Mechanisms for the Co-finance of Lifelong Learning
Second International Seminar:
Taking Stock of Experience with Co-finance Mechanisms

Up-dated 28 April 2003

OECD, Learning and Skills Council
and the European Learning Account Network

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Descriptions and evaluations of recent experience with mechanisms for co-financing lifelong learning
Reports prepared by national authorities and members of the ELAP network

AUSTRALIA
AUSTRIA
BASQUE REGION OF SPAIN
GERMANY
KOREA
NETHERLANDS
SWEDEN
SWITZERLAND
UNITED KINGDOM
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Region</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTRALIA</td>
<td>3</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>12</td>
</tr>
<tr>
<td>BASQUE REGION OF SPAIN</td>
<td>17</td>
</tr>
<tr>
<td>GERMANY</td>
<td>25</td>
</tr>
<tr>
<td>KOREA</td>
<td>85</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>111</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>138</td>
</tr>
<tr>
<td>SWITZERLAND</td>
<td>170</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>178</td>
</tr>
</tbody>
</table>
New Apprenticeships

Why is information provided on this initiative?

While several OECD countries operate an apprenticeship system, there are some unusual aspects to the Australian system. First the Australian system is not solely focussed on young entrants to the labour market. The removal of age restrictions from the Australian system began with the introduction of traineeships in 1985. All age restrictions were removed from apprenticeships and traineeships in 1992. The removal of these restrictions has seen rapid growth in the take up of New Apprenticeships by older participants.

The Australian National Centre for Vocational Education and Research summed up the situation as follows:

Opening up the system to older people is crucial. The effect of the rapidly ageing population means that the young can no longer be considered the sole source of entry-level skills to new occupations in the labour market. The rapidly changing nature of work means that people need to change careers several times over a working lifetime. Australia’s apprenticeship system is starting to reflect these changes and leads the world on this issue, as other apprenticeship systems remain principally focussed on school leavers and young adults.

The following quote is also worth noting:

Put simply, there is no choice but to continue with the recruitment of older people into Australian apprenticeships to ensure an adequate supply of skilled workers in the labour market, and if apprenticeships are to play an important role in that process nationally, then older people, of necessity, must continue to be significant players in the apprenticeship system.

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2 See NCVER, Australian Apprenticeships Research at a Glance, 2001(Opening up Apprenticeships to People of all Ages) - available at ncver.com.edu.au.
Table One illustrates strong growth in the number of New Apprentices in training from December 1995 to December 2002. The percentage increase in the stock of apprentices over this period (165.1 per cent) compares to an increase in total employment of 13.4 per cent.

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 1995</th>
<th>31 Dec 2002</th>
<th>Growth - levels</th>
<th>% Increase</th>
<th>Share of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>141.4</td>
<td>374.8</td>
<td>233.4</td>
<td>165.1</td>
<td>100.0%</td>
</tr>
<tr>
<td>Males</td>
<td>116.9</td>
<td>239.6</td>
<td>122.7</td>
<td>105.0</td>
<td>52.6%</td>
</tr>
<tr>
<td>Females</td>
<td>24.5</td>
<td>135.2</td>
<td>110.7</td>
<td>451.8</td>
<td>47.4%</td>
</tr>
<tr>
<td>Ages 15 to 24</td>
<td>128.9</td>
<td>211.1</td>
<td>82.2</td>
<td>63.8</td>
<td>35.2%</td>
</tr>
<tr>
<td>Ages 25 and over</td>
<td>12.5</td>
<td>163.6</td>
<td>151.1</td>
<td>1208.8</td>
<td>64.7%</td>
</tr>
<tr>
<td>Certificate I and II</td>
<td>13.8</td>
<td>67.4</td>
<td>53.6</td>
<td>388.4</td>
<td>23.0%</td>
</tr>
<tr>
<td>Certificate III and above</td>
<td>115.9</td>
<td>307.4</td>
<td>191.5</td>
<td>165.2</td>
<td>82.0%</td>
</tr>
<tr>
<td>Part Time *</td>
<td>1.4</td>
<td>92.0</td>
<td>90.6</td>
<td>6471.4</td>
<td>38.8%</td>
</tr>
</tbody>
</table>

Source: NCVER
* including school-based

The table also shows extremely strong growth in the number of New Apprentices in training aged 25 and over from December 1995 to December 2002. Importantly, this age group accounted for nearly 65 per cent of the total growth over this period. It is worth noting that strong growth in the number of older apprentices has not come at the expense of younger apprentices whose numbers also rose.

Table Two shows the age distribution of apprentices in training at 31 December 2002. Significantly nearly 20 per cent were aged 40 or above while 43.7 per cent were aged 25 or above.

<table>
<thead>
<tr>
<th>Age</th>
<th>Number ('000)</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 years or less</td>
<td>106.6</td>
<td>28.5</td>
</tr>
<tr>
<td>20 – 24 years</td>
<td>104.5</td>
<td>27.9</td>
</tr>
<tr>
<td>25-39 years</td>
<td>92.5</td>
<td>24.7</td>
</tr>
<tr>
<td>40 years or more</td>
<td>71.1</td>
<td>19.0</td>
</tr>
<tr>
<td>Total</td>
<td>374.8</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: NCVER (please note some figures may not add due to rounding)

Launch of the Initiative

Apprenticeships have a long history in Australia based on the British model, however, the system has been dramatically reformed since the mid 1980s. This reform culminated in the introduction of ‘New Apprenticeships in 1998.

New Apprenticeships encompass and go beyond traditional trade apprenticeships and traineeships. Since 1998, the Australian Commonwealth Government has contracted organisations to operate as New

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See Australian Bureau of Statistics, Catalogue no 6202.0 (based on original data).
Apprenticeships Centres for the promotion of New Apprenticeships and to provide support services to employers of New Apprentices (New Apprenticeships Support Services). New Apprenticeships are seen as a co-financing arrangement as:

- The Commonwealth Government provides incentives to employers to take on New Apprentices to develop a more skilled Australian workforce (New Apprenticeships Incentives Programme).
- Employers contribute by paying New Apprentices training wages as well as ensuring the employee receives appropriate training (for both the on-the-job and the off-the-job components).
- New Apprentices contribute by forgoing a full salary (There is a National Training wage in Australia that covers apprentices this provides the payment of less than full adult pay rates).
- State and Territory Training Authorities may also contribute financial incentives to employers and New Apprentices (referred to as apprentices and trainees in some States and Territories).

The introduction of the New Apprenticeships arrangements has seen a huge growth in the number of New Apprenticeships taken up from almost 135,000 New Apprentices in training in March 1995 to over 367,000 in September 2002.

Who were the prime movers in implementing the initiative?

The Commonwealth Government, together with the State and Territory Governments, and in consultation with key stakeholders such as industry groups, employer groups, unions and young people.

Quality Assurance and Learning Outcomes

New Apprenticeships training is provided under the National Training Framework (NTF) which is made up of the Australian Quality Training Framework (AQTF) arrangements together with Training Packages.

Linked to the AQTF Arrangements is the Australian Qualifications Framework which defines all qualifications recognized nationally in post-compulsory education and training.

The NTF is intended to be a nationally consistent system that enables registered training organisations to:

- provide flexible and responsive training and assessment services for Australian enterprises to compete in a global environment;

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5 Apprenticeships: a longstanding system of combining training and employment so that people entering an occupation can receive instruction in the specific skills needed while working in that particular occupation.

6 Traineeships: introduced in 1985, traineeships complement traditional apprenticeships by extending the coverage of ‘apprenticeship-type’ training and employment to a much wider range of jobs across the whole labour market.

7 The Australian Quality Training Framework (AQTF) is a set of nationally agreed standards to ensure the quality of vocational education and training services throughout Australia.

8 Training packages are sets of nationally endorsed standards and qualifications for recognising and assessing people’s skills.
• provide individuals with opportunities to optimise their potential; and
• issue qualifications that are nationally recognised.

More information on quality assurance is provided on the web page of the Australian National Training Authority (www.anta.gov.au).

Program objectives

The Commonwealth Government’s overall objective is to create a Vocational Education and Training (VET) system that contributes to national economic growth, increased employment and a more highly skilled workforce. To achieve this, the VET system must be responsive to industry needs, deliver flexible and high quality training and use market mechanisms to improve choice and efficiency. New Apprenticeships are a key component of the Australian VET system.

The objective of the New Apprenticeships Incentives Programme is to develop a more skilled Australian workforce that delivers long-term benefits for Australia and its international competitiveness. This objective is achieved by encouraging employers, through financial incentives, to open up genuine opportunities for skills-based training of their employees.

The purpose of the New Apprenticeships Support Services arrangements is to ensure the national network of New Apprenticeships Centres is providing a streamlined service for employers and individuals wanting to access New Apprenticeships. These centres, working in close co-operation with State and Territory Training Authorities, provide a streamlined arrangement for the provision of information, marketing and administration of the Commonwealth’s New Apprenticeships Incentives Programme.

Specifically, the Commonwealth Government’s objectives for New Apprenticeships are to:

• Have New Apprenticeships options available for virtually all industries and occupations;
• Ensure that training under New Apprenticeships is of high quality consistent with the options available under nationally endorsed Training Packages; and
• Increase the number of people undertaking New Apprenticeships with a prime focus on school leavers and those young people who have not yet made the transition to full-time employment.

Estimated Commonwealth expenditure on New Apprenticeships in 2002-2003 is $542.7 million. This includes $424.4 million for employer incentives and $95.1 million for New Apprenticeships Centres.

Recent Changes

The Minister for Education, Science and Training, Dr Brendan Nelson, announced a number of changes to the New Apprenticeship Incentives Programme in September 20029. Under previous arrangements employers could claim up to three payments during the training of their apprentice – at commencement, progression and completion. Under the changes the payments will be redistributed – employers will receive 20 per cent of the subsidy when the employee signs on to the apprenticeship and 80 per cent when the apprenticeship is completed. The changes will provide greater incentives for employers to ensure that New Apprentices complete their training.

Reinforcing the commitment to involving older workers in apprenticeships, ‘an additional (to existing subsidies) $825 will be paid at commencement and another $825 on completion for New Apprentices over 45 years old who are welfare dependent, returning to the workforce or have been made redundant’.

Impact and evaluation


- the strong expansion in the number of apprentices since the mid 1990s
- the broadening of the age distribution of apprentices following the removal of age restrictions
- the broadening of apprenticeships from a system focused on the skilled trades to one covering occupations across the labour market.
- good employment outcomes – in 2000, 93 per cent were still in an unsubsidized job 3 months after their apprenticeship was completed.

In the training literature there is often a questioning of the benefit of training of short duration. At 31 December 2002, 58.2 per cent of New Apprenticeships were expected to last for more than 2 years.

The Higher Education and contribution Scheme (HECs)

Background

The Higher Education Contribution Scheme (HECs) is a highly successful co-finance mechanism introduced in 1989. Unlike many other co-finance mechanisms it has a successful track record and has been subject to significant evaluation.

The introduction of HECs in 1989 followed an extensive debate about the equity implications of providing free tertiary education. Research evidence showed that the abolition of fees in 1973 did not alter the socio-economic make up of university students. Given that university students are disproportionately drawn from relatively high income families this led many to argue that free tertiary education was regressive. This, allied with the Government’s desire to expand the number of spaces at university, in the face of significant unmet demand were the key factors behind the introduction of HECs. An excellent overview of its introduction of is available in, Meredith Edwards et al, Social Policy, Public Policy, From Problem to Practice, Allen and Unwin 2001.

As Chapman ¹⁰ has argued HECs has significant advantages over traditional student loans. Government support for student repayment of traditional student loans is often means tested on family income. This may impede the access to higher education of students in middle to high income families whose parents are not prepared to support them. The other key advantage of HECs is that it is income contingent. Put simply students only pay HECs if their income reaches a certain level thereby reducing student risk (under more traditional loan schemes students have to repay their debt regardless of the income level they attain). The other key innovative characteristic of HECs is that repayments are collected through the tax system. This

ensures compliance and means that default is negligible. Finally HECs has significant advantages over schemes which exempt all students from low income families from paying fees. Such exemptions do not recognise the fact that students, including students from low income families, receive considerably higher income, on average, over their lifetimes than those that do not participate in higher education.

**Objectives and features**

The Higher Education Contribution Scheme (HECS) was introduced in 1989 as a fair and equitable way of ensuring that all students contribute to the cost of their higher education. It is considered reasonable that students who directly benefit from higher education should pay part of the cost, while the Commonwealth pays the major part of the costs involved. The deferred payment arrangements mean that students are not prevented from participating in higher education if they are unable to pay the contribution up front. The money collected through HECS is spent on the higher education system.

HECS has attracted relatively little adverse criticism for a scheme of its dimension. A number of countries have expressed interest in developing a similar type of scheme, using HECS as a model.

Contributing to the success of HECS is the recognition of the value of higher education in Australia, economic stability, including the ability of the Government to fund advances for loans to students who choose to defer their HECS, the ability of students to make up-front payments, and a reliable system of collection of HECS debts.

**Who pays HECS?**

Generally, all Australian citizens, New Zealand citizens and holders of Australian permanent visas who undertake higher education award courses funded by the Commonwealth are required to pay a contribution under HECS. In 2002, there were 711,645 domestic students studying at Australian higher education institutions. Of these, 548,173 students (77 per cent) were in HECS-liable places.

At the undergraduate level, the majority (97 per cent) of domestic students are in HECS liable places. However, universities also have the discretion to offer full fee paying places which are not funded by the Commonwealth. In offering full fee-paying courses at the undergraduate level, universities must ensure that the number of places is limited to 25 per cent of the total number of domestic undergraduate places in any given course.

**How much is paid?**

<table>
<thead>
<tr>
<th>Band 1</th>
<th>$3,680</th>
<th>Arts and humanities; justice, legal studies; social science and behavioral science; visual and performing arts; education; and nursing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Band 2</td>
<td>$5,242</td>
<td>Mathematics and computing; other health sciences; agriculture and renewable resources; built environment and architecture; science; engineering and processing; and administration, business and economics courses</td>
</tr>
<tr>
<td>Band 3</td>
<td>$6,136</td>
<td>Law; medicine and medical science; dentistry and dental services; and veterinary science</td>
</tr>
</tbody>
</table>
### Payment options

A key equity feature of HECS is that payment arrangements are based on the individual’s capacity to pay. Therefore, in each semester, most students have three choices as to how they pay their HECS contribution. These are:

- pay the whole amount up front and receive a 25 per cent discount; or
- make a partial up-front payment of $500 or more (and receive a 25 per cent discount on that amount) and defer the remainder; or
- defer all of their HECS contribution.

Students can make a voluntary repayment at any time and for any amount. Voluntary repayments of $500 or more attract a bonus of 15 per cent off the amount of the repayment.

Some students, known as excepted students, are required to pay their HECS contribution up-front and are not entitled to the 25 per cent discount. These students include:

- most New Zealand citizens; and
- some Australian permanent residents.

### Deferred payment arrangements

Students who choose the deferred payment option are not required to begin repaying their debt until their HECS repayment income reaches the minimum threshold for compulsory repayment ($24,365 in the 2002-2003 income year). The rate of repayment depends on their income (Table 4).

The Australian Taxation Office administers the recovery of HECS. Payments from students are collected by employers through the Pay As You Go (PAYG) taxation arrangements. In 2000-2001, $588 million in compulsory repayments were collected and it is estimated that $656 million will be collected in 2001-02.

Table four shows how students pay their HECS contribution. The accumulated HECS debt at 30 June 2002 is estimated to be $8.1 billion. The accumulated HECS debt will continue to grow until students’ repayments exceed students’ HECS loans.

<table>
<thead>
<tr>
<th>For HECS repayment income in the range:</th>
<th>% rate to be applied to HECS repayment income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $23,242</td>
<td>Nil</td>
</tr>
<tr>
<td>$23,242-$24,510</td>
<td>3.0%</td>
</tr>
<tr>
<td>$24,511-$26,412</td>
<td>3.5%</td>
</tr>
<tr>
<td>$26,413-$30,638</td>
<td>4.0%</td>
</tr>
<tr>
<td>$30,639-$36,977</td>
<td>4.5%</td>
</tr>
<tr>
<td>$36,978-$38,921</td>
<td>5.0%</td>
</tr>
<tr>
<td>$38,922-$41,837</td>
<td>5.5%</td>
</tr>
<tr>
<td>$41,838 and above</td>
<td>6.0%</td>
</tr>
</tbody>
</table>
Changes in 1997

Significant changes were made to HECs in 1997. The first significant change was a reduction in the threshold for repayment. The second change was the introduction of differential charges for different courses (see Table Three). Prior to 1997, HECs debt was invariant to the course undertaken\(^1\).

Quality Assurance

The quality assurance framework for higher education in Australia encompasses the Australian Qualifications Framework (AQF) and the varied roles of universities, State and Territory governments, the Australian Universities Quality Agency (AUQA), and the Commonwealth Government.

Assessment and Evaluation

There is no doubt that HECs succeeded in its key aim which was to assist in the expansion of the higher education system. The number of non-overseas students increased from 354,235 EFTSU (equivalent full-time student units) in 1989 to 498,309 EFTSU in 2002.

The main concern expressed about the introduction of HECs was its potential impact on the participation of students from low income families. Some commentators argued that students from low income families may be more debt-averse than students from high income families and that as a result the socio-economic make up of the student body may become more dependent on family income. Other commentators noted that as HECs did not involve any up-front payment there was no necessary reason to expect the make up of the student body to change.

Given the concerns there has been significant analysis of the impact of HECs on the socio-economic composition of university students. The conclusions are clear – the introduction of HECs has not altered the socio-economic make up of the student body. Interestingly the changes introduced in 1997 also failed to have an impact. The bottom line is clear – HECs has allowed for an expansion in the higher education system without disadvantaging students from low income families. The expansion in the system has benefited students from both low and high income families. For evidence on this point see the paper listed in footnote 9 and Les Andrews, Does HECs Deter, Occasional Paper Series, August 1999 (available at www.dest.gov.au).

Future prospects

Australia is currently undergoing an extensive debate on the future of its higher education system through a major higher education review. Funding issues, including whether universities should be given more freedom in the setting of undergraduate fees, is a prominent part of this debate. One common factor, however, in this review is the general benefits of the HECs model particularly the way in which it avoids the disadvantages of up-front fees. Information on the Higher Education Review is available at www.dest.gov.au/crossroads.

PELS

PELS was introduced in Australia’s publicly funded higher education institutions in January 2002. PELS is an interest-free loans facility, with income contingent repayment arrangements, for eligible students enrolled in fee-paying postgraduate non-research courses.

PELS is a response to the Government’s recognition of life-long learning, which promotes a well-educated and skilled workforce and contributes to Australia’s economic growth. PELS encourages extended participation in education and helps Australians update and acquire new skills. It is also an important equity measure, ensuring that no prospective postgraduate coursework student is prevented from studying by an inability to pay upfront fees.

Early indicators suggest that the Scheme has been successful in increasing the number of Australians undertaking postgraduate coursework qualifications. For example, early data shows a 20 percent increase in full-time postgraduate coursework places at eligible higher education institutions in 2002 over 2001.

Who is eligible?

Students are eligible for a PELS loan if they are enrolled in a fee-paying postgraduate non-research course at an eligible higher education institution. They must also be an Australian citizen or the holder of an Australian permanent visa who meets the eligibility requirements.

How much can be borrowed?

Students may borrow up to the full amount of their tuition fee for each course for each semester. They also have the option of making a partial payment of their tuition fee and borrowing the remainder. The loan is paid directly to the institution, not to the student.

How is a PELS loan repaid?

Like HECS, PELS debts are repaid through the Australian taxation system once a person’s income reaches the minimum threshold for compulsory repayment. For the 2002-03 financial year, compulsory repayment starts at $24,365, at a rate of 3 percent. The maximum percentage of compulsory repayment is 6 percent of a person’s total income. Debtors can also make voluntary repayments at any time, and any amount over $500 attracts a 15 per cent bonus.
TAX INCENTIVES FOR TRAINING IN AUSTRIA

LLL co-finance mechanisms based on tax incentives for employers

1. Name of the initiative

„Bildungsfreibetrag“, tax allowance for training
„Bildungsprämie“, training credit

2. Nature of the initiative

Tax incentive for companies to invest in training. The incentive has been established by federal law on a permanent basis.

Since 2000 Austrian employers can claim a tax allowance for investment in training. This training incentive is regulated by federal tax law (§4 Abs 8 ESTG 1988) and has the form of an extra deduction from taxable profits that companies are allowed to make when investing in training.

When the measure was introduced in 2000 the tax allowance was 9% of the expenses on external training. From 2003 onwards, the tax allowance has been increased to 20% and extended to company internal training. In short, the incentive allows companies not only to deduct the actual cost of training as a business expense from their taxable income but also to deduct an additional “virtual expense” of 20%. This leads to the effect that the tax base is diminished by 120% of the actual expense, which in turn results in a lower tax liability.

Companies which do not make enough profit to benefit from such a tax deduction can alternatively claim a credit for training expenses of 6% of the actual expense which is deducted from the tax liability.

3. Prime movers in developing and launching the initiative?

It was the Federation of Austrian Industry which first proposed this measure and who successfully campaigned for the tax law to be amended accordingly. The issue has also been supported by the Austrian Economic Chamber, Austria’s employers’ organization, which proposes to increase the tax allowance to 40% for small enterprises (less than 20 employees) as well as for special target groups such as older workers.
4. **Political goals**

The goal of the initiative is to promote companies’ investment in human capital in order to increase national and international competitiveness of Austrian companies.

5. **Programmatic objectives**

*Target group:* People in employment. Companies can claim the tax allowance for all their employees irrespective of position, age, training needs etc.

*Total number of persons to be served:* no figures available. All employees are eligible.

*Aggregate expenditure level:* no exact figures available yet. It is estimated that the loss of tax revenue due to this measure is between €25 to €30 million.

*Individual behavior:* to increase the level of training received by people in employment

*Target of learning activities:* all training measures financed by a company to increase the vocational skills of its employees

6. **Principal features of the initiative**

The tax deduction is available for external training measures as well as for internal training measures. Furthermore, employers can choose between a tax allowance (extra deduction of 20% of the actual expense) or a direct training credit of 6%.

**Criteria for the tax allowance for external training measures**

- Training provided by a training organization different and independent from the company claiming the tax allowance
- The recipients of the training measure must be employees of the company
- The training measure has to be in the interest of the company and has to be fully paid for by the employer claiming the tax allowance.

**Criteria for the tax allowance for internal training measures**

- Expenses resulting from training organized and offered by the company itself for its employees
- A certain independence and organizational autonomy of the department providing the training, subsidiary etc. is necessary (e.g. own accounting system)
- The training measure must be a formal training (e.g. a course, a seminar) and must be verifiable (e.g. proof of attendance lists, invitation, curricula etc.)
- The maximum amount per day to serve as a basis for the tax allowance is €2000, irrespective of the number of participants.

**Criteria for the training credit of 6%**

- The training credit is subject to the same criteria as the tax allowance for external training. This instrument has been conceived in order to allow companies which do not make enough profit to benefit from the tax allowance to benefit from a similar incentive.
Employers can only receive the training credit (6% of the actual expense) if they have not already claimed the tax allowance. The training credit has to be claimed in the framework of the employer’s tax declaration and is deducted from tax liability; it qualifies therefore as a direct tax credit.

7. To what extent have the goals and objectives indicated above been achieved?

Since these measures have been introduced only very recently, no figures or evaluations are available for the moment.

8. Administrative arrangements

The particular strength of these instruments is that they provide a clear incentive for companies to invest in training without creating a huge bureaucratic and administrative burden. The regulations concerning the tax allowance are part of the general tax law. A current weakness might be that the incentive is not yet well known in Austrian companies, in particular not to the persons deciding on training measures. However, training organizations have begun to promote the tax incentive and communicate it to potential clients as they rightfully argue that it lowers the price for the training measures they offer. In brochures of many training organizations information on the tax incentives is printed prominently on the first pages.

Tax based Co-finance mechanisms for individuals

1. Name of the initiative

Aus- u. Fortbildungs ausgaben als Werbungskosten/ Betriebsausgabe: expenses for training as income related expenses

2. Nature of the initiative

Training expenses are treated as income related expenses in the framework of individual’s tax declaration. This instrument is used on a permanent basis and is regulated by federal tax law (§16 Abs 1 Z 10 ESTG).

3. Prime movers in developing and launching the initiative

It was mainly the Chamber of Labour, which campaigned for this measure. The stated goal has been to make it easier for individuals to invest in training and to compensate for the price increases on the training market in recent years.

4. Political goals

Incentive for employees/self employed to invest in training.

5. Programmatic objectives

Target group: All employees and the self-employed

Total numbers of persons to be served: no figures available. Aggregate expenditure level: no figures available.

Individual behaviour: to increase the level of training received by people in employment or by self-employed.
**Target of learning activities**: vocational training related to the professional field of the individual; in the case of longer term courses also training measures leading to a complete re-qualification.

### 6. Principal features of the initiative

Training expenses are treated as income related expenses for individuals. In their tax declaration, individuals can declare their expenses on vocational training as income related expenses. This means that expenses on training are regarded as being necessary to generate, secure or maintain income (e.g. one’s salary) and are, for this reason, deducted from the tax base.

Until recently, the conditions under which training expenses were accepted as income related expenses by the financial authorities were quite strict. Only training measures deemed necessary for the individual to maintain his or her current job or, in the case of the self-employed, training expenses which were directly related to the professional field qualified as income related expenses. However, recent changes in tax law (2000 and 2002) introduced a more flexible approach. The current provisions take into consideration all expenses for training related to the professional field of the individual as well as expenses for long-term training measures leading to a broad vocational re-qualification (i.e. leading to completely new qualifications). Typical examples of training measures eligible in this context are IT-courses, business related courses and many language courses. Longer term training measures which lead to skills necessary for a new job in a new professional field have also become eligible.

Michael Tölle, Austrian Chamber of Labour
Holger Heller, Federation of Austrian Industry
Thomas Mayr, Institute for Research on Qualification and Training of the Austrian Economy

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**TRAINING LEAVE IN AUSTRIA**

1. **Name of the initiative**

   “Bildungskarenz”; Training leave

2. **Nature of initiative**

   The initiative was launched on January 1, 1998 as a permanent tool (the Danish training leave was used as a model). The initiative is regulated by federal law (§11 of the Arbeitsvertragsrechts-Anpassungsgesetz) and aims at facilitating longer term training measures. It allows individuals to undergo full-time training for a period of 3 – 12 months during which they receive a daily allowance of € 14.53 from the Austrian Employment Service (AMS). During the leave, the employer pays no salary but since the employment contract persists, the employer has to agree on the leave as well as on the time and duration of the leave.

   The main intention of the training leave was to set incentives for longer term training measures as well as create new employment. Take-up rates have increased from 600 in the year of introduction to 8500 in 2000. More than 90% of the people taking the leave are women and it seems that many use the training leave as a way to extend the parental leave.

3. **Prime movers in developing and launching the initiative?**
4. Political goals

The goals of this measure are to increase the level of training received by employees as well as employment creation through substitution during the time of the leave. The measure especially intends to increase the qualification of the low-qualified workforce. Currently, the Chamber of Labour proposes a more flexible approach. Especially the condition that only individuals who have been employed with the same employer for at least three years are eligible should be changed as this excludes too many.
BASQUE REGION OF SPAIN

THE LEARNING ACCOUNT PROGRAMME IN THE BASQUE COUNTRY

Introduction

It was in September 2000 when the Learning Account programme was first put into practice in the Basque Country. It appeared in Gipuzkoa, as a CIT training option for Vocational Training teachers. The programme was promoted by the Department of Economic Affairs and Tourism of Gipuzkoa Provincial Council, and received financial support from two Departments in the Basque Government: the Department of Education and Universities and the Department of Employment, Justice and Social Security.

The project was conceived as a pilot project: it was to experiment in the Basque Country, through a pilot experience that was to be carried out in Gipuzkoa, to see whether a formula such as learning credit cheques or learning accounts could be useful as part of the philosophy, that we are trying to promote, known as “life-long learning”. We hoped that this application, partial as far as both the group that it was aimed at, but also the area it was to applied in, and the educational contents that it was trying to promote were concerned, might help to draw enough conclusions to allow us, where appropriate, to extend this system to other groups, areas and circumstance, and to get to know and become familiar with the problems that go with putting it into practice.

However, the experiment in Gipuzkoa, which was to be called IKASTXEKIN, was conceived right from the beginning as a part of a network to share experiences on a European level. This was to be called ELAP, and its first meeting was to be held in San Sebastián itself. Four initiatives, from four different countries, were at the starting grid for the ELAP initiative: England, which had been the driving force behind this through the experiment that the Labour Government had conceived and carried out with the aim of opening a million Learning Accounts; the Swedish company, Scandia; Holland; and the Basque Country, represented by Gipuzkoa, with its aforementioned initiative.

The fact that the initiative was well received by Vocational Training Centres and by the teachers in these centres immediately encouraged representatives on the Provincial Council to establish other initiatives, that were always put into practice in the Province of Gipuzkoa, using the same philosophy. These included EMAWEB (and EMAWEB+, as a later development of the former); TXEKINBIDE and TXEKIN.

Before describing in greater detail these various initiatives, it is worth establishing the following as basic general common features and principles that have been taken as a starting point when it came to launching these:

- These are activity plans or systems that generically focus on the acquisition of competence, knowledge or skills by various groups.
- They are demand-based action plans or systems.
The training offered must mainly arise from and respond to this demand. It must be controlled so that it effectively meets this demand in the right conditions.

It must aim to give a prominent active role to each individual student in their learning process.

This active involvement can take a variety of forms and contents, depending on circumstances as appropriate.

Each experiment requires its own clearly defined management system.

In any case, all these experiments have the same basic funding mechanism: the training cheque or learning account that is sent to individuals so that they can meet their training needs, either totally or in part.

There have been various projects that have been launched in Gipuzkoa, after an initial phase piloting the initiative aimed at teachers in Vocational Training Colleges. These are projects, based on a similar philosophy and principles, as we have shown, that are aimed at other groups and are developed and managed specifically for them. These projects are:

- EMAWEB y EMAWEB +: an initiative aimed at women with a view to obtaining initial knowledge and competence in CIT.
- TXEKINBIDE: an initiative aimed at the unemployed to improve their employability, especially by acquiring competence in IT.
- TXEKIN: an initiative aimed at people wanting to set up businesses- with a view to obtaining and applying knowledge so that they can launch their own business projects.

**IKASTXEKIN**

IKASTXEKIN, as we have said, is the first experiment in the Basque Country that has put the Learning Account into practice. It began at the end of the year 2000, and 2001 was the first complete year in which the experiment was run.

This is an inter-institutional experiment, in which two Ministries of the Basque Government are taking part, (Education and Universities and Employment and Social Security); as well as the Department of Economic Affairs and Tourism in Gipuzkoa Provincial Council, who are the people who are actually developing and running the project on the ground.

Its main aim is to train vocational training teachers in Gipuzkoa to use and get to know CIT so that they can apply it in all the training services that they offer. From this perspective it forms part of a much more extensive plan called “eGipuzkoa”, in which one of the chapters to be put into practice deals with training. In this field, it is all about putting a pilot project into practice, to be applied to vocational training, that covers various inter-related aspects: the provision of connectivity and communications infrastructure, development of digital contents, and... as a fundamental element, teacher training, that forms part of their “life-long training,” as teachers are considered to be one of the main agents in a strategy to build and develop the Knowledge and Information Society.

The initiative takes shape in the following points:
1) A five-phase CIT training programme is defined and established:
   a) Basic training in user tools
   b) Advanced training in user tools
   c) Basic training in systems management and maintenance
   d) Basic training in the application of NCIT in Education.
   e) Advanced training in the application of NCIT in Education.
2) Teachers, and the training centres in which the aforementioned training could be given, are then officially approved. To do this the official bases for this authorisation process are established.
3) Teachers are given the chance to open credit or learning accounts in the following conditions:
   a) They must choose from the established study programme.
   b) They must choose one of the officially approved training centres.
   c) Credit accounts will cover 75% of their direct learning expenses. It is up to them to cover the remaining 25%.
   d) The credit accounts must be used within a period to be established later: never more than two years.
   e) The possibility of them opening new credit accounts later on cannot be ruled out.
   f) In any case, this is an initiative with a time limit of about four years. This then is a real opportunity.

The results of the initiative, converted into figures, are as follows at the end of 2001:

Official approval process

Official approved centres: 36 (90% of the total of possible training centres)
Officially approved people: 348 (30% of existing teachers).

Learning accounts:

Number of centres: 38 (95% of the total of possible training centres)
Number of beneficiaries: 1324 (56% of total staff)
% Use: 68

Training activities carried out

Number of activities carried out: 177
Number of people involved: 1.719

ASSESSMENT SUMMARY

- These figures give us cause for satisfaction, and above all, encouragement to continue with the pilot experience. To such an extent that at the end of 2001, the initiative had already been extended to another group of teachers: those in Secondary Schools.
- The degree of satisfaction shown by the various groups who took part in the initiative also encouraged us to continue with the initiative:
79% of the people with a cheque book have completed a course. Among the remaining 21%, the main reason given for not taking any courses has been a lack of time.

Among the improvements or contributions proposed by beneficiaries: 62.5% asked for the number of courses on offer to be increased.

84.62% of those Training Centres who have organized training activities intend to do so again.

Launching and managing the initiative has been highly satisfactory for the administrative bodies that have been promoting it. At the very least for the following reasons:

- It has not only been possible to manage the initiative, contrary to what was feared, due to the fact that those requiring/holding Learning Accounts are dealt with individually; but it has even been made easier and simpler thanks in particular to the setting up of an “ad hoc” computer management programme.
- This has also enabled us to obtain much more accurate information about the development of the initiative, starting with the training programme that each person follows.

**TXEKINBIDE**

This is a training initiative that is basically aimed at the unemployed. It is also a pilot experience in putting Learning Accounts into practice, which, as such, has been carried out jointly by Gipuzkoa Provincial Council and the Basque Government. Its basic aim is to help the unemployed, young people, women and people over 40 who have been out of work for a long time through support for their training activities, in their own personal process of getting a job.

At the same time, the initiative forms part of the eGipuzkoa plan, which aims to promote the Communication and Information Society in Gipuzkoa.

Its operational model is the following:

- The institution behind the Initiative, (the local Civil Service,) offers the unemployed the opportunity to obtain Learning Accounts in the following conditions:
  - They must go to the Career Advice Services officially recognised by the Basque Government, to establish, together with these, their learning-training programme.
  - The Career Advice Services provide applicants with the following:
    - General information about the job market
    - Support and advice to analyse the applicant’s training needs and job possibilities.
    - Specific analysis of the training needs and levels of competence of the applicant in CIT.
    - Information about the current supply of training available to the applicant.
    - Giving the applicant the chance to acquire practical work experience for a three-month period.
    - Providing applicants with Learning Account Cheques to cover their CIT training needs, and their practical work experience.
    - Monitoring applicants in their learning programme while they are making use of their Credit Cheques.
A computer application, implemented by the institution behind the initiative, (the local Administration,) manages the entire programme so as to allow:

- Beneficiaries to ask for credit cheques on an individual basis.
- The Careers Service to immediately validate whether cheque books are appropriate or not.
- The Civil Service to hand over cheque books straight away.
- Monitoring the beneficiaries’ training placement programme: offer of training that they take up; suitability reports, practical work experience.
- The Civil Service to enter the expenses in their budget that beneficiaries have incurred.
- To enter payments in the accounts made to Institutions providing training and services by beneficiaries.

The initiative has had to face numerous problems in its activities during its first year. These were problems that mainly arose from two facts: firstly, because it was a new programme that its potential beneficiaries knew nothing about and like any new programme it was difficult to launch; secondly, due to the fact that this programme was also conceived within the framework of a extremely wide-ranging and highly varied cover that already existed in the field of placing the unemployed in jobs.

Although barely a year has passed since the programme was launched and began running, the institutions behind it, Gipuzkoa Provincial Council and the Basque Government, have already been encouraged not only to continue with the initiative but also to try and develop it more deeply, at the same time as they are trying to extend it to other areas in the Basque Country.

Here is some data about this:

By the 31st of November 2001, 390 cheque books had been sent out and 229 of these had been made use of. The reason why many of the cheque books were cancelled, and ended up not being used, can be found in the fact that the beneficiaries were either given jobs or they joined other training schemes.

83.85% of the cheque books handed out were given to women.

62% of the training and practical work experience that beneficiaries have opted for have been provided by Business Associations and the remaining 38% by Vocational Training Centres.

Although they have detected management aspects that must be improved in the initiative, the 16 Institutions that are committed to the Initiative (100%) said in a survey that they were in favour of carrying on with the initiative, and a huge majority (73.2%) considered that it helped quite a lot or a lot to place beneficiaries in jobs.

**TXEKIN**

This is an initiative that aims to provide support for people who want to launch new business projects, especially micro-businesses. In many cases the path you need to follow to set up a new business requires knowledge and support that potential entrepreneurs do not have and it is difficult, if not impossible, for them to gain access to these without help.

TXEKIN is a support system, based on the Credit Accounts or Cheques model to enable potential entrepreneurs to take the steps required to launch their business initiatives. The initiative starts out on the assumption that when many business initiatives are launched, especially if they are new business projects,
a major problem is the lack of knowledge required to do this in the right conditions with the advisable guarantees. The credit accounts aim to provide the ideal way to give an individualised response to this that is tailored to meet the needs of these entrepreneurs.

The operating model for the initiative is as follows:

- The Civil Service officially approves those organisations and institutions that are considered to be possible consultants that could provide support for entrepreneurs, as they have met a series of conditions.
- Any potential entrepreneur who wants to, can go to one of these consultants and after an initial contrasting process, if appropriate, they can ask the Civil Service for a basic cheque that can be used to tackle their business plan in co-ordination with this consultant.
- The Civil Service gives the applicant this credit and promises to automatically budget for it.
- This credit is released and goes to the consultancy company hired by the beneficiary, as soon as the latter, in co-ordination with their consultancy company, sends the Civil Service the Business Plan for their new business initiative.
- If this is a Positive Business Plan, beneficiaries have the right to ask for additional Credits to use to meet the costs of other consultancy services, -tax consultants, etc- that they may still consider to be necessary to definitively set up their business initiative. In any case, before these additional credits can be given out, the person requesting credits must obtain the appropriate tax permit to launch their business.

