the above criteria for calculating costs and benefits of investment in learning for 40-year-olds acquiring higher qualifications, internal rates of return were calculated under different policy scenarios that vary the distribution and level of costs. These scenarios are:

- **Scenario 1**: that individuals pay the regular direct costs of obtaining their qualification and forego earnings with no reimbursement by government or employer;

- **Scenario 2**: that individuals do not have to pay the direct costs of obtaining the qualification, which are financed by government, but they do have to forego earnings and finance their living costs while studying; and

- **Scenario 3**: that individuals pay the regular direct costs of study but not the indirect ones, which are covered by an employer who pays the salary of an employee on leave.

The results of these calculations are summarised in Table 4.1, which shows the private and fiscal rates of return for adults acquiring upper secondary and university-level qualifications. Rates for males and females are shown separately. For the sake of brevity, returns are shown for one country only, Canada, and cases where patterns differ significantly in other countries are noted in the text. The results indicate that:

- With no subsidy either to direct or indirect costs (Scenario 1), returns to individuals are low. They are higher for women than for men, reflecting the fact that the foregone earnings component of costs is smaller because, on average, they earn less than men. The private rates of return are particularly low in the case of acquiring upper secondary qualifications (-0.1% for Canadian men under these assumptions) but higher for a university degree (4.8%).

- Where individuals do not have to pay the direct cost of courses but still must forego earnings (Scenario 2), private returns are only slightly higher (e.g., they rise from 6.5% to 6.9% for Canadian 40-year-old females obtaining an upper secondary qualification). This suggests that policies based on lowering or eliminating the direct costs of learning activities — at least in the formal sector — are not likely to provide a powerful impetus for individuals to invest in learning. Here again, the private returns to completion of secondary education are lower than acquiring a university degree. While returns in the other countries analysed were slightly higher than in Canada, the patterns are the same, mainly well below 10%, with the exceptions being for women in France and the United States for whom they reach 12.5%.

- It is where individuals do not have to forego earnings (Scenario 3) that private rates of return are

However, these findings are far from definitive. Only 1% of the samples did in fact upgrade their qualifications to college or university level over the five-year period, so the results are subject to caveats about small and possibly unrepresentative numbers. First and foremost is the issue of whether all things are indeed equal: are those who obtained upgraded qualifications otherwise the same as those who did not? Or are there unobserved characteristics of learners (higher degree of motivation, stronger employer support and so on) that play a role in the decision to learn or not learn, and which are also an influence on earnings? As a possible pointer to this explanation, those who upgraded to a university degree in Year 3 already had relatively high earnings (although those who upgraded to a college certificate did not). Nevertheless, when combined with the Swedish longitudinal analyses by Tuijnman (1989), and the United Kingdom analyses by Jenkins et al. (2002), these Canadian results suggest that adult learning can, indeed, have a strong influence on occupational status and earnings.

10 The calculations for Canada are included since on most measures the Canadian results are close to the average of the countries concerned, and there is a different, more recent set of data available for Canada (see Box 4.2) that helps to elaborate the discussion. Full results on the countries analysed are in Wurzburg and De Sousa (2002).
CHAPTER 4
STRATEGIES FOR SUSTAINABLE INVESTMENT
IN ADULT LIFELONG LEARNING

Table 4.3 Co-financing mechanisms: objectives, types of measures, and country initiatives

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Source: OECD (2003c).

Objective 1: Reducing direct costs to individuals

The objective of most co-financing schemes is to leverage the resources that individuals put into learning (in cash or time) with a matching contribution and/or eligibility for reduced fees. Examples include:

- The English Individual Learning Account (ILA) Programme, launched in September 2000. Under this initiative, when individuals contributed £25 to set up an account, that was matched by £150 of public money that could be used to buy courses from approved training providers. Following an initial slow start, the Government supplemented the scheme by compensating training providers to offer 80% discounts to account holders taking courses in ICT and mathematics, and 20% discounts on other courses. The target of reaching one million ILAs was reached well ahead of schedule, in May 2001. In October 2001, notice was given of the withdrawal of the programme in England due to demand exceeding expectations and increasing complaints about the ways in which ILAs were being marketed and the value-for-money being offered by some learning providers; the programme then closed in November following allegations of fraudulent use of ILAs by some learning providers.

- The Ministry of Education in the Netherlands established a series of pilot projects in March 2001 that were intended to run for a year. The initiatives provided a lump sum of 450 euro to each individual opening an account to cover direct training costs. Individuals and their employers could supplement the initial sum. The initiatives were managed by a variety of institutions: industrial sector training funds; regional education bureaux; and regional education centres. A second round was initiated in 2002 and scheduled to run to the end of 2003. It differed from the earlier initiative insofar as it required