SOME DATA ON THE INITIATIVE

- To date, nearly 800 learning accounts have been given out (basic services and supplementary services.)
- According to a survey carried out to assess the programme:
  - Around 29% of the promoters providing basic services, do not go on to provide supplementary ones.
  - 64% of the promoters are in the 24-34 age range.
  - 56% are men. 44% are women.
  - 27% have no previous professional experience or less than a year of experience. 22% have more than 10 years of professional experience.
  - 34% have a university degree; 49% have completed secondary school or Vocational Training; 17%, have finished primary school.
  - These are mainly businesses that have been set up to provide self-employment. 83% of them have no more than two employees.
  - Around 95 companies have been set up, with an average of 1.7 employees, which means that 161 jobs have been created. The investment made has amounted to 4,57 million Euros.
  - If we add the businesses that are in the process of being set up, the overall figures are: 133 businesses, with an average of 1.5 workers, 210 jobs, and 11.83 million Euros of investment.
  - Average investment per business is 48,080.97 Euros.
  - If we extrapolate these data, the number of businesses created by the programme would be around 358, with 608 jobs and 17.21 million Euros of investment would be generated.
  - 46 institutions have provided basic and/or supplementary services.
  - 50% of the institutions that provided basic service also provided supplementary ones.
  - The services that promoters request most often are tax-accountancy advice, company management and legal advice.
EMAWEB and EMAWEB +

This is an initiative that has two complementary aims:

- To promote digital culture and knowledge among women; starting out, when appropriate, from their first steps in literacy in this field. Seen from this perspective, it forms part of the eGipuzkoa Plan for the Promotion and Development of the Information Society in this Province.

- To promote in this way attitudes and the first steps towards improving the employability of women who are still on the fringes of the job market today. Seen from this secondary perspective, it forms part of the policies to improve employability that are being promoted in various ways in the Basque Country.

We would consider the initiative to be completely successful, (and this is the aim we hope to achieve,) if any woman who had followed the training programme provided by EMAWEB and EMAWEB+ could, on the one hand, pass the exam to obtain the IT TXARTELA or CITIZEN’S DIGITAL CARD established by the Basque Government and at the same time feel prepared and motivated enough, if she were the right age to do so, to join the job market, as an active person looking for work.

The organisational principles that the initiative is being managed on are as follows:

- EMAWEB is an initial basic training programme to provide access to the INTERNET designed for those women who are learning about this for the first time. It consists of 26 hours of classes.

- EMAWEB + is a secondary training programme, that lasts for 52 hours. It enables women who have gone beyond EMAWEB to make further progress in basic digital knowledge until they knew enough to obtain the CITIZEN’S DIGITAL CARD, established by the Basque Government. This is supplemented by some preliminary classes to familiarise them with the job market.

- The women themselves must sign up for the EMAWEB y EMAWEB+ programmes on an individual basis.

- EMAWEB is a programme that is free for women. It is the Provincial Council that pays for all the costs of implementing the initiative.

- In EMAWEB+ all those women who want to sign up for the initiative must contribute 30 euros. This is really a symbolic contribution, with the aim of getting women actively involved in the initiative.

- The Basque Government (Department of Employment,) and the Caja Laboral Popular, a Basque financial institution, also help to finance the EMAWEB + initiative, through an agreement about this with Gipuzkoa Provincial Council.

- Both EMAWEB and EMAWEB+ also receive supplementary European financial support through the European Social Fund (ESF).

- EMAKUNDE or the Basque Women’s Institute has also collaborated with the initiative right from the start, and this has been highly important in the success of the initiative.
The initiative has been put into practice in Training Centres that, just like their contents, have been first officially approved by the local Civil Service itself. In the beginning these were exclusively Vocational Training Centres, which were later joined by Secondary Schools. Other Centres that provide digital training such as the KZ Guneak, (promoted by the Basque Government,) have now also joined them.

Up to now, which is when the Basque Government has established the CITIZEN’S DIGITAL CARD, each woman that went beyond each of the levels in the Initiative was awarded the corresponding Diploma issued by Gipuzkoa Provincial Council.

The initiative is managed on the basis of a learning cheques system or Learning Account that are given to each applicant through a computer programme that the women themselves complete at the training centres that they attend for their digital training.

The local Civil Service gives the training centres the money for each of the female students who have attended courses at these centres, once they have completed their training programme.

SOME DATA ABOUT THE PROGRAMME

- 2,800 women have taken part in EMAWEB to date.
- 1,205 women have taken part in EMAWEB + to date.
- At the present time we are going to offer these women the chance to join either TXEKIN (to set up and create a business); or TXEKINBIDE (professional qualification with practical work experience so that they can find a job.)
INTRODUCTION

This Report of the Federal Ministry of Education and Research (BMBF) is part of a report of the Organisation for Economic Cooperation and Development (OECD) on “examples of good practice” in the financing of lifelong learning. Thus far, the OECD report has appeared to concentrate primarily on exemplary models for individualised financing of lifelong learning, i.e. financing that is accessible or available to individuals. This focus follows from the realisation that the success of lifelong learning hinges on the willingness of the individual to actively pursue and shape the learning process and to assume responsibility for his or her own education biography. Financial resources must hence be structured in such a way – including co-financing by the individual – as to encourage and support personal responsibility and creativity.

This invariably necessitates accentuation of new priorities in the financing of education and training. In Germany, too, the elaboration of these new accents has long since come to figure prominently in educational policy debate and in the coordinated policies formulated and implemented by the Federal Government and the constituent states. In response to this development, the Federal Government has instituted an Expert Commission on Financing Lifelong Learning that has been charged with proposing a feasible and coherent concept for financing education and training for individuals, a concept that takes due account of the educational traditions and structures that have evolved in Germany over the years (see chapter 5.3 of this Report).

Addressing the issue of individualised financing alone, however, does not do justice to the need for a comprehensive approach to encouragement of and support for lifelong learning. Any concept for financing education and training or – to put it more broadly – any reform of the German education system is at the same time governed by the premise that educationally unmotivated or hard-to-reach population groups must be drawn into and kept engaged in the lifelong learning process, and their commitment to education and training must be strengthened. This basic orientation following from the concept of the state as a social state was reflected in the consultations and resolutions of the Alliance for Jobs, Training and Competitiveness and

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12 This report was prepared by Dr. Wilfried Kruse for the Federal Ministry of Education and Research (BMBF).

13 The constituent states are hereinafter referred to by their German designation Länder (singular: Land).
reaffirmed in programmatic form above all in the deliberations of the Education Forum, a joint
project of the Federation and the Länder for the reorientation of education (see chapter 2.2 of this
Report). Germany’s position is fully in line with the trailblazing conclusions of the Lisbon
European Council in the year 2000 for the construction of a knowledge-based European economic
and social area in which social cohesion will be a key prerequisite for exploiting Europe’s
productive potential.\footnote{See inter alia Kruse, Wilfried: Lisbon take off? Zum Bedeutungsge
winn von Arbeitspolitik im Europäischen Wettbewerbsmodell, in: ARBEIT, Zeitschrift für Arbeitsfor
schung, Arbeitsgestaltung und Arbeitspolitik, Heft 2/2002.} Comprehensive support for lifelong
learning is of central importance in this context, a point that was underscored in the EU Commis
sion’s Communication of November 2001 entitled “Making a European Area of Lifelong Learning a
Reality” and, most recently, in the Resolution of the Council of the European Union on lifelong
learning of 27 June 2002 (2002/C163/01). In this resolution the Council expressly invited the Member States

\ldots to develop and implement comprehensive and coherent strategies reflecting the
principles and building blocks identified in the Commission’s Communication and
involving all relevant players, in particular the social partners, civil society, local and
regional authorities \ldots

Further important practical orientation assistance can be found in the EU work programme for
of education and training systems”.

Against this background, alongside the need for assumption of greater responsibility for lifelong
learning by the individual – and for corresponding financial arrangements – attention must also
always be accorded to the risk of social exclusion entailed in forced individualisation, and both
education infrastructure and social welfare measures must be taken to avert it. In Germany’s
opinion, the spectrum of “good practice in the financing of lifelong learning” therefore may not
and cannot be limited to models for individualised financing of education and training. “Good
practice” in the financing of lifelong learning likewise includes – by no means less important –
models for the development and financing of an adequately networked system of provision of
lifelong learning opportunities as well as corresponding facilities for counselling, support and
coaching. After all, successful lifelong learning depends not only on the availability of financial
resources that can be tailored to individuals’ needs but also – and perhaps to an even greater
degree – on the ability or competence of individuals to take lifelong learning into their own hands
as their own personal project (“self-management competence”\footnote{See in this context Kruse, Wilfried: Selbst-
must be enhanced as well. Conditions conducive to this must first be created in all education
institutions, starting with preschool education – a process that likewise requires financing (as the Education Forum also pointed out in no uncertain terms). The Federation, the Länder, the municipalities and individual companies are already funding examples of “good practice” in this area that – applying a properly comprehensive definition of the term – fall within the scope of the subject matter of this Report. The social partners play a particularly important role in this context. Special reference should also be made to the wide variety of activities developed by Germany’s Länder within the scope of their competence for education. They are only mentioned from time to time in this Report but deserve to be described separately in greater detail.

In all these sub-areas, which together lead to a workable approach to the promotion of lifelong learning, Germany has a wealth of very different examples of good practice – models that have already been successfully tested, pilot projects for further testing and concept development work, but also important agreements between the social partners at and above the company level. Together they form a diagramme for a – still emerging – “lifelong learning system”: At its centre is the individual, who has been endowed with the corresponding skills and resources, is able to choose from a range of networked and user-oriented educational opportunities and can fall back on an extensive counselling and support network.

This Report is structured along the lines of this systemic concept of lifelong learning. It begins with a brief statement of the orientation and aims of action (chapter 2) that currently form the basis for the development of lifelong learning in Germany. The subsequent presentation of “good practice” follows from the understanding that lifelong learning takes place in networked structures and sequences of learning locations, whereby the region as the nexus of people’s lives (chapter 3) and the company as the place of lively convergence of working and learning (chapter 4) are of particular importance. At these levels, moreover, one encounters not only important players in the “lifelong learning system” but also actual or potential co-financers. Against the background of the traditions of the German education system that has evolved over the years – which is marked not only by a federally structured division of political responsibility for education but also by a vocational training system that is separate from the system of general education and is shaped to

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16 What can be taken as given in the German education system and what is currently in the development phase is spelled out in Country Report: Germany, compiled by Jochen Reuling and Georg Hanf of the Federal Institute for Vocational Training for the OECD project “The role of qualifications systems in promoting lifelong learning” (manuscript version, Bonn 2002).

17 This Report is not the place for estimates of the funding that has already been provided in the area of lifelong learning. Just to give a very rough idea: In Table 5.5 of its interim report, the Expert Commission on Financing Lifelong Learning presented an estimate of the overall volume of funding for continuing education and training in Germany. While continuing education and training are not identical to lifelong learning, the figures are a fairly reliable indicator. According to the interim report, expenditure on continuing education and training by the public sector, companies, individuals and the Federal Employment Service totaled EUR 32 billion in 1999, (1.62% of Germany’s gross domestic product), whereby individuals accounted for 7.9% of this amount. (See in this context Expertenkommission Finanzierung Lebenslangen Lernens: Auf dem Weg zur Finanzierung Lebenslangen Lernens – Zwischenbericht, Bielefeld 2002, page 111.)
an extraordinary degree by the parties to collective agreements, the chambers, and the works and staff councils on their own responsibility – these levels take on particular importance as platforms for *real linkage of lifelong learning processes*. In Germany, state funding and approaches have focused to a considerable extent on the *creation* of the prerequisites for and framework conditions conducive to lifelong learning at these levels. Since a survey of examples of good practice at Land level is currently being prepared by the ad-hoc working group on a strategy for lifelong learning at the Bund-Länder Commission for Educational Planning and Research Promotion (BLK), this Report concentrates primarily on selected examples from the Federal Ministry of Education and Research. They constitute a legitimate part of “good practice in the financing of lifelong learning” and are therefore presented in this Report. Nevertheless, the fact should not be overlooked that the Länder also provide substantial funding and thus make a constructive contribution to the co-financing of lifelong learning.

Chapters 2–4 thus lay the groundwork for the argumentation put forward in this Report. The issue of the (future) financing of lifelong learning can then be addressed in suitable breadth and detail, i.e. also in terms of the creation of the prerequisites for and framework conditions conducive to lifelong learning (chapter 5). Against this background, the task assigned to the Expert Commission on Financing Lifelong Learning – namely the clarification of basic issues pertaining to the financing of lifelong learning for individuals – proves to be extremely important, although it is only part of the greater task of developing a “lifelong learning system”.

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**The LLL Triangle**

- **Support structures**
- **Education networks**
- **Resource development**
- **Skill development**
- **Individual**
As a contribution to the OECD project “Good Practice in the Financing of Lifelong Learning”, this Report makes no claim to completeness. Rather, it describes outstanding examples of activities (good practice) that are directly connected with the creation of the prerequisites for lifelong learning and hence constitute innovations in the existing German education system.

**Orientation and aims of action**
Lifelong learning has become a key focus in Germany in recent years, both for innovations in the education system and for efforts to open up greater opportunities for disadvantaged groups. The underlying motive for all action in this policy area is to encourage individuals to take greater responsibility for their own education and employment biographies – and, in this context, to develop financing models that will enable and motivate them to do so. Through education, moreover, social exclusion is to not only be prevented but also reduced in order to avoid social inequality, promote cohesion and keep productive potential from going unexploited. The key documents briefly outlined in this chapter each reflect this approach in line with their respective specific objectives.

**Action programme “Lifelong Learning for Everyone” of January 2001**
Germany’s education sector exhibits considerable diversity and differentiation; until just very recently, many knowledgeable observers both at home and abroad considered it to be extremely effective and efficient. There can also be few doubts as to its receptiveness to and capacity for innovation, both in *concrete terms* and *in regard to specific issues*. The education sector is marked by and “lives” from a multitude of initiatives, pilot projects and network approaches – many of them funded by the Federal Government, by the governments of the Länder and by the European Union (EU) – in nearly all fields of general education and vocational training. At the same time, however, the sheer multitude of concrete, practical, case-specific reform projects in schools, regions, companies, inter-company training centres, non-company training facilities and facilities run by other providers makes it difficult to keep them straight and gives the impression that synergy and generalisation effects are not being sufficiently utilised – a matter of considerable import, especially in Germany’s new eastern Länder. One reason for this is the distribution of competences and responsibilities within the education system, which sets Germany distinctly apart from other countries. Within the framework of the federal system in the Federal Republic of Germany, for example, general education falls primarily within the purview of the Länder. Competence for vocational training does not lie with a single body or level of government. Vocational training is provided largely within the so-called “dual system”, a combination of in-company training and classroom instruction. The statutory foundation for (in-company) vocational training is the Vocational Training Act of 1969, which established a training system that is clearly separate from general education. The training employers, the chambers and the social partners play a key role in the provision of in-company vocational training. To the extent that vocational schools are involved, these fall within the “cultural sovereignty” of the Länder. The responsibilities of the Federal Government have been defined in keeping with this division of responsibility.
The wealth of options, division of responsibility and differentiation marking the German education sector always pose a difficult challenge when structural innovations are on the agenda, as is essentially the case when systemic prerequisites for and framework conditions conducive to lifelong learning are to be created.

**Lifelong learning** – viewed from the standpoint of learning individuals and their biographies – transects the various competences; a lack of coordination on their part can thus severely complicate the organisation and pursuit of lifelong learning. Profound improvement of cooperation – above and beyond the extent of coordination already achieved thus far – between all fields of education and at all levels – but especially “on location” – is therefore a key prerequisite for all progress to be made. Wherever shared responsibility for education and co-investment in education take on a new quality, the framework conditions for lifelong learning improve. The financing concept for the education sector must further this process.

The Federal Government’s *action programme “Lifelong Learning for Everyone”*, which was launched by the Federal Ministry of Education and Research in January 2001, takes Germany’s specific circumstances into account insofar as work to promote lifelong learning must by no means start “from scratch” but can instead build on a multitude of recent reform measures and initiatives undertaken in close harmony with EU policy in these areas. On the other hand, however, the Federation’s regulatory competence is limited; this is likewise taken into account in the *action programme*. This becomes particularly obvious if one looks at the issue of drafting a feasible individualised financing concept for lifelong learning, one of the “million dollar questions” of a structural nature: Given the strongly supply-oriented spectrum of educational provision – above and beyond the area of compulsory education – that has evolved in Germany over the years, this issue proved so complicated that it was first necessary to appoint an *Expert Commission on Financing Lifelong Learning* to further clarify it.

The action programme stresses the necessary focal areas of creative action in two directions. Since the learning individual “takes centre stage”, the framework conditions must be created for all people to

- develop a willingness to pursue lifelong learning,
- acquire the skills required for lifelong learning, and
- avail themselves of and fully utilise both institutionalised and new learning opportunities in their daily living and working contexts.

This presupposes an active learner who is in a position to “manage” his learning biography largely on his own. An “environment conducive to learning” must be created for everyone. Not all individuals enjoy equally favourable starting conditions when they embark on the road to lifelong learning, however. It is therefore always essential to
In order to achieve this, the education system must be further developed in the direction of a “learning society”. Against the background of the education sector as it appears today – marked by a multitude of discrete education pathways – but also as it will be changing in response to previous impetus for reform, the Federal Ministry of Education and Research is “initially” – i.e. as a first step – pursuing two interrelated objectives through the action programme:

- enhancing continuing education and training and integrating general, political, cultural and vocational continuing education and training into the overall education system,
- enhancing the interconnectedness of all fields of education and education pathways, also from the standpoint of transferability, especially the creation of more bridges from initial training to continuing education and training.

According to the concept of the action programme, the various programmes, initiatives and measures related to the promotion of learning should focus on the aspects of linkage and bridging. The field of continuing education and training thus also comes to figure prominently as a kind of platform: To begin with, continuing education and training by their very definition enter the picture in the biographical phases after conclusion of initial academic and vocational education and training; furthermore, it is a field of action that has been particularly vigorously promoted by the Federal Government in recent years. It is important, however, that this approach not result in a narrowing of the definition of lifelong learning to encompass only continuing education and training in the traditional sense.

The Federal Government’s action programme combines research, development and testing measures that – complementing one another – can help generate long-term support for lifelong learning by individuals and bring about future-oriented change in the structures of education. This type of linkage of different measures and approaches through the action programme is designed to facilitate the broadest possible implementation of innovative concepts and enhance transparency.

The action programme can thereby refer to a substantial number of programmes, measures and pioneer projects funded or co-funded by the Federal Government that (can) contribute to the promotion of lifelong learning if they are construed in this sense.

These consist of the following:
- the programme “Learning Culture for Skill Development”,
- the framework concept “Innovative Development of Work – The Future of Work”,
- the BMBF initiative “Early Identification of Qualification Requirements”,
- the reporting system on continuing education,
- the campaign “Quality in Continuing Education”,
- the programme “New Media in Education”,
- the initiative for the future of higher education institutions
- the funding concept for inter-company training centres,
- the BMBF initiative “Additional Qualifications in the Dual System of Vocational Training”
- the programme “School-Economy/Working Life”
- the European CV and further development of the EUROPASS,
- the BLK pilot programme “Lifelong Learning”, and, finally,
- the programme “Learning Regions – Providing Support for Networks” (see chapter 3.1).

As stated earlier, the development of “learning regions” – initially – forms the core of the action programme – and not just because the volume of funding and the sheer number and scope of the projects to be funded place it in the category of a major programme. Rather, its central importance stems above all from the fact that the region is perceived as a field of action close to people’s lives and the world of work in which the various initiatives and forms of support for lifelong learning can effectively and tangibly complement one another. “Learning Regions” projects thus take on particular importance as “hinges” and “implementation vehicles” – also against the background of the differentiation and division of political competences in the field of education.

The projects implemented under the programme “Learning Regions” hence also have the task of contributing in very concrete form to the fostering of cooperation and synergies with other projects, endeavours and networks in “their” regions.

The action programme states this very clearly:

For in addition to their own activities, the networks should be utilised for the transfer of innovations to the other parts of the programme. The results and concepts of innovative research projects and development and testing measures funded under the other programme components, for example, should be tested and implemented on a larger scale in these networks. In addition, the networks should cooperate with one another and facilitate broader implementation of innovations by also involving cooperation partners and networks that are not directly funded.
Parallel to the elaboration of the action programme, issues pertaining to lifelong learning were discussed by the Education Forum as well.18 The Education Forum was established in 1999 by the Federal Government and the Länder in order to “ensure the quality and future viability of education in Germany”. Under the joint chairmanship of the Federal Minister of Education and Research and the Bavarian Minister of Science, Research and the Arts (for the Länder), the Education Forum formulated recommendations that had been prepared by previous groups of experts and in prior expertises and assessments. The work of the Education Forum focused on five cross-sectoral themes:

- education and training objectives of tomorrow,
- promotion of equal opportunity,
- quality assurance in international competition,
- a lifetime of learning, and
- a new teaching and learning culture.

In addition to the Federal Minister of Education and Research and the ministers of education and science of several of the Länder, the 18 participants in the deliberations of the Education Forum included representatives of the social partners, the academic community, the churches, trainees/apprentices and students. The Education Forum was assisted by a working party (Arbeitsstab Forum Bildung). Through numerous publications and major congresses and workshops, greater public attention was to be drawn to the issue of the future viability of the German education system.

The results of the Education Forum’s deliberations were ultimately summarised and published in the form of twelve recommendations19. The pervasive theme of the recommendations is to strengthen learners’ sense of personal responsibility for their own learning and at the same time take steps to prevent exclusion and ensure equal opportunity and participation. The political sector is not relieved of its responsibility in this area, however:

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18 It must also be mentioned here that as early as October 1998 the Council of Education Experts at the Hans Böckler Foundation submitted guidelines for a new concept for the financing of education. This concept explicitly stressed the importance of encouraging individuals to assume greater responsibility for their own education biographies, also through individualised financing of education (Hans-Böckler-Stiftung: Sachverständigenrat Bildung: Für ein verändertes System der Bildungs-finanzierung. Diskussionspapier Nr. 1, Düsseldorf 1998). The Hans Böckler Foundation – the foundation of the German Trade Union Federation (DGB: Deutscher Gewerkschaftsbund) for the promotion of research and academic study – had invited 13 independent experts to pool their ideas on a reform of the education system and formulate proposals. The Council’s financing proposal essentially consisted of the idea of introducing education accounts combining education credits, education savings plans and education loans. These are expressly not envisioned for the field of so-called “compulsory education” but are instead intended to stimulate and facilitate lifelong learning.

For educational reforms to be successful, the proper legal, organisational and financial framework must be put in place by “those at the top” while the various elements of the reforms must be fleshed out at the lower level.

Lifelong learning is accorded a position of prominence in this context. The summary of the Forum’s recommendations under “III. A lifetime of learning”, for instance, begins with the following:

Learners are taking ever greater responsibility for managing and organising their own ongoing learning. The ability to do so is acquired in the first years of a person’s life. New forms of individual counselling and support are needed at all stages of education.

Personal initiative and “self-management capability” and their early and ongoing encouragement as well as permanent availability of reliable counselling services are thus closely interlinked in the Forum’s opinion. It considers the development of effective support structures to be necessary in three main areas in particular and calls for

- education and qualification counselling based on individual knowledge and skills,
- new forms of support for education processes directed by individual learners, and
- increasing transparency with regard to the content and quality of education programmes and with regard to the quality of providers, above all for interested individuals and small enterprises.

These general demands are then translated into concrete recommendations. No (further) reference is made here to the issue of financing lifelong learning.

The detailed provisional recommendations published on the basis of an expert report earlier in the course of the Forum’s work, however, had devoted an entire section to the “financial and time resources for lifelong learning”. These provisional recommendations clearly pointed out the strategic role of financing in the context of a strengthening of personal responsibility when they stated:

Lifelong learning requires a long-term financing and learning-time concept that fosters planning certainty, motivation and assumption of responsibility for one’s own education pathway. (page 13)

In the opinion of the experts who formulated the provisional recommendations, the demands to be placed on the “financing” of lifelong learning became evident from a comparison with traditional continuing education and training, which were triggered at certain points in an individual’s life and for which it was then possible to make financial arrangements limited to the given time and subject matter involved. It was also necessary, they stated, for new criteria and mechanisms to be developed for the mobilisation and allocation of resources, whereby the previous system of mixed financing (from four sources: private individuals, companies and administrations, the Federal
Employment Service, and the public sector) – which “has, however, lacked any clear or legally regulated connection between the groups involved and their competences” (page 40) – should be reconfigured and refocused.

Against this background, the provisional recommendations listed six criteria that should govern a future financing and learning-time arrangement:

- strengthening of the user orientation by priority allocation of funds to individuals, whereby support should be provided in such a way as to also stimulate the individual’s willingness to invest in education and training,
- establishment of a balance between personal responsibility and support,
- redefinition of the relationship between learning and working time, whereby company-independent learning-time accounts increase the individual’s freedom to shape the learning process,
- specific support structures for small and medium-size enterprises (SMEs) in order to enable them to support their employees’ learning,
- expansion of continuing education and training networks, and
- incentives – including tax incentives – to not only pursue vocational continuing training but also take advantage of learning opportunities in the area of general education.

It thus follows that the search for examples of good practice in the financing of lifelong learning can by no means be limited to approaches focusing solely on individualised financing concepts. Rather, attention must at the same time be drawn to the long-term financing of networked learning opportunities as well as the sustainable development of a dual – i.e. available above all to learners but also to education providers – support system offering guidance, counselling and evaluation services. Moreover, the form these cornerstones of the “LLL Triangle” will have to take depends in no small part on the further development of the internal – i.e. curricular and social – structure of the education sector.

Commission “Modern Services on the Labour Market” (Hartz Commission)

And, finally, the labour market reforms planned by the Federal Government – some of which have already been initiated – likewise offer points of departure for action to create the prerequisites for and stimulate lifelong learning. The commission “Modern Services on the Labour Market” appointed by the Federal Government, which was headed by Volkswagen Labour Director Peter Hartz and consisted of prominent experts from the political sector, business and industry, the unions and the academic community, was charged above all with elaborating proposals for a comprehensive reform of the Federal Employment Service. It submitted its report in the fall of 2002, and its proposals were incorporated into the policy statement of the Federal Government. Since some of the Hertz Commission’s proposals required legislative action, work commenced on
a comprehensive package of legislation in the fall of 2002 and culminated in the passage of the First and Second Acts for Modern Services on the Labour Market. Most of the provisions of this legislation entered into force on 1 January 2003, and some have already prompted the initiation of further legislation.

The thrust of all 17 innovation modules proposed by the Commission is to improve the services on the labour market and to mobilise and strengthen the personal initiative of individuals who are threatened with unemployment or are already unemployed. Their universal guiding principle is: “Personal initiative warrants job security.” Both the planned reorganisation of the Federal Employment Service to make it the central provider of services on the labour market and all the other packages of measures are essentially geared to the following goal: Taking preventive action to avert unemployment if at all possible and – once unemployment has arisen – drastically shortening its duration. Attention is accordingly drawn not only to the high cost of lengthy unemployment but also to its destructive impact on the persons affected (and the concomitant waste of productive potential). All measures to shorten the duration of unemployment thus serve to further the stability of employment biographies, which can by all means develop productively over the course of various periods – and places – of employment, and enhance the individuals’ opportunities to shape their own learning biographies on their own responsibility in keeping with the concept of lifelong learning. A detailed presentation of the 17 innovation modules is dispensed with here.20

Today, as in the past, qualifications naturally figure prominently in all activities to prevent or quickly find a way out of unemployment. For years the Federal Employment Service has consistently allocated substantial funding for measures in this area, which it has deployed in keeping with the provisions of Book Three of the Social Code. Thus the Federal Employment Service – and hence the companies and employees who pay the contributions that fund its activities – has long been an important financer of continuing vocational education and training as part of lifelong learning.

An important thrust of the intended reforms is to restructure and redefine the emphasis of these training measures. To begin with, they should be more closely linked with real bridges to employment (above all through personnel service agencies) or self-employment than they have in the past and, namely, from the standpoint of both preparation and guidance. Furthermore, they should be designed in such a way as to strengthen personal responsibility. Since the beginning of the year 2003, education vouchers have been issued to enable unemployed persons to freely choose among accredited measures and providers. The requisite accreditation of providers hinges on the quality of the services they provide, whereby the assessment of quality is more strongly

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governed by the actual success of integration than was previously the case. Training funded by the Federal Employment Service for unemployed persons or persons threatened with unemployment can thus be flexibly integrated into concepts for promoting and financing lifelong learning.

Learning in the region and in education institutions

The region as the nexus of people’s lives takes on particular importance in the context of efforts to create the concrete prerequisites for lifelong learning, especially support structures and education networks. It is therefore the focus of many activities of the Federal Government and the Länder to further this process, a number of which have been endowed with substantial funding. These activities represent a significant investment in the creation of an infrastructure (in the broad sense) for lifelong learning, particularly where – most notably in combination with instruments of (regionalised) labour market policy – they generate synergy effects.

This chapter briefly outlines the most important promotion programmes centering on the region as a level for translating policy into action. The outline is not complete, however, for it dispenses with a detailed description of labour market instruments and investments in the system of formal education, both of which are also increasingly oriented towards promotion of personal responsibility and lifelong learning.

A discussion of concrete examples of “good practice” is largely dispensed with here as well. However, the example of Osnabrück (section 3.1.2) and the list of key focal areas of funded projects are presented to show that the programmes are indeed stimulating “good practice” and are implicitly or explicitly raising the issue of long-term financing.

Programme “Learning Regions – Providing Support for Networks”

The development of “learning regions” is the central goal of the action programme “Lifelong Learning for Everyone”. The funding guidelines for the programme “Learning Regions – Providing Support for Networks” were published at the end of the year 2000. This programme supports the development and expansion of regional networks. In these networks, as many players as possible (including education institutions, companies, the social partners, youth offices and employment offices as well as socio-cultural institutions and initiatives, for example) are cooperating closely in the design, testing and implementation of innovative concepts for lifelong learning. Approximately EUR 118 million (from the federal budget and the European Social Fund) will be made available for the period up until 2006 in support of these activities.

21 In implementation of resolutions of the Alliance for Jobs, Training and Competitiveness, the Federal Ministry of Education and Research has also launched a large-scale initiative to guarantee the quality of continuing education and training. See Bundesministerium für Bildung und Forschung: Berufsbildungsbericht 2002, Berlin/Bonn 2002, and chapter 5 of this Report.
Regional co-operation and sustainability

The primary aim of the projects under the programme is to bring together education providers and “consumers” as well as other interested parties to form “learning regions”. They are above all designed to

- increase motivation and participation in education, especially on the part of disadvantaged or hard-to-reach persons, and enhance their ability to learn on their own,
- bring about qualitative (and quantitative) improvements in supply structures to make them significantly more user-oriented.

Self-organised learning should likewise be encouraged, as should the establishment of community learning centres.

Network projects should only be funded under the programme if they promise to further progress in three areas:

- creation of a profile for the region through innovative measures that clearly identify it as a region that learns,
- expansion of the networks above and beyond their given “founding partners” – through establishment of partnerships between bodies active in the areas of “education” and “economic promotion”, for example,
- early and timely consideration of the question of how to continue the project upon discontinuation or degression of project funding (sustainability).

The framework concept for “Learning Regions” was approved by the Bund-Länder Commission for Educational Planning and Research Promotion in consultation with both the Concerted Action in Continuing Education and the Committee for Continuing and Further Education of the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany. A steering committee composed of representatives of the Federation and the Länder coordinates implementation of the programme and is responsible for project selection. Representatives of the Concerted Action in Continuing Education, the social partners, the Federal Employment Service and the scientific support group also serve as members of the steering committee in an advisory capacity.

A consortium led by the German Institute for Adult Education (DIE) was charged with providing scientific support for the programme. This scientific support group will concentrate on the following five fields of research as the programme unfolds: cooperation, regional education landscape, target groups, regional labour market situation and transfer potential.

With its large volume of funding and 79 projects (as of January 2003) throughout Germany that are currently receiving support, the programme “Learning Regions” is supplying massive input
for the development of regional networks for lifelong learning. However, its necessarily
decentralised approach will not make it easy to reap synergies and draw generalisations from its
promotion endeavours. For this reason, considerable emphasis is placed on complementary
research (scientific support group), transparency and communication. The project management
agency organises or supports an ongoing exchange of experience and workshops on specific
topics and edits an information service for learning regions (Infodienst Lernende Regionen).

In order to ensure that a project involves as many of the region’s education stakeholders as
possible and is securely anchored in the region, a planning phase is first approved. This planning
phase can then be followed by an implementation phase lasting a total of four years. Of the 54
regions that entered the planning phase in June 2000, 40 entered the implementation phase in the
year 2002. The steering committee gave twelve of the other regions the opportunity to revise and
upgrade their applications for the implementation phase by November 2002 (results of the
steering committee meeting held in December 2002: ten of the projects were allowed to enter the
implementation phase, two were turned down). In the course of the year 2002, another 29
projects from the second tendering round entered the planning phase. By January 2003, a total of
79 projects throughout the country were receiving funding under the programme. Due to the high
number of cooperation partners, these 79 projects actually consist of about 230 individual
projects.

Project funding thus covers a spectrum that is as broad as the entire German education
landscape. The spectrum of project partners ranges from schools of nearly every kind,
private education providers, companies, employment offices, economic promotion
agencies, the chambers, municipalities, Agenda 21 projects and the social partners to
teachers and learners …
(Infodienst Lernende Regionen, 01/02)

Particularly important from the standpoint of financing lifelong learning is the fact that the
programme operates according to a degressive funding concept in order to prompt regional
sponsors and partners to develop feasible solutions to the problem of long-term funding, in other
words, to ensure sustainability. While projects are fully funded during the planning phase, they
must mobilise funds of their own for the implementation phase: 20 percent for each of the first
two years and 40 percent for each of the two following years.

An example: the Osnabrück Learning Region

Potential network nodes are also emerging at the regional level. The funding for the establishment
of such an innovative regional structure for lifelong learning is initially secured largely via the
BMBF’s “Learning Regions” programme. Due to the rapid degression in project funding foreseen
under this programme, however, the players are forced to consider the issue of long-term
financing from the very beginning. The example of Osnabrück is presented in the following.
The “Osnabrück Learning Region” is a collaborative project of the city and district of Osnabrück, supported by the Weser-Ems administrative district. Central project management thus lies with the competent local authorities, whereby the Volkshochschule of the City of Osnabrück – the most important adult education institution in the region – acts as general coordinator. The project lists 63 cooperation partners by name, including schools, vocational schools and universities, educational organisations, adult education institutions, several companies, the radio station OS Radio 104.8, the local employment office and the chamber of industry and commerce, for example.

At the working level of the project, these partners cooperate in different groupings in three priority areas or sub-networks:

- linguistic, vocational and cultural integration of non-German-speaking nationals and non-nationals,
- transparency of regional education provision, and
- educational and working environment for young people.

These three fields of action and their interlinkage via a project of the local authorities are based on the following consideration:

The communication structure of a learning culture meeting these requirements must – depending on the goal pursued – include very different aspects that must be prioritized on the basis of regional needs and cannot be realized without public funding. (Project Proposal, page 3)

In all three fields of action, the aim is to establish new structural elements that can function as network nodes and be expected to considerably improve access to regional education for hard-to-reach population groups in particular. The following are a few examples:

- In the field of action “integration of non-German-speaking nationals and non-nationals”, the planned measures include the establishment of a joint counselling and examination centre, the elaboration of common quality standards for education programmes, the development of course models and network fora for advisers and teachers as a link between the various activities, etc.

- In the field of action “educational and working environment for young people”, the various activities mainly aim to enhance young people’s ability to learn independently. One focus is on young people who have special difficulties in starting a career; another focus is on encouraging greater consideration of new IT occupations in career decision-making. Particular effort is being made in this context to intensify cooperation with the universities and universities of applied sciences (Fachhochschulen) located in the region and – in a rather unusual approach – plans have been made to establish a “school for parents” “in order to
enhance parents’ child-raising skills and support them in discharging their parental responsibilities”.

- In the field of action “transparency of education provision”, activities are focusing on the creation of an education server as a prerequisite technical medium. It is, however, assumed that it will be necessary to identify the learning culture prerequisites for improving access to educational opportunities. This is to be facilitated by close cooperation with the new research centre for educational sociology and learning culture that has been established at the university. Public awareness of existing educational options is to be heightened through close cooperation with the Osnabrück radio station OS Radio 104,8.

In addition to promoting regional transparency, this “transparent” network will coordinate and link all the other sub-networks of the Osnabrück Learning Region.

Each of these three fields of action or sub-networks is managed by its own steering group. The overall project is coordinated by a central steering group that has been established at the Volkshochschule and consists of representatives of the major public-sector partners. Since the beginning of the project, the partners have been discussing the issue of how to develop a sustainable financing concept for the emerging network-based support structure, a concept that is guided by the idea of reasonable financial contributions by participating individuals.

3.2 Programme “Lifelong Learning”

The Bund-Länder Commission for Educational Planning and Research Promotion (BLK) launched an extensive pilot programme on lifelong learning in the year 2000. The priority aim of the programme is to initiate new forms of co-operation between various fields of education both within and between the individual Länder to promote lifelong learning. A steering committee comprised of representatives of the Federation and the Länder is responsible for management of the programme, selection and coordination of projects, and operational work in the participating Länder. The Land Rhineland-Palatinate is functioning as programme coordinator and is assisted by the German Institute for Adult Education as central project management agency. A programme-related scientific support group has been instituted as well.

Funding in the amount of approximately EUR 13.8 million has been allocated to the programme for the period 2000 to 2004, half of which is provided by the Federal Government and half by the Länder. Additional co-funding in the amount of EUR 2.1 million was obtained from the European Social Fund (ESF).

22 The composition of the steering groups of the projects under the “Learning Regions” programme varies greatly; they may, for example, include representatives of the main players on the labour market or sponsors of individual measures.
A total of 22 individual projects running for periods of up to five years are being funded under the programme. Two larger so-called “collaborative projects” involving several Länder were also launched at the end of the year 2001 to address structural issues entailed in lifelong learning that transcend Land boundaries. One such issue is the certification of quality in the field of continuing education and training; another is the problem complex associated with “continuing education passports” and the possibilities for assessing, recognising and certifying skills acquired through informal learning.

An interim assessment conducted at the end of the first two years of the programme came to the conclusion that – from the standpoint of lifelong learning – the target group “teachers” and networks of providers of continuing education and training were overrepresented in the 22 projects currently being implemented. Vocational education and training projects and projects for educationally disadvantaged groups, by contrast, were underrepresented. Or, to put it differently:

*Five projects are essentially building continuing education and training networks. Five projects focus primarily on education in schools. Two projects are expressly devoted to organisational development of institutions and facilities. Four projects are developing and testing “train-the-trainer” concepts. Three projects are centered in the area of vocational education and training. Three projects are expressly designed to strengthen self-directed learning.*

The themes of the individual projects are:

- “exploratory learning” – freed from the constraints of time and place – as the motor for a new culture of learning,
- improving the quality of learning; developing a culture of learning in schools and a learning environment,
- self-directed learning and organisational development in continuing education and training institutions
- phases of lifelong learning in vocational training processes of educationally disadvantaged target groups,
- self-organised lifelong learning in the world of work,
- promotion of self-directed learning through the networking of different places of learning to form a “network for a culture of learning”,
- project partnerships in a network of counselling and guidance services,
- network for the implementation of self-directed learning in existing institutional structures for adult education and continuing education and training,
- teaching and learning in a continuing education and training network,

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- lifelong exploratory learning in a school, seminar and university network,
- learning-oriented certification of quality in continuing education and training networks,
- intercultural continuing education and training in a network for small and medium-size enterprises,
- development of a regional network for “learning and self-learning” in the lifelong learning programme,
- self-learning ability, pedagogical professionalism and change in a culture of learning,
- innovative methods of promoting lifelong learning in a collaborative network of higher education institutions and continuing education and training institutions,
- language networks in border regions,
- network to link education institutions and sponsors of continuing education and training arrangements,
- coordinated training measures for teachers and pupils in elementary schools to ensure the basic prerequisites for lifelong learning,
- integration of hard-to-reach and learning-deficient pupils at secondary general schools (Hauptschulen) into a continuous lifelong learning biography,
- development, implementation and testing of new teaching and learning arrangements for political education at adult education institutions.

Because these are collaborative and network projects, the partnerships extend far beyond the given project “locations” and involve a multitude of different partners. A total of 190 institutions are “officially” involved in the 22 projects. Transfer will be a central task in the context of this pilot programme, especially for the project management agency.

3.3 Programme “Learning Culture for Skill Development”

The programme “Learning Culture for Skill Development” launched by the Federal Ministry of Education and Research likewise falls within in this promotion complex. It has its origins in the many qualification issues prompted by the societal transformation process in eastern Germany. The various different ways of learning in societal innovation and transformation processes have therefore become the central theme of this programme, which is being pursued both through basic research and through concrete development and design projects with scientific support.

Funding in the amount of approximately EUR 130 million is being made available for this programme by the Federal Government and the European Social Fund for the period 2000 to 2007.

Central thematic areas of the programme in addition to “learning in the process of work” (see chapter 4.10) are “learning in the social environment”, “learning in continuing education and
training institutions” and “learning on the Net and with multimedia”. The programme thus complements efforts to more precisely identify the prerequisites for and framework conditions conducive to lifelong learning and test these within the framework of pilot projects. Of central importance in this context is the question of how learning processes and learning environments must be structured in order to stimulate the self-motivation and personal responsibility of learners and further the development of skills.

Projects encompassed by the thematic area “learning in the social environment” are particularly closely tied to the field of action “region” and are thus closely related to the projects implemented within the framework of “Learning Regions”. This is the case in two respects: Firstly, the object is to develop and test regional support structures for the development and stabilisation of learning cultures and for the promotion of skill development in fields of social endeavour outside the company working environment. Secondly, the goal in this context is to develop the skills and preserve and promote the innovation potential of certain target groups that have thus far been vulnerable to exclusion from learning opportunities, namely unemployed and older persons. Promotion of forms of cross-generational learning in the social environment is hence the primary focus of endeavours involving these individuals.

Projects encompassed by the thematic area “learning in continuing education and training institutions” aim to open up these institutions to embrace a new culture of learning and, in particular, to address the – heretofore largely neglected – aspect of support for self-organised lifelong learning by adults. The projects implemented within the framework of this thematic area under the rubric “new learning services” are designed to promote organisational development and training of staff in order to help ensure that learners in specific regional contexts have access to education and training institutions that are capable of furthering the continuous development of skills. This includes pilot projects to develop innovative counselling and guidance concepts for self-organised learning by adults.

Strengthening self-organised learning and establishing workable support structures is likewise the thrust of the thematic area “learning on the Net and with multimedia”. Its projects and expertises focus on issues in this area that have not yet been addressed in depth, such as accessibility and real potential for independent learning as well as transparency and recognition of knowledge and skills acquired on the Net and with multimedia.

3.4 Further support for regional networks

Many promotion approaches accord priority to the region as a level of action because it is the nexus of people’s lives and a platform for provision of support that is of direct relevance to their lives. At the level of concrete project implementation, various promotion programmes thus converge in the region, sometimes to the point where one and the same region is literally peppered with projects stemming from different promotion programmes. Hence in this context, networking
– a task meanwhile incumbent upon all regional projects – always also means pooling resources to generate synergy effects and permit deployment of the resources thus freed to correct specific identified deficits. In the case of network formation, a distinction can be made between two lines of linkage: between players/institutions at “stations” along the line of the learning biography on the one hand and – horizontally, so to speak – between players/institutions (that can be) engaged in collaborative teaching-learning-guidance-support endeavours on the other hand. The cooperation between labour market institutions and both education institutions and companies must certainly be placed at the centre of this horizontal connecting line. Projects from various programmes then cluster along this line at different nodes, whereby they are often combined with the aim of drawing educationally disadvantaged or hard-to-reach groups into learning activity and integrating them into ongoing learning and work processes. Promotion programmes functioning in the background in this context include the Develop Skills! programme for the advancement of the disadvantaged, the Community initiative EQUAL as implemented at national level and the programme Leonardo da Vinci II, all of which are co-funded by the national government and the European Social Fund with – by no means insubstantial – input of own resources by the project implementers.

Today, development and consolidation of regional networks is a central element of the strategy for the advancement of disadvantaged groups as well. This is especially true of the promotion programme launched in 2001 by the Federal Ministry of Education and Research entitled “Promoting Skills – Vocational Qualification for Target Groups Requiring Special Support”, which is targeted especially towards adolescents and young adults who have considerable difficulty starting a career. Programme funding in the amount of EUR 53 million up until the year 2005 is being provided by the European Social Fund and the Federal Ministry of Education and Research. This and other programmes (see chapter 3.5) fall in the context of financing lifelong learning because they focus – from the standpoint of inclusion – on one of the critical thresholds of occupational biographies, namely the transition from school to the world of work.

3.5 Programme “School-Economy/Working Life”

If support for creation of the prerequisites upon which individuals can build their lifelong learning strategies is also considered an important aspect of financing an emerging “lifelong learning system”, then measures to improve vocational counselling and guidance cannot be neglected. The vocational counselling and guidance provided by schools and the employment offices must be complemented above all by intensified cooperation between schools, the business community and

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24 Detailed information concerning vocationally oriented support for disadvantaged groups in Germany can be found in: Bundesministerium für Bildung und Forschung: Berufliche Qualifizierung Jugendlicher mit besonderem Förderbedarf – Benachteiligtenförderung, Berlin 2000.
the world of work to offer pupils practical vocational orientation opportunities. This is the thrust of the programme “School-Economy/Working Life” funded by the Federal Ministry of Education and Research.

The aim of this programme is to improve young people’s transition from school to vocational education and training. To this end funding is being provided for 34 innovative projects (as of January 2003) that are addressing the numerous guidance, competence and coordination problems arising at the so-called “first threshold” between school and the business community.

In the context of these projects, which approach the issue in a variety of ways, innovative concepts that take due account of age, development level and gender-specific differences are to be tested that will facilitate pupils’ access to the business community and the world of work. Innovations are expected above all from projects that
- aim to institute ongoing joint ventures between schools and partners in the world of work,
- involve promising future-oriented economic sectors with high innovative potential,
- enhance the visibility of alternative education and training pathways and opportunities, also in structurally weak regions, and
- can provide special assistance and support to disadvantaged groups of pupils.

The key focus of the projects should be to foster cooperation in a spirit of partnership between schools, school administrations, companies, business associations and trade unions. This cooperation takes very different concrete forms: members of the business community are available for classroom discussion, materials are jointly developed and put to use, the prerequisites are created for independent familiarisation with companies and occupations, etc.

Examples of practical projects at Land level that forge close links between schools and the business community include TheoPrax in Bavaria, the development of regional networks to ease the transition from school to working life and intensify cooperation in various regions in North Rhine-Westphalia, and support for the upgrading of specialised knowledge and teaching skills of teachers in the field of socio-economic education in Hesse. As a rule, the purpose of these projects is also to develop regional networks. Five projects are being implemented by the social partners.

All in all, approximately 360 schools nationwide are participating in this five-year programme, which has been allotted funding in the amount of EUR 6.5 million.

**Learning on the job**

“Learning on the job” in the sense of active integration of learning and working has been emphasised in discussion at European level as a central element of lifelong learning. It is a long-standing and successful tradition in Germany that finds lively expression in the nation’s highly
developed and differentiated so-called “dual system” of vocational training. The indisputable need for reform of this system is attributable to the profound changes that are presently occurring in the workplace and to the necessary adjustments associated with societal transformation processes (demographic developments, globalisation). Within the German vocational training system, companies and the social partners play a prominent role as innovators. Their ongoing innovations in on-the-job initial, further and continuing training are stimulated and supported by a broad range of promotion programmes. These programmes currently focus strongly on the development of learning and training concepts that encourage independence and continuity of education and training within the meaning of the term “lifelong learning”, including development of the necessary – regional – networks. This new focus on “shared responsibility” also invariably raises issues pertaining to the financing or co-financing of education and training.

The following sections of this chapter present – against the background of a wide range of existing arrangements – several outstanding examples of agreements at company or industry level that offer many suggestions as to how to approach the issue of financing lifelong learning. In the broader sense, moreover, all the agreements help to define a structural framework for lifelong learning, for they also illuminate the organisational and (learning) infrastructural prerequisites for its success. Further development of these prerequisites is an inseparable element of the overall lifelong learning financing complex. This chapter therefore also briefly outlines promotion programmes that focus – inter alia – on the modernisation of learning in company work processes (sections 4.10 and 4.11). In addition, it presents a description of a far-reaching approach to the structuring of further career training in the IT sector that provides for substantial investment in order to create the basic prerequisites for gearing lifelong learning to concrete graduated goals and ensuring that it is transparent, recognisable and certifiable (section 4.12). The 5000x5000 model launched by Volkswagen AG and the metalworkers’ trade union IG Metall (Industriegewerkschaft Metall) points in the same direction (section 4.8).

4.1 Debis AG

The collective agreement concluded in 1998 between the “association of service companies”, consisting of members of the Baden-Württemberg metalworking employers’ association, and the metalworkers’ trade union IG Metall can certainly be considered an important forerunner of the collective agreement on training concluded in 2001 (see chapter 4.2). The companies involved are providers of financial, leasing and other services from the metalworking/automobile industry, in other words, they are predominantly independent companies created to take over functions formerly handled by the major metalworking/automobile corporations, which are now concentrating on their core operations. This collective agreement for service providers is designed to supplement and in part modify the branch-level collective agreement currently in force for the metal industry in Baden-Württemberg. It became necessary in order to take due account of the special conditions applicable to these service providers.
Part 2 of the agreement regulates compensation issues, Part 3 working time, Part 4 protection for older employees, and Part 6 legal issues arising out of the relationship between this supplementary collective agreement and the branch-level collective agreement.

Part 5 – the shortest part, consisting of a single section 7 – regulates training issues. Important elements that were elaborated in greater detail in the 2001 collective agreement on training are outlined here in bold strokes. The employer, for instance, must identify the need for further training in order to ensure that the employees are prepared in time to meet current and planned requirements (clause 7.1). A training plan must be drawn up once a year and discussed with the responsible committee of the works council; the concrete details of the planned training measures must be agreed with the works council (clause 7.2).

Section 7 also provides for a discussion of training measures but does not specify its modalities. Clause 7.3 states the following in this regard:

*Possible training measures are to be discussed between the employee and his or her superior at least once a year. Agreements regarding training measures are also possible on the employee’s initiative.*

This agreement also makes a distinction between training measures geared to the *performance of current and planned tasks* and “other training measures”.

If the measures in question are of the first type, i.e. if they “serve primarily to train the employee for new projects or have to do with company-specific working methods, systems and procedures”, the employer must bear the costs of and the time required for participation in the training measure.

“Other training measures”, i.e. those that do not meet the aforementioned criteria, must likewise be agreed between employees and superiors. The cost of these measures, however, is *split* between the employer and the employee: While the financial cost of the training measure is borne by the employer, the *employer and employee each contribute half of the working time involved*. In other words, the employee invests in his or her own training by working without pay. Such a precise allocation of costs was avoided under the 2001 collective agreement on training. In addition, the “collective agreement for service providers” provides for a *minimum annual entitlement* to five days for such training measures, which can be accumulated over a period of five years. Here, too, the 2001 collective agreement on training refrains from specifying any such minimum entitlement in terms of days per year.

### 4.2 Baden-Württemberg collective agreement on training

The collective agreement on training concluded for the *metal industry in Baden-Württemberg* in the year 2001 attracted particular attention. This agreement, which replaced arrangements from the past, is remarkable not only for its content but also for the way in which it came about. Up
until the last collective bargaining movement it seemed rather improbable that employees would be prepared to stage token strikes to enforce their demand for a right to further and continuing training (and limitation of performance requirements).

The new collective agreement includes a number of interesting provisions that open up new prospects. It was agreed that regular consultations should be held at least once a year between employees and their respective superiors, in the course of which training needs should be discussed and jointly defined, and agreement reached on the necessary training measures. This provision, which seems relatively modest at first sight, is actually equivalent to an indirectly realised right to further and continuing training by virtue of its attendant dispute settlement mechanism. This specifies that where no agreement can be reached about training needs or training measures, in companies with more than 300 employees a decision is to be taken by a commission composed of equal numbers of representatives of labour and management. In smaller firms, it is up to the employer and the works council to reach agreement. If they cannot agree, a final and binding decision is to be taken by a representative of the continuing training agency to be set up by the parties to the collective bargaining process (see details later in this section).

The switch to a consultation between superiors and employees to be held once a year reveals a manifold change of perspective in comparison to the previous regulations. Firstly, the need for further and continuing training is defined from the “bottom up” by individual employees and no longer from the “top down” as a consequence of technical and organisational changes in the particular company. The collective bargaining agreement no longer makes reference to specific factors that may give rise to training needs. In principle, the factor giving rise to a training need is left open. The critical thing is that such a need exists.

In the collective agreement on training, a distinction is made between workplace training and personal training. In the case of workplace training, costs are governed by the principle that training time is to be treated like working time and must be remunerated accordingly. No reference is made to any share to be borne by the employee. The situation is different in the case of personal training, which is defined as further or continuing training that is suitable in principle for a job that the employee might take on in the workplace, but for which there may not be any specific need at that time. Employees who wish to engage in personal training of this kind may, after five years of employment with the company, take leave from work for a fixed period of up to three years, with the right to return to a job comparable to their previous job upon completion of their training. In this case, the employee bears the costs of the training measures. The grey area between workplace training and personal training was not regulated since, as the parties to the collective bargaining process know, numerous company agreements now already exist which make provision for an employee contribution here, normally in the form of time.

Target group-specific provisions exist for semi-skilled and unskilled workers in the form of a relatively general clause calling upon the various parties in the workplace to examine the
necessity of special programmes for this group. In addition, employees on production line and other repetitive work should be given priority consideration when staff are needed for equivalent or higher-level tasks.

Another important feature is the extension of the obligations of employees. Although there is no direct obligation to undergo further or continuing training, employees are bound to take part in the assessment of workplace training needs. This provision can also be interpreted as an indirect obligation to undergo further or continuing training. Employees are furthermore obliged to put to use the skills they have acquired.

An approach already tested in other sectors is the establishment of a joint agency for the promotion of further and continuing training. This agency is financed by both parties to the collective bargaining process and managed by bodies consisting of equal numbers of representatives of both sides.

The role of the agency is:

- to increase the awareness of the necessity of further and continuing training,
- to develop further and continuing training measures for semi-skilled, unskilled and older employees and for employees after career interruptions,
- to improve information about and transparency of external training provision,
- to publicise models for in-company further and continuing training and, where these do not exist, to develop them,
- to take decisions to resolve workplace disputes,
- to develop quality standards for in-company further and continuing training, to evaluate further and continuing training providers and measures and, where relevant, to certify them.

The founding of the agency follows from the realisation that qualitative collective agreements can only be effective if the workplace actors, particularly in smaller companies, receive continuous support and advice in implementing them from the parties to the collective bargaining process. In addition, the jointly financed agency appears to be an expression of the awareness that workplace training policy is not a suitable field for sustained conflicts and that progress can be made if the workplace and sectoral actors embark on a strategy which, though it may not be free of conflict, is basically cooperative.

4.3 DaimlerChrysler AG

To implement the collective agreement on training in the Baden-Württemberg metal industry (see chapter 4.2), DaimlerChrysler AG developed a central works agreement that entered into force on 1 July 2002. This agreement applies to all the DaimlerChrysler plants in Baden-Württemberg,
which have a total workforce of 96,000, and covers all employees except for executive staff. It was agreed with the central works council that the agreement should initially be a pilot agreement. Experience will be jointly evaluated and consultations will be held to determine whether the scope of the agreement can be broadened to encompass other locations as from fall 2004. The present agreement initially runs until 31 December 2004.

The preamble and sections 1 and 2 of the central works agreement spell out the aims and basic principles governing continuing training, stating inter alia:

\[
\text{The parties agree that workplace continuing training and lifelong learning are the key to ensuring the company’s competitiveness and to safeguarding the jobs and ensuring the employability of its employees. In addition, they open up vocational prospects for employees.}
\]

Against the background of this general aim, however, section 2 (“Basic Principles”) specifies the priority aim of training: “The aim of workplace continuing training is essentially the continuous upgrading and adaptation of knowledge in the individual’s own area of responsibility.” It also specifies a further aim: “A further aim is to support personal continuing training.” Particular attention is to be given to those employees who have special training needs. Examples cited are older employees and employees with work limitations.

It was further agreed as a matter of principle that training measures should be didactically geared to the employees and, wherever possible, forms of learning should be utilised that were as closely job-related as possible.

Responsibility for training should be largely decentralised by area and should lie with the workplace superior in the given area.

Workplace continuing training

Section 3 of the central works agreement, which is of key importance, defines the “elements of the workplace training process” and – as it were – their chronological order. Once a year, the management at each business location – proceeding on the basis of expected technical and organisational changes and taking into account all works planning and strategy processes – is obliged to identify trends for employee training and discuss these with the works council. The works council may also present suggestions of its own. At the same time, information concerning the past year’s training measures is presented to and discussed with the works council. In this way training needs are defined in more general form (trends).

This is followed by the core element, the training consultation, which is held once a year between the employees and their company superiors. In the incentive wage area, this consultation takes the form of a group meeting; otherwise it consists of a meeting between the individual employee and his or her superior (in the case of project work both the technical and disciplinary supervisors are
involved). At the request of the employee, the works council may attend the training consultation. As a rule, the meeting is announced to the employee one week in advance and is conducted on the basis of a consultation guideline. The superior explains to the employee the impact of expected changes and new technologies on qualifications and training needs.

What is discussed? It is discussed whether the employees, on the basis of their existing qualifications, can keep pace with the continuous development of knowledge or changed requirements in their own areas of responsibility (section 2, second indent of the Baden-Württemberg collective agreement on training). It is also discussed whether and to what extent performance of another concrete equivalent or perhaps higher-level task (section 2, third indent of the Baden-Württemberg collective agreement on training) is conceivable in the light of existing or upgraded qualifications (section 3, subsection 1 of the central works agreement).

Of critical importance at this point is whether a need for training can be jointly identified and the necessary relevant training measures agreed (section 3, subsection 4 of the central works agreement). This agreement reached in the course of the training consultation defines (to a certain extent) what the necessary workplace training measures are. At the same time, it spells out what training measures are to be implemented when. It may be necessary to set priorities, whereby the basic economic conditions must also be taken into consideration. A written record of the results is to be compiled in keeping with a specimen agreement and integrated into the training plan for the given area.

If it is not possible to reach an agreement between employees and superiors on the need for training and/or a training measure, each of the parties may institute mediation proceedings before a committee consisting of an equal number of representatives from both sides (section 3, subsection 7 of the central works agreement).

The employer assumes the costs of training measures agreed during the training consultation or after mediation proceedings (section 4 of the central works agreement). The time involved in workplace continuing training measures is thereby considered working time; if the measures take place outside normal working hours, the time spent is remunerated without the bonus paid for extra work or, at the request of the employee, compensated entirely or in part by time off. Travel time is remunerated as working time without payment of a bonus.

Personal continuing training

In keeping with the distinction made between “workplace continuing training” and “personal continuing training”, section 6 of the central works agreement centrally regulates the framework conditions for personal continuing training. The definition that was agreed, however, makes it clear that the company’s interests may not be completely ignored in the case of such measures. Section 6 states:
Training is considered to be personal continuing training when the training measures utilised for the purpose of personal career development are basically suited to the performance of a different function within the company...

A distinction can be made here between external and internal personal continuing training.

External personal continuing training – up to a period of three and, in exceptional cases, five years – is supported through a reinstatement guarantee (on the basis of a limited leave agreement), whereby part-time arrangements are also possible. The prerequisite for a reinstatement guarantee is that the individual must previously have been employed by the company for five years. The reinstatement guarantee does not apply to the same position but:

After the end of the training measures, the employees are entitled to return to a job that is comparable to, reasonably equivalent to or more qualified than their previous job.

While there is entitlement to return under the foregoing circumstances, this is not true in the case of internal (i.e. in-company) personal continuing training: Here return may be possible. Such cases involve wishes of the employee that are not satisfied by the agreement on workplace continuing training. An agreement may be concluded between the superior and the employee in this regard. As a rule, such agreements presume a contribution by the employee from his or her own resources, such as time accumulated in a working time account.

Responsibilities

In sections 7 and 8 of the central works agreement, an attempt has been made to specify the reciprocal responsibilities of superiors and employees for training measures. Section 7 unmistakably states: “The planning and coordination of training measures is the responsibility of management.” It again describes the tasks to be assumed by the workplace superior in the context of the training process spelled out in section 3 in particular. Furthermore, the superiors are obligated to support personal continuing training aspirations on the part of employees and to take the initiative in approaching suitable individuals:

The superiors shall approach suitable employees, as needed or upon recognition of their potential, who are conceivable candidates for career or personal continuing training.

Active involvement in the training process is made obligatory for the employees. They are also obligated to put the acquired training to use if their work duties so require.

Sanctions are envisioned in two cases. If employees do not commence or prematurely terminate agreed training measures without good cause,

the employees may lose entitlements to compensation under company or collective agreements if they are no longer able to perform their previous job due to lack of training.
If an employee has participated in a particularly expensive training measure (over EUR 5,000) and leaves the company within two years after completing this training, he or she must – if a repayment clause was agreed – reimburse the company for the costs.

**Return after parental or family leave**

In addition, the central works agreement contains provisions applicable to persons returning from parental or family leave that are also of interest from the standpoint of lifelong learning. Pursuant to these provisions, which are like the provisions agreed in an earlier central works agreement on family leave, a consultation shall take place between superiors and “returnees” no later than six months prior to the end of parental or family leave to determine what qualifications are necessary in order to ensure the employee’s smooth reintegration and enable him or her to assume a job that is comparable to his or her previous job. The following provision is particularly interesting:

> *To maintain their qualifications and contact with the company, the employees shall perform at least 100 hours of substitution work during each year of family leave.*

Responsibility for maintaining contact with the employees during parental or family leave lies with the company superior in whose personnel lists the persons concerned are entered. Persons on parental or family leave are also expected to take the initiative to maintain contact and ease their reintegration, however.

**4.4 Social insurance fund of the scaffolding trade**

As early as 1981 the parties to the collective bargaining agreement for the scaffolding trade agreed on a sector-related system of initial and further training that is distinctive especially from the standpoint of the combination of its elements. To begin with, agreement was reached on the structure and content of initial vocational training and subsequent further training as well as the manner in which training was to be conducted – the share of training to be provided in central vocational training facilities, for instance. From this agreement a uniform set of training regulations for the occupation of scaffolder and for subsequent further training emerged in the year 1991. In addition, it was agreed that initial and further training should be financed by a *social insurance fund* jointly administered by the parties to the collective agreement and funded by *contributions levied* on all companies, irrespective of whether employees of a given company were engaged in initial or further training or not.

Employees in the companies of the scaffolding trade have a *legal entitlement* to attend further training courses if they possess the prerequisite qualifications (namely successful completion of the respective preceding “stage” of initial or further training). In concrete terms, this legal entitlement takes the form *inter alia* of guaranteed paid leave from work for the duration of the training measure, which is conducted at one of the accredited training facilities of the trade agreed by the parties to the collective agreement.
This system was created because the parties to the collective agreement agreed at the time that the existing level of on-the-job training for employees was insufficient to keep pace with the swift process of technological and logistic change in the sector. It was evidently possible at that time to reach agreement on the point that a systematic raising of the level of employee qualifications and permanent upgrading of skills were in the common vital interest of all the companies in the sector and thus justified financing in the form of a standard contribution levied on all companies.

Each company pays 26 percent (1995) of gross wages into the social insurance fund, which then covers the cost of supplementary benefits and vocational training. A specific share of this amount is allocated to each of the designated funding purposes, whereby 2.5 percent of gross wages is earmarked for “vocational training risk” (i.e. about ten percent of total contributions). Expressed in 1995 figures, this means that contributions in the amount of DM 17.8 million were earmarked for vocational training, DM 5.1 million thereof for vocational further training.

The companies continue to pay the wages of employees who are attending a further training course or taking an examination (in the amount of eight hours pay for each day of actual attendance). The social insurance fund reimburses the companies for this continued payment of wages plus compensation in the amount of 45 percent of the social insurance contributions payable by the employer for the employee during this time. The social insurance fund covers the cost of travel to and from the training facility and reimburses the facility for the course fees and the costs of teaching materials. All in all, support provided by the social insurance fund in the area of initial and further training encompasses initial vocational training for the occupation of scaffolder, further training as certified chief scaffold assembler, further training as certified scaffolding foreman and the training course leading to suitability as certified apprentice instructor. To give an idea of the scale of this support: In 1995 there were 750 trainees nationwide, eleven further training courses for certified chief scaffold assemblers with a total enrolment of 231, and ten further training courses for certified scaffolding foremen with a total enrolment of 233.

4.5 Training fund for the agricultural and forestry sector

A fund-based financing system for initial, further and continuing training has existed since 1996 in the agricultural and forestry sector as well. Both companies and employees pay into this fund, however. Every employee of the companies belonging to this sector who is permanently employed and subject to compulsory pension insurance must contribute to the fund, irrespective of the company’s legal form. At the time the corresponding collective agreement was concluded in 1996, employers paid DM 7 per month and employees DM 3 per month into the fund. Total contributions for the 89,500 employees in this sector thus amounted to DM 10,741,500 in 1996. Two institutions were founded to implement the collective agreement: the Qualifizierungsfonds Land- und Forstwirtschaft e.V. (training fund), which collects the contributions, and the Förderwerk der Land- und Forstwirtschaft e.V. (development agency), which functions as the
sponsor of training. This division also enables the development agency to obtain co-financing from other sources such as the European Social Fund to supplement national funding resources.

The development agency emerged in the years 1990 and 1991 against the background of the situation of the agricultural and forestry sector in the former German Democratic Republic (GDR): After Germany’s reunification, adaptation to EU conditions led to deep cuts in personnel. This prompted the former horticulture, agriculture and forestry union (GGLF: Gewerkschaft Gartenbau, Landwirtschaft und Forsten) – now the building, agriculture and environment union (IG BAU: Industriegewerkschaft Bauen-Agrar-Umwelt) – to search for solutions above and beyond the conclusion of individual social compensation plans, solutions that would open up new prospects both for workers who were still employed and those who had lost their jobs. In 1991 the employers’ association of agricultural and forestry operations and the former Treuhandanstalt (Trust Agency) thus reached an agreement on the creation of a training fund, which was followed by a number of other agreements in 1992 and 1993 that spelled out the objectives to be pursued.

The primary objective of the training fund – in keeping with the situation that prompted its creation – was to promote employment, training and new business start-ups. The target group consequently consisted not only of persons employed in agriculture and forestry but also persons who had been formerly employed in this sector and wished to work there again.

Pursuant to section 3 of the collective agreement on the training fund, the funding aims are to create and safeguard competitive full-time and part-time jobs in agriculture and forestry through training. To this end, funding is provided for a number of different measures: further and continuing training for workers who are presently employed in agriculture and forestry or for former workers who wish to work in this sector again, support for institutions and associations that implement such measures, complementary work-related information campaigns and support, and expertises.

Both the training fund and the development agency have the legal form of a registered association and are run by the union and the employers’ association as equal partners at both federal and regional level.

During the first few years – in response to the profound changes in Germany’s new eastern Länder – structural assistance endeavours were the focus of activity. They were co-funded from a variety of sources, especially labour market policy and European structural policy instruments. In addition to direct implementation of training measures, employment promotion endeavours were flanked by support for employment and training companies, rural community and regional development, and promotion of business start-ups. Under the collective agreement of 1 January 1996, the focus has meanwhile shifted to the training of workers in agriculture and forestry (approximately 80 percent of all measures now serve this aim). Thus the fund objectives in this sector now more closely resemble those in the scaffolding trade. One important difference
remains, however: the training fund is financed by contributions levied – in different percentages – on both companies and employees.

This model in the agricultural and forestry sector is particularly interesting not only due to its parity principle, its funding method and its structural and employment policy components. Since workers are widely distributed over a large geographical area and are only very rarely concentrated in specific places, the development agency must also find new and more mobile solutions to the question of how training can be made accessible to workers without unreasonably great effort and expense.

4.6 Further training foundation in the chemical industry

The further training foundation in Germany’s chemical industry is remarkable because it was established in 1993 as a joint initiative of the federal employers’ association of the chemical industry (Bundesarbeitgeberverband Chemie) and the chemical workers’ union (IG CPK: Industriegewerkschaft Chemie, Papier, Keramik; now: IG BCE: Industriegewerkschaft Bergbau, Chemie, Energie). The purpose of the foundation is to provide services for job-related further training on the basis of the following common insight:

*Job-related further training cannot be the sole responsibility of employers or unions.*

*Social partnership is a suitable framework for tackling this extensive task effectively.*

The foundation does not provide its own further training programmes. It sees itself as a joint institution and infrastructure for promoting further training. The social partnership approach is an important aspect: “The concepts developed by the foundation are to serve as a model for relations between the social partners also outside collective bargaining.”

The work of the foundation is carried out in projects financed from the return on investment of its endowment, to which both sides of industry have contributed. In addition, public funds are solicited for specific projects.

The foundation is active in a number of different fields; its projects are usually carried out by working groups composed of knowledgeable corporate representatives of both management and labour.

The fields of work include the following:

- development of further training concepts and programmes,
- preparation of various training materials to be made available,
- development of models for further training,
- provision of training personnel and seminar organisers, and
- advisory services for companies and works councils.

Furthermore, the foundation regularly publishes documents, organizes work conferences and participates in international studies on continuing education and training. It thus offers extensive and differentiated services.

The preamble of the Framework Agreement of 1993 summarises what prompted the parties to the collective agreement to establish the foundation.

They were essentially motivated by the insight

- that due to the rapid developments in the fields of technology and the sciences but also in the economic sector and in society, job-related further training has taken on additional importance,
- that the linkage of chemistry and technology characteristic of the chemical industry necessitates interdisciplinary thinking on the part of numerous employees and a command of basic knowledge in various specialties,
- that the commitment of the chemical industry to optimal work safety and to effective environmental protection demands a high level of skill and responsibility from employees,
- that further training can maintain and improve employee productivity,
- that further training opens up better vocational perspectives for employees, and
- that the importance of the further training that has traditionally been actively promoted in the chemical industry will therefore increase in the future. (Managing Director Heinz Schlieper, 1999)

The foundation is run by both sides of the industry. Chairmanship of the Board alternates annually between the president of the mining, chemicals and energy union (IG BCE) and the executive director of the federal employers’ association of the chemical industry. Another member of the Board comes from the education and training department of one of the major chemical corporations. An advisory council supports the work of the further training foundation.

In the opinion of both the organisations involved, the further training foundation is the manifestation of a culture of cooperation that has developed between the parties to the collective agreement and is marked not by emphasis on the interest-driven issues that divide but instead first and foremost by exploration of the areas where interests overlap. This approach is a particularly long-standing tradition between the parties in the area of initial and further training. A central aim of the foundation’s activities, however, is to help further the spread of this culture of cooperation to encompass the companies –especially the small and medium-size companies – of the industry. Since the major corporations of the chemical industry have well-developed and professionally run vocational training departments and institutions, it is above all the small and medium-size companies that are to profit from the work of the further training foundation. Since the clearly
practical orientation of the various projects of the further training foundation is predicated upon
the active involvement of experts from companies of the chemical industry, a *de facto* transfer of
“good practice” in the area of vocational further training frequently results. In the past ten years,
the importance of continuing education and training for an education-intensive sector like the
chemical industry has taken on even greater immediacy than was foreseeable at the time the
foundation was established in 1993. Given the then-projected scope of foundation’s functions and
its initially experimental nature, its capital endowment was quite limited; now – according to the
managing director in 1999 – “an increase in the foundation’s capital endowment appears
necessary”. (Schlieper 1999, page 127) This is especially true if greater attention is to be given to
the needs of the small and medium-size companies, for: “This, however, presupposes extremely
intensive advice, support and persuasion work for and involving representatives of the companies
concerned.” (ibid.)

4.7 Deutsche Shell AG

As early as 1988 a company collective agreement was concluded that provides that employees
may use the free time resulting from the reduction of working hours for participation in
continuing training to enhance their personal and work-related skills without there being an urgent
need for such skills at their current workplace.

In the year 2001, the company’s continuing training activities amounted to a total of
approximately 7 days per staff member, of which 2½ days were used for what is termed
interfunctional training. This mainly refers to so-called “soft skills” that are not directly related to
a specific specialty or workplace, such as communication and leadership skills. 1.45 days of the
time needed for such training were provided under the above-mentioned collective agreement.

The agreement concluded between the company and the relevant union (IG BCE, which did not
include the mining sector at that time) supplemented the collective agreement covering pay that
had been concluded the year before. It forms the basis for a “programme to promote the further
training of staff of the Deutsche Petroleum Aktiengesellschaft”, which was termed a “pilot
project” at the time. The first sentences of the agreement refer in particular to the great importance
of individual commitment to further training.

When in 1988 regular weekly working hours were to be reduced to 38 hours or 37.5 hours,
consideration was given to the possibility of using the additional free time for further training as a
joint “investment” to be made by the company and its staff. On the basis of existing provisions
governing working time accounts and related instruments such as the reduction of working hours,
additional paid non-work shifts and compensatory time, employees invest in training the extra free
time they are granted as compensation for overtime hours. This is done on a voluntary basis. Once
every year, the continuing training programme is discussed by the department for human resources development learning together with the central works council.

These provisions, which pursue a co-investment approach, were unique in Germany for quite some time. They have therefore been of great, though rather more symbolic, importance within the company. The works council and the human resources executives in particular consider this agreement a common asset to be preserved. These provisions also raised problems at the company level, however, as it was, for example, necessary to draw a clear line between workplace-related training and the more general programmes offered in connection with the reduction of working hours.

By linking qualification and reduction of working hours, the company and workers’ representatives sought to make the agreement a model for other areas.

4.8 Training under the VW “5000x5000 Project”

In 2001, after lengthy and controversial negotiations, Auto 5000 GmbH, a wholly-owned subsidiary of Volkswagen AG established for that very purpose, and the engineering workers’ union (IG Metall) signed a spectacular collective agreement for what has come to be known as the “5000x5000 Project”. This project-related agreement embarks on a new road in collective bargaining and has been concluded for an initial experimental phase of 3½ years. Under this agreement it will be possible to create up to 5000 new jobs for the production of a new motor vehicle at the Wolfsburg location and to fill these jobs with unemployed workers. According to IG Metall, these successful efforts to create a large number of new jobs in Wolfsburg send an important message, for they represent a landmark reversal of the trend towards locational shift. This is one reason why the union has agreed that pay shall not be governed by the Volkswagen company agreement but shall instead be similar to the – markedly lower – wages stipulated in the collective agreement for the metal industry in the Lower Saxony region. Furthermore, the project pay agreement (Projekttarifvertrag) and its annexes include approaches to work organization and worker participation that go far beyond existing arrangements. IG Metall has commented on this as follows:

The VW 5000x5000 Project does not follow this trend (of re-Taylorisation). Work organization constitutes a separate innovation area and will be re-designed. The project envisions the large-scale introduction of teamwork and a holistic concept of work.25

Within this overall approach, qualifications and training are of outstanding importance. The preamble of the project pay agreement includes the following statement:

Intensive previous qualification and continuous updating training for all employed persons are necessary for lastingly easing the pressure on the labour market.

What type of qualifications are meant is defined in the basic principles included in the training pay agreement (Qualifizierungstarifvertrag).

In addition to specialized knowledge, the following skills and competencies are to be taught:
- cooperation and communication skills,
- openness to new forms of division of labour,
- the ability to solve conflicts in a cooperative manner, and
- the ability to work independently within the team and meet quality requirements.

This training pay agreement concluded between Auto 5000 GmbH and IG Metall is part of the set of collective agreements governing the 5000x5000 Project.

The collective agreement sets out the basic principles, stages in training and financing arrangements.

It must always be borne in mind that the people who are to take up employment with Auto 5000 GmbH have previously been unemployed. This explains the sequence of training stages defined in the agreement. The first stage – which precedes the commencement of ongoing training – is a preparation phase to ensure that the prospective employees obtain the general level of suitability for industrial work. This preparation phase takes place after the personnel selection process but before acceptance into employment and is handled by the labour administration. A six-month start-up period follows, which is to enable the employees to attain the general level of suitability for work in the automobile industry. The employment relationship is initially limited to these six months and de facto constitutes a work process-related training and probationary employment relationship during which a fixed gross remuneration of EUR 2,045 is paid for an average of 35 working hours per week. If employment is to continue after this period, a contract of indefinite duration is concluded on the basis of the conditions agreed between Auto 5000 GmbH and IG Metall.

During this permanent contractual relationship, workers are to participate in ongoing training, the methods and basic content of which will be agreed between the corporate management and the works council. The basic rights and obligations of employees regarding training are stipulated in the collective agreement: “Employees are entitled to an individual development and training plan but are required to undergo the agreed training that is on offer.”
Upon successful conclusion of such training, participants are to be awarded a certificate designating them “automotive engineering specialists” (see details later in this section).

As a rule, the time spent on individual training is to average three hours per week. Half of this time is remunerated by the employer in addition to regular working hours, but only half, for: “Employees have to make up half the individual training time.”

“Training time” means both process-related periods (training on the job) and periods that take place outside the work process in training establishments/factories or outside the company (training off the job) as well as all structured communication and learning processes in teams. This explicitly refers to the provisions governing work organization in the overall wage agreement, the project pay agreement.

The arrangements governing the financing of training can be summarised as follows: Training in the preparation phase preceding employment is financed from the budget of the labour administration, as the participants in such training are unemployed persons. Training during the start-up period is fully financed by the company. The infrastructure costs of ongoing training during the permanent contractual relationship are fully covered by the company, which also pays half of the extra three hours per week needed on average for such training; the other half of this training time must be borne by the employees, who contribute free time for this purpose. The collective agreement thus provides for a co-investment in training.

In the future, employees of Auto 5000 GmbH will be able to earn certification as an “automotive engineering specialist” (Automobilbauer [IHK]) from the Chamber of Industry and Commerce after two years. To this end a cooperation agreement between the Lüneburg-Wolfsburg Chamber of Industry and Commerce and Auto 5000 GmbH was concluded in October 2002.

Participation in the Chamber’s “automotive engineering specialist” training programme is voluntary for employees of Auto 5000 GmbH and entails no additional expenditure of time or money, for the training measures envisaged at Auto 5000 GmbH (including the time contributed by the employees themselves) are recognised. The prerequisites specified for admission to the certification programme are: successful completion of a vocational training programme or comparable qualification, knowledge of methodology and quality management, social skills, basic technical skills and a minimum of two years employment in learning and work processes at an automobile manufacturer.

The acquired skills are tested in a workshop in which a typical workplace problem must be analysed, addressed and a promising course of action proposed for its resolution. Thus the qualifications acquired are tested and certified in a way that is in keeping with their acquisition in on-the-job learning and work processes.
4.9 FRAPORT AG

FRAPORT AG operates the Frankfurt am Main Airport, Germany’s largest commercial airport. The corporation currently has about 13,000 employees.

Personnel development is of strategic importance to this corporation. The air transport sector is in a continual state of development; new occupational demands must be met by ongoing further education and training.

“Mobility in the minds of employees as well” is the motto of a new educational opportunity introduced in the year 2000: the “FRAPORT Q-Card” (Q-Card stands for Qualification Card).

The Q-Card is a bonus card that the corporation loads with a virtual credit of EUR 600 each year. With this card, employees can enrol in courses offered through the corporation’s education services (Fraport College, Fraport Academy) that are not directly required for the performance of their present jobs. In return, they must invest their free time or flexitime credits from their working time accounts.

The programme currently encompasses the following thematic areas:
- information technology,
- media skills,
- behaviour training and work techniques, and
- business administration.

Approximately 85 different training courses were offered in the first half of 2002.

The fees for the courses range between EUR 200 (for a one-day course such as “Developing New Self-Energy”) and EUR 600 (for a six-day course such as “Basic Knowledge of Business Administration”).

A certificate of attendance is issued for the courses.

In addition to the opportunities afforded by the Q-Card, training courses continue to be offered that are required for the performance of employees’ tasks; these courses are held during working hours.
The Q-Card is a *cost- and time-sharing* instrument for lifelong learning. It is not a “savings account”.

In the year 2002, FRAPORT won one of the “initiative awards for training and further education” for its Q-Card. These awards, which are under the patronage of Federal President Johannes Rau, are jointly presented by the Otto Wolff Foundation, the Association of German Chambers of Industry and Commerce (DIHT) and the business weekly magazine “Wirtschaftswoche”.

In the field of individual personnel development, moreover, FRAPORT offers employees an *Intranet Service* developed and maintained by a “Job Alliance” involving FRAPORT, Degussa AG, Deutsche Bank AG and Deutsche Lufthansa AG. The Job Alliance partners jointly offer an Intranet-based platform encompassing what is termed a “skill and aptitude test”, practical forms of guidance for inter-company training and development opportunities, temporary employee exchange programmes, a joint job market and up-to-date information on labour market trends.

### 4.10 Pilot projects/learning cultures

For many years the *Federal Institute for Vocational Training* has already been funding pilot projects in companies that focus on modernisation of initial and further training. These projects fulfil an important educational policy function: They test innovations in the content, methods and structure of on-the-job learning and thus concurrently lay the foundations for broader skills geared to greater career independence. Hence the funding and systematic support provided for these pilot projects must likewise be considered an – ongoing – investment in the creation of the prerequisites for lifelong learning – in this case on the “supply side” of education and involving close interlinkage of learning and working. The substantial funding provided for the pilot projects is commensurate with the obligation of the implementing firms and their partners to create *transferable products*. These can take the form of practical concepts for action, guides, materials and media. The by no means insubstantial financial contribution from the firms’ own resources is designed to ensure their vested interest in and corresponding implementation of the projects.

Funding is presently being provided for 17 such *business-sector pilot projects* that concentrate on the development of skills for work in companies as *learning organisations*. The testing of self-directed learning processes – through a cross-hierarchical approach in the automobile industry, for instance, or with the aid of qualified self-assessments or in the context of small and medium-size enterprises – is one of the main themes of this generation of pilot projects and demonstrates the close connection to the financing of lifelong learning.

Promotion of innovation at workplace level is also the aim of a number of projects from the programme “*Learning Culture for Skill Development*” (see chapter 3.3), whereby there is definitely a correspondence between their focus and that of the aforementioned business-sector pilot projects. This is especially true of the area “*learning in the process of work*” which centres
on the development of learning, working and business cultures in which greater scope is conceded
for self-directed learning. Here the object is, on the one hand, the development of these skills and,
on the other hand, an organisation of work processes that is open to the transfer of these skills. It
is thereby assumed that a modern and open learning culture is one of the core resources of future
strategic corporate development. Conceptually and empirically oriented research projects are
combined in this area with so-called practical projects structured according to the selected types
of companies in which such approaches are to be tested.

Within the programme Learning Culture for Skill Development – in keeping with the aim of
creating prerequisites for the biographical “construction” of lifelong learning – the studies on
“learning in the process of work” address the substance of the problem complex associated with
informal on-the-job learning and its certification. Projects to incorporate and evaluate informally
acquired skills are being implemented in this context by the Federal Institute for Vocational
Training on behalf of the Federal Ministry of Education and Research.


The framework concept “Innovative Development of Work – The Future of Work” was published
by the Federal Ministry of Education and Research in the year 2001. While this programme is a
follow-up to previous important research and development programmes such as “Humanisation of
Working Life” and “Work and Technology”, it also incorporates additional important aspects of
the general process of structural change into its objectives. This includes the continuing spread of
e-business and its impact on employees but also the impact of the profound demographic changes
that were the focus of the work of a Committee of Inquiry of the German Bundestag.
The Committee’s conclusions and proposals – to the extent that they concern the development and
future of work – likewise form a key point of departure for the new promotion concept. All in all,
the programme aims to activate flexible and productive potentials in companies, the development
of which is becoming increasingly dependent on the existence of a corporate culture that
systematically promotes innovativeness, creativity and motivation for lifelong learning.

The programme has been endowed with approximately EUR 83 million for the period 2001 to
2005.

Its connection with the promotion of lifelong learning becomes immediately clear from a look at
the basic orientation of the framework concept. It proceeds from a holistic concept of innovation
that places human resources at the centre of companies’ future development. The corresponding
model for projects to be funded is accordingly described as follows in the framework concept:

26 The brochure appeared in English in the year 2002.
Competence for the future. To promote and expand the development opportunities of individuals and companies, so that they can shape the processes of change occurring in the working world in an active and human-oriented manner and thus contribute to economic success and employment.

Here competence is understood to be proactive and development-oriented – and thus gives an important accentuation to the concept of lifelong learning.

Against this background, the concept defines four major fields of research for which funding applications can be submitted – preferably by project alliances with strong company involvement. Especially the first field “development and maintenance of competence and employability” is intrinsically related to lifelong learning and thereby concentrates especially on the shaping of the framework conditions conducive hereto at the workplace; in other words, it focuses especially on the design of work organisation. The other fields of research are related to this in terms of content (second field: sustainable company development; third field: promotion of equal opportunities and the exploitation of untapped potentials; fourth field: new ways of implementation and transfer).

The grant conditions are designed to foster incentive and sustainability: Companies in the commercial sector are eligible for funds covering up to 50 percent of the actual cost; Small and medium-size enterprises are eligible for an additional ten percent, as are companies from Germany’s new eastern Länder.

4.12 Non-formal learning as a structural element of lifelong learning: the example of further IT training

One of the core elements of the “lifelong learning system” depicted by the LLL Triangle is a networked complex of educational offerings that afford individuals opportunities to select and combine various options to suit their personal needs. Of particular interest in this context are approaches that seek to interlink these educational offerings along the line of the individual’s occupational biography – initial training with further training, for example, or further training with continuing education and training. This section therefore outlines an especially innovative concept that was essentially developed by the social partners of the IT sector. The financial support provided by the Federal Ministry of Education and Research falls under the category of investment in the contextual structures of lifelong learning.

As early as the mid-1990s, the social partners of the IT sector and the Federal Government agreed that a vocational training initiative should be launched in the IT sector; as a result, four new initial training regulations were prepared and adopted in 1997. In spring 1999 the social partners in the IT sector agreed on terms of reference for reorganizing further IT training. These terms of reference provided the basis for a large-scale campaign to remedy the shortage of IT specialists,
which was agreed in July 1999 within the framework of the Alliance for Jobs, Training and Competitiveness.

Experts from both sides – employers and employees – were involved in both stages of development of these regulations. A set of tried and tested instruments is available for this process on the basis of the German Vocational Training Act.

The outcome of these endeavours is a new continuing education and training system in the IT sector that is innovative in many respects; its profiles, levels, flexibility and learning concepts clearly differ from previous further training provision.

The new system is based on the four IT training occupations created in 1997, namely IT system electronics technician, information technology specialist, IT system support specialist and information technology officer, but it also expressly includes the possibility of lateral entry and re-entry.

At the first level, the “specialist” level, further IT training is offered for 29 specialisations in six functional groups. Training at the next level, the “operative professionals” level, leads to the following qualifications considered equivalent to a bachelor’s degree: IT engineer, IT manager, IT consultant and IT commercial manager. The qualifications earned at the top level, the “strategic professionals” level, are equivalent to a master’s degree: IT system engineer and IT business engineer.

The various further training profiles at the three levels have been interlinked in a way that enables employees who wish to enhance their qualifications to choose among different pathways without having to “start from scratch”. This facilitates both horizontal skill development and upward career development, including diagonal routes.

The central learning approach throughout this system is competence development in the process of work, a didactic principle that combines productive activity with personnel development. Learning is based on a process-oriented curriculum. The structure of the content of learning is therefore not meant to meet the requirements of a specific subject but instead follows the logic of the work process – which can be understood on the basis of the work experience acquired.

Owing not least to this practical work-oriented learning concept, it is possible to open further IT training to lateral entrants and re-entrants. It is expressly stated that entry into the system is also possible on the basis of relevant work experience acquired either within the IT sector or externally on the labour market, from where “bridging” measures financed by the employment offices may lead to further IT training.

In a paper outlining the reasons for and the development and implementation of the new further training system, the following is stated concerning the new culture of learning:
If both sides invest in learning, i.e. if enterprises provide for quality and infrastructure and if skilled employees are willing and motivated to participate, the new continuing education and training system in the IT sector can contribute to encouraging lifelong skill development and thus to improving employability. Instead of relying on formalized learning processes involving “dry” theoretical classes not related to real IT activities, this new form of training fosters high-quality learning by tackling the problems and tasks that actually arise in modern IT workplaces, backed up by support from practitioners in the field.  

ELEMENTS OF A FINANCING CONCEPT FOR A LIFELONG LEARNING SYSTEM

Both the central programme documents outlined in chapter 2 and the examples of good practice given in chapters 3 and 4 are intended to underscore the fact that in the light of Germany’s education landscape and educational policy, the financing of lifelong learning cannot be limited to the provision of financial resources to individuals alone. The financing of lifelong learning – and thus of its “good practice” – also encompasses investment in the development of skills, education networks and support structures (as depicted in the LLL Triangle). Before the work of the Expert Commission on Financing Lifelong Learning is briefly outlined in section 5.3, several of the trends in the development of a lifelong learning system that became evident in chapters 2 and 3 will be summarised in section 5.1. Section 5.2 will then address the question as to how transparency – a prerequisite for refocusing and restructuring – should be created.

5.1 Diversity and network development

If lifelong learning understood to encompass not only “all formal, non-formal and informal learning throughout an individual’s life” (interim report of the Expert Commission on Financing Lifelong Learning) but also the aspect of linkage of these forms of learning by the individual (self-management of one’s own learning biography) and as regards provision (educational integration), educational policy in Germany faces formidable challenges. But things are moving in the education system – particularly in the areas of post-school education that have been traditionally been termed continuing/further training and adult education.

In the foregoing sections, a number of outstanding examples of such best practice were presented. These were selected not so much for their approach to financing lifelong learning as for the interesting and innovative approaches they are pursuing in their attempts to make lifelong learning an established part of life. In many cases, however, the issue of financing is at least implied or will be emphasised in the course of further development of the approach.

At first glance, the reorganization of the system of further training in the IT sector seems to be a rather conventional approach to lifelong learning, for it is state-recognized further training organized on the basis of the Vocational Training Act. However, it includes far-reaching and innovative approaches that may serve as a conceptual basis for the future design of the vocational fields of lifelong learning. Further training in Germany has always meant systematic skill development on the basis of previous qualified work which leads to the award of higher-level certificates. The new further training system in the IT sector is innovative because it builds on the specializations that have emerged in the “real world” of the IT sector: In the first stage of further training, it strengthens and certifies these specialist skills and then, in another two stages, develops them at the “operative professionals” level and the “strategic professionals” level. The certificates awarded at these latter two levels are equivalent to academic degrees. All in all, the system comprises 35 profiles or certificates at the three levels, and has been designed to enable not only horizontal skill development but also upward career development – to the second and third level – by various, i.e. also diagonal, routes. The system thus flexibly offers a large number of further training options. Another major innovation is the fact that access to further training is no longer contingent on completion of initial IT training and the award of the relevant certificate but is also possible on the basis of relevant work experience. This opens the system up to lateral entrants from the labour market. The great importance attached to practical experience – and thus to non-formal and informal learning – goes hand in hand with a clear and far-reaching reorientation of the concept of learning to centre on the work process as the most important learning environment. No special consideration has thus far been given to the issue of financing under the new further training system in the IT sector; the financing of training under this system is governed by the regular further training provisions and processes and – with regard to lateral entrants from the labour market – includes assistance pursuant to Book Three of the Social Code.

The collective agreement on training concluded in the Baden-Württemberg metal industry in the year 2001 will probably prove to be of similar structural importance, though in the area of in-company training, an area little regulated in Germany to date. The key provision of this agreement is the employee’s right to meet at least once a year with his or her superior to jointly identify training needs and agree the necessary training measures on that basis. Individual needs have thus been given priority over standardization of annual training times. This, however, raises the question of whether individual employees are able and willing to express their own training interests in a clear and self-confident manner. In the event that the company and the employee are unable to reach agreement on training – which it is assumed will not frequently be the case – the joint agency established by the social partners resolves the matter.

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28 More than ten years after the first proposal for making work-process knowledge (Arbeitsprozess-Wissen, Kruse 1986) the focus of vocational learning, this aspect has now been introduced into reorganization efforts.
As regards financing, a distinction is made between workplace continuing training, which is fully financed by the company, and personal continuing training, which is financed by the employee concerned. On completion of such personal continuing training, however, employees have a right to return to jobs comparable to their previous work. This arrangement essentially serves to safeguard the right to personal continuing training. It is assumed that there is a considerable grey area between workplace continuing training and personal continuing training that will ultimately be governed by corporate arrangements, just as it is assumed that procedural arrangements for individual companies will be stipulated in works agreements concluded to implement the collective agreement.

In fact, numerous works agreements have already been concluded in Germany that cover different elements of workplace continuing training (see remarks later in this section). A closer look at them indicates that the grey area between corporate and personal interests in continuing training will become a central field for further action – and perhaps also a field of conflict. For all recent approaches to vocational training geared to both skill development and employability transcend the narrow frame of corporate use alone.

The establishment of a joint agency under the collective agreement in the Baden-Württemberg metal industry, which is financed by the two parties to the agreement, is another major structural approach. For the tasks of this joint agency include not only mediating corporate conflicts relating to training needs and measures for meeting them – it is assumed this will more likely be an exception to the rule – but also acting as an infrastructural facility that gives fresh impetus to the development of workplace training. In this function it is similar to an older institution in another sector of the economy, namely the further training foundation in the chemical industry, which was established in 1993 as a joint initiative by the federal employers’ association of the chemical industry and the chemical workers’ union (now IG BCE). The foundation’s activities are mainly financed from the return on investment of its endowment, to which both sides of industry have contributed, and centre exclusively on the provision of advice and fresh impetus.

The two foundations presented in this report are examples of the efforts made through agreements of the social partners to provide a suitable support structure for – in this case vocationally-oriented – learning in adulthood, thus ensuring cooperation, transparency and innovation. Such structures could conceivably become network nodes in a future large-scale support system for lifelong learning. From the aspect of financing, it is interesting to note that in the two aforementioned cases the social partners consider it their responsibility to jointly maintain such support structures.

Potential network nodes are also emerging at the regional level. A case in point is the project Osnabrück Learning Region, a development project implemented under the “Learning Regions” programme launched by the Federal Ministry of Education and Research. Like all the other participating regions – each of which is pursuing its own specific approach – the Osnabrück
region is endeavouring to ensure intelligent networking of the regional education sector, incorporate new elements and lastingly improve access to education for hard-to-reach populations in particular. Transparency and demand orientation of educational provision are proving as important in this connection as an accessible and useful system of educational guidance and counselling. The approach chosen in Osnabrück is based on the tradition of adult education but at the same time seeks to establish close links with the world of work, particularly regarding the improvement of access to the labour market. By tradition and on the understanding that the organization of the regional education sector is a public responsibility, the central management of this project lies mainly with the city and district of Osnabrück. The funding for the development of this innovative regional education infrastructure – as a network of nodes for lifelong learning – has initially been secured largely via the “Learning Regions” programme. Due to the rapid degression in project funding that has been decided by the Bund-Länder Commission for Educational Planning and Research Promotion, the players are forced to consider the problem of long-term financing of both the infrastructure and the services. The 81 different projects implemented under the “Learning Regions” programme are expected to provide interesting contributions to the discussion of the financing (of sub-areas and infrastructure nodes) of lifelong learning.

Precisely from the standpoint of financing, attention should once again be drawn to two examples of in-company continuing training. In both cases, training in a specific company is governed by a collective agreement. Both involve concepts of co-investment in training by the company and its staff. The first example is the collective agreement concluded in 1988 between Deutsche Shell AG and the petroleum workers’ union (today: IG BCE). The other – more recent – example is the training pay agreement concluded in the year 2001 between Auto 5000 GmbH, a wholly-owned subsidiary of Volkswagen AG, and the union IG Metall as part of a whole set of project-related agreements for the VW 5000x5000 Project.

In what at the time (1988) was a very far-sighted landmark decision, Deutsche Shell AG and the petroleum workers’ union agreed that the employees’ individual commitment to continuing education and training was to be encouraged and strengthened and that promotion of training was a joint task – even in cases where employees were more interested in acquiring skills that were not of direct relevance to their present jobs. During implementation of a collective agreement for the reduction of working hours, a co-investment approach was developed to this end that was to remain unique in Germany for quite some time. In order to participate in continuing training, which is detailed in an annual continuing training programme that includes a broad range of topics and subjects strongly reflecting individual continuing training interests, the employees invest time that they have saved in working time accounts. The company’s investment consists of bearing all the costs of the training measures and awarding – sometimes substantial – grants towards privately purchased learning materials.
The training pay agreement concluded in 2001 between Auto 5000 GmbH and the union IG Metall is based on a similar co-investment model: Half of the training time is invested by the employees, and the other half is remunerated by the company (which also covers the training costs). However, more rigorous standards are applied in this case. Firstly, what employees invest is not free time saved in working time accounts but leisure time. And secondly, co-investment in training is made not within a broad catalogue of open and individualized continuing training opportunities but within the framework of the agreed work-related training in which all employees are to participate. The parties to the agreement, however, contend that the underlying training concept enables employees to acquire skills that can be directly used at the workplace and at the same time secures their employability. In their view, it is precisely this overlapping of interests that justifies co-investment.

This example underscores the – provisional – conclusion that consideration must be given not only to models for (partial) financing of lifelong learning but also to relevant content, methods and institutional arrangements.

5.2 Transparency and quality

If financing concepts are to be tailored in such a way that they support individuals in the shaping of their continuous learning biographies and thereby not only focus on individualised resources but also permanently further the development of an adequate infrastructure of networked, user-oriented educational opportunities as well as advice and support, then the very first step must be to establish transparency as to which sources and flows of funding in the existing education landscape are already – how – effective. For innovative financing models that are specifically geared towards making lifelong learning possible logically build on existing financing systems, give them new accents and reform them. Where infrastructural framework conditions are included in the overall system of lifelong learning to be financed, this invariably leads to systems of mixed financing. In the complex and highly decentralised education sector that has emerged in Germany over the course of its history, it is not easy to establish transparency regarding educational financing. This is especially true in the case of continuing education and training, for this area has thus far been less regulated in Germany than in other European countries. The prominent role of companies in the German system of vocational initial, further and continuing training, where working and learning are closely intertwined, likewise complicates an estimate of the scale of financing.

The establishment of transparency in financing is thus one of the indispensable prerequisites for the development of a workable coherent model for financing lifelong learning. The Expert
Commission on Financing Lifelong Learning (see chapter 5.3) consequently commissioned expertises on this subject at the very beginning of its work.²⁹

Endeavours to promote transparency are by no means new, however. For quite some time the Federal Institute for Vocational Training (BiBB)³⁰ has been examining the issue of “benefits and net cost of vocational training for companies”. One of the aims of the project currently in progress is to quantify the medium- and long-term benefits for companies of employing skilled workers they have trained themselves. On the other hand, due account must be taken of the fact that in-company vocational training in Germany is publicly subsidized to a considerable extent in order to make a sufficient number and range of training places available to young people. This is the object of another BiBB research project that is examining the issue of “public-sector funding for in-company vocational training within the dual system”.

And, finally, within the framework of a Leonardo da Vinci II programme, the Federal Institute for Vocational Training is participating in a comparative analysis of continuing vocational education and training data from 25 countries collected in the year 2000 in the context of the so-called CTVS II Survey. This study will also ultimately serve to enhance transparency in a field of importance for the realisation of lifelong learning, namely the field of continuing vocational education and training.

Another research project pursued by the Federal Institute for Vocational Training that is very closely related to the subject of financing lifelong learning is entitled “Cost and Benefits of Continuing Vocational Education and Training for Individuals”. The object of this project is to determine the extent to which individuals finance their own further training and their later “return” on this investment.

To implement the resolutions of the Alliance for Work, Training and Competitiveness the Federal Ministry of Education and Research has also launched a comprehensive quality assurance initiative in the field of continuing education and training. The object is to strengthen the position of persons seeking services on the continuing education and training market and to support initiatives to improve the quality of continuing education and training provision.

The position of persons seeking services on the continuing education and training market is strengthened above all by projects and measures to improve information options and enhance quality awareness, such as databases and checklists. The quality of continuing education and training provision is furthered by initiatives and projects to develop and enlarge quality circles,

³⁰ With a budget of no less than EUR 43.5 million for the year 2002, the Federal Institute for Vocational Training itself represents one of the main investments of the Federation in the development of vocational training.
i.e. working groups of providers at regional and sectoral level, but also by support for Total Quality Management concepts and counselling and guidance approaches.

Experimentation with independent continuing education and training tests is of particular importance. The consumer products testing foundation “Stiftung Warentest” has conducted independent random tests on behalf of the Federal Ministry of Education and Research.

Germany’s Länder have also taken action in the area of quality assurance within the scope of their direct competence for education, *inter alia* by enacting pertinent Land legislation\(^{31}\).

### 5.3 Expert Commission on Financing Lifelong Learning

The Expert Commission on Financing Lifelong Learning was instituted by the Federal Government and took up its work in October 2001. Its task is to develop feasible proposals for new strategies leading to a sound overall financing concept that better accommodates the wide variety of individual life plans and the requirements of structural change. The Commission is to focus on phases of lifelong learning after initial vocational training, including self-directed learning, and not confine itself to continuing vocational training. At the same time, attention is to be given to strengthening the right to participation in education.

The priority aims to be achieved through the overall concept are:

- an increase in participation in education,
- the creation of incentives for lifelong learning, and
- the promotion of all talents.

Increasing the willingness to pursue education in the comprehensive sense serves not only the aim of maintaining and enhancing the employability of individuals but also the furtherance of their personal development. It is the basis for shaping civil society and mastering the process of societal and economic structural change. Lifelong learning is increasingly becoming the crucial factor in sustainable economic and societal development.

Attention should above all focus on the following aspects:

- development and demands of the labour market,
- lifelong learning and employment status,
- lifelong learning and learning/working time structures,
- acquisition of entitlements, and

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\(^{31}\) See in this context Bundesministerium für Bildung und Forschung: *Berufsbildungsbericht 2002*, Teil 2, Kapitel 5.2.6.
financing alternatives.

Relevant developments in selected states, especially EU Member States, should be compared and utilised as reference material for possible action (analysis of “best practice and good practice” models).

The work of the independent Expert Commission on Financing Lifelong Learning is also embedded in the overall context of the results of the deliberations within the Alliance for Jobs, Training and Competitiveness and with the Education Forum, the debate concerning the EU Memorandum on Lifelong Learning, the deliberations within the Bund-Länder Commission for Educational Planning and Research Promotion concerning the realisation of lifelong learning, and the work of the OECD, which resumed its activities on the financing of lifelong learning after the meeting of education ministers in May 2001.

On the basis of the coalition agreement of 15 October 2002, the Federal Government intends to use the Commission’s proposals to systematically develop continuing education and training programmes and increase enrolment in such programmes.

The Commission’s deliberations to date are summarized briefly in the following.

In its interim report, the Commission describes relevant developments in society as a basis for discussion (chapter 3). It thereby emphasizes economic and work-related factors. Although changes in private life are outlined only briefly – due in no small part to hardly quantifiable trends – they are equally important. This is true, for example, of the aspect of gender mainstreaming, which the Commission has addressed. Another case in point is the outstanding importance of lifelong learning for social cohesion in civil society.

Conclusions of the Expert Commission on Financing Lifelong Learning:

- Germany is on its way to becoming a knowledge-based society.
- As an export-oriented high-wage country, Germany can meet international competition only with quality products.
- Good initial training and continuous learning are the major prerequisites for autonomy and responsibility as principles guiding change in the organisation of work.
- Training for older workers is becoming increasingly important in view of demographic trends.
- Provision of training for migrants can reduce the shortage of skilled workers, though it cannot eliminate it.
- The changed requirements of civil society and the technization of everyday life also make lifelong learning a must.

- Structural change can develop in different directions; we will be able to manage change only if we engage in lifelong learning.

- New forms of learning may increase people’s interest and pleasure in learning.

In its interim report, the Commission has made it clear that initial and continuing education and training are becoming even more important for managing change. The traditional principles of equivalence and transfer opportunities are taking on increasing strategic importance, particularly with a view to opening up greater opportunities for disadvantaged groups and avoiding their isolation. This means that provision structures must be guaranteed, also by public authorities. People will see change as something positive only if they engage in lifelong learning and if the state cooperates in shaping relevant programmes. Both elements – greater individual responsibility and cooperation by public authorities – must be combined in a convincing financing concept.

### 5.3.1 Basic underlying conception of lifelong learning

In accordance with its mandate, the Expert Commission on Financing Lifelong Learning has defined lifelong learning rather broadly in its interim report (chapter 2). Pursuant to this definition, lifelong learning encompasses “all formal, non-formal and informal learning over the entire life cycle of a human being”.

A feasible financing concept should integrate all education sectors into a coherent overall system that includes transfer opportunities. The Commission understands lifelong learning to be:

- learning on interlinked educational pathways allowing transfer,
- learning on one’s own responsibility,
- learning in a variety of programmes offered in a transparent manner,
- learning made possible by the provision of sufficient resources, and
- learning in a transparent and high-quality environment.

With its comments on the scope of lifelong learning, the Commission has succeeded in establishing a link between financing options and structural/qualitative elements both on the demand side and on the supply side. Given the broad definition of lifelong learning and the reciprocal influence of factors and content, this is a sensible and practical approach.

The Commission’s remarks on participation in continuing education and training and the institutional descriptions in chapter 4 mainly refer to the results of the survey conducted in 2000 within the framework of the BMBF’s reporting system on continuing education (Berichtssystem Weiterbildung VIII). As in the 1980s, the survey in 2000 revealed that the overall participation...
rate was on the decline. The causes need to be explored in detail. The main conclusions of the Commission are as follows:

- Participation in general and vocational continuing education and training increases in accordance with people’s level of school education and initial vocational training, their professional status and career level, and their level of income.
- There are increasingly fewer differences between male and female participation rates. However, women with caregiver duties are clearly underrepresented.
- The opportunities for participation in continuing education and training are distributed unevenly among regions. If a distinction is made between general and vocational continuing education and training, participation in eastern Germany is above average for continuing vocational training and below average for continuing general education.
- Older people have a clearly lower rate of participation in continuing vocational training than younger people.
- Participation by non-EU foreigners is stagnating. Turkish nationals, particularly Turkish women, have the lowest rates of participation among all non-EU nationals.

The most recent results of the reporting system on continuing education and the results of the Commission’s work on participation in education underscore the necessity of efforts to encourage greater participation by hard-to-reach and disadvantaged groups.

In the opinion of the Commission, it is desirable that continuing education statistics be improved and empirical research be increased.

The development and improvement of national continuing education statistics was the subject of the reply to a minor interpellation (Bundestagsdrucksache 14/2511). Pragmatic improvements are necessary and possible. Germany has begun implementing the joint results of the OECD and the EU concerning statistics improvement. It will not be possible to conduct a comprehensive survey of requirements, supply and demand. Teaching and learning research activities should be increased. This interim result supports the recommendations issued by the Education Forum in the context of the PISA study (Programme for International Student Assessment).

In its presentation of the essential features of a financing system for continuing education (chapter 5), the Commission emphasizes the following in particular:

- Continuing education and training activities always require resources, notably time and money.
- Refinancing processes lack transparency. No empirical studies have yet been conducted to show who eventually bears the financial burden after all the shifting.
- Company expenditure on continuing vocational training appears to have been stagnating at a high level since the mid-1990s.
- Financing proportions would shift considerably in favour of individuals and the government if the value of the working and leisure time people spend on learning and the tax losses at federal and Land level related to continuing education and training were included in the calculations.

- A significant share of company and individual expenditure on continuing education and training is refunded by the government.

The Commission emphasizes that those who pay for continuing education and training measures are not necessarily those who actually ultimately cover the cost. At the same time, the Commission rightly regrets that the educational policy debate on the cost and financing of continuing education and training in Germany focuses solely on liquidity. The real issues of efficiency and equitableness arise during and at the end of the refunding process, not at the time of initial payment.

5.3.2 Financing and financing alternatives

When considering financing alternatives and possible incentives (chapter 6 of the interim report), the Expert Commission on Financing Lifelong Learning uses a broad definition of resources and financing. It presents a number of basic models (self-financing by individuals, financing by individual companies, educational funds/levies, government financing), including mixed types, but it does not yet give any recommendations. The types of mixed financing presented by the Commission include an “education account” plus vouchers as well as voucher/fund combinations.

The Commission comes to the following conclusions:

- The purpose of incentives and funding is to encourage the economically efficient use of scarce resources by those who offer and those who demand opportunities for lifelong learning. In this connection, care must be taken to ensure a fairer distribution of participation opportunities.

- Effective incentives and adequate financing instruments for greater participation in education must focus especially on those groups within the population who underinvest in education.

- Other countries have developed new instruments for promoting lifelong learning that include incentives for greater collective responsibility or aim at increasing demand and user orientation (empowerment). These should be examined more closely in the light of their potential to suggest new courses of action.

The government is already strongly involved in the provision of lifelong learning by the most diverse private, semi-public and public organizations. What the public/private ratio in provision should be, however, is still a matter of dispute.

With the recommendations it will be preparing, the Commission will be able to contribute to a better balancing of interests.
The Expert Commission on Financing Lifelong Learning intends to discuss suitable financing models in greater detail. This will be the focus of its work in the second part of its deliberations. It will thereby concentrate on scenarios and their evaluation in accordance with education policy goals and criteria. The methods to be applied are still under discussion. The Commission has charged the Fraunhofer Institute for Applied Information Technology (FIT) with developing a simulation model to identify the transfers related to continuing education and training for typical model households and to examine the impact of different forms of financing.

It is planned that relevant groups in society, including the social partners, participate in the further work of the Commission. The Commission’s final report, including recommendations for the Federal Government, is expected to be available in late 2003.
The fact that individuals expend financial resources of their own for education is nothing new at all: this has always been part of their investment in the future – their children’s or their own – or also part of a strategy to broaden their options, pursue special interests or meet special needs. In the past few decades, which have been marked by profound structural changes and attendant uncertainty as to how to manage them, the percentage of personal income invested in education has risen. *Individual investment in education and training* has thus become a trend, but as a voluntary and additional expenditure – albeit one that people have often considered necessary and unavoidable. More recent developments are now moving in the direction of making personal financial investment in education and training more and more obligatory – also in respect of those types and areas of education and training that have historically been provided largely free of charge in Germany. This is also true of *in-company continuing education and training*, where – as the examples in chapter 4 have shown – forms of co-investment are becoming more and more prevalent. The criterion for deciding between financing and co-financing is the expected benefit or usefulness associated with a given educational or training measure.

It is thereby generally presumed that now – far more than in the past – it is the individuals themselves who integrate the educational activities they pursue in the course of their lifetime into a *consciously structured education biography* that dovetails with their employment biography to a greater or lesser degree. It is thus expected that in the “knowledge society” individuals will be able to derive far greater personal benefit from education – above all in terms of broadening the options for their personal lives, improving the quality of their lives and averting labour market risks – if they are responsible for and co-finance this process themselves. Of crucial importance in this context is the opportunity to pursue learning activities time and again in the course of their personal biographies and to never drop the thread of continuity of education. This is the essence of the idea of lifelong learning.

This immediately raises the question of social justice, namely of endowing individuals with resources and participatory rights of a scope and nature that will enable them to avail themselves of the opportunities afforded them. These resources and participatory rights must be designed in such a way that they can be activated at the personal discretion of individuals at any given time in the course of their biographies.

From the standpoint of competitiveness this also means comprehensive support for the cultivation and development of the potential lying “in reserve” in the learning capacity of individuals. Resources and participatory rights must be tailored to this as well. *Social inclusiveness* thus has high priority as a structural feature of any system for financing lifelong learning.

The *Expert Commission on Financing Lifelong Learning* is presently addressing an important subsidiary task in this context: It is attempting to develop a feasible model for endowing
individuals with financial resources for education that meet the aforementioned structural criteria. The safeguarding of educational opportunities for all through such availability in principle of financial resources for investment in education does not in itself already ensure social inclusion, however. The collective agreements and works agreements that provide for co-investment in education on the part of employees under certain conditions demonstrate the need for binding arrangements concerning access and conflict resolution as well as agreements on objectives and safeguards on both sides. Thus a new type of education and training agreement is evolving at company level, one that proceeds from the assumption of shared responsibility. This approach should be adopted at societal level as well.

The premise is still, however, that individuals shape their own education biographies themselves. This means that they must not only be afforded the necessary resources and access rights but also – and above all – have the skills to shape their education biographies on their own responsibility as well as opportunities and rights to access the support services they need to accomplish this.

This Report therefore does not limit itself to examples for the construction of individualised models for financing lifelong learning but instead presents a detailed portrayal of exemplary projects – above all ones funded under government programmes – that focus on the creation of stable and sustainable prerequisites for and framework conditions conducive to lifelong learning.

The financing of lifelong learning necessarily encompasses all the basic elements comprising the future lifelong learning system. This was – provisionally – illustrated by the LLL Triangle appearing in the Introduction.

This diagramme is still too stationary, however: It does not adequately reflect the fact that the biographical dimension of lifelong learning is not just the responsibility of the individual but must also be the key aspect governing the framework conditions, i.e. for skill development as well as for education networks and support systems. As was shown in chapter 3, network building is a central theme – above all at regional level – when the prerequisites and framework conditions for lifelong learning are at issue.

A distinction must thereby be made, however, between networks that are available to an individual at a specific time in his or her education biography and networking along the line of education biographies.

A biographically oriented diagramme of the LLL Triangle would thus take the following form:
Biographically Oriented LLL System

Support structures

Resources

Individual

Skills

Education networks

↑ ↑ ↑

↑ ↑ ↑

t1 t2 t3
Bibliographie


Balzer, Caroline, and Eckehard Nuissl (Hrsg.): Finanzierung Lebenslangen Lernens, Bielefeld 2000.


Grünewald, Uwe, and Dick Moraa (Hrsg.): Modelle zur Finanzierung der beruflichen Weiterbildung Beschäftigter und Arbeitsloser, Bielefeld 1998.


I. Loan Support for Students of Private Technical Institutions

Recognizing the role of technical private institutions as major providers of the nation's industrial experts, the Ministry of Education & Human Resources Development decided to implement a scheme making available "loan support for students of private technical institutions" by securing a 2 billion won budget (South Korean Won per U.S. Dollar: 1,211.61; September, 2002).

The detailed implementation guidelines were prepared and went into force, effective November 1, 2002.

1. Objectives and Qualifications

A. Objectives

By providing loans to students enrolled in private technical institutions on a long term basis and by having some of the interest paid by the government this scheme should: reduce the economic burden on students; encourage the utilization of high school graduates, who didn't attend university, as a source of industrial manpower; ensure the efficient allocation of human resources across society (contributing to social consolidation).

B. Qualifications

1) Private Institutions

Requirements for private institutions providing courses in the "vocational technology" field are set forth in Appendix 1, Paragraph 1, Article 7-2 of the Enforcement Decree on the Establishment, Operation and Private Tutoring of Private Institutions (such as those offering courses in design, computer studies, cooking, fashion, hair styling/esthetics), which stipulates that they must have provided one-year or longer courses for more than two consecutive years. Private institutions must also be a member of the "Tuition Refund Association" run by the "Korea Association of Vocational Institutions" of the "Federation of Korean Private Institutions."

2) Students

Present or would-be students of the above private institutions who qualify are those applying for more than a one-year course, and those who are recommended by the founders or operators (presidents) of the institutions themselves.

33. In the case of institutions providing more than two courses, they are qualified to receive loan funding only for those courses that meet the criteria for private technical institutions.

34. Exceptions: students who have already received other support such as reemployment training of an unemployed person (Ministry of Labor), enrolled students of kindergartens, primary schools, junior highs and high schools. It is the responsibility of the president of any individual institution to check that every applicant meets eligibility criteria.
C. Loan Amount and Interest Rate

- loan amount: the total amount of annual tuition is covered by the loan
- interest rate: 10.5 per cent (5.25 per cent to be born by the student himself, 5.25 per cent by the Treasury)

D. Servicing Bank: National Agricultural Cooperative Federation (NACF)

The Agriculture Bank was first established as a joint-stock company in 1956, through the restructuring of the Financial Associations. In 1957, it was reorganized into a special bank exclusively in charge of agricultural credit and banking. Following the passing of the Agricultural Cooperative Law in 1957, the Agricultural Cooperative was founded in 1958 to engage in the supply and marketing businesses. The Agriculture Bank remained conservative and was reluctant to take risks, aiming at making a profit. The Agricultural Cooperative did not have the financial means to compete strongly in the financial market or expand into other areas, and thus was compelled to limit its activities to handling a certain portion of fertilizer in the private sector, in competition with merchants. After the military coup in 1961, the government first organized the National Agricultural Cooperative Federation (NACF) from the personnel and facilities belonging to the former Agricultural Cooperative and Agriculture Bank. The federation, in turn, provided guidance and assistance for the establishment of member cooperatives. Branches have sales departments of head offices, head branches in major cities, branches, and sub-branches.

E. Source of Loan

- Funds of the National Agricultural Cooperative Federation (NACF)

F. Deferment Period and Repayment Method

Deferment period: the entire duration of the course;
repayment method: by equal monthly installments over two years, regardless of the size of the loan, commencing at the end of the deferment period

2. Detailed Implementation Guidelines

A. Application

Students or prospective students who wish to apply for a loan should fill in the loan application and submit it to the president of the institution. Application deadline:
- Prospective students should submit the loan application at least seven days before the commencement of the course.
- Current students should submit their loan application not later than one month after the commencement of the course.

B. Recommendation

Advocate is the founder(s), or operator of the private institution (president) and tuition loan recommendation letter, signed and sealed with the name of the president, and provided to the applicant.
C. Verification of Long Term Courses of Qualified Private Institutions
The superintendent of the local education office should verify that the private institution issuing the loan recommendation has been running courses of more than one year duration for more than two consecutive years and check the monthly tuition fee of the course. The institution's establishment/registration certificate must also be provided, signed and sealed by the superintendent, and the financial institution must be notified.

D. Loan Contract

1) Loan Contract between Student and Financial Institution
The applicant (student) should submit the loan recommendation (attached with the appropriate documents, such as confirmation of qualification as a joint guarantor) to the financial institution within two weeks of the issuance date of the loan recommendation letter, and then, when the loan is approved, sign the loan contract and receive the loan.

The debtor is decided on the basis of the age of the loan applicant;
- adult: the applicant himself
- minor (below the age of 20): the applicant himself and one of his/her parents are determined to be joint debtors. If the parents do not qualify for loan finance, the applicant himself becomes the debtor, but both parents need to provide consent or serve as agents.

2) Collateral
Guarantee insurance
The guarantee insurance rate varies according to the credit rating of the applicant, or joint guarantor when the student does not earn income. Age of policyholder should be over 27 and below 65 on the guarantee insurance policy issuance date. If the person is under 27, another person must serve as joint-guarantor. The guarantee insurance rate is applied according to the "Underwriting Criteria of Minor Loan Guarantee Insurance" of Seoul Guarantee Insurance. Guarantee period: based on a one-year guarantee period and 2.4 per cent basic rate (the guarantee fee is to be born by the student him/her-self) when a joint guarantor is provided. One of the parents of the applicant (student) becomes a guarantor, but if the parents are not qualified to serve as a joint-guarantor, a third party must be found to act as joint guarantor. Qualification criteria of joint-guarantor applied according to the Unsecured Loan Criteria of National Agricultural Cooperative Federation. When the debtor (both adult and minor) is qualified for an unsecured loan under the Unsecured Loan Criteria of the lending financial institution is non-guarantee.

3) Loan Receipt and Repayment
The loan should be immediately paid to the financial institution through a tuition bill or a GIRO after receiving loan approval. The loan is applied on condition that the applicant agrees to pay the tuition with the loan immediately after receiving the loan (a condition listed on the loan application form).

4) Notification of the Loan Result
The financial institution (branches and sub-branches of the National Agricultural Cooperative Federation) which extended the loan for tuition shall notify the private institution of the completion of the loan application process.

E. Loan Frequency and Limit

1) Loan Frequency: twice a year per student (a maximum of four times on a cumulative basis)
Loan time and basis for loan amount;
loan time: any time during a year
- loan amount in each case: up to an amount equivalent to six months tuition for the course (but not exceeding 3 million won, excluding miscellaneous expenses for items such as
2) Subsequent Loan Applications: Follow Same Procedure as 1st Application

F. Interest Repayment Period and Method

Repayment period: commences from the month following receipt of the loan and continues until the full repayment of loan repayment method;
- interest to be born by the applicant himself should be paid by the beneficiary at the bank every month
- interest to be born by the government will be paid out by the Ministry of Education and Human Resources Development every quarter to the lending financial institution (National Agricultural Cooperative Federation).

G. Extension of Loan Repayment Due Date

Number of extension times and period for extension is twice including extension due to military service (up to a maximum of three years). The reasons for extension of deferment period is only when the course is extended (to be backed up by documentary evidence), or when the student undertakes military service during or after the course (to be supported by documentary evidence) extension of deferment period;
- when the course is extended: extended course period (up to 6 months)
- military service: military service period (actual military service period)

H. How to Secure the Interest Difference to be Born by the Government

Lending financial institution (National Agricultural Cooperative Federation): submits the application for the interest difference in writing (or by electronic document) by the 15th of the month following the end of each quarter.
Ministry of Education and Human Resources Development deposits the interest difference in the account designated by the lending bank by the last day of the month following the end of each quarter. The interest difference of the fourth quarter of every year will be paid out in advance and settled early the following year lending bank (National Agricultural Cooperative Federation) will repay the loan if the student fails to repay it during the grace period, which is 60 days from the registration of course withdrawal, and send an "Overdue Notice of Debt Repayment" by certified mail to the debtor.
After the grace period has expired and an "Overdue Notice of Debt Repayment" has been sent, the outstanding balance will be subject to an overdue interest rate for a general loan at the lending bank.

**J. Tuition Refund Association and Tuition Refund**

The "Korean Association of Vocational Institutions" of the "Federation of Korean Private Institutions" established the Tuition Refund Association, creating a fund for refunding tuition to students when private institutions suspend their operation on a long term basis or shut down, and fail to refund it to the student due to extenuating circumstances.

When making a refund to the student, the tuition for the remaining period, commencing from the following month, is immediately refunded to the lending bank.

**3. Expected Benefit**

If this system is implemented, about 20,000 students enrolled in technical private institutions across the nation (683 institutions with more than one year courses) will benefit; by reducing the economic burden on students, it will be possible to encourage high school graduates who do not go on to universities to work in industry, contributing to the efficient allocation of human resources. This system would also promote the operation of private technical institutions (see Table I-1).

<table>
<thead>
<tr>
<th>Table I-1: Current status of technical private institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of vocational/Technical institutions</strong></td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Industrial technology fields (machine, automobile, electricity, design, hairdressing/esthetics)</td>
</tr>
<tr>
<td>Information processing fields (IT, internet, computer)</td>
</tr>
<tr>
<td>Nurse fields (nurse assistant)</td>
</tr>
<tr>
<td>Culture/tourism fields (publication, video, audio, broadcasting, advertisement, tourism, etc)</td>
</tr>
</tbody>
</table>

Appendix 1

Enforcement Decree on Establishment, Operation and Private Tutoring of Private Institutions

Article 7-2 (classification of courses)
① classification of private institutions' courses is as set forth in the Attachment.
   courses should be registered as courses classified in the attachment which are the most similar in terms of contents or which include such contents.
   founder or operator of private institutions may register and operate more than two courses at one private institution (created on May 10, 1999).

Appendix 2

Course of Private Institutions
Course of private institutions [with regards to Paragraph 1, Article 7-2](Enforcement Decree on Establishment, Operation and Private Tutoring of Private Institutions, revised on May 10th,1999, July 7th, 2001.

<table>
<thead>
<tr>
<th>Field</th>
<th>Category</th>
<th>Course</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational technology</td>
<td>Industry foundation technology</td>
<td>Machine, automobile, metal, chemistry, ceramics, electricity, telecommunications, electronics, shipbuilding, aerospace, civil engineering, construction, garments, textiles, mining, land development, agriculture, ocean, energy, environment, polytechnic, transportation, safety management</td>
</tr>
<tr>
<td></td>
<td>Industry application technology</td>
<td>Design, hair dressing/esthetics, food &amp; beverage, wrapping, printing, photo, piano tuning</td>
</tr>
<tr>
<td></td>
<td>Information processing technology</td>
<td>Tele-communication device, software, multimedia, information &amp; telecommunications, internet, computer</td>
</tr>
<tr>
<td></td>
<td>Nursing technology</td>
<td>Nursing assistant</td>
</tr>
<tr>
<td></td>
<td>Cultural/ Tourism</td>
<td>Publication, video, audio, movie, broadcasting, character, tourism</td>
</tr>
<tr>
<td>International affairs</td>
<td>Foreign language</td>
<td>Language, interpretation, translation</td>
</tr>
<tr>
<td>Humanities/ Society</td>
<td>Humanities</td>
<td>Administration, management, accounting, statistics, state exam</td>
</tr>
<tr>
<td>Business management</td>
<td>Business management</td>
<td>Finance, insurance, logistics, real estate</td>
</tr>
<tr>
<td></td>
<td>Office management</td>
<td>Book-keeping, short hand, speed reading, mental calculation, word process, abacus calculation, secretary, accounting, penmanship</td>
</tr>
<tr>
<td>arts</td>
<td>Arts</td>
<td>Korean folk music, Korean folk dancing, calligraphy, music, art, oratory, narrative skill, model, cartoon, play, paduk, flower arrangement, flower arts</td>
</tr>
<tr>
<td>University entrance exam, school diploma</td>
<td>General school education</td>
<td>School education of primary, junior high and high school curricula, excluding professional curricula of art school and vocation high school</td>
</tr>
<tr>
<td>Library</td>
<td>Library</td>
<td></td>
</tr>
</tbody>
</table>

Note: each curricula of vocational technology includes the items defined in Appendix 1 of Enforcement Decree of National Technician Qualification Act.
II. Employment Insurance to Develop Workers’ Vocational Ability

1. Employment Insurance

A. Overview

Employment insurance is a social insurance system which alleviates unemployment, promoting job security, developing, and promoting the vocational ability of workers, as well as providing the necessary benefits in order to maintain stable livelihoods for unemployed workers and to support reemployment in the job market. Employment insurance consists of three programs; namely an employment security program, a vocational ability development program, and unemployment benefits.

First, the purpose of the employment security program is to ensure the job security of workers during industrial changes and technical innovation while supporting enterprise employment flexibility. The subprograms include subsidies for flexible employment policies, for hiring senior citizens, and for facilities & equipment which help promote employment. The aim of the program of subsidy for flexible employment policies is to support employment adjustment by the enterprise which will occur during times of industrial restructuring, and aims to prevent the unemployment of workers and to lessen the burden on enterprises. The program of subsidy for hiring senior citizens aims to promote the employment of senior citizens, long-term unemployed workers and female workers who face difficulties in finding jobs under the normal conditions of the labor market. The purpose of the program of subsidy for facilities and equipment which help promote employment is to provide subsidy when firms establish nursing facilities, for example, at the work site, which ultimately alleviates the burden of child raising on female workers.

Second, the vocational ability development program aims to support vocational training at the work site, by providing incentives to ensure the continuous development of the vocational abilities of employees at the work site. The vocational ability development program treats the work site not only as a place of work, but also as a place for learning, and thus, by ensuring the continuous development of workers vocational abilities, increases labor productivity, enhances workers’ wage levels and strengthens the competitiveness of enterprises.

Third, unemployment benefits aim to secure the stable livelihoods of unemployed workers and their families by providing compensation for a certain period of time, when a worker has lost a job, and to support reemployment at a new work place suitable to the worker's ability and vocational aptitude. This program manages a database of job seeking workers and human resource placement firms, identifying the status of the allocation of resources. By doing so, efficient and effective employment policies can be set up, and under a sluggish economy, effective demand for human resources is created, while under a booming economy, an unemployment insurance fund is accumulated, suppressing effective demand from being created. In this way, the unemployment benefit-program functions as an automatic control mechanism for the economic cycle.

Employment insurance provides the following benefits; 1) it provides loans for tuition and subsidies for taking classes when a worker is employed, and unemployment benefit and subsidies for vocational training during periods of unemployment; 2) as a benefit to the employer, it provides subsidies for job maintenance, outplacement subsidies and the reemployment subsidies when the employer does not lay off workers despite difficult economic conditions; 3) the program provides subsidies for hiring senior citizens, subsidies for promoting the employment of long-term unemployed workers, and subsidies for promoting the employment of female workers; 4) when training is provided to develop the vocational ability of workers, the program provides subsidies for vocational ability development training, and subsidies for paid vacation training, and it also provides loans to install vocational training facilities and equipment.
When the employment insurance program was implemented in July 1995, the applicants eligible to be insured were limited to full time workers of companies hiring more than 30 workers. Under a plan to expand applicant eligibility, in January 1998, eligibility was expanded to workers of companies hiring more than ten people. However, in order to respond to deteriorating labor market conditions in the wake of the financial crisis, eligibility was further expanded to include all companies as a way of securing a social safety net. As a result, the average number of insured workers every year increased from 4,204,000 in December 1995 to 5,798,000 in 1999. In terms of insurance coverage as a percentage of the total number of eligible workers, the coverage rate fell from 98.2 per cent to 66.6 per cent. As of August, 2002, the total number of insured workers was 7,080,000 or 64.2 per cent of the total number of eligible workers (refer to Table -1).

### Table II-1: Number of insured workers and coverage rate

(UNIT: thousand workers, percentage)

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>1999</th>
<th>2000</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hiring more than 30</td>
<td>4,280</td>
<td>8,710</td>
<td>9,198</td>
<td>11,030</td>
</tr>
<tr>
<td>All companies</td>
<td>4,204</td>
<td>5,798</td>
<td>6,466</td>
<td>7,080</td>
</tr>
<tr>
<td>Coverage rate (B/A)</td>
<td>98.2</td>
<td>66.6</td>
<td>70.3</td>
<td>64.2</td>
</tr>
</tbody>
</table>

1) 1995 is based on Figures available as at the end of December that year, and 1999 and 2000 are yearly averages, while 2002 is based Figures available as at the end of August that year.

2) The numbers of eligible workers in 1999, 2000, and 2002 are defined as 98% of employed workers based on the Statistics of an Economically Active Population, excluding government workers, insured workers under a school teachers’ pension fund, workers employed in a family business, daily workers, workers aged above 65, and those working less than 18 hours per week. The reason why the total number of employed workers is multiplied by 0.98 is to make an allowance for special category workers, such as those working at post offices, workers at agricultural/fisheries businesses hiring less than 5 people and sailors covered under the Sailor’s Act. Source: HRD Service of Korea’s Work Information Center, database of employment insurance, database of economically active population statistics.

As is shown in Table II-2, the coverage ratio of actually insured workers against total eligible workers is 64.4 per cent for businesses hiring less than 150 and 35.6 per cent for businesses hiring more than 150.

### Table II-2: Current status of companies buying employment insurance: as of the end of July, 2002

(UNIT: company, people, percentage)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Less than 150</th>
<th>More than 150 and less than 1,000</th>
<th>More than 1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>824,186</td>
<td>815,713</td>
<td>7,863</td>
<td>610</td>
</tr>
<tr>
<td>(100.0)</td>
<td>(98.9)</td>
<td>(1.0)</td>
<td></td>
<td>(0.1)</td>
</tr>
<tr>
<td>Insured workers</td>
<td>7,080,464</td>
<td>4,558,038</td>
<td>1,443,557</td>
<td>1,078,869</td>
</tr>
<tr>
<td>(100.0)</td>
<td>(64.4)</td>
<td>(20.4)</td>
<td></td>
<td>(15.2)</td>
</tr>
</tbody>
</table>

B. Labor Market Policy Programs by Source of Fund

Table II-3 summarizes funding methods of the labor market in Korea. The programs supported by the Employment Insurance Fund can be classified into two groups; passive labor market policies which include unemployment benefits and active labor market policies which include employment stability programs under the Employment Insurance Act and vocational ability development programs. Passive labor market policies supported by public spending consist of programs to stabilize the livelihoods of low-income unemployed workers. Individual programs include livelihood support programs for the homeless and other people who need temporary livelihood protection, livelihood support program for self-support, and lending programs to stabilize household financial status.)As for lending programs to stabilize household financial status, job stabilization bonds are issued by the Workers Welfare Corporation. Therefore, it can be said that it is funded by the corporation, not by public spending, strictly speaking.

Active labor market policies financed by public spending include employment subsidies, vocational ability development programs and programs to create jobs. Employment subsidies consist of subsidies in the public sector by way of a public sector job creating program, and employment subsidies in the private sector for newly unemployed workers who are not covered by employment insurance. The vocational ability development program includes employment promotion training, university training, and programs for low-income workers and unemployed workers who are not covered by employment insurance.

C. Fiscal Expenditure

Looking at the expenditure of the three main programs of employment insurance, it is obvious that the role of employment insurance went through dramatic changes in the wake of the financial crisis at the end of 1997. Also during the period right after the foreign currency crisis 1998 — 1999, expenditure from the employment insurance fund increased dramatically, but starting from 2000, when labor market conditions started to improve, expenditure also dropped.

Up until 1997, the balance of the employment insurance fund had recorded a tremendous surplus, as the unemployment rate itself was low, and workers and employers generally did not have to depend on the employment insurance fund. However the foreign currency crisis made it necessary for the economic partners of the labor market to make use of the employment insurance system due to corporate bankruptcy and restructuring. As a fund, in the ensuing years, 1998 and 1999, expenditure from the employment insurance fund exceeded premium income by 21.9 per cent and 3.2 per cent, respectively and accounted for 86.9 per cent and 85.8 per cent respectively of the total income.

On the other hand, as the insurance premium rate increased in 1999, and labor market conditions dramatically improved from the second half of that year, expenditure on employment security programs and unemployment benefit programs was dramatically reduced. Accordingly in 2001, expenditure accounted for a mere 54.1 per cent of income, and the fund is now increasing dramatically.

1) Employment Security Program

Expenditure for the employment security program was on the increase until 1999, but in 2000, expenditure dropped significantly. At the end of 2002, the cumulative fund stood at 1,040.2 billion won. The employment security program was the fastest in accumulating funds out of the three main projects, as is manifested by the fact that expenditure out of premium income in 1999 was a mere 66.1 per cent although the year had the highest level of expenditure. The cumulative fund is already in excess, and the fund is expected to continue to increase unless there is a rate decrease. It is likely that the interest from the fund itself will be enough to run the program from 2005. (refer to Table II-4).
Table II-3: Labour market policy program by source of fund (as of 2000)

<table>
<thead>
<tr>
<th>Employment insurance fund</th>
<th>Public spending</th>
<th>Handicapped workers employment promotion fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>job arrangement</td>
<td>- working capital for job stabilization center, human resource bank</td>
<td>- working capital for job stabilization center, human resource bank</td>
</tr>
<tr>
<td>Stabilization of livelihood of unemployed workers</td>
<td>- unemployment benefit</td>
<td>- loan for household livelihood stabilization</td>
</tr>
<tr>
<td></td>
<td>- job promoting training</td>
<td>- support for opening farming, fisheries business</td>
</tr>
<tr>
<td></td>
<td>- vocational training at university/specialized college</td>
<td>- temporary livelihood protection benefit receiver (protecting unemployed homeless people)</td>
</tr>
<tr>
<td></td>
<td>- farming vocational training to workers</td>
<td>- special public sector projects</td>
</tr>
<tr>
<td></td>
<td>- special training for special skills</td>
<td>- unemployment benefit for unemployed sailor</td>
</tr>
<tr>
<td></td>
<td>- reemployment training of unemployed workers</td>
<td>- support for school tuition of children of unemployed workers enrolled in junior high school</td>
</tr>
<tr>
<td></td>
<td>- free lunch to children from low-income families</td>
<td>- existing livelihood protection benefit receivers</td>
</tr>
<tr>
<td></td>
<td>- job promoting training</td>
<td>- temporary livelihood protection benefit receiver (protecting unemployed homeless people)</td>
</tr>
<tr>
<td>employment subsidy</td>
<td>- employment security project</td>
<td>- public sector labor projects</td>
</tr>
<tr>
<td>Vocational ability</td>
<td>- paid vacation training</td>
<td>- internship program for college/high school graduates</td>
</tr>
<tr>
<td>development</td>
<td>- vocational ability development training support (support employer)</td>
<td>- paid vacation training</td>
</tr>
<tr>
<td></td>
<td>- subsidy for taking classes</td>
<td>- vocational training at university/specialized college</td>
</tr>
<tr>
<td></td>
<td>- loans for tuition of working students</td>
<td>- farming vocational training to workers</td>
</tr>
<tr>
<td></td>
<td>- vocational ability development &amp; training facilities</td>
<td>- special training for special skills</td>
</tr>
<tr>
<td></td>
<td>- subsidies and loans to install facilities</td>
<td>- reemployment training of unemployed workers</td>
</tr>
<tr>
<td></td>
<td>- government outsourced training</td>
<td>- special training for special skills</td>
</tr>
<tr>
<td></td>
<td>- special training for special skills</td>
<td>- reemployment training of unemployed workers</td>
</tr>
<tr>
<td></td>
<td>- reemployment training of unemployed workers</td>
<td>- reemployment training of unemployed workers</td>
</tr>
</tbody>
</table>

Note: Other than the above programs, there is a wage guarantee fund. This is funded by the employer and compensation, and the cost to run wage guarantee fund is partially funded by public spending. When the balance is in the red, government borrowing is also possible.


2) Vocational Ability Development Program
Expenditure for the vocational ability development program dramatically increased after 1998. During the period 1998-2000, the income and expenditure were almost balanced, and the cumulative fund stood at 462.9 billion won in 2001. But, due to an expected increase in expenditure, the cumulative fund is expected
to drop. Expenditure for this program is now in line with income after increasing significantly, which is a result of the flexible operation of the reemployment training program for unemployed workers, which takes into consideration their financial status, in 2001. Given the future uncertainties, the cumulative fund for vocational ability development program is not enough, as expenditure, has continuously remained above premium income since 1998. Furthermore, it is possible that, in the coming years, expenditure will continue to outstrip total income including interest income, leading to a continuous decrease of the fund (refer to Table II-4).

Table II-4: Fiscal balance of the employment insurance fund: 1995~2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Program</th>
<th>Fund carried forward from previous year (A)</th>
<th>income(B)</th>
<th>premium income (B')</th>
<th>Expenditure (C)</th>
<th>Difference (B-C)</th>
<th>Cumulative fund at the year end (A+B-C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Employment security vocational Ability</td>
<td>-</td>
<td>65,464</td>
<td>65,437</td>
<td>1,777</td>
<td>63,687</td>
<td>63,687</td>
</tr>
<tr>
<td></td>
<td>unemploy. Benefit</td>
<td>-</td>
<td>74,965</td>
<td>74,925</td>
<td>687</td>
<td>74,278</td>
<td>74,278</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>198,608</td>
<td>198,522</td>
<td>1,465</td>
<td>197,143</td>
<td>197,143</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>-</td>
<td>339,037</td>
<td>338,884</td>
<td>3,929</td>
<td>335,108</td>
<td>335,108</td>
</tr>
<tr>
<td>1996</td>
<td>Employment security vocational Ability</td>
<td>63,687</td>
<td>160,144</td>
<td>151,017</td>
<td>12,508</td>
<td>147,636</td>
<td>211,323</td>
</tr>
<tr>
<td></td>
<td>unemploy. Benefit</td>
<td>74,278</td>
<td>182,185</td>
<td>171,431</td>
<td>9,959</td>
<td>172,235</td>
<td>246,512</td>
</tr>
<tr>
<td></td>
<td></td>
<td>197,143</td>
<td>483,463</td>
<td>455,202</td>
<td>13,972</td>
<td>469,491</td>
<td>666,634</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>335,108</td>
<td>825,792</td>
<td>777,650</td>
<td>36,430</td>
<td>789,362</td>
<td>1,124,469</td>
</tr>
<tr>
<td>1997</td>
<td>Employment security vocational Ability</td>
<td>211,323</td>
<td>201,240</td>
<td>178,930</td>
<td>19,953</td>
<td>181,287</td>
<td>392,610</td>
</tr>
<tr>
<td></td>
<td>unemploy. Benefit</td>
<td>246,512</td>
<td>236,295</td>
<td>209,701</td>
<td>65,580</td>
<td>171,431</td>
<td>455,202</td>
</tr>
<tr>
<td></td>
<td></td>
<td>666,634</td>
<td>598,544</td>
<td>528,799</td>
<td>83,395</td>
<td>515,149</td>
<td>1,181,783</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>1,124,469</td>
<td>1,036,079</td>
<td>917,430</td>
<td>168,928</td>
<td>867,151</td>
<td>1,991,620</td>
</tr>
<tr>
<td>1998</td>
<td>Employment security vocational Ability</td>
<td>392,610</td>
<td>271,975</td>
<td>194,783</td>
<td>111,031</td>
<td>160,944</td>
<td>553,554</td>
</tr>
<tr>
<td></td>
<td>unemploy. Benefit</td>
<td>417,227</td>
<td>290,553</td>
<td>207,820</td>
<td>99,733</td>
<td>177,640</td>
<td>437,012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,181,783</td>
<td>806,937</td>
<td>574,228</td>
<td>808,910</td>
<td>515,149</td>
<td>1,179,810</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>1,991,620</td>
<td>1,369,465</td>
<td>976,831</td>
<td>1,190,709</td>
<td>178,756</td>
<td>2,170,376</td>
</tr>
<tr>
<td>1999</td>
<td>Employment security vocational Ability</td>
<td>553,554</td>
<td>373,209</td>
<td>306,531</td>
<td>202,596</td>
<td>170,613</td>
<td>724,167</td>
</tr>
<tr>
<td></td>
<td>unemploy. Benefit</td>
<td>437,012</td>
<td>521,696</td>
<td>401,457</td>
<td>531,025</td>
<td>97,500</td>
<td>427,683</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,179,810</td>
<td>1,082,171</td>
<td>936,743</td>
<td>963,162</td>
<td>119,009</td>
<td>1,298,819</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>2,170,376</td>
<td>1,997,076</td>
<td>1,144,731</td>
<td>1,696,788</td>
<td>280,293</td>
<td>2,450,669</td>
</tr>
<tr>
<td>2000</td>
<td>Employment security vocational Ability</td>
<td>724,167</td>
<td>448,216</td>
<td>378,237</td>
<td>132,134</td>
<td>316,082</td>
<td>1,040,249</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,298,819</td>
<td>1,330,904</td>
<td>1,197,032</td>
<td>499,826</td>
<td>831,078</td>
<td>2,129,897</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>2,450,669</td>
<td>2,316,881</td>
<td>2,047,823</td>
<td>1,134,547</td>
<td>1,182,334</td>
<td>3,663,003</td>
</tr>
<tr>
<td>2001</td>
<td>Employment security vocational Ability</td>
<td>1,040,249</td>
<td>549,334</td>
<td>464,744</td>
<td>155,125</td>
<td>394,209</td>
<td>1,432,856</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,129,897</td>
<td>1,669,575</td>
<td>1,486,369</td>
<td>882,075</td>
<td>787,500</td>
<td>2,914,519</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>3,663,003</td>
<td>2,864,859</td>
<td>2,527,619</td>
<td>1,549,338</td>
<td>1,315,521</td>
<td>4,943,094</td>
</tr>
</tbody>
</table>

Source: Employment Insurance Center, Korea Labor Institute (various years), Trend of Employment Insurance.
3) Unemployment Benefit Program
Expenditure for the unemployment benefit program was above premium income during 1998 - 1999, but in 2000, it remained a mere 41.7 per cent of the premium income for that year. The unemployment benefit program realized a large surplus, by recording expenditure of about 500 billion won in 2001, which was 51.9 per cent of the previous year's expenditure. At the end of 2001, the cumulative fund stood at about 2,915 billion won. The level of the fund is not excessive, but given the pace of fund accumulation, the fund is expected to surpass the optimal amount in the near future. As was shown above, expenditure for vocational ability development program shows a steadily increasing trend, while expenditure for the employment security and unemployment benefit programs on the other hand, exhibits a decreasing trend, aggravating the imbalances between the funds of the three main programs, and highlighting the need for rate adjustment or a change in the operating methods of the employment insurance fund itself to correct these imbalances (refer to Table II-4).

2. Analysis on Current Progress of Vocational Ability Development Programs

A. Introduction
Vocational ability development programs are broadly broken down into; 1) programs for employers, 2) programs for workers, 3) programs for unemployed workers; and other than these, there are programs to promote vocational ability development and programs to support construction workers (refer to Table II-5). Programs for employers include group training for employed workers, support for job seekers (trying to become employed workers), online training, overseas vocational ability development training and subsidies for training expenses for paid vacation training and loans for expenses required to purchase facilities and equipment for vocational ability development. Support for currently employed workers consists of tuition support for vocational ability development training classes for workers aged above 50 or those in the process of changing work places or proving long-term, low interest, school loans when applicants are enrolled or enter vocational college or schools higher than special colleges. For unemployed workers, training expenses and training benefits are paid to unemployed workers covered by employment insurance when they take reemployment training courses.

Furthermore, in order to promote the development and improvement of vocational ability, expenses are reimbursed to those who provide technical support for vocational ability development programs, vocational/technique promotion programs, research, educational promotion, those who develop and distribute training materials, and those who issue school diplomas. If it is difficult for individual employers to provide training, or if it is training, in an industry with scarce resources, or in an industry which is fundamental to the development of the national economy, training can be outsourced to Chambers of Commerce and private vocational training institutions.

The law also stipulates that for employers providing vocational ability development programs for workers with unstable job security such as construction workers, training expenses and part of any training benefits paid out can be covered by the program.

B. Support System for Vocational Ability Development

1) Employer Vocational Ability Development Support System

(1) Support for Vocational Ability Development Training

(a) Group Training
The most important factor with regards to facilitating vocational ability development by employers is to determine the level of support for training costs and how to provide such support.
<table>
<thead>
<tr>
<th>Type</th>
<th>Training</th>
<th>Details of support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vocational ability development by employers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group training</td>
<td>Standard training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-standard training</td>
</tr>
<tr>
<td>Support for vocational ability development training</td>
<td>Field training: group training for more than 1 month</td>
<td>Training cost, training benefit</td>
</tr>
<tr>
<td></td>
<td>On-line training: by mail, or using high tech telecomm network such as the internet</td>
<td>Training cost</td>
</tr>
<tr>
<td></td>
<td>Overseas vocational ability development training</td>
<td>Training cost (excluding housing and per diem)</td>
</tr>
<tr>
<td></td>
<td>Vocational ability development for construction workers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paid vocational training support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhance vocational ability of employed workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loan and support for vocational training facilities, equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Purchase and leasing of facilities and equipment for vocational ability development of employers or employers organization</td>
</tr>
<tr>
<td><strong>Vocational ability development training for workers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers</td>
<td>subsidy for taking classes</td>
<td>all class tuition (a maximum of 1 million won)</td>
</tr>
<tr>
<td></td>
<td>loan for school tuition</td>
<td>Tuition (interest per annum: 1%)</td>
</tr>
<tr>
<td><strong>Vocational ability development training for unemployed workers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed Workers</td>
<td>reemployment training</td>
<td>Training cost, training benefit</td>
</tr>
<tr>
<td><strong>Promotion of vocational ability development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical support program</td>
<td>technical support program for vocational ability development program</td>
<td></td>
</tr>
<tr>
<td>Skill/technique promotion program</td>
<td>skill/technique promotion program</td>
<td></td>
</tr>
<tr>
<td>Other programs</td>
<td>research, study, certificate license</td>
<td></td>
</tr>
<tr>
<td>Government Outsourced Training</td>
<td>3D industry related to production line in manufacturing/construction industry and high tech industry</td>
<td>Training cost, training benefit</td>
</tr>
<tr>
<td><strong>Support vocational ability development of construction workers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support vocational ability development for construction workers</td>
<td>develop/improve vocational ability of workers with unstable job security</td>
<td>Training cost, training benefit</td>
</tr>
</tbody>
</table>
In terms of support for vocational ability development training expenses, the biggest change is that support for training expenses is no longer based on training expense, but rather on a unit price of standard training expense. The following table shows gradual changes in support for vocational ability development training expenses by year (refer to Table II-6).

**Table II-6: Changes in support for vocational ability development training expenses**

<table>
<thead>
<tr>
<th></th>
<th>Support method</th>
<th>Coverage rate</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1995.7 ~ 1998.12</strong></td>
<td>Institutional training in house training actual training expenses which belong to applicable items expense support coverage ratio training commission rate</td>
<td>80% (large), 100% (preferred corporations)</td>
<td>based on actual training costs which will be reimbursed afterwards</td>
</tr>
<tr>
<td></td>
<td>Institutional Training Education &amp; training outsourced training cost coverage ratio training commission rate</td>
<td>70% (large), 90% (preferred)</td>
<td></td>
</tr>
<tr>
<td><strong>1999.1 ~ 2000.2</strong></td>
<td>Standard training (inhouse, outsourced) unit price per training hour for training by occupation actual training hours number of persons completing training</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-standard training (inhouse, outsourced) designated training cost coverage ratio training</td>
<td>40~70% (large)</td>
<td></td>
</tr>
<tr>
<td><strong>2000.3 ~ present</strong></td>
<td>Inhouse training standard training designated training cost number of persons completing training</td>
<td>100%</td>
<td>based on actual training cost which will be reimbursed afterwards, but reimbursement will be made only when it exceeds unit price per training hour for each training by occupation actual training hours</td>
</tr>
<tr>
<td></td>
<td>non-standard training designated training cost coverage rate number of persons completing training</td>
<td>80% (large), 90% (preferred corporations)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Outsourced training standard training designated training cost coverage rate number of persons completing training</td>
<td>70~100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>non-standard training designated training cost coverage rate number of persons completing training</td>
<td>50<del>80% (large), 60</del>90% (preferred corporation)</td>
<td></td>
</tr>
</tbody>
</table>
(b) Field Training
Field training is training provided for graduates of vocational high schools (or to be graduates) who completed training for more than one month under the form of group training or prospect employee or those who are employed in less than one month. In other words, field training is a process to practice theories learned during the group training, and is supported only when it is a more than 1 month training (revised in March, 2000). Accordingly, training cost is only reimbursed for the training benefits paid out by the employer and expenses used for group training during the field training period, and it cannot exceed 50 per cent of the amount calculated under the group training method.
So, when employer provides the field training for the afore mentioned qualifying individuals, financial support is calculated as unit price for training occupation×training hours (less than 1,400 hours)×number of persons completing training ×20 per cent.

(c) Telecommunication training
Recently as online communication using such as internet is becoming popular, various training techniques and media are utilized in training as well. Accordingly, when an employer provides training for his workers through correspondence courses or via high tech information and communications network such as post mail or internet either in-house or by outsourcing, training expenses are reimbursed. The supported amount is the amount by multiplying the designated training cost by a coverage rate of 90 per cent (80 per cent for large) by number of persons completing training. The designated training is 50,000 won at maximum per each training course if it is training via post mail and 52,800 won ~ 66,000 won if it is done via internet.
Support for on line training is defined to be 80/100 of total training cost spent on the trainee (90/100 for priority support firms) but within the limit of 32,000 won per month per one trainee. For internal or outsourced training via the high tech telecommunication network such as internet, reimbursement of training costs is calculated as training cost×number of trainees×coverage rate according to size of business (80 per cent for large conglomerates, 90 per cent for priority support firms).

(d) Overseas Vocational Ability Development Training
For overseas vocational ability development training, training contract with agencies providing overseas vocational ability development training should be executed or other documentary evidence to prove overseas training issued by the agency is required (contract or receipt). In addition, it should be a course to ensure productivity upgrade, quality standards or other courses to enhance job satisfaction, and must last at least one month. Expenses to be supported are calculated by outsourced training cost×number of trainees (excluding housing, per diem, based on exchange rate of training expense payment date), but cannot exceed the amount multiplying unit price per hour for training expenses for training occupation by actual training hours and number of trainees.

(e) Vocational Ability Development of Construction Workers
When a training is provided to workers who are not steady employees of certain business and who have construction workers welfare certificate under the "Act on Improvement of Employment Condition of Construction Worker" or who obtained certificate as construction worker from a construction business employer, training expenses are reimbursed. The level of expenses and procedures are the same as internal training by employers, however, those employers providing this type of training are not limited in terms of limit of expense reimbursement.

(2) Paid Vacation Training
Paid vacation training is supported when an employer provides such training to workers employed for more than one year during more than 30 days paid vacation training, and normal wage or above is paid out and expenses are paid by the employer. However, paid vacation training by the company's in house vocational ability development training institutes to its own employees is not covered. The eligible training are those training which last more than 30 days and total training hours should be more than 120 hours.
However, for those workers who work in manufacturing and relevant industry as set forth in Article 27, Paragraph 1, Subparagraph 4 and the Paragraph 2 of Enforcement Decree of Employment Insurance Act and notified by the Minister of Labor, courses less than 20 hours in total are included. In terms of expense support, wage is based on the minimum wage amount translated into monthly amount per person under the Minimum Wage Act (120/100 of minimum wage amount for priority support firms), but the total amount of support per person may not exceed 1.2 million won (excluding priority support firms). Training expenses are same as the amount for group training.

(3) Loan for Vocational Training Facilities and Equipment
This is lending system to employer who implemented or wishes to implement vocational ability development training or for workers, worker's organization, non profit organization and Women Resources Development Center. The 90 per cent of required fund is lent, within the limit of 2 billion won for employer's organization, 1 billion won for individual employers, workers’ organizations and non-profit organizations, and 500 million won for Women Resources Development Center. The repayment condition is equal installment over five years by four times a year (within ten years) after five years deferment period. The lending interest rate (per annum) is 1 per cent for priority support firms and employer's organization and 2.5 per cent for large conglomerates, employer, public training institutions, and 6 per cent for non-profit organizations, worker's organization and Women Resources Development Center.

2) Support System for Worker’s Vocational Ability Development

(a) Subsidy for Taking Classes
The eligible applicants are those covered by the employment insurance who plan to leave a company due to non-voluntary reasons and those who leave a company during or within one month from training or employed workers aged above 50 (all employed workers for basic information course) and who completed courses acknowledged and designated as vocational ability development training courses by the Minister of Labor, and attended more than 80 per cent of the course and have paid the necessary expenses for the vocational ability development training costs. As for the level of fund support, the amount of subsidy for taking classes is the all amount of expenses spent to take courses such as vocational ability development training, but within the limit of 1 million won. The expenses to purchase learning aid material, accommodations and meal are excluded.

(b) Loan for Worker's Tuition
The eligible applicants are workers enrolled or entered schools above polytechnic college as set forth in Polytechnic College Law and junior college as set forth in Higher Education Act or Lifelong Education Promotion Law who are covered by the employment insurance, excluding workers who are supported with all amount of tuition from employer, school or any other third party under the form of scholarship, subsidy, and loan. The loan amount is within the limit of tuition amount, but for those who are supported with part of the tuition under the name of scholarship and others, the limit shall be the outstanding tuition excluding amount paid by the scholarship. Loan period is limited to the total number of terms. Here, tuition is defined as all necessary expenses to register at a school such as entrance fee, school fee, and membership fee. Lending condition is 1 per cent per annum, and repayment method is interest paid at a designated financial institution by the last day of each quarter, four times an year and principal paid under equal installment in every quarter for two years (for polytechnic college and junior college) or four years (for university) after deferment period. Table II-7 shows requirement and level of support for vocational ability development program, vocational ability development training, overseas vocational ability development training, paid vacation training, loan for vocational ability development training facilities and equipment, subsidy for taking classes, loan for workers tuition, reemployment training for unemployed workers, technical support program, government outsourced training, vocational ability development training for construction workers and subsidy for application fee for school diploma.
Table II-7: Requirement and level of vocational ability development programs by employment insurance

<table>
<thead>
<tr>
<th>Classification</th>
<th>Requirement</th>
<th>level of support</th>
</tr>
</thead>
<tbody>
<tr>
<td>vocational ability development training</td>
<td>Training for employed workers, job seekers and prospective employees under the vocational training plan</td>
<td>- 50% up to full amount of training expenses, depending on training method, whether it is standard training or for priority support firms - limit amount (approximate): - priority support firms: 180% - large conglomerates: 120%</td>
</tr>
<tr>
<td>overseas vocational ability development training</td>
<td>vocational ability development training for more than 3 months overseas</td>
<td>Training expenses: outsourced training cost×trainees (excluding accommodations, and per diem, training expenses based on exchange rate on the date the expenses were paid)</td>
</tr>
<tr>
<td>Paid vacation training</td>
<td>training during paid vacation (only workers employed for more than 1 year and when a normal wage or higher amount is paid)</td>
<td>-1/2 of normal wage (1/3 for a large corporation)+full amount of training cost (up to a limit of 200,000 won per month) - limit amount (approximate): - priority support firms: 180% - large conglomerates: 120%</td>
</tr>
<tr>
<td>loan for vocational ability development training facilities &amp; equipment</td>
<td>to employers who implement or wish to implement vocational ability development training or the government, employers, workers' groups, non-profit organizations, women's resources development centers and etc.</td>
<td>- up to a limit of 2 billion for employer groups, 1 billion for employers, workers groups, non-profit organizations and 0.5 billion for women's resources development centers, 90% of required amount is lent-repayment by equal installment 4 times per year for 5 years after a 5-year grace period (within 10 years) - lending interest rate (per annum): - priority support firms, employers' organizations: 1% - large corporations, employers, public training institutes: 2.5% - non-profit organizations, workers' organizations, Women's Resources Development Centers: 6%</td>
</tr>
<tr>
<td>Requirement</td>
<td>Level of support</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Subsidy for taking classes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- insured workers who plan to quit due to layoff plan, bankruptcy or business close down and who quit during or within 1 month from training or aged above 50 and; - attended more than 80% of courses of vocational ability development and paid the expenses</td>
<td>full amount (up to a limit of 1 million won)</td>
<td></td>
</tr>
<tr>
<td><strong>Loan for workers’ tuition</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>workers who are enrolled at, or have entered polytechnic colleges, junior colleges or higher education institutes at their own expenses (excluding undergraduate and graduate courses of Korea’s National Open University)</td>
<td>- full amount of tuition, for full semester</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- lending rate: 1% per annum</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- lending period, repayment conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- 2-year course (4 years, 2 year grace period, 2 year repayment)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- 4-year course (6 years, 2 year grace period, 4 year repayment)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- principal: repaid after a 2-year deferment period, repaid by equal installment 4 times per year for 2 (or 4) years</td>
<td></td>
</tr>
<tr>
<td><strong>Reemployment training for unemployed workers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>training for workers who are covered by employment insurance and have quit their jobs (training benefit added to training expenses will be paid to those who do not receive unemployment benefit and have attended courses for more than 4 hours a day, 80 hours a month and when the attendance rate is above 80%)</td>
<td>- training expense</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- training expense: standard training expense number of average trainees (only 70%~80% for private institutions and women’s resources development centers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- meal expense: 50,000 won per month (for those who attend courses for more than 5 hours a day, 100 hours a day and whose attendance rate is above 80%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- boarding cost: up to a limit of 7,000 won per day (when the training is more than 5 hours a day, including meal cost)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- training benefit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- transportation fare: 30,000 won</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- family allowance: 100,000 won (when the trainee has family to support and whose property tax is less than 30,000 won)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- ability development allowance: 70,000 won (when the insurance coverage period of employment insurance is longer than 6 months)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- priority vocation benefit: 100,000 won (those in the priority vocation industries)</td>
<td></td>
</tr>
<tr>
<td>Requirement</td>
<td>level of support</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>technical support program</td>
<td>technical support program regarding vocational ability development program, skill/technique promotion program, research-development program, education/promotion program, material development/editing/distribution program, license program</td>
<td></td>
</tr>
<tr>
<td>Skill/technique promotion program</td>
<td>amount to be determined after calculating necessary expenses</td>
<td></td>
</tr>
<tr>
<td>Other programs: Research development Qualification Authorization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government outsourced training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-training for non-skilled adolescents, unemployed workers, job-seeking females aged between 15~65 -3D jobs related to production line in manufacturing/construction industry, high tech industry</td>
<td>- training expense: specified amount per training by occupation - training benefits: same as training benefits of reemployment program for unemployed workers</td>
<td></td>
</tr>
<tr>
<td>Vocational ability development training for construction workers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>training for those who have welfare cards for construction workers and those who are confirmed as construction workers by construction business employers</td>
<td>same as vocational ability development training(amount not limited when training is provided to construction workers not employed on a permanent basis)</td>
<td></td>
</tr>
<tr>
<td>Support for application fee for certification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>workers covered by employment insurance who obtained a National Technical Qualification</td>
<td>-full amount of certificate application fee -material purchase/class tuition(up to a limit of 100,000 won) -number of times support available: twice</td>
<td></td>
</tr>
</tbody>
</table>


3) Re-employed Training of the Unemployed
Reemployment Training for the unemployed aims to enhance the quality of life of workers by providing training opportunities to unemployed workers to learn the necessary skills and techniques so as to get reemployed and stabilize their livelihoods.

(a) Applicants
Those who were covered by employment insurance and who left a firm covered by employment insurance are eligible applicants, but those aged 65 or over are excluded from the employment insurance scheme, and are thus not eligible to apply.
(b) Training Institutions
Training Institutions should be vocational ability development training facilities as defined in Article 2 of the Workers' Vocational Training Promotion Act; schools as defined in the Higher Education Act and other facilities and institutions deemed capable of providing vocational training for the unemployed by the superintendent of the local labor office, pursuant to Article 42, Paragraph 1 of the Employment Insurance Act. These include polytechnic colleges as defined in the Polytechnic Colleges Act, vocational training institutes as defined in the Human Resources Development Services of Korea Act, and vocational training institutions under the Act of the Korean Chambers of Commerce and Industry.

(c) Training Courses
Training courses should be courses for high-priority vocations or courses related to national technical qualifications or certificates under the Basic Act on Certificates. They should be day-time courses in principle, but when it is deemed necessary given the features of the region, training institutions and the inevitable situation of the trainees, night time courses and seasonal courses can be opened. Training courses should be longer than one month and less than one year, and comprise 60 or more total training hours. When field training as a part of social service to social welfare facilities is provided, such hours are included in the training hours. During the first week of the training program, course admission or transfer is possible; a trainee is not deemed to have dropped the course if he or she transfers course during the first week.

(d) Types of Support
Reimbursement for training expenses are paid to the training institutions after the completion of training or on a monthly basis. The amount is calculated by multiplying the standard training expense according to a Table of Unit Prices of Training Expenses paid by the average trainee; for private institutions and Women's Resources Development Centers, the amount is multiplied by 0.8 for standard training and 0.7 for non-standard training. If trainees do not receive unemployment benefit, attend courses of more than four hours a day (80 hours per month, with an attendance rate of 80 per cent or higher) the following training benefits are paid after the completion of training or on a monthly basis; transportation fee: 30,000 won; family allowance: 100,000 won (when the trainee has a family to support and pays property tax of less than 30,000 won); child raising subsidy: 50,000 won (for an unemployed female worker whose husband pays less than 30,000 won property tax); ability development subsidy: 70,000 won (when the employment insurance policy has remained effective for longer than six months); priority vocation benefit: 100,000 won (when the course is for a priority occupation).

For trainees who attend training courses for more than five consecutive hours per day, more than 100 hours per month (and whose attendance rate is above 80 per cent) an additional 50,000 won is paid out for meal costs; when accommodation is provided during training, a housing fee (including a meal allowance) is paid out up to a limit of 5,000 won per day.

4) Funding of Vocational Ability Development Programs
A Vocational ability development program is funded by the owner of business eligible for employment insurance coverage. This is based on the belief that the program covers training needed by an enterprise; the program also contributes to the development of the vocational ability of workers and unemployed workers, which will ultimately contribute to strengthening the competitiveness of the company. The human capital theory assumes that for general training, unlike firm specific training, when a worker quits, there is no way for a firm to get a return on investment in training, so companies are not encouraged to bear the investment cost. However, with general training as well, many companies are actually paying for the investment, with some companies justifying it on the hypothesis of asymmetrical information or monopolistic power of demand. In other words, even for general training, when other companies do not have sufficient information about the specific worker who gets the training, the worker is highly restrained from moving to another company, which works as a motivation for the company to pay for the training cost. Also under the situation where asymmetric information exists, companies may have monopolistic
power on demand, so there is an incentive, once again, for the company to pay for investment in general training (Dearden et al., 1997: 7~12).

The insurance premium rate to be paid by the employer depends on the size of the business. Larger companies pay more as they get the largest benefit from vocational ability development program. The premium rate applied ranges from 0.1 per cent and 0.7 per cent of the total wage, depending on the number of full time workers and whether the company is a priority support business.

| Business hiring less than 150 | 0.1% | all paid by the employer |
| Priority support business hiring more than 150 | 0.3% |
| Non priority support business hiring more than 150~1,000 | 0.5% |
| Business hiring more than 1,000; projects directly run by the government or local governments | 0.7% |

Note: Priority support business refers to a mining business hiring less than 300, a manufacturing business less than 500, a construction business hiring less than 300, a transportation/ warehousing/ telecommunications businesses hiring less than 300, and other business hiring less than 100.

C. Current Status of Vocational Ability Development Program

Since the Employment Insurance System came into force in July 1995, vocational ability development programs have continuously expanded their scope of application and by 1999, all companies were able to get support for vocational ability development.

<table>
<thead>
<tr>
<th>Classification</th>
<th>total</th>
<th>less than 150</th>
<th>more than 150, less than 1,000</th>
<th>more than 1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>806,962 (100)</td>
<td>797,916 (98.9)</td>
<td>8,265 (1.0)</td>
<td>781 (0.1)</td>
</tr>
<tr>
<td>Insured workers</td>
<td>6,908,888 (100)</td>
<td>4,381,773 (63.4)</td>
<td>1,403,076 (20.3)</td>
<td>1,124,039 (16.3)</td>
</tr>
</tbody>
</table>

Note: Application of the vocational ability development program was expanded gradually, to companies hiring more than 70 on July 1, 1995 (more than 4 billion won for construction projects), to companies hiring 50 on January 1, 1998 (more than 3.4 billion won for construction projects), to companies hiring more than 5 (more than 340 million won for construction projects), to companies hiring more than 1 on October 1, 1998 and to all companies including companies where vocational training is mandatory.
As of the end of December 2001, the total number of companies operating the program reached 806,962, with insured workers reaching 6,908,888. By size, companies hiring less than 150 account for 99.1 per cent of total companies. However, in terms of the number of insured workers, companies hiring less than 150 account for 98.9 per cent of the total, while companies hiring more than 150 employees comprise just 1.1 per cent. In terms of the proportion of insured workers, companies with less than 150 employees make up 63.4 per cent of the total, while companies with more than 150 account for 36.6 per cent (refer to Table II-9).

Table II-10: Application of the vocational ability development program by industry (2001) (unit: company, person, percentage)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Companies</th>
<th>Insured workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>806,962</td>
<td>6,908,888</td>
</tr>
<tr>
<td>Agricultural/ fisheries</td>
<td>2,234</td>
<td>20,567</td>
</tr>
<tr>
<td>Mining</td>
<td>1,041</td>
<td>16,703</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>174,510</td>
<td>2,616,162</td>
</tr>
<tr>
<td>Electricity/gas/water supply</td>
<td>857</td>
<td>56,545</td>
</tr>
<tr>
<td>Construction</td>
<td>108,707</td>
<td>529,913</td>
</tr>
<tr>
<td>Retail/ wholesale, lodging, eatery</td>
<td>265,610</td>
<td>593,568</td>
</tr>
<tr>
<td>Transportation/ warehousing/ telecom</td>
<td>24,059</td>
<td>578,825</td>
</tr>
<tr>
<td>Finance/ insurance/ real estate</td>
<td>95,467</td>
<td>1,354,346</td>
</tr>
<tr>
<td>Education service/others</td>
<td>134,477</td>
<td>782,259</td>
</tr>
</tbody>
</table>

By industry, the retail/wholesale and lodging/eatery sector was the largest provider of vocational ability development programs, accounting for 32.9 per cent of total number of companies operating such programs, as is shown in Table II-10, followed by the manufacturing industry at 21.6 per cent, and the education service industry accounting for 16.7 per cent of companies. The mining industry and electricity/gas/water supply industries were the lowest, recording only 0.1 per cent. In terms of the proportion of insured workers, manufacturing was the highest at 37.9 per cent, followed by the financial/insurance industry/real estate sector at 19.6 per cent, while the lowest was recorded by the mining industry at 0.2 per cent.

D. Track Record of the Vocational Ability Development Program

The number of companies eligible for the Vocational Ability Development Program has continuously expanded, along with continuous deregulation of vocational training by the private sector, ultimately supporting and promoting voluntary and autonomous vocational ability development by the private sector. In the early stage, the program was not widely used, but starting from 1998, the third year of implementation, when the unemployment rate skyrocketed, the number of companies, and workers involved in the program and the amount of financial support given increased dramatically.

Source: Ministry of Labor (July 2002). Progress of Vocational Ability Development Program.
Table II-11: Past performance of the vocational ability development program
(unit: company, person, hundred million Won)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>companies</td>
<td>25,912</td>
<td>58,288</td>
<td>80,860</td>
</tr>
<tr>
<td>workers</td>
<td>588,006</td>
<td>977,952</td>
<td>1,555,402</td>
</tr>
<tr>
<td>amount</td>
<td>2,580</td>
<td>4,249</td>
<td>7,186</td>
</tr>
</tbody>
</table>

Source: Ministry of Labor (July 2002). Progress of the Vocational Ability Development Program.

In 2001 alone, which is the seventh year of implementation, 80,860 companies and 1,555,402 workers obtained financial support from the vocational ability development program, and the total amount of support in 2001 reached 718.6 billion won, a whopping increase of 279 per cent from 258 billion won in 1998. This is a clear demonstration that the Vocational Ability Development Program has made a great contribution to support lifelong vocational ability development (See Table II-11). However, despite the increase in the operation of the Vocational Ability Development Program, the imbalance across industries has remained a significant problem.

Starting from 1999, when the application of the Vocational Ability Development Program operating through the employment insurance scheme was expanded to all companies, and until 2001, companies and workers taking advantage of the program increased rapidly. In 1999, companies using such training increased by 99.4 per cent from the previous year, and in 2001, they increased a further 5.4 per cent and 26.7 per cent, respectively. The huge increase which occurred in 1999 can be attributed to labor market conditions at the time when the unemployment rate skyrocketed to a record high level, along with some changes to the system itself. Although the unemployment rate remained as high as 6.3 per cent in 1999 mainly due to the lagging effects of business cycles on the labor market, it began to decrease significantly in 2000. The unemployment rate of 2001 was 3.7 per cent, with 795,000 people unemployed.

In detail, out of a total of 18.4 billion won in financial support, employer vocational ability development training received 17 billion won or 92.5 per cent. On the other hand, as for the number of trainees, the number of insured workers who participated in vocational ability development training was 1.55 million, accounting for the highest level in recent years at 95.7 per cent, and subsidy for taking classes reached 40,000 which is 2.3 per cent for the lowest level in terms of number of trainee workers.

The employment insurance fund for the Vocational Ability Development Program went into the red in 1999, for the first time since the employment insurance scheme was implemented. In 1999, revenues for the Vocational Ability Development Program were 521.7 billion, while expenditure was 531 billion won, recording a deficit of 9.3 billion won. In 1999, the premium rate for companies hiring more than 1,000 which were previously mandatory candidates for vocational training, but were included as companies eligible for the Vocational Ability Development Program, increased from 0.05 per cent to 0.7 per cent. Even though the balance of Vocational Training Promotion Fund (56.3 billion won) was transferred to the Employment Insurance Fund, thus increasing the income of the Vocational Ability Development Program by 1.8 times compared to 1998, it still recorded a deficit, because expenditure on the program in 1999 more than doubled from the previous year. This was partly because employer vocational ability development training increased from 40.8 billion to 82.9 billion, but the main reason for the large deficit was the reemployment training for the unemployed, which accounted for 72.1 per cent of support costs, absorbing 306.2 billion won.
Table II-12: Current status of the vocational ability development program provided across industries: 1997~2001
(unit: company, person, million won, percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies Total</td>
<td>8,861</td>
<td>25,922</td>
<td>51,686</td>
<td>86,680</td>
<td>91,385</td>
</tr>
<tr>
<td>Vocational ability Development training</td>
<td>4,969</td>
<td>17,741</td>
<td>43,511</td>
<td>73,411</td>
<td>80,860</td>
</tr>
<tr>
<td>paid vacation training</td>
<td>144</td>
<td>339</td>
<td>333</td>
<td>309</td>
<td>271</td>
</tr>
<tr>
<td>Subsidy for taking classes</td>
<td>(1.6)</td>
<td>(1.3)</td>
<td>(0.6)</td>
<td>(0.4)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Loan for workers' tuition</td>
<td>3,748</td>
<td>7,842</td>
<td>7,842</td>
<td>12,960</td>
<td>10,254</td>
</tr>
<tr>
<td>Subsidy for taking classes</td>
<td>(42.3)</td>
<td>(30.3)</td>
<td>(15.2)</td>
<td>(15.0)</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Reemployment training for the unemployed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Workers Total</td>
<td>199,880</td>
<td>588,006</td>
<td>1,029,813</td>
<td>1,365,782</td>
<td>1,730,308</td>
</tr>
<tr>
<td>Vocational ability Development training</td>
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<td>408,603</td>
<td>781,408</td>
<td>1,220,334</td>
<td>1,555,402</td>
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<td>paid vacation training</td>
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<td>3,940</td>
<td>8,446</td>
<td>7,756</td>
<td>8,611</td>
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<td>Subsidy for taking classes</td>
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<td>(0.7)</td>
<td>(0.8)</td>
<td>(0.6)</td>
<td>(0.5)</td>
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<td>Loan for workers' tuition</td>
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<td>12,350</td>
<td>13,552</td>
<td>18,590</td>
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<tr>
<td>Subsidy for taking classes</td>
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<td>(2.1)</td>
<td>(1.3)</td>
<td>(1.4)</td>
<td>(1.3)</td>
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<tr>
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<td>226,356</td>
<td>120,296</td>
<td>104,559</td>
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<td>Amount paid out Total</td>
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<td>257,671</td>
<td>418,183</td>
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<td>379,575</td>
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<td>Vocational ability development training</td>
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<td>paid vacation training</td>
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<td>(1.4)</td>
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<tr>
<td>Loan for workers' tuition</td>
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<td>23,484</td>
<td>34,626</td>
<td>42,963</td>
</tr>
<tr>
<td>Subsidy for taking classes</td>
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<td>(6.6)</td>
<td>(5.6)</td>
<td>(8.7)</td>
<td>(11.3)</td>
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<td>Reemployment training for the unemployed</td>
<td>2,262</td>
<td>191,194</td>
<td>306,172</td>
<td>215,512</td>
<td>152,509</td>
</tr>
</tbody>
</table>

Note: Vocational ability development training includes subsidy for on-site vocational training and subsidy for education & training prior to 1998 and overseas vocational ability development training and vocational ability development training for construction workers after 1999.

Source: HRD Service of Korea's Work Information Center (various years). Annual Report of Employment
Expenditure on the Vocational Ability Development Program increased significantly, because expenditure on reemployment training for the unemployed sharply increased, as is shown in the table II-12. Such an expenditure increase was inevitable as the unemployment rate skyrocketed at that time, but the system itself allows any workers who lose their jobs in insured companies to participate in training, regardless of what level of vocational abilities they have. According to a recent financial forecast on the Vocational Ability Development Program, a continuous deficit is likely if the current level of programs continues to be offered. In particular, despite a steady decrease in the unemployment rate, a large amount of the fund is projected to be spent on reemployment training for the unemployed, which will put additional pressure on the balance of the vocational ability development fund. Therefore, based on a reevaluation of reemployment training for the unemployed, the overall business climate needs to be reviewed, taking into account the balance of the fund. In particular, it is essential to strike a balance between the fund’s function as ex-post facto management to enhance the capability of unemployed workers to get a job and its preventive function to avoid unemployment by developing the lifelong vocational ability of workers. Furthermore, a stable funding plan should be developed, in response to the explosive demand for lifelong vocational ability development, and the advancement of knowledge information.
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DUTCH GOVERNMENT POLICY AND INSTRUMENTS FOR CO-FINANCING LIFELONG LEARNING INITIATED BY GOVERNMENT AND EMPLOYERS

Titel Dutch government policy and instruments for co-financing lifelong learning initiated by government and employers
Auteur Albert Renkema, University of Groningen
Date October, 2002
Version 1

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Contents

Preface
Introduction
1. Dutch government policy on Lifelong Learning
2. Legal and fiscal frameworks for stimulating the training of workers
3. Mechanisms for co-financing Lifelong Learning in The Netherlands
  3.1. Experiments with Individual Learning Accounts by the Dutch government
  3.2. Personal Development and Care Budget with the Dutch Petroleum Company (NAM)
  3.3. Free Port project in the installation technology sector, OLC
  3.4. The @-point system of Appoint Personnel and Training
Conclusion
**Preface**

In 2001 the Dutch Ministry of Education, Culture and Science started an experiment with the Individual Learning Account in eight regions. This experiment is being coordinated and evaluated by CINOP.

The results of this experiment will be used for the development of instruments for the co-financing of training and schooling activities in the field of lifelong learning.

The Ministry of Education, Culture and Science asked CINOP to identify other examples of co-financing, using the format developed by the OECD. Besides the experiment with Individual Learning Accounts three other Dutch examples are described in this report.

Drs. Albert Renkema of the University of Groningen, who is preparing a thesis on this subject, has produced the report. He was supported by Prof. Dr. Max van der Kamp (University of Groningen), drs. Toon Janssen (Ministry of Education, Culture and Science and drs. Anneke Westerhuis (CINOP). I would like to thank them all and I am convinced this report will give you a good idea of the state of the art in the Netherlands concerning co-financing mechanisms.

Dr. Cees Doets  
Director Expertise Centre CINOP
Introduction

This report discusses innovative initiatives in The Netherlands in Lifelong Learning. The first section covers the policy of the Dutch government with regard to Lifelong Learning. It discusses current policy frameworks, trends and the way in which the government wants to respond to these trends. The second section covers a number of legal and fiscal frameworks through which the Dutch government seeks to stimulate employees to invest time and money in learning. Section three covers four Dutch initiatives for co-financing instruments, analysed with the OECD format:

1) experiments with Individual Learning Accounts initiated by the Dutch government;
2) the Personal Training and Care Budget of the Dutch Petroleum Company (NAM);
3) the ‘Free Port’ project of the training and development fund for the installation technology industry (OLC), and;
4) the @-point system of Appoint, an organisation for personnel and training in the ICT and graphic design industry.

1. DUTCH GOVERNMENT POLICY ON LIFELONG LEARNING

It is difficult to identify a coherent Lifelong Learning policy framework for The Netherlands, as different actors (ministries, educational institutions, social partners, citizens) are involved, having different sets of responsibilities. Lifelong Learning is about the lifelong development of diverse talents, with different aims, within a variety of learning environments and by various target groups. In education and learning the Dutch government directs its policy on Lifelong Learning primarily towards initial education.

Initial education can be divided into a) education for those legally obliged to go to school and b) education followed until entry to the labour market. Up to and including the age at which one has to attend school, the government is responsible for education. This point of departure is undisputed. However, initial and post-initial education are becoming more intertwined lately. This means that there is an increasing complementarity, if not overlap of the responsibilities of government, industry and the individual. Distinguishing initial and post-initial education is becoming problematic, also because the government wants to stimulate participation in and the development of facilities for post-initial education through creating the right preconditions. This report is about post-initial education.

Policy frameworks since 1998 are aimed at:

- stimulating participation in education by workers through the introduction of demand-driven funding mechanisms, innovation in retraining projects for workers with minimal basic qualifications, making training tax deductible for employers, procedures for recognition of Accreditation of Prior Learning, employability advisors for small and medium sized businesses, Investors in People;
- training workers and those looking for work without basic qualifications through fiscal facilities for employers, stimulating training for a basic qualification, projects with career advisors;
- creating a training component in reintegration schemes for those seeking work. There is special attention for immigrants and women returning to the labour market;
- maintaining facilities for regular education, for which local authorities are responsible. These are aimed at, amongst others, social cohesion/policy on social disadvantage, such as training for general education, the Dutch language, career orientation and career change. Immigrants who are allowed to stay in The Netherlands are obliged to follow citizenship courses aimed at education in the Dutch language.

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language, learning about society and career opportunities. There are also projects aimed at involving groups who are hard to get in touch with in education;

• preventing drop-out from basic education: improving combined learning and working and the quality of apprenticeships. Vocational training is working on expanding opportunities for dual courses. Also there is policy to reduce school dropouts.

In the near future policy should address the following trends 2:

• developments in the socio-economic field: economic developments, development of the knowledge economy and the increasing demand for highly qualified staff;
• technological change: in daily life citizens will have to learn to handle the increasing dependence on information;
• people’s lifestyles are changing due to increasing individualisation: differentiation of lives, combination of learning, work and care;
• the increasing insight that employees should be able to develop within their professional careers and have an own responsibility for this;
• decentralisation and chain responsibilities in governance aimed at creating more coherence in policy and practice between various tiers of government;
• more fluent change from initial and post initial education through increase of combined learning and working in post foundational education and the corresponding division of responsibilities between government, business and individuals.

This leads to the following implications for future policy 3:

• enabling the individual should be central: learning at every moment and in every place is mainly reached if the learner is enabled him/herself and has an influence on it;
• transparency of the market for education and training: flexibility is only achievable when the learner can choose from a wide range of providers;
• quality standards: education must meet quality criteria, whereby instruments such as Previously Gained Competences, portfolio’s, partial certificates and private standards of quality must be developed.

Within the framework of this policy, the Dutch government has initiated experiments with Individual Learning Accounts (ILA). The experiments with ILA conducted in the period from March 2001 to March 2002 were aimed at improving the employability of workers. From September 2002 there will be experiments with ILA for job seekers.

2. LEGAL AND FISCAL FRAMEWORKS FOR STIMULATING THE TRAINING OF WORKERS

Combining work and private life

Citizens feel increasingly forced to combine responsibilities in the fields of work, care and learning. In order to stimulate training of workers, they should be able to make time and opportunity to learn. In The Netherlands, there are now various official schemes that workers can use to combine work and private life, some of which are aimed at creating the preconditions to continue learning. There are for example official leave schemes for employees who have (or are expecting) children, leave for employees who are caring for a sick person and opportunities for employees who need more time for things like education. Employees

2 ibid.
3 ibid.
can use leave saving schemes; they can save time and/or money in a fiscally attractive way. It is allowed to save for up to one year’s leave by setting aside money or time out of one’s gross salary. The money or time saved is paid out as tax-free leave days. There are no known evaluation data on the use of these schemes. Apart from these leave saving schemes there is the Career-Break Funding Law.

Career-Break Funding Law
The Career-Break Funding Law originated in 1998 in response to a number of developments in society. Both men and women participate in the labour market, creating the demand for schemes to divide time for work and other responsibilities in a flexible and customised way. The Career-Break Funding Law aims to encourage and facilitate people in the optimum combination of work and private life. The law encourages people to take leave for education and care. The law also stimulates the participation in the labour market of target groups such as people on social benefits, the occupational disabled and those returning to the labour market.

The law does not give the right to career leave. When employer and employee agree that the employee can take leave for a longer period, the employee can claim financial compensation. This can be a period of between 2 and 6 months.

The leave must meet a number of criteria:
- purpose of leave: only for reasons of care and education. The term education or study is interpreted broadly. All forms of education aimed at employability are eligible;
- replacement: the employer must employ a replacement for the period of leave. The replacement must belong to one of the aforementioned target groups. The replacement obligation does not apply if the leave is for reasons of palliative care.

However, the total number of people taking up leave under this law is small. A total of 217 employees have done so. A total of 211 employers and 117 replacements were involved. The great majority of those taking leave were female: 66%. Most leave-takers are highly educated. Women take care leave relatively often whereas men tend to take educational leave. In the market sector there is almost no leave for educational purposes (4% of those taking leave). A third of people taking leave in the semi-government sector took leave for educational reasons. In total 23% of cases took educational leave. In other cases leave was for purposes of care, half of the total was for palliative care. The majority of cases is about educational leave as investment in the individual and the leave is not directly related to the current job.

The main reasons why the law is so little used are:
- lack of knowledge of the law among people who have a desire for long-term leave;
- people who are contemplating leave are sensitive to the height of the financial compensation;
- the demand of replacement leads to non-use: employers say they have problems finding a replacement, and this leads to rejection of the request for leave.

Salary savings schemes
Salary savings schemes or premium savings schemes are fiscally attractive saving schemes for employees. These savings schemes could be used amongst others for career and competence development. They involve setting aside an amount of the gross salary.

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If the total of the reserved savings subject to a salary savings scheme or premium savings scheme is € 17,025.-- or less, this amount does not have to be declared for tax. If the amount is greater, then only the amount above € 17,025.-- has to be declared. The amount has to be reserved for at least four years.

A new government came into office in August 2002. They have decided to scrap the Salary savings scheme.

**Tax schemes for employee training**

In general it can be said that the tax scheme for deduction of training costs for employers was introduced to encourage businesses to invest in training of their employees. The scheme entails that apart from the actual cost of training a business can deduce an extra amount from pre-tax profits. The tax inspector decides whether a training or course qualifies for the tax scheme. The deductible amount is reduced by 40% when the training is for employees above 40. Only costs related directly to training is such are eligible for tax deduction.

For employees training costs are deductible from income tax under certain conditions. They can be deduced under the condition that the training is necessary for the current or a future occupation. Training costs can also be tax deducted if the aim of training is improving one’s social position in a financial sense, maintaining or improving knowledge and skills that are necessary for acquiring or maintaining income from current work, and costs are more than € 500,-- per person (the maximum amount deductible is € 15,000,--).

### 3. MECHANISMS FOR CO-FINANCING LIFELONG LEARNING IN THE NETHERLANDS

This chapter covers four Dutch initiatives for the development of co-funding mechanisms on the basis of the format established by the OECD: the experiments with Individual Learning Accounts initiated by the Dutch government, the Personal Training and Care Budget of the Dutch Petroleum Company (NAM), the Free Port project of the training and development fund for the installation technology industry and the @-point system of Appoint, an organisation for personnel and training in the ICT and graphic design industry.

#### 3.1. Experiments with Individual Learning Accounts by the Dutch government

**Main features of initiative**

- **Name of initiative**
  The name of the initiative is: Individuele LeerRekeningen (Individual Learning Accounts)

- **Start initiative and expected duration**
  It involves a temporary encouragement scheme which has funded eight projects for the opening of Individual Learning Accounts (ILA), each of which last a year: March 2001 until March 2002. The aim of the projects was to examine possibilities of individualised systems of co-funding in various organisations, sectors and administrative and management systems.

- **Prime mover in developing and launching initiative**
  In November 2000 the Ministry of Education, Culture and Science called upon representatives of business, knowledge institutions and training brokers to enter a request for an experiment with ILA. According to the subsidy scheme an ILA is: “a savings account for working people and job seekers, which can only be used for training”.
With this scheme the ministry joins developments in other countries, such as in the United Kingdom. There around 2.5 million learning accounts were opened in the past two years, more than double the number originally planned.

Given the experimental nature, applicants got the space to adapt the learning account to their own needs within the general framework. The general framework was formulated as follows:

- the learning account is a savings account in the name of the employee or job seeker;
- a person can use this savings account to pay for a course or training;
- the learning account can be contributed to by the individual, by an employer or by other interested parties (i.e. local or national government);
- saving need not be in the form of money, education vouchers could also be used;
- the individual learning account is used to buy education. This means purposeful training, explicitly aimed at the career and the individual’s employability;
- an essential part of the learning account must be that the initiative, the planning and the responsibility for training lie with the individual.

From an experimental viewpoint, an amount of variation in project proposals was sought (such as spread across the country, across sectors and organisations, various target groups etc.). Almost twenty applications were received, eight of which were granted:

a) three industrial sector training funds (food industry, AFG? and care and welfare);

b) three regional education bureaux (RBO’s) or local training brokers;

c) Two regional education centres (ROC’s).

Each project opened between 150 and 200 learning accounts, usually for working people. In most cases the opening of the accounts was discussed with the employer.

**Political goals**

**Stated views:**

**Government**
The point of departure of the Dutch government correspond with the starting points of the European Union, as stated by the European Council in Lisbon in 2000: The assumption is that by giving citizens more influence on the form and content of their education (demand-led based control) their motivation to learn will increase and thinking in terms of returns to learning efforts will become common sense.

The idea is to give everyone in The Netherlands a limited amount of learning rights, the use of which is not dependent on age. This will lead to a further diminishment of the difference between initial and post initial learning, everyone will have access to lifelong learning, and the free choice of individual citizens is guaranteed.

**Employers**
Many companies had clear motives to open learning accounts for their workers within the framework of the experiment. The motives given can be reduced to three categories:

- ILA encourages employees to (continue to) train (with an indirect benefit to the company). Target groups who previously were hard to motivate for training could be approached;
- financial motives, for example the government’s encouragement scheme;
• motives related to company policy. For example: the individual learning account fits into the current training policy.

Employees
The main motives for workers, the account holders, to open a learning account, were:
• personal development: these are motives which are more or less separate from the current or desired employment; people want to develop personally, without attaching consequences for employment;
• at the wishes of the company: having been asked or encouraged by the employer. Sometimes people feel forced, in order to keep a job;
• better performance in the current job;
• financial advantages: mostly this involves employees who were previously unable to do training due to high costs;
• promotion: this is about promotion within and promotion outside the company;
• enjoyment: here the stress is on intrinsic motivation: People enjoy training or following a course.

Political or organisational reasons:
The overall aims of the government in the experimental introduction of Individual Learning Accounts were:
• to increase the level of education of the population;
• improving employees’ employability;
• increasing citizens’ participation in programmes for competence development, specifically those aimed at older employees, less educated employees and ethnic minorities;
• widening the interest in continuing education;
• increasing individuals’ motivation to continue learning on a regular basis;
• increasing freedom to set one’s own learning aims, and think about one’s own future;
• improving demand led control of the educational market.

Programmatic Objectives

Target population
The experiment was mainly aimed at employees with a low level of education. The initiative succeeded in reaching this target group. Of those who opened a learning account through one of the eight projects, almost 90% had an education level of at most intermediate vocational level (MBO). Compared to the total working population this level of education is strongly over represented; around half of the participants are at intermediate level. Participants are distributed over many different kinds of companies. This too is inherent in the experimental set-up to aim for maximum variation in participation. Apart from the kind of firms the functions of individual participants varies. The account holders worked in 150 different functions.

Total numbers of persons served:
Around 1100 people opened a learning account through the eight projects. This was almost the same as the number intended.
**Individual behaviour:**
The experiments were mainly aimed at stimulating employees to invest in developing their own competences and increasing participation in learning activities by the working population.

**Target of learning activities to be co-financed:**
The conditions with regard to the payment of the balance in the account by the eight projects can be divided into two categories. The balance could be paid:
1. on the grounds of company proposals: arrangements between the company and an employee. For example within the framework of a personal development plan;
2. on the grounds of the wishes of the account holder: agreement between the individual participant and the project organisation.

The conditions for training activities differed per experiment. In general it can be said that training activities were both functional and career oriented. The conditions were not aimed at special training forms or contents.

**Timing and duration:**
The budget was provided for one year.

**Principal features of initiatives**

The scheme (both for the organisation, coaching and ‘filling’ the learning accounts) costs around € 1,200,000.--. Each project was supposed to open learning accounts for at least 150 people; the total was 1200 accounts. The national government provided at most € 454,-- per account. Around € 68,000,-- was available for setting up and administering each project. Two projects asked participants for a contribution. This could consist of a standard amount (for example € 22,--) or vary (from investing one’s own time to a contribution of over € 200,--).

In seven projects the encouragement contribution from the government is supplemented by contributions from the company and/or the sector’s training fund. These amounts vary. They might depend on the duration of a course bought using the account.

**Allowable expenditure or use of time:**
The projects hardly vary regarding their reimbursement policy. Usually only the direct training costs are paid, such as registration fees, books, exam fees or software. Sometimes travel costs and in one case a small part of lost time were compensated.

**Ownership and government arrangements:**
Across the eight projects there is a continuum in the freedom of account holders in how they spend their learning account. On the one hand, there are situations where a company has registered employees in a collective company training using the money from the learning account, where those involved are sometimes not aware that they possess a learning account. On the other hand, there is the situation where the account holder is completely free in finding a use for the money in the learning account.

In this regard the role taken by the project organisation is of course important: to what extent has the organisation acted as ‘owner’ of the ILA concept and has it guarded the essential characteristics of the concept?
Almost all projects have talked to the companies and participants about the rules of the individual learning accounts. But not all have actively checked whether the administration happened according to these conditions. Some projects have sufficed with registering the course enrolments and expenditure of participating companies. Others however have stayed in contact with companies during the project and have intervened in cases where the balance between the individual interest and company interest appeared questionable. Some have acted as brokers to find a product suitable for the account holders’ demand in order to maintain control of the use made of account money.

This control can also take place at the end. In one project it was agreed that account holders would show proof of participation in courses 18 months after signing the agreement. If a participant has used account money for other uses it must be refunded.

Administrative arrangements:
The management of accounts by the project organisation can be reduced to three main models (with variation within the models):

- In the first model (5x) the project organisation had a financial administrative system with which they manage the funds and all data pertaining to ILA themselves. In this model an account is opened on the basis of documents provided by the company pertaining to agreements between the employee and the supervisor, for example, agreements about a Personal Development Plan (PDP). Within this model accounts can be opened on the basis of a ‘collective application’ through the company or on the basis of employees’ individual application with the project organisation after an agreement between the employee and the company. In the first case, account statements can be provided to account holders for their information. In the second case, this is self-evident because the account holder does business with the project organisation on an individual basis and manages his/her own account. Another version of this model is dual management where in addition to the project organisation a bank is also involved. Applications and intended deposits go through the project organisation, which delegates the order to a bank, which sends statements to the individual account holders.

- In the second model (2x), the account management is contracted out entirely to a bank. Accounts are opened after an agreement is signed between the parties involved (in this case the individual, the company and the project organisation). After opening the account the management rests with the individual – the account holder- who also arranges with the employer that the employer contribution is paid. This part can consist of a monthly payment, or a lump sum.

- In the third model (2x), the account money is expressed in vouchers, which entitle the holder to a reduced price for the subsequent training of a participant already enrolled with an educational institution, or as a contribution to the cost of training up to a maximum amount. In the latter case there is a de facto training fund which pays up to a set limit on request.

Other programme arrangements:
Active mediation by the project organisation or third parties was often necessary in choosing a course that accommodates the demands of individual account holders.
An example is the project organisation that worked with the company to offer courses that met the training plans specified in the Personal Development Plans. In these cases the personnel managers or the direct supervisors play an important role.

Also it has appeared in some projects that informal and formal talks with third parties (with colleagues, superiors, employability-advisors or case-managers) can help to formulate a demand for training. Involvement of third parties can also help in formulating a demand for training. The role of case managers was that they went ‘shopping’ with the suppliers in the region on the basis of the training demand.

**Coherence with respect to laws and policies affecting loans, savings and other financial instruments and transactions:**
The legal and fiscal framework of the ILA is still unclear. This framework must be made clear in the near future, because the lack of clarity discouraged many companies from participating. There must also be clarity about the possibilities for links to existing salary savings schemes and company savings schemes.

Furthermore projects have dealt with differing collective arrangements related to employment contracts. In one project it was attempted to make employees pay a contribution into the account, but this could not be implemented, because the collective employment contract forbade employees’ contributions for training.

**Framework conditions**

**Arrangements to promote the instrument and to provide advice:**
The projects have used various methods to motivate companies to participate in the experiment with learning accounts, such as: sending direct mail, phone calls, personal approach through existing contacts, sending newsletters, publications in newspapers and magazines.

Regarding the approaching of participating employees it seems that a directed, personal approach by personnel departments or account managers of companies is most effective. Support from sector organisations is very important in this regard. It is also important that ILA is not seen as a separate instrument, but is linked as far as possible to initiatives in the field of Human Resource Management, Investment in People programmes and Personal Development Plans.

In one project individual participants were approached directly at first. Since this turned out to be very labour intensive, it was chosen to approach people through companies instead.

**Arrangements to ensure the quality of learning activities and to ensure that persons receive appropriate credit for prior learning:**
In quality control a difference should be made between quality control at the start, during and at the end of training bought using the account. The projects dealt with this in different ways. With respect to the set up (and duration) of the experiment, the emphasis in most projects was quality control at the start (‘are the learning accounts set up according to the intentions of the scheme?’). Projects that mediate actively between supply and demand use quality criteria such as selecting a supply that fits in best with the demands of the account holder.

Some project organisations kept an eye on the day to day running of training, for example by organising regular meetings between teachers, the company (on behalf of learners) and the project organisation.
Evidence of the adequacy of other framework conditions to make informed decisions about investment in learning:

Other preconditions that stimulate individuals to take informed decisions about training and learning are to do with cultural preconditions. On the one hand, this is about (social) cultural aspects at the individual level, and, on the other hand, about cultural aspects within the company. Cultural aspects at the individual level become visible when it turned out that it took a lot of time and energy to generate interest amongst less-educated people and people looking for work, because this group has hardly any experience in (organising one’s own) education and training.

Cultural aspects at the company level were shown by the fact that for employees with more experience of education participation in ILA often meant a great change in their way of thinking about education. Thus far, the initiative for participating in training had come from the employer. In seven out of eight projects the choice was made to select participants (the final holders of the accounts) through employers (the companies). The motive for this choice was the idea that the implementation of individual learning accounts requires a cultural change in many cases, for which mutual involvement, in the sense of a dialogue between employer and employee, is essential.

Implementation and outcome of the scheme

To what extent have the goal and objectives indicated above been achieved?

Evaluation of the target groups to be reached
The intention of the projects to aim mainly at participants with little education seems to have been successful. In keeping with the intention at the outset of the experiment higher educated people are under represented. These data show that the ILA in the projects have appealed to employees with a relatively low education.

Regarding the other variables (age, gender) the background of participants does not differ from participants in more traditional forms of training.

Evaluation of the intended participation and responsibility of participants
Employers say that a learning account gives employees more responsibility for training. The idea that ILA makes them more independent from their current work situation appeals to many account holders. Despite the responsibility for a learning account being seen as important, the opinions about managing an account are divided.

Personal development was by far the most important motivation for participants to participate in the experiment, followed by the motive to function better in the present job and motives related to one’s position within the company (getting promoted). Personal development is a motive that is not only aimed at improving one’s functioning in the present job or company.

Evaluation of the intended strengthening of demand-led provision of training
Some projects point out that hiring private suppliers is often not an option. In their experience the relatively small budgets of most learning accounts are not enough to buy serious training courses in this market. However, some training was bought from organisations that have operated on the commercial education market for a long while. These are used to direct on the basis of demand such as the number of enrolment opportunities or possibilities for supplying tailor-made training.

At the institutional level, strengthening of demand-led provision of education and training has more to do with the accessibility of regular/public education for a specific training demand. Many projects have commented that training institutes in the public sector have only a limited ability to offer the kind of
training that is demanded within the ILA framework. With ILA, demand-led provision is gaining importance, but putting this into practice will take a lot of effort, especially by public providers.

Another aspect of strengthening demand-led provision is the individualisation of the educational content: strengthening the possibilities for providers to meet individual demands. Many projects indicate that they have had added value in this respect, also because it is often difficult for an individual not used to education to get something done. Here too it is true that within the ILA framework individual demand is gaining importance, but putting this into practice will take a lot of effort.

**Administrative arrangements**

_Strengths and weaknesses of administrative arrangements:_

The companies whose employees have opened learning accounts pointed out the (complicated) procedures and decreased influence of the company on the employees’ choice of training. Concerning procedures, they point to the red tape and extra organisation, which both cost (too) much time. According to the companies the difficulty of the procedures causes employees to loose confidence. Companies also think that employees have to learn to manage their own budget and to wait longer before they are able to do a more expensive course.

Also, employees are divided about managing their own learning account. Some employees dislike the administrative work.

_Suggestions for strengthening the administrative arrangements:_

**Suggestions regarding procedures**

The majority of comments from participating companies concern the amount of paperwork that comes along with participation. Although it is realised that some things need to be registered, they believe that it could be done more easily. Also the speed of procedures could be improved. Now it takes a long time before the learning account can finally be opened. For example, mail could be sent through the company (but addressed to the employee). This would make administrative procedures quicker. Finally the idea was launched to not only link the system to participating companies, so that the scheme is also accessible to employees seconded to a company and temporary employees.

Of an altogether different order is the desire for joint management of the learning account by the employee and the employer. Also there is a desire for clear agreements about what to do in case of a transaction.

**Suggestions regarding financial arrangements**

A suggestion is to enable employees to contribute to the learning account themselves, making it more their own. In contrast there is the desire form other companies not to ask a contribution from employees, because the employer should pay for training. One company had trouble with the financial arrangements and thinks that the company should manage the money.

_Feedback and evaluation of initiatives_
Evaluations

Provisions for evaluating the implementation
No effect study was done. CINOP was used for supporting the experiments and evaluation. CINOP also takes care of communication between projects and to the outside world, for example, by publishing newsletters and maintaining a website, and of evaluation of projects in the light of the goals set by the government for experimenting with learning accounts.

Apart from this, two experiments were compared to existing initiatives for personal development accounts in companies by Berenschot en PriceWaterhouseCoopers.

3.2. Personal Development and Care Budget with the Dutch Petroleum Company (NAM)

Main features of initiatives

Name of initiative
Personal Development and Care Budget. This is a company subsidy for training and care leave in the shape of a fixed budget that can be used by individual employees. The budget is made available to employees for a period of three years.

Start of initiative and expected duration
It involves two initiatives: the Personal Development Budget (POB) and the Personal Development and Care Budget (POZB). They have existed since 2000 and 2001 respectively. The POB was replaced by the POZB in 2001.

Prime mover in developing and launching initiative
The scheme is part of the Collective Bargaining Agreement (CAO) and is the result of negotiations about the contract between the employer (NAM) and the trade union in the chemical and energy sector. The collective contract of 1999 mentioned such a scheme, which finally came about in 2000. Due to a lack of employees willing to take part in the POB it was decided to extend the scheme for 2001 with funding leave for purposes of care, improving on the usual care leave arrangements (POBZ). The schemes were developed by training advisors from the company.
The scheme covers all employees covered by the NAM’s collective agreement (around 800).

Political goals

Stated views:
The social partners were looking for an instrument to stimulate employees within the company to invest in their own employability and to give employees the option to develop themselves by using education and training inside and outside the company.

Political or organisational reasons:
The educational aim is to stimulate self-controlled learning and empowerment of employees. Little use was made of educational services outside the work related training that is compulsory for employees.

Programmatic Objectives

Target population and total numbers of persons served:
The instrument is intended for all employees of the company covered by the collective bargaining agreement: these are the employees in the lower income groups. This involves around 800 employees.

Individual behaviour:
Through the use of the budget the initiators sought to improve the employees own responsibility for and self-control of their education. Furthermore, employees get the opportunity to gain new learning experiences.

Target of learning activities to be co-financed:
The scheme can be used for all kinds of learning activities aimed at the current or future workplace. They are directed at improving job security in the current place of work or possible the future place of work. The latter can be interpreted broadly: any occupation in which the participant thinks he/she can earn money either inside or outside the company. This involves all courses that improve employability. This links the initiative to the definitions used for fiscal arrangements for education (see chapter 1).

The costs of training related to function or occupation are paid by the NAM free of tax to the employee: the employer can subtract this restitution from profits. The budget can also be used for training in the field of safety, health and welfare.

Furthermore, employees are eligible for a maximum of five days leave, paid from the budget. The leave must be used for activities that benefit society. Also extra care leave days can be funded by the budget, supplementary to the existing care leave arrangement.

Finally there is restitution for courses that are not tax deductible: these are courses that do not lead to a recognised occupation. This restitution is not tax deductible for the employer.

Timing and duration:
The budget is made available per employee for a period of three years. If the money reserved is not used within three years, the budget is cancelled.

Principal features of initiatives

The instrument:
The employee does not manage the money him/herself. A budget is made administratively available per employee.

Schedule for contributions by respective actors:
Employees can make a request with the training department of the NAM without having to go through their immediate supervisor.

There, the request is dealt with, and if necessary is discussed with the supervisor. The employer provides an amount of € 2.050,-- per employee.
Allowable expenditure and use of time:
Direct training costs are paid for from the budget. It is intended that employees do training in their own
time. In principle there is no compensation for time lost.

Ownership and government arrangements:
The employee can make a request, which can be granted by the company’s training department. The
expenditure should be based on the personal development plan, for which employees are responsible
themselves. Criteria for granting the request are whether the training is aimed at employment security in
the current or future workplace (work related training). If it involves leave, the final decision is with the
coordinator or the personnel planner.

Administrative arrangements:
Criteria are formulated and tested by the training department; the wage administration department does the
administration of the instrument. Employees can make their request in writing with the training
department. Care leave must be discussed with the direct supervisor. No further administrative costs are
involved. Special request forms have been developed for employees; there are also registration forms that
monitor per employee how much money out of the budget has been used for training or care leave.

Other programme arrangements:
There is a leaflet with information about the scheme. Managers and supervisors have also been informed
about the scheme and are able to attend employees to it if necessary. Furthermore, employees can make use
of the Human Resource Adviser from the personnel department for personal advice related to career
development.

Coherence with respect to laws and policies affecting loans, savings and other financial instruments and
transactions:
The NAM’s scheme exists alongside to the general arrangements such as salary savings and leave saving
(see chapter 1). Apart from the schemes mentioned, employees of the NAM who work in The Netherlands
have a legal right to care leave of a maximum of ten days per year. Employees are eligible for this when
there is no other solution. Employees can receive 70% of their salary for up to ten days. The difference (the
other 30%) can be paid from the budget.

There are also other training facilities within the NAM. There is of course the job related training
employees have to participate in anyway to be able to do their job. But there is also a self-study scheme
(for example id people with basic qualifications want to do higher professional education). Employees are
eligible for 100%, 75% or none of this scheme. If one is eligible for 75%, the POZB can pay the other
25%, this request is granted almost immediately.

The self-study scheme only counts for horizontal career development, POZB also counts for vertical career
development.

Framework conditions

Arrangements to promote the mechanism and to provide advice:
There are no formal arrangements for advice about the use of the POZB. People can take advice from an
external careers advisor if they so wish.
Arrangements to ensure the quality of learning activities and to ensure that persons receive appropriate credit for prior learning:
Various analytical models for evaluating previously gained competences are available per department.

Participants have to use recognised educational institutions, which are registered with the chambers of commerce. Participants receive a recognised qualification and the quality of training is assured.

Evidence of the adequacy of other framework conditions to make informed decisions about investment in learning:
Educational advisors at the NAM indicate that it is important that employees take a positive attitude regarding learning and that the supervisor supports that need for learning and stimulates the employee to invest in his/her own development.

Implementation and outcomes of initiatives
To what extent the goals and objectives indicated above have been achieved?
So far, only a few people have taken part in the scheme. The company mentions the following reasons for this:
Employees are suspicious due to reorganisations: they fear that training aimed at positions or occupations outside the company could lead to dismissal at the next reorganisation

Many operational workers have a low level of education, have negative experiences of learning and a negative attitude regarding competence development
The other training schemes adequately meet the desires of the employees
It turns out that informing employees stimulates then to make use of their budget.

Administrative arrangements
The administration of the instrument has brought hardly any extra administrative burden. The wage administration department and the personnel department do the administration.

Feedback and evaluation of initiatives
Evaluations
No evaluation was conducted, only the number of participants who applied for the scheme was registered.

3.3. Free Port project in the installation technology sector, OLC

Main features of initiative
What is the name of the initiative?
The name of the initiative is: Vrijhavenproject (Free port project). It involves experiments with personal vouchers for training and career development for employees in installation technology companies. The project is being run by the Regional Training Company in the installation technology sector in the region of Achterhoek Rivierenland (the province of Gelderland).

Other regional training companies started similar experiments aimed at companies in their own region later. It is intended that the experiments lead to the development of a format for a voucher system for companies in the installation technology sector in all regions.
**Start initiative and expected duration**
The initiative was launched in 2000 in the region of Achterhoek and Rivierenland. The first experimental project was carried out by the Regional Training Company in the installation technology sector in the province of Gelderland. Around 30 companies in the province took part.

**Prime mover in developing and launching initiative**
The Free Port project is an initiative of the Training and Development fund for plumbing, fitting and central-heating companies (OLC). This is a training fund run by the social partners in the installation technology sector. The initiative arose out of discontent amongst the social partners about the arrangements for collective training schemes that had been run by the OLC foundation thus far. In view of experience with previous arrangements a way had to be found to encourage companies in the sector to invest more in their knowledge and competence development and in improving their service provision. The method of the Free Port project had to be effective because it is aimed at the employability of individual employees and the knowledge development of companies in the sector. In addition companies receive guidance in the application of the instrument by external advisors.

The sector has its own training system of so-called Regional Training Companies for Installation Technology (100 throughout the country). These training companies (ROI’s) offer training to the installation technology sector within their region and offer companies in the sector guidance and support in education and training.

These Training Companies are responsible for implementing the initiative. The ROI in the province of Gelderland was the first to implement the Free Port concept. At the moment a number of Regional Training Companies in the country are working with the concept. These Regional Training Companies look for companies in their region that are interested to make personalised development plans for their employees. In most cases this involves small and medium sized businesses.

**Political goals**

*Stated views:*
Companies thought differently about the Free Port concept. At first many employers and employees did not want to invest extra time in these schemes, which seemed complicated to them. Furthermore, there is no ‘culture of training’ in these companies, especially in the small firms. There is often a negative attitude towards education and learning. However, the social partners were enthusiastic about the initiative. They come up with the following three positive arguments for the initiative:

- the initiative encourages learning in the sector;
- the initiative improves the independence of small and medium sized companies in the sector in implementing their own training policy, the initiative is not only aimed at the employee, but also at the employer;
- in contrast to large companies, small companies often don’t know how to recuperate training costs; this initiative encourages and helps employees and employers, who might otherwise run into practical problems, to invest in training and development.

*Political or organisational reasons:*
The aims of the initiative are threefold:

- starting and maintaining a dialogue between employee and employer about the development of the employee and the development of the company;
- improving the willingness for education from the perspective of employer and employee;
• developing an adequate guidance and support structure for employees at both the company and sector level.

Thus the aim is to encourage companies to think about the development of the business and of individual employees and to encourage a process within the company to make these development plans the subject of discussion between employer and employee. It is intended that individual development needs and business needs are brought together. This should lead to greater independence for small and medium sized businesses.

Another long-term goal is improving the public image of companies is the installation technology sector. These companies have a bad image, especially concerning service.

Programmatic Objectives

Target population:
The initiative is aimed at both employees and employers. Especially starting a process between employer and employee about the development of the business and the development of the people working in the business also stimulates a learning process by the employer.

Total numbers of persons served:
At the moment 1500 employees are involved in this initiative

Individual behaviour:
Behavioural changes in both employees and employers were intended to encourage learning within the company. Employees are encouraged to think about their individual competence development and employers are encouraged to think about the development of the company. The employer tries to make a connection between the organisation’s competence development and the individual competence development of employees.

Target of learning activities to be co-financed:
The learning activities have been formulated quite broadly: it encompasses both job-oriented training and education for personal interests. The idea behind this is that the successful completion of a course – even if it has nothing to do with the job or occupation – can lead to a positive attitude towards learning in general. This is especially important for employees who are less educated or have no basic qualifications.

Timing and duration:
The budgets are available for two years. Money is set aside for each company/individual for up to two years.

Principal features of initiatives

The instrument:
The instrument consists of a budget in the form of a voucher per individual employee, made available by OLC.

Schedule for contributions by respective actors:
Both employers and employees have to invest in making development plans. These development plans are approved by the OLC head office. The further implementation of the initiative is left to the Regional Training Companies.
OLC activities are funded from a compulsory levy on companies (1.15% of the wage bill). The budget is € 700.-- per participant. Working procedures are being developed per ROI. The procedure of the Free Port project of ROI Gelderland works as follows:

- in each business employer and employee negotiate about the use of the vouchers;
- these negotiations decide for which kind of training (job related, company related or broader than the sector) and for which form of training the vouchers will be used (evening classes, formal education, training on the job);
- the results of these negotiations are inserted into a personal development plan and all personal development plans together form a business development plan (BOP);
- the adviser appointed by the ROI gives guidance to the employer and has personal interviews with the employees;
- the company applies for the total subsidy with the OLC on the basis of the BOP; this includes an explanation of the negotiation process;
- at the end of the project period or of the stated period an explanation is given for spending.

The evaluation of the Free Port project shows that employers were willing to contribute a further 30% on top of the voucher in case the actual training costs are higher than the budget.

**Allowable expenditure or use of time:**
The following expenses are paid for: course fees, exam costs, books, lost time to a limited extent.

**Ownership and government arrangements:**
The way the budgets are managed and administrated varies per ROI. Decision-making about expenditure always happens through negotiations between employee and employer. They are supported by an advisor connected to the ROI who facilitates the learning process between employee and employer.

Various models can be distinguished in the management of the budget made available by the OLC on the basis of the business development plan:

- in some cases the money ends up in the employee’s account. The employee must then be able to explain to the OLC what it was spent on;
- sometimes the money is managed by the employer: this model encourages employers’ responsibility for training of his own employees and the professionalism of small and medium size businesses in the sector;
- sometimes the budget is managed by the ROI. This is efficient but does take away the stimulus from the employer and in the end is detrimental to the independence of small and medium sized businesses related to training and the (knowledge) development of the company.

**Administrative arrangements:**
OLC calculates a cost of around € 10,000.-- per ROI, apart from the money for training budgets. This amount is intended mainly for advice and guidance costs.

**Other programme arrangements:**
The ROI provides the advisers who guide the learning processes in the company between employer and employee. These advisers have no competence to direct the educational content. The ROI decides for itself where it gets the advisers, for example employability advisers connected to the trade union FNV, or advisers from Intertechnium, the sector’s knowledge institute.
Coherence with respect to laws and policies affecting loans, savings and other financial instruments and transactions:
Legal arrangements concerning saving, leave saving and sabbaticals are applicable in this sector alongside the Free Port concept.

Framework conditions

Arrangements to promote the instrument and to provide advice:
The use of the budget is stimulated by the Regional Training Companies. They look for companies in their own region that want to participate in the project. In future the instrument will be used in all companies in or related to the sector. The Regional Training Companies also take care of coaching the advisers.

Arrangements to ensure the quality of learning and to ensure that persons receive appropriate credit for learning:
The ROI adviser is available and makes regular visits during the two years and assures the quality of education and training. The training is bought from recognised providers. Accreditation of Prior Learning procedures can be funded through the Free Port scheme.

Evidence of the adequacy of other framework conditions to make informed decisions about investment in learning:
The OLC has previously studied the effect of investment in staff upon employment relations. It turns out that employers can retain employees better if they encourage training and development. Experience shows that an encouraging attitude by the employer and a positive atmosphere in the company regarding learning enable the employee to think about his/her own development. This is a precondition for making a considered decision about learning.

Implementation and outcome of the scheme

To what extend have the goal and objectives indicated above been achieved?

Achievement of program objectives:
The programme objectives have been achieved up to now. Employers who were involved in the Free Port project say they are satisfied with the development meetings. Employers find that this way of working motivates employees to take responsibility for their own development. It is also valued that subsidies from the training fund are granted in advance: this shows trust. Structural guidance for employers, managers and employees is also appreciated by employers.

Changes with respect to individual behaviour:
A change was observed with respect to participation by employees in learning activities, in the sense that more employees participate in learning activities as a result of the scheme. These learning activities vary from courses aimed at personal hobbies to job-related training. Also the fact that employees invest in developments outside the technical environment is experienced positively.

Administrative arrangements
The administration of the budgets differs from region to region. The arrangements evaluated thus far do not mention that the Free Port concept involves a hefty administrative burden for individual companies. The introduction of the new way of working and the external guidance costs employers time. Employers experienced this only partially as a problem. Employers indicate that guidance from advisors was seen as an encouragement to improve their training policy.

Feedback and evaluation of initiatives

Evaluations
Regional Training Companies evaluate their own projects. A detailed evaluation was conducted of the Free Port project in Gelderland, the results of which are mentioned above. The experiments in other regions are still running and have not yet been evaluated. In the end it is intended to do a comparative study of the experiments in the various Regional Training Companies, from which a format should be developed which can be applied across the country in the installation technology sector.

3.4. The @-point system of Appoint Personnel and Training

Main features of initiatives

Name of initiative
The @-point system is a savings system for temporary and seconded employees sent out by Appoint Personnel and Training. Temporary and seconded employees get the chance to save the so-called @-points based on the number of hours worked. Temporary employees can save one point per hour worked and employees sent on secondment can save two points per hour. These points stand for € 0,50 and can be spent on training within the organisation. Appoint is an organisation that a) sends seconded and temporary employees into the graphics and multimedia sectors and b) offers courses in this sector for (re) training. Appoint also offers services to companies in the sector with respect to finding and selecting personnel, mediation of freelancers and placement and reintegration.

Start of initiative and expected duration
The initiative was launched in 2000 and applies to all temporary and seconded employees by Appoint.

Prime mover in developing and launching initiative
The system was introduced by Appoint Holding to meet the criteria of the law on Flexible Employment. This law protects ‘flex workers’ in the labour market. These are seconded or temporary employees or employees who have a flexible employment contract. The law states amongst other things that organisations that second employees (or temporary workers) have to make a certain amount available to be spent on educating temporary and seconded workers. ‘Flex workers’ have the right to build up a training budget.

Political goals

Stated views
The idea in the Appoint Holding was that such a savings system would benefit the internal demand for training and that it would also generate a marketing spin-off.

Political or organisational reasons
There are three organisational reasons for initiating the system:
• the money that has to be reserved for education of temporary and seconded employees stays in the organisation this way, because the @-points can only be used to buy training from within Appoint Training;
• the demand for training increases, meaning Appoint can increase its capacity;
• the @-point system has a marketing strategic goal: the system increases Appoints brand recognition in the sector.

Programmatic objectives

Target population and total numbers of persons served:
No specific target group was delimited; it covers all people working through Appoint.

Appoint has a large database of around 10,000 candidates who are available at short notice to work in companies in the ICT and multimedia sector.

Individual behaviour:
The @-point system is a saving system. The mechanism is mainly aimed at increasing participation in training activities offered by Appoint Training. Employees build up points automatically.

Target of learning activities to be co-financed:
The educational goal is mainly aimed at broadening the current job of the temporary or seconded employee. The points saved by the system have to be spent on the courses offered by Appoint. When there is a demand for courses not offered by Appoint, the organisation buys the experts and training required.

Target of learning activities to be co-financed:
The system is available during the three years the employee works through Appoint. This means that the employee can save @-points for three years. Every @-point is valid for 2 years. When an employee leaves Appoint, he/she gets an overview of the number of points saved, information about how long these points are valid and an overview of the training on offer. Also contact between the consultant and the employee are maintained for some time.

Principal features of initiatives

The instrument:
The saving system is funded from earmarked means. Thus the employee doesn’t save money or hours out of his/her salary.

Allowable expenditure and use of time:
The aim of this facility is a reduced price on direct training costs. Appoint Training offers set courses for a set price, but also custom courses.

Ownership and government arrangements:
The employee makes the decisions in the one to one contact with the consultant. This meeting is aimed at the employees’ progress, contentedness with the place of work and possible desires regarding competence development. In phase two of the temporary work period (after 26 weeks of work) training needs discussion is legally mandatory. In this discussion, the employee and the consultant discuss whether the employee has a need for training. It could be that the employee wants to train in a certain direction to have more opportunities of work.
There are also contacts between the employer, the employee and Appoint. This can involve competence
development, career development and training.

Administrative arrangements:
The administration is linked to the administration of hours worked per employee. The administration
related to temporary employees is done by the Appoint company office. Temporary employees can go to
this department with questions like the number of points saved. The hours worked by seconded employees
are administrated by Appoint Personnel Services. With seconded employees more importance is given to
spending on courses relevant to the job.

Other program arrangements:
Attention is given to coaching in three ways:
- Regular contact between consultant and employee;
- Informational material about the training on offer;
- Information about the @-point system through the Appoint website;
- The training needs discussion after a year’s work;
- Contact is maintained after the employee stops working for Appoint.

The @-point system has not initiated any additional guidance or coaching arrangements. However, information
about the system can be found on the Appoint website.

Coherence with respect to laws and policies affecting loans, savings and other financial instruments and
transactions:
The system is separate from arrangements such as salary savings systems and career breaks.

However, the flexibility and security law (in short: the ‘flexibility law’) does apply to Appoint. The flexibility
and security law states the rights of a temporary employee or an employee with a flexible
contract. The law also states that employment agencies have to spend money on training and pensions. The
longer a temporary employee works through an organisation, the more rights he/she builds up. Training
budgets are one of these rights.

Framework conditions

Arrangements to promote the mechanism and to provide advice:
The @-point system does not have additional arrangements, except the information on the website and the
information the consultant gives about training possibilities in the individual discussion with the employee.

Arrangements to ensure the quality of learning activities and to ensure that persons receive appropriate
credit for prior learning:
Appoint has its own training system, certified by CEDEO. CEDEO is an independent intermediary
organisation which tests the ‘human resources improvers’ such as training institutes, recruitment &
selection agencies, work agencies and organisational advisers on customer satisfaction, quality, continuity
and company orientation. When an external provider, such as Appoint Personnel and Training, meets the
requirements, it becomes eligible for the ‘CEDEO approved’ label. Two types or recognition can be
distinguished: a recognition for individualised company training and a recognition for open company
training. These recognitions are based on customer satisfaction studies.

Appoint has taken no extra measures for recognition of previously gained competences. Only the training
needs of the employee count.
Implementation and outcomes of initiatives

To what extent the goals and objectives indicated above have been achieved?
The demand for courses within Appoint has grown dramatically in the last year. This took a while, because the internal communication between the Personal Services and Training departments regarding the system had to be implemented. Although the growth of the ICT and multimedia sector has been spectacular in recent years, the market has suffered a downturn. It is assumed that employees are now more inclined to invest in their employability.

The employees all use the savings scheme and use it for training. The employees’ participation in training is increased, although it is difficult to indicate whether this is a direct result of the system. The demand for training outside Appoint has also increased. This could also be the result of the market downturn.

Administrative arrangements
The systems’ administration does not cost a lot of extra time and money. The administration of the hours worked can be easily linked to the administration of the points saved.

Feedback and evaluation of initiatives

Evaluations
No measures were taken to evaluate the system. However, Appoint’s own legal department has checked to see whether the system meets the demands set by the ‘Flexibility law’. No comparative impact study has been done.

Conclusion

This paper describes four initiatives of co-financing lifelong learning, initiated by different actors. What is more, these descriptions show a wide variety of forms of co-finance mechanisms. Three initiatives even include different variations of one instrument. As well as variations in duration and financial expenditure, the mechanisms differ on several relevant aspects.

First, the initiatives differ in roughly two aspects relevant to content. Variety in administrative arrangements is one of those aspects. Initiatives differ as to whether individuals handle an actual amount of money, or make decisions about education within the limitations of a budget or a voucher. In the first situation, the individual does not actually carry out administrative tasks. Administration is left to other actors, such as pilot organisations or the accounts department of a company. Saving discount points is another variant regarding administrative arrangements. Here the instrument partially aims to stimulate saving behaviour.

Furthermore, decision-making processes vary between the initiatives. They vary, for instance, in the degree to which the individual is responsible for his/her own choices regarding learning. This point is crucial, because it affects an objective, most initiatives have in common: individual responsibility for learning and the ability of individuals to make sensible decisions regarding their own competence development.

Second, the initiatives differ according to process. To be specific, the initiatives vary in how they were launched, implemented and evaluated. Furthermore varieties of specific programme aims can be detected between the initiatives. Some initiatives were aimed at the exploration of best practices, other initiatives were designed to find out differences between target groups.
Third, the initiatives differ in how the relations between the different actors involved are defined. Some cases focus on individual responsibility and other initiatives put forward the communication process between employer and employee. In addition to this aspect, in some cases, such as the installation technology sector, advisors or counsellors play a significant role.

This point is closely related to the last aspect of variety between the initiatives: differences in information, counselling and mediation facilities. In some cases counselling or mediation between individual demand and the schooling market is integrated within the concept, whereas in other cases these facilities play a marginal role.

According to some respondents, professional counselling regarding employability and career development, however, seem to be important in order to facilitate an individual in making well-informed decisions about how to spend the budget. The question is whether this assumption will sustain in the future, when organisations and employees would be more used to co-finance mechanisms of learning. Furthermore, most of the initiatives are mainly aimed at lower-educated personnel and the respondents agree that this category of employees often is not inclined to invest time and money into learning and education.

Apart from these differences, the main objectives of all the initiatives are comparable. The initiatives share objectives such as improving participation in education, stimulating decision making regarding learning and stimulating individuals to take responsibility for their own competence development and employability.

Due to the initial phase, in which most of the co-financing strategies find themselves, it is not yet possible to draw validated conclusions about best practices. Besides, some initiators are still in the phase when they specifically aim at exploring best practices out of several variations of one instrument. Therefore, it can be concluded that regarding these endeavours, co-operation and tuning between the different initiators is required.
The Swedish System to support Lifelong Learning

To understand the structure of Swedish initiatives for co-financing lifelong learning, a supplementary description of the Swedish system to support lifelong learning is necessary. The overriding goal of Swedish educational policy is that every citizen should have the chance of a good education, irrespective of gender, social or economic background or place of residence. The costs of realising this goal are regarded as an investment for society as a whole. Another basic principle is that lifelong learning should provide new knowledge and skills and promote personal development, democracy, gender equality, economic growth and employment and the fair distribution of wealth.

In Sweden, central government takes a major responsibility for realising educational policy objectives and for lifelong learning. Education throughout the national education system is free of charge for the individual and a well-developed study support system means that many are financially able to study. The responsibility for individuals being offered and taking advantage of this chance to learn is not borne solely by the state and local authorities, however. The social partners and the individual student also share this responsibility. The distribution of responsibility between the individual, the social partners and society is a central issue. Equally crucial is the issue of the distribution of investment among individual citizens.

Today society supports both organised and non-organised learning in many different ways. The greater part of support for organised learning is provided within the framework of education policy, covering different forms of education in the formal education system and also study support. Substantial support is given to popular adult education, consisting of folk high school and adult education associations. Popular adult education is not guided by terms attached to state subsidies but guided by its own ideas and objectives. Within the framework of labour market policy, employability is supported by means of labour market training. Through industrial and tax policy support is provided for competence development in working life. Social policy provides direct support for educational measures, amongst others, rehabilitation, which is financed by social insurance offices. Through the EU’s structural and social funds, Objective 3 invests significant amounts in i.a. competence development in working life and education as an instrument for reducing unemployment. A large part of organised learning also takes place in the form of in-service training financed by the employer.

The basic principle of equal access to learning for everyone coupled with the Swedish Government's views regarding the extent and direction of its own and local authority responsibility for lifelong learning, means that the central government and local authorities have built up a wide selection of courses and a generous study support system. Within municipal adult education, people have the opportunity on the basis of individual desires, to supplement their education at compulsory and upper secondary school levels. Law regulates the responsibility of municipalities to provide adult education at basic and upper secondary level. Basic municipal adult education corresponds to the nine-year compulsory school and provides the foundation of knowledge for living in society, for working life and further studies. Local authorities are obliged to provide basic adult education and to encourage adults who have not attained qualifications at the
compulsory school level to undertake studies to do so. Municipal adult education is equivalent, but not identical to education at upper secondary level in the regular school system.

The Swedish Government has laid down goals and strategies for the further development of adult learning and its infrastructure. Outreach activities, counselling, validation, accessibility and study support may be said to constitute the cornerstones of an infrastructure for lifelong learning. Responsibility for ensuring that all the elements of this structure are in place – with the exception of study support – rests with the municipal councils. Adult education should support flexible and lifelong learning. The focus is shifted from teaching in school-like forms to more flexible ways of providing support for the individual's learning. The individual should be the focal point and education and training should as far as possible be steered by the demands of its users. Adults should be able to combine studies at different educational levels and participate whenever and wherever they want to. Learning should be tailor-made with regard to the wishes, needs and prerequisites of the learner. Creating possibilities for continuous learning means that adults can learn side by side with working life and that the need for taking study leave diminishes. This development means that the contribution of the learner increasingly becomes an issue of engagement, commitment and investment in time and less one of financial contributions.

The Swedish system can be said to be co-financed in the sense that municipalities provide educational opportunities. The state contributes through grants from the national budget to local authorities for their various services and trough grants to universities and university colleges depending on their results, and through the study support system. The support system is flexible so that it is possible to adjust the extent of services offered to the existing employment situation. The contribution of the individual is partly an investment of time and effort and partly the financing of living expenses during studies.

Further information on the Swedish education system can be found at:

http://www.eurydice.org/Eurybase/Application/frameset.asp?country=SW&language=EN
http://www.sweden.gov.se/
http://utbildning.regeringen.se/inenglish/publications.htm
http://utbildning.regeringen.se/publikationerinfo/pdinfomat/ministry_presentation.pdf
A Swedish Mechanism for the Co-financing of Lifelong Learning

1. The name of the initiative

The Adult Education Initiative (AEI).

2. The nature of the initiative

The Adult Education Initiative is the largest adult education investment initiative ever undertaken in Sweden. All of the country’s municipalities are taking part in the project, which began on 1 July 1997 and is set to continue up to and including 2002.

State grants are provided to municipalities in order to stimulate increased municipal adult education and training. The condition for receiving a state grant has been that municipalities should maintain their level of supply, with the average supply for the preceding three years serving as the benchmark.

The Adult Education Initiative is primarily aimed at adults who are unemployed and who lack full three-year upper secondary qualifications. The idea is that those adults who are most in need of education should be given a chance to catch up and add to their stock of knowledge. Individuals currently in employment who have only benefited from a short period of education may also be eligible under the scheme. A special grant for education and training (SAST) was tied to the initiative, giving unemployed adults (25–55 years old) the opportunity to undertake studies at the elementary and upper secondary levels for up to a year, supported by a grant corresponding to their level of unemployment benefit.

The Adult Education Initiative encompasses upper secondary adult education and training. When the initiative was introduced, the share of training courses increased substantially, shifting the balance between training and education within the municipal adult education sector. Education and training under the
initiative can assume a number of different forms, and various types of education and training organizers are involved, the aim being to provide flexible solutions wherever possible. Part of an educational programme can be spent on work placement, and it is also possible to combine upper secondary courses with studies at an elementary level. For those who have not studied for a long time and feel uncertain as to the level of study which would suit them, special orientation courses are available.

3. The prime mover of the initiative

The initiative was taken by the Swedish Government. The Adult Education Initiative was partly financed by reallocating funds earmarked for passive measures in the then Ministry of Labour’s chief policy area to active education and training programmes in the Ministry of Education and Science’s main sphere of responsibility. Additional funds were released by implementing an energy tax shift and by a general reallocation of funding within the national budget. There was a consensus that unemployed people who lacked upper secondary school qualifications needed education or training in order to gain a stronger position on the labour market. For this reason they should have access to educational opportunities in the first instance, rather than passive unemployment benefits.

4. Political Goals

The initiative was part of the Government’s strategy to halve unemployment by the year 2000. The aim of central and local government was to achieve, within a short period of time, an overall boost in national knowledge, thereby giving those with lower levels of education greater opportunities both to find employment and to continue learning. At the same time, the Adult Education Initiative was to contribute to the reform of adult education, in terms of both content and working methods, so that it would be better able to meet the challenges facing the individual, working life and society in the future. The overriding aims of the Adult Education Initiative are to reduce unemployment, develop adult education, reduce educational divisions and promote growth.

The initiative was a way of enabling unemployed adults to use their time in a way that would be meaningful for both the individual and society at large, while maintaining economic support. The underlying idea was that improved levels of skill and increased self-confidence would help the individuals concerned to strengthen their position on the labour market. As access to qualified labour increases, opportunities for economic growth should increase accordingly.

The intention is for all education and training which takes place under the Adult Education Initiative to be governed with regard to form and content by the needs, wishes and capacities of the individual. It must be demand-led, in terms of organization, planning and the courses provided. Every individual should have ample scope for personal choice concerning the type of studies they require and the timing and location of those studies.

5. Programmatic Objectives

The target group primarily comprises adults who are unemployed and who lack full, three-year upper secondary qualifications. Individuals currently in employment who lack adequate education or training at the secondary level may also be eligible under the scheme.

The intention was to provide 100,000 annual study places within municipal adult education and folk high schools. Approximately 800,000 adults will have studied within the initiative by the end of 2002. The results show that municipalities delivered a larger volume of education and training than they received state funding for.
The costs to the state can be divided into two main components, one being the costs of providing education and training and the other the costs of financial support for students. When it comes to provision, municipalities and the state are jointly responsible. Financing is in the form of state grants, but each municipality is individually responsible for organization, planning and implementation. The state is contributing an annual average of SEK 4 billion over the five and a half year period, equivalent to 100,000 annual study places. Folk high schools receive assistance for 10,000 annual study places. The costs of financial support for students will add up to approximately SEK 40 billion over the period 1997–2002.

A higher level of education and training enhances the individual’s opportunities to achieve personal development and quality of life. It makes him or her better prepared to participate in a society that is increasingly knowledge-intensive and multicultural. The higher level of knowledge achieved should help to improve the individual’s opportunities in the labour market and provide options for further studies.

6. Principal features of the initiative

The education is free of charge for the individual and various forms of study assistance have been available to those studying under the Adult Education Initiative.

As a part of the initiative, a special grant for education and training (SAST) was introduced. This grant was available on condition that the person in question was between 25 and 55 years old, was studying at elementary or upper secondary level, and fulfilled the criteria for receipt of unemployment benefit. The grant was equivalent to this benefit and payable for a maximum of one year (in 1999, two years). If the person was employed, the employer had to fill the vacancy created with an unemployed person nominated by the labour market authorities. In addition, the general financial support schemes for students were available:

- Special adult study assistance (SVUX), intended for people who took leave of absence from their job to study at elementary or upper secondary level. This support took the form of a grant and a loan and was related to the level of income lost. People aged up to 50 who had been in work for at least four years were eligible.

- Special adult study assistance for the unemployed (SVUXA) was available to individuals aged 21–50 who were unemployed and registered job-seekers and who intended to study at elementary or upper secondary level, on condition that they had previously been in work for at least three years. The assistance took the form of a limited number of grants and loans.

- Student support in the form of a grant and a loan, the sums available being the same for all applicants. This scheme is intended for students in higher education and for persons over the age of 20 who are studying at elementary or upper secondary level.

Municipalities and the state are jointly responsible for the Adult Education Initiative. Co-financing between the state and the municipalities takes the form of state grants to each municipality, which is in turn individually responsible for organization, planning and implementation. The cost of financial support for students is borne by the state.

The individual’s contribution consists in financing his or her living expenses and investing the necessary time. How the costs are divided between the state and the individual depends to a large degree on the form of financial support made available (since the proportions of grant and loan vary between the different forms), on whether the individual chooses to receive only the grant element, and on the amount of any loan
the individual takes on. Approximately 50 per cent of adults participating in the programme financed their studies by other means than a state grant and/or loan.

The Adult Education Initiative Committee, which served between 1995 and the spring of 2000, was commissioned by the Government to manage and monitor the Adult Education Initiative in the municipalities, to coordinate national evaluations of the AEI and to ensure that independent national assessments were carried out. These tasks have subsequently been transferred to the National Agency for Education. 35

Since 1 July 1998 the National Agency for Education has been responsible for contacts between the state and the municipalities. For the Agency this involves administration of the municipalities’ applications for grants, and distribution of study places and funds, based on the following criteria:

- The level of unemployment and education in each municipality.
- The aims and scope of the municipality’s programme of orientation courses, general courses and vocational courses.
- The municipality’s initiatives for the renewal and development of adult education.

The guiding principles for the Adult Education Initiative were presented in the Government Bill 1995/96:222 and the initiative is regulated by Ordinance 1998:276.

Regarding the question of coordination, it is important to point out that the initiative and unemployment benefits are mutually exclusive. Cooperation between these sectors is frequent, though. Three quarters of municipalities decide upon the supply of courses after consultation with local employment offices. Most municipalities cooperate with the employment offices when it comes to recruitment and in almost half of the municipalities guidance services are co-located with the corresponding services provided by employment offices. Outreach activities are often conducted in collaboration with employment offices and the unions.

7. Framework conditions

The initiative can also include measures other than the provision of education and training, such as measures to develop the infrastructure needed to extend learning opportunities for adults, necessary guidance and recruitment measures, and measures to promote cooperation between education providers and to develop adult education. The aim of these measures is to make the initiative more accessible to adults.

The Adult Education Initiative has brought about an increase in the amount of guidance available, and today all the municipalities offer such services. Qualified guidance both before and during studies is intended to ensure that everyone is in an equal position to make well-founded choices. Guidance results in an individual study plan, which specifies what the student aims to achieve in his or her studies and the ways in which those objectives can be attained. The plan is drawn up on the basis of the student’s previous education and the assessments that have been made regarding his or her other skills and knowledge. The study plan should be revised as and when necessary.

35 The general duties of the National Agency for Education include development, follow-up, evaluation and supervision in pre-schools, schools and adult education.
Many municipalities are working with validation (recognition of prior/informal learning). About one third of the municipalities are using validation as a tool and almost two thirds are conducting development work in this area.

8. Achievements

The aim of achieving an overall boost in national knowledge within a short period of time must be regarded as having been met, since about 800,000 adults will have undertaken studies within the initiative by the end of the stipulated period. Individuals with lower levels of education have enhanced their level of formal education and educational divisions have thereby been reduced, unemployment has decreased, and a significant proportion of participants have continued their studies at university level.

The National Agency for Education has presented a report on the aim of raising levels of education. The results derive from a questionnaire administered to 186,135 adults participating during the school year 1997/98. They show that about one third of those who did not have upper secondary qualifications at the beginning of the period had achieved a higher educational level during the year. 36, 38,906 adults had reached a three-year upper secondary level, 15,345 a two-year upper secondary level and 5,748 a one-year upper secondary level. More than 11,000 adults had managed to raise their level of education by two steps or more.

The Adult Education Initiative has contributed to the development of adult education in Sweden. The government bill ‘Adult Learning and the Development of Adult Education’ (Government Bill 2000/01:72) proposes goals and strategies for the further development of adult learning. It sets out a strategy for central and local government-financed support for adult learning based on the needs of the individual. The bill also emphasizes the importance of turning to account, further developing and mainstreaming the work of renewal and development undertaken in connection with the AEI. Efforts should be made to further develop the experience and infrastructure built up in the municipalities.

9. Administrative arrangements

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10. Evaluations

Follow-up and evaluation in general

The new school management system approved by the Swedish Riksdag in 1990 marked the abandonment of a long-established approach based on detailed regulation of schools by central government. The decision in effect involved a switch from management by regulation to management by objectives. Under the latter system, the Government and Parliament lay down objectives and guidelines for the public school system. Municipal councils – or other commissioning bodies – are then responsible for ensuring that schools operate in accordance with these criteria. Such a system presupposes an ability to monitor and evaluate activities at the local and national levels in the light of the specified objectives. Each municipal authority is required to follow up and evaluate operations in the area under its jurisdiction. The purpose of follow-up and evaluation at the national level is to obtain an overall picture of the school system, in relation both to goals and results and to the organizational, staffing and financial conditions under which school education is provided.

36 Following the SUN classification of Statistics Sweden. To be registered as having achieved a higher educational level, the student has to fulfil certain requirements. He or she must have obtained 500 upper secondary level points and have passed the courses in English, Swedish and mathematics.
A brief summary of recent evaluations of the Adult Education Initiative

Implementation is being followed up and evaluated on the basis of the goals of the Adult Education Initiative. Evaluations of the AEI are being conducted by a number of different actors involved in the initiative. To ensure that the AEI meets prescribed quality standards, the Swedish National Council of Adult Education performs evaluations of those parts of the initiative that fall within the responsibility of the adult education system. The National Agency for Education is responsible for evaluating those elements that come within the jurisdiction of the municipalities and the national schools for adults, while the National Labour Market Board assesses aspects of the initiative which relate to measures and programmes implemented by the public employment services. Finally, the municipal councils taking part in the AEI are responsible for ensuring that their activities relating to the initiative are duly evaluated.

The Adult Education Initiative Committee, which served between 1995 and the spring of 2000, was commissioned by the Government to coordinate national evaluations of the AEI and ensure that independent national assessments were carried out. In 1997, the Committee commissioned a number of evaluations of the AEI. As of 1 July 2000, its responsibilities in relation to the evaluation bodies were transferred to the National Agency for Education.

The evaluators commissioned by the AEI Committee have assessed the AEI from educational, economic and other standpoints and will be submitting interim reports until 2002. The following evaluations have been commissioned by the Committee:

1. Implementation of the Adult Education Initiative by municipalities and the development of the individuals involved


The purpose of this study was to describe and analyse changes in the structure of adult education at the local level and the decision-making process behind this development. The study also examined how the changes impact on and interact with student recruitment, and the structure and content of the courses. A questionnaire was sent out to every municipal council in the country. This was supplemented by interviews with 40 selected authorities and in-depth studies of between 5 and 10 authorities. The findings of the study were published in 1999 and 2001.

Nationwide questionnaire-based study: The Adult Education Initiative: Recruitment, the Teaching Process, Results and Effects.

This study is based on an analysis of questionnaire responses from a nationally representative selection of students in municipally-run adult education and folk high schools, and of teachers involved in the AEI. To get a perspective on the results of the initiative and its effects on students, a questionnaire will also be sent to individuals not enrolled in adult education during the same period. Interim reports have been presented annually since July 1998 and will continue to be issued until December 2002.

2. The impact of the Adult Education Initiative on students and the unemployed

The Department of Education and Psychology of the University of Linköping has conducted two in-depth studies aimed at participants and non-participants in the AEI. Its findings have been reported to the AEI Committee on a continuous basis. A final report summarizing these findings was presented in 2001.

3. Economic analysis of selection, mobility and economic outcome
The project, carried out at the Department of Economics at Umeå University, comprises three sub-projects:

- the selection process,
- geographical and occupational mobility,
- the economic outcome (public and private) of the AEI.

Its findings have been reported to the AEI Committee on a continuous basis. A follow-up of incomes and labour market participation after the initiative will be conducted in 2002.

4. Early warning system based on statistical data on AEI-related municipal activities and individual attributes
The Institute for Regional Analysis, Inregia AB, is presently conducting a study focused on the development of the AEI within certain measurable dimensions. The project is based on current statistical data on AEI-related activities in municipalities and on student skills and choices. The project will serve as an early warning system, providing rapid feedback to decision-makers. Interim reports have been presented annually since 1999 and will continue to be issued until 2002.

5. Costs to municipalities of the AEI
The costs incurred by municipalities in conjunction with the AEI have been scrutinized by the Swedish Agency for Public Management. The inquiry, which presented its findings in 1999, was primarily concerned with establishing whether the grants received by the municipalities involved in the AEI were reasonable.

6. The Adult Education Initiative as a model and method for cooperation and management
The Swedish Agency for Public Management analysed the AEI implementation model chosen by the Government. Its report was published in 1998.

11. Structured experimentation

No such initiatives have been considered.
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2. The nature of the initiative

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State grants are provided to municipalities in order to stimulate increased municipal adult education and training. The condition for receiving a state grant has been that municipalities should maintain their level of supply, with the average supply for the preceding three years serving as the benchmark.

The Adult Education Initiative is primarily aimed at adults who are unemployed and who lack full three-year upper secondary qualifications. The idea is that those adults who are most in need of education should be given a chance to catch up and add to their stock of knowledge. Individuals currently in employment who have only benefited from a short period of education may also be eligible under the scheme. A special grant for education and training (SAST) was tied to the initiative, giving unemployed adults (25–55 years old) the opportunity to undertake studies at the elementary and upper secondary levels for up to a year, supported by a grant corresponding to their level of unemployment benefit.

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initiative can assume a number of different forms, and various types of education and training organizers are involved, the aim being to provide flexible solutions wherever possible. Part of an educational programme can be spent on work placement, and it is also possible to combine upper secondary courses with studies at an elementary level. For those who have not studied for a long time and feel uncertain as to the level of study which would suit them, special orientation courses are available.

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The initiative was part of the Government’s strategy to halve unemployment by the year 2000. The aim of central and local government was to achieve, within a short period of time, an overall boost in national knowledge, thereby giving those with lower levels of education greater opportunities both to find employment and to continue learning. At the same time, the Adult Education Initiative was to contribute to the reform of adult education, in terms of both content and working methods, so that it would be better able to meet the challenges facing the individual, working life and society in the future. The overriding aims of the Adult Education Initiative are to reduce unemployment, develop adult education, reduce educational divisions and promote growth.

The initiative was a way of enabling unemployed adults to use their time in a way that would be meaningful for both the individual and society at large, while maintaining economic support. The underlying idea was that improved levels of skill and increased self-confidence would help the individuals concerned to strengthen their position on the labour market. As access to qualified labour increases, opportunities for economic growth should increase accordingly.

The intention is for all education and training which takes place under the Adult Education Initiative to be governed with regard to form and content by the needs, wishes and capacities of the individual. It must be demand-led, in terms of organization, planning and the courses provided. Every individual should have ample scope for personal choice concerning the type of studies they require and the timing and location of those studies.

5. Programmatic Objectives

The target group primarily comprises adults who are unemployed and who lack full, three-year upper secondary qualifications. Individuals currently in employment who lack adequate education or training at the secondary level may also be eligible under the scheme.

The intention was to provide 100,000 annual study places within municipal adult education and folk high schools. Approximately 800,000 adults will have studied within the initiative by the end of 2002. The results show that municipalities delivered a larger volume of education and training than they received state funding for.
The costs to the state can be divided into two main components, one being the costs of providing education and training and the other the costs of financial support for students. When it comes to provision, municipalities and the state are jointly responsible. Financing is in the form of state grants, but each municipality is individually responsible for organization, planning and implementation. The state is contributing an annual average of SEK 4 billion over the five and a half year period, equivalent to 100,000 annual study places. Folk high schools receive assistance for 10,000 annual study places. The costs of financial support for students will add up to approximately SEK 40 billion over the period 1997–2002.

A higher level of education and training enhances the individual’s opportunities to achieve personal development and quality of life. It makes him or her better prepared to participate in a society that is increasingly knowledge-intensive and multicultural. The higher level of knowledge achieved should help to improve the individual’s opportunities in the labour market and provide options for further studies.

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The initiative can also include measures other than the provision of education and training, such as measures to develop the infrastructure needed to extend learning opportunities for adults, necessary guidance and recruitment measures, and measures to promote cooperation between education providers and to develop adult education. The aim of these measures is to make the initiative more accessible to adults.

The Adult Education Initiative has brought about an increase in the amount of guidance available, and today all the municipalities offer such services. Qualified guidance both before and during studies is intended to ensure that everyone is in an equal position to make well-founded choices. Guidance results in an individual study plan, which specifies what the student aims to achieve in his or her studies and the ways in which those objectives can be attained. The plan is drawn up on the basis of the student’s previous education and the assessments that have been made regarding his or her other skills and knowledge. The study plan should be revised as and when necessary.

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Many municipalities are working with validation (recognition of prior/informal learning). About one third of the municipalities are using validation as a tool and almost two thirds are conducting development work in this area.

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The aim of achieving an overall boost in national knowledge within a short period of time must be regarded as having been met, since about 800,000 adults will have undertaken studies within the initiative by the end of the stipulated period. Individuals with lower levels of education have enhanced their level of formal education and educational divisions have thereby been reduced, unemployment has decreased, and a significant proportion of participants have continued their studies at university level.

The National Agency for Education has presented a report on the aim of raising levels of education. The results derive from a questionnaire administered to 186,135 adults participating during the school year 1997/98. They show that about one third of those who did not have upper secondary qualifications at the beginning of the period had achieved a higher educational level during the year. 38,906 adults had reached a three-year upper secondary level, 15,345 a two-year upper secondary level and 5,748 a one-year upper secondary level. More than 11,000 adults had managed to raise their level of education by two steps or more.

The Adult Education Initiative has contributed to the development of adult education in Sweden. The government bill ‘Adult Learning and the Development of Adult Education’ (Government Bill 2000/01:72) proposes goals and strategies for the further development of adult learning. It sets out a strategy for central and local government-financed support for adult learning based on the needs of the individual. The bill also emphasizes the importance of turning to account, further developing and mainstreaming the work of renewal and development undertaken in connection with the AEI. Efforts should be made to further develop the experience and infrastructure built up in the municipalities.

9. Administrative arrangements

10. Evaluations

Follow-up and evaluation in general

The new school management system approved by the Swedish Riksdag in 1990 marked the abandonment of a long-established approach based on detailed regulation of schools by central government. The decision in effect involved a switch from management by regulation to management by objectives. Under the latter system, the Government and Parliament lay down objectives and guidelines for the public school system. Municipal councils – or other commissioning bodies – are then responsible for ensuring that schools operate in accordance with these criteria. Such a system presupposes an ability to monitor and evaluate activities at the local and national levels in the light of the specified objectives. Each municipal authority is required to follow up and evaluate operations in the area under its jurisdiction. The purpose of follow-up and evaluation at the national level is to obtain an overall picture of the school system, in relation both to goals and results and to the organizational, staffing and financial conditions under which school education is provided.

38 Following the SUN classification of Statistics Sweden. To be registered as having achieved a higher educational level, the student has to fulfil certain requirements. He or she must have obtained 500 upper secondary level points and have passed the courses in English, Swedish and mathematics.
A brief summary of recent evaluations of the Adult Education Initiative

Implementation is being followed up and evaluated on the basis of the goals of the Adult Education Initiative. Evaluations of the AEI are being conducted by a number of different actors involved in the initiative. To ensure that the AEI meets prescribed quality standards, the Swedish National Council of Adult Education performs evaluations of those parts of the initiative that fall within the responsibility of the adult education system. The National Agency for Education is responsible for evaluating those elements that come within the jurisdiction of the municipalities and the national schools for adults, while the National Labour Market Board assesses aspects of the initiative which relate to measures and programmes implemented by the public employment services. Finally, the municipal councils taking part in the AEI are responsible for ensuring that their activities relating to the initiative are duly evaluated.

The Adult Education Initiative Committee, which served between 1995 and the spring of 2000, was commissioned by the Government to coordinate national evaluations of the AEI and ensure that independent national assessments were carried out. In 1997, the Committee commissioned a number of evaluations of the AEI. As of 1 July 2000, its responsibilities in relation to the evaluation bodies were transferred to the National Agency for Education.

The evaluators commissioned by the AEI Committee have assessed the AEI from educational, economic and other standpoints and will be submitting interim reports until 2002. The following evaluations have been commissioned by the Committee:

1. Implementation of the Adult Education Initiative by municipalities and the development of the individuals involved


   The purpose of this study was to describe and analyse changes in the structure of adult education at the local level and the decision-making process behind this development. The study also examined how the changes impact on and interact with student recruitment, and the structure and content of the courses. A questionnaire was sent out to every municipal council in the country. This was supplemented by interviews with 40 selected authorities and in-depth studies of between 5 and 10 authorities. The findings of the study were published in 1999 and 2001.

   Nationwide questionnaire-based study: The Adult Education Initiative: Recruitment, the Teaching Process, Results and Effects.

   This study is based on an analysis of questionnaire responses from a nationally representative selection of students in municipally-run adult education and folk high schools, and of teachers involved in the AEI. To get a perspective on the results of the initiative and its effects on students, a questionnaire will also be sent to individuals not enrolled in adult education during the same period. Interim reports have been presented annually since July 1998 and will continue to be issued until December 2002.

2. The impact of the Adult Education Initiative on students and the unemployed

   The Department of Education and Psychology of the University of Linköping has conducted two in-depth studies aimed at participants and non-participants in the AEI. Its findings have been reported to the AEI Committee on a continuous basis. A final report summarizing these findings was presented in 2001.

3. Economic analysis of selection, mobility and economic outcome
The project, carried out at the Department of Economics at Umeå University, comprises three sub-projects:

- the selection process,
- geographical and occupational mobility,
- the economic outcome (public and private) of the AEI.

Its findings have been reported to the AEI Committee on a continuous basis. A follow-up of incomes and labour market participation after the initiative will be conducted in 2002.

4. Early warning system based on statistical data on AEI-related municipal activities and individual attributes

The Institute for Regional Analysis, Inregia AB, is presently conducting a study focused on the development of the AEI within certain measurable dimensions. The project is based on current statistical data on AEI-related activities in municipalities and on student skills and choices. The project will serve as an early warning system, providing rapid feedback to decision-makers. Interim reports have been presented annually since 1999 and will continue to be issued until 2002.

5. Costs to municipalities of the AEI

The costs incurred by municipalities in conjunction with the AEI have been scrutinized by the Swedish Agency for Public Management. The inquiry, which presented its findings in 1999, was primarily concerned with establishing whether the grants received by the municipalities involved in the AEI were reasonable.

6. The Adult Education Initiative as a model and method for cooperation and management

The Swedish Agency for Public Management analysed the AEI implementation model chosen by the Government. Its report was published in 1998.

11. Structured experimentation

No such initiatives have been considered.
Advanced Vocational Education

1. Name of initiative
Advanced Vocational Education (AVE).

2. Nature of initiative, duration
AVE was carried out as a pilot project during the period 1996–2001. Since 2002 the initiative has been part of the regular educational system in Sweden.

AVE is a post-secondary education and training initiative in which one third of the time is spent in the advanced application of theoretical knowledge at a workplace, meaning active workplace learning and problem solving in a broader educational context.

Courses are based on close cooperation between enterprises and various course providers, such as universities and colleges, upper secondary schools, municipal adult education services and private companies. The courses are intended to meet real needs in the labour market. They are open both to individuals coming directly from upper secondary school and to people who are already gainfully employed and wish to develop their skills within a defined area. A completed programme of upper secondary education, general or vocational, or equivalent knowledge is required for admission to courses.

3. Prime mover
The late 1980s saw the beginnings of a rapid expansion of tertiary education. During this period, proposals from employers’ organizations to consider a system of tertiary non-academic education with strong links to working life emerged. The Government appointed a committee to examine the need for skilled manpower...
in industry. In the light of the committee’s proposals, a pilot project on advanced vocational education was launched by the Government in 1996 (Bill 1995/96:145). A Commission including representatives of the social partners was appointed to run and monitor the pilot scheme.

4. Political Goals
The scheme serves the overall goal of promoting economic growth and employment. It aims to meet emerging needs for enhanced vocational skills in industry and commerce and to provide tertiary education to individuals who do not see traditional academic education as their first option.

5. Programmatic Objektivs
The target population comprises students leaving upper secondary school, around 100,000 individuals per year, individuals who are already professionally active but wish to develop their competence in a specific area, and people who are unemployed and need to their competence. There is a special focus on recruiting students from the vocational programmes of upper secondary schools.

The Government has allocated SEK 740 million and 12,500 student places plus SEK 375 million for study allowances for the first year of the regular programme (2002).

One third of the training takes place at workplaces, and the value of this contribution to the programme by industry is estimated at SEK 370 million.

Students are eligible for the general student grant-and-loan system to cover their living costs.

6. Principal features of the initiative
There are three financial contributors to programmes established under this initiative: the state finance study allowances and pays for the theoretical education via central government funding to course providers; industry meets the costs of learning in the workplace; and students pay for their own costs throughout the programme. Programmes are normally run on a full-time basis for one to three years.

Funding allocations and assessments of study programmes are undertaken at a national level to ensure that resources are directed to sectors where the initiative is most needed, e.g., where bottleneck problems exist in the labour market.

The Swedish Agency for Advanced Vocational Education administers the initiative at the national level. Industry is expected to take the initiative to start new programmes and to provide workplace learning. Applications are assessed and approved by the Agency, which also decides on the level of funding from the state.

Three Acts from 2001 regulate Advanced Vocational Education.

7. Framework conditions
Information about AVE is targeted at students and staff at upper secondary schools, guidance and counselling staff working for labour market authorities, and most workplaces. Individual course providers and the Agency supply and distribute information in printed formats and on their websites.

Credit for prior learning is assessed when course providers check applicants’ eligibility and validation of prior learning can take place when the student has entered the programme.

8. Achievements
Employers have fully supported AVE. The number of applications to start programmes has been very high.
Evaluations show that a very large proportion of students find employment. In 1999 about 80% had a job after finishing a programme, and in 2000 the figure was 85%.

Around 37% of all those admitted have an educational background in a vocationally oriented upper secondary school programme, a figure that represents a slight increase over the period 1996–2000. The proportion admitted without a complete upper secondary education also shows an increase over the period, from 16% to about 22%. This group includes individuals who have received an equivalent education through an adult education service. The percentage of participants admitted after taking a theoretically oriented programme at upper secondary school decreased from 42% to about 37%.

9. **Administrative arrangements**
The strengths of having a national body to administer the initiative lie in the overview, knowledge and experience that have been gained. These will now prove useful in efforts to develop AVE further. The existence of a national body under the Government has also been important in creating legitimacy among students and within working life. The strong links established with enterprises have facilitated the implementation process.

So far, no particular weaknesses have been found with these arrangements.

10. **Evaluations**
Luleå University of Technology was commissioned to carry out an independent evaluation of the pilot project over the period 1996–1999.

The University focused on self-evaluations collected from different course providers within the pilot scheme. In addition to this, three student surveys were carried out, visits were paid to a selection of course providers and telephone interviews were conducted with others, including workplaces where workplace learning had taken place.

The Commission and the Agency undertake continuous supervisory visits and meet students and course providers. Interviews and surveys are used, minutes and other documents are examined.

11. **Structured experiments**
No such initiatives have been considered.
Switzerland (continued)
Individuals will be able to withdraw savings from their ILAs without participating in any competence development activities. In this case, withdrawn funds will be liable to full income tax.

The ILA initiative is intended to be a permanent, nationwide system.

3. The prime mover of the initiative
A system to promote individual competence development has been discussed for several years in Sweden. Many reports and inquiries preceded the report of the ILA Commission (SOU 2000:119). Suggestions incorporating ILAs have been made by the Adult Education Initiative Commission (SOU 2000:28), the Small Business Delegation (1996) and a task force for competence development on the labour market (1998). Several trade unions, political parties and business organizations have proposed the introduction of some kind of competence or learning account. These discussions, mainly between the social partners and political parties, in fact provided the starting point for the drafting of the Government’s initiative. Non-profit organizations such as the Swedish National Council of Adult Education and the Association of Companies for Training and Education, schools and university authorities are also involved in the process of introducing ILAs. The Swedish ILA initiative preceded the EU Memorandum on Lifelong Learning, but the policy discussions in that Memorandum are very important and lend support to the ongoing process of implementing ILAs in Sweden.

4. Political Goals
Since December 2000, when the ILA Commission submitted its final report (SOU 2000:119) to the Government, there has been a great deal of discussion on how to progress the implementation of individual learning accounts. In April 2001, two hearings were held at which the various stakeholders gave their views on the ILA Commission’s final report. A majority of these stakeholders were in favour of the overall idea of individual learning accounts, but certain details were criticized from various points of view. One key objection has been that a general ILA system does not take into account the fact that individuals with limited scope to save are the ones who particularly need support for education and training. A savings-based model would not target the people most in need of competence development. The employers’ organizations want an ILA system with an explicit and active role for the employer. If they are to contribute to employees’ ILAs, they want a close dialogue on how those accounts are to be used. Some authorities argue that the proposal mainly stimulates saving and that it will be difficult to control the quality of the competence development provided in an open and generous system. Private education and training providers stress the necessity of fair and equal conditions for public and private providers of education and training to offer their services within the ILA system.

The starting point for the ILA Commission was to propose a flexible system that would allow the Government to easily reduce or expand the financial framework of the state subsidy. Very soon, the Commission realized that the financial framework would not be sufficient if the model was to be general and accessible to everyone, irrespective of educational background, age or position on the labour market. The Commission assumed that competence development would best be promoted if the state subsidy were linked to funds saved in an individual learning account. Both the individual and the employer should be able to make contributions to this account. In this way, they would be encouraged to plan competence development on a long-term basis.

One fundamental concern was to create a voluntary system based on individuals themselves choosing to open a learning account on their own initiative. Since the sums saved will belong to the individual, who will also determine how they are to be used, the system will lead to an education and training market driven more by individual demand, irrespective of the activities offered by public or private providers. Sweden already has various forms of public support for adult education and training. The ILA initiative should be seen in this context. It should not take over from or replace other measures to promote
competence development, but should be seen as a complement and an addition to what already exists today.

The initiative has been prompted by a need for new, innovative tools and methods to stimulate lifelong learning. The labour market requires a more highly skilled and flexible workforce. Education, training and competence development in a broad sense can be an effective insurance policy, reducing the risks of unemployment and enhancing working alternatives and conditions. An ILA system will make it easier for people to combine work and education.

5. Programmatic Objectives
A fundamental aim of this Government initiative is to attract broad sections of the population. All groups in society need competence development. People with both low and higher levels of education need to develop and update their knowledge. The system will be designed so that individuals with limited scope to save as well as people with medium to high incomes will find it attractive to take part. The initiative as a whole should have a satisfactory outcome in terms of distribution policy.

Based on the assumptions of the Commission, it is assumed that 15 per cent of the labour force, or 650,000 people, will open a learning account during the initial year of the scheme. In ten years’ time, when the system has stabilized, it is assumed that approximately 2 million people will have active learning accounts. The financial framework to stimulate individual learning and skills development amounts to SEK 1.35 billion for year 2000 and SEK 1.15 billion annually for the years to come. The money is allocated on the income side of state budget finances. The reform will be financed by increased energy tax revenue. So far (at the close of 2002) SEK 3.65 billion has been allocated.

A system whereby the state supports individuals wishing to save for their own competence development is a new way of encouraging participation in learning activities. The reform aims to stimulate competence development of importance to individuals, employers and society as a whole. An important aspect of the system is providing people with greater freedom to directly shape their own lives. It will give individuals the opportunity to choose for themselves how they want to upgrade and improve their learning and skills. It is assumed that a number of people will transfer some of their existing savings to a learning account, but that net savings will also increase to a certain extent.

Competence development is defined in a broad sense. At the same time, it is important that the social rate of return is as high as possible and that the individual’s position on the labour market is strengthened. A regulatory framework will be drawn up in order to prevent the risk of abuse. The system should not take over from or replace other measures to promote adult competence development, but should be seen as a complement and an addition to what already exists. Employers still have undivided responsibility for competence development related to their activities.

6. Principal features of the initiative
The main features of the guideline bill are very similar to the ILA Commission’s proposal, with one major exception: tax-deductible savings are limited to 25 per cent of a base amount, i.e. approximately SEK 9,500 per year (the Commission’s proposal was a sum of SEK 37,700). Funds withdrawn for learning and skills development will be liable to income tax. The income earned on the balance of the individual learning account will be liable to capital income tax at the full rate of 30 per cent. (The Commission proposed that the return on accumulated funds should be subject to a tax of 15 per cent.)

The guideline bill emphasizes the competence premium and not the savings account. However, there will still be a link between the individual’s savings and the competence premium, since the premium may not exceed 50 per cent of a withdrawal from the individual learning account. The competence premium will be supplemented by a fixed amount – a basic sum – of SEK 1,000, which will apply irrespective of the
number of study days (but subject to the minimum period of five days). The competence premium, as well as the fixed amount, will be more important in relative terms for people on low incomes. In order to prevent young people from postponing their education, a lower age limit of 25 years will apply to the premium.

The model is open in the sense that an individual can withdraw savings without having participated in competence development activities. In this case, withdrawn funds will be liable to full income tax and no competence premium will be paid. The actual state subsidy consists of the competence premium (plus the fixed amount), which will be made available when competence development has taken place.

The premium payable will be decided by a government agency on the application of the account holder and will be the same for everyone participate in the same form of competence development. Levels of support, i.e. the competence premium (plus the fixed amount), and the definition of eligible forms of competence development will be regulated by law.

In June 2002 the Swedish Agency for Public Management was commissioned by the Government to analyse and propose different administrative arrangements for an ILA system. Primarily, it was asked to choose between existing public agencies and to present the advantages and disadvantages of placing the ILA system within a given agency. It presented its conclusions in a report to the Government on 18 August.

The Swedish Agency for Public Management identified four main functions:

1) Administration of learning accounts.
2) Approval of education and training providers.
3) Determination and granting of competence premiums (and the fixed amount).
4) Information, counselling, follow-up and evaluation.

A set of questions corresponding to the four functions was drawn up. Public agencies with similar tasks were identified and interviewed. A questionnaire was sent out in advance to the agencies, together with a description of the proposed ILA system. Twelve agencies were interviewed during the month of June. The agencies were asked to identify the effects and costs of integrating an ILA system within their organization. Were they interested in doing so? Would there be synergies or conflicts with the main functions of the agency? What resources would they require? What would be a realistic time schedule for implementing the system?

According to the report, there are five possible solutions. One is to coordinate all the necessary functions within one authority. The other four options include two or even three agencies to be in charge of different functions within the system. The coordination of the different functions and processes were not described in detail, but the technical parts of the administration will be integrated in a common database.

Clear measures to disseminate information as the system is introduced are of critical importance. A central coordinating function for information to savers, employers, trade unions, education providers etc. will be established in time for the introduction of the system.

As a general principle, there should be no linkage between withdrawals from a learning account and the competence premium and other public benefit systems. This principle that the learning account system should be neutral also holds in relation to the functioning of the capital market. However, as a result of the introduction of an ILA system, there will be some minor changes in fiscal, educational and social insurance legislation, besides the legislation on learning accounts and support levels already mentioned. The
Government aims to present a supplementary bill, in which the system will be developed in more detail and legislative proposals presented.

7. Framework conditions
In spring 2001 the Riksdag adopted both goals for adult learning and a strategy to shape adult learning in a society characterized by lifelong learning. The strategy is supported by development guidelines, legislative amendments and economic measures. A focus on the individual and adaptations to the requirements of lifelong learning are cornerstones in the goals and the strategy for adult learning. Counselling and guidance, recognition of skills, availability and financial support constitute the foundations of the structure for lifelong learning.

The Riksdag has also adopted a Government Bill on reforms in higher education, which contains several reforms and changes that will strengthen the role of higher education in lifelong learning. This Bill clarifies the responsibility of universities and university colleges to examine whether an applicant who lacks formal qualifications has acquired the knowledge required outside the formal education system. Individuals who, through education in Sweden or another country, practical experience, or by other means, are capable of profiting from the programmes they have applied for should also be eligible to be admitted to them. Methods for assessing proficiency in real terms in relation to higher education are now being developed at higher education institutions.

8 – 11. Implementation and outcomes
Follow-up and evaluation are a key factor, since the learning account system is new and cannot easily be compared with other forms of savings, either in Sweden or internationally. The guideline bill proposes Sweden Statistics (SCB) to be in charge of follow-ups within the ILA system already from the start. However, the initiative has not yet been launched and consequently there is no experience to report.
A Swedish Mechanism for the Co-finance of Lifelong Learning

1. Name of initiative
Adult Education Recruitment Grants

2. Nature of initiative
The Adult Education Recruitment Grants scheme is an actual mechanism for the co-finance of lifelong learning. The scheme represents a new form of grant to enable certain groups of adults to finance their studies. The system has been built up to respond, as far as possible, to demands for necessary flexibility in adult education. The new recruitment grant may be awarded as of 1 January 2003.

3. The prime mover of the initiative
The Adult Education Initiative (AEI), which began in Sweden in 1997, will be concluded at the end of 2002. In February 2001, the Government presented a bill, Adult learning and the development of adult education (Government Bill 2000/01:72), with proposals for the future system for adult learning and stating the overall objectives of adult education. Guidelines for a new recruitment study grant for certain groups of adults were presented at the same time. The Riksdag supported the Government proposals (Committee Report 2000/01:UbU15, Government Communications 2000/01: 229 and 230).
In March 2002, the Government returned to the Riksdag with proposals for a new recruitment grant to certain groups of adult students. The grant is an important component in the development of adult education. The Government decision in accordance with the Bill was taken on 5 June 2002 (Government Bill 2001/02:161, Report 2001/02:UbU15, Government Communication 2001/02:312).

4. Political Goals
The Government's aim for adult learning and the development of adult education together with strategies to implement it, is that all adults should be given the opportunity to extend their knowledge and develop their skills in order to promote their personal development, democracy, gender equality, economic growth and employment and the fair distribution of wealth. To realise these goals, a new recruitment-orientated grant for studies is needed. With the help of this support, it will be easier to provide motivation to study to those who are in most need of education. Financial support will be offered to adults to encourage their participation in education and skills development programmes. Public investment to promote learning among the adult population is primarily directed at those needing it most. The recruitment grant is targeted at those requiring skills development at compulsory school and upper secondary school levels and who would otherwise not take the initiative to study themselves. This means that the grant can only come into question in connection with local authority outreach activities and in the context of employment counselling. A general aim of the grant is to strengthen the individual's position on the labour market, to promote his/her personal development and encourage active citizenship.

The recruitment grant should function as a complement to the ordinary study support system, which offers both grants and loans. It is intended that those who have commenced studies under the recruitment grant scheme will continue their studies within the framework of the ordinary study support system.

5. Programmatic Objectives

Target population
A recruitment grant may be awarded from the year in which the student is 25 and until the year in which he/she reaches 50 years of age. The grant may only be awarded to persons with relatively little previous education and who are either unemployed or at risk of becoming unemployed or have functional disabilities, and because of this need extra time to achieve educational targets. The recruitment grant is not meant as a financial support to which all adult students are generally entitled. Local authorities will be responsible for examining those eligible for the grant. For those persons to whom this grant may be applicable, the incurring of debts within the ordinary study support system is not a realistic option.

Target of learning activities
The recruitment grant is available for learning activities at basic and upper secondary levels. Basic adult education is equivalent to the nine-year compulsory school education. Courses are intended to provide the foundation of knowledge required for communal and professional life and for further studies. A final certificate provides compulsory school equivalence for adults with a pass in four core subjects: Swedish, English, mathematics and social studies. Other courses and subjects may also be included in the final certificate. Local authorities are obliged to offer basic adult education to adults who have not completed compulsory school.

Upper secondary adult education and upper secondary school for young people have the same syllabuses and curriculum. They offer students the qualifications necessary for further studies at institutions of higher education. At present, there are 17 different three-year national programmes. Fifteen of the 17 programmes are primarily intended to prepare students for working life. Students determine themselves their rate of study and the number and combination of subjects. Students who have completed all core subject- and other courses equivalent to approximately three years’ full-time study are entitled to a final certificate from upper secondary adult education. The most popular courses are computer knowledge/technology, mathematics, Swedish and English.
Adult education is equivalent, but not identical, to the education provided in upper secondary schools for young people.

Courses available to adults in Sweden take very different forms, are of varying length and are organised by three course providers: local authority adult education (Komvux), national schools for adults (SSV), and folk high schools. All these institutions provide both basic and upper secondary education.

Since the structure of the recruitment grant for adults must be adapted to flexible courses, grants are awarded for both full- and part-time studies. It should, for example, be possible to pursue studies at only 20 per cent of full-time.

Expenditure level and total number of persons to be served
The costs of the proposed reform are expected to amount to somewhat more than SEK 2 billion a year, as of 2003. It is estimated that the funds allocated will enable local authorities to recruit the equivalent of approximately 30 000 full-time students.

6. Principal features of the initiative
Virtually all state or state-subsidised education is free of charge. The recruitment grant is thus designed to cover the student's living costs during the study period, as well as study-related expenses, such as course literature. The grant represents a special recruitment support and is only intended to be awarded for a limited period. To achieve its purpose, the recruitment grant was constructed as a grant, with no loan component. The recruitment grant comprises two different amounts, awarded on the basis of the student's previous income. A student whose income was a minimum of SEK 157 285 during the twelve months prior to his/her studies will be awarded a recruitment grant of a higher amount. The recruitment grant is pensionable and tax-free.

Total amount and grant levels for the recruitment grant in SEK (in 2000 prices)

<table>
<thead>
<tr>
<th>Grant level</th>
<th>% of total amount</th>
<th>per study month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant level 1</td>
<td>100%</td>
<td>7 391</td>
</tr>
<tr>
<td>Grant level 2</td>
<td>122.5%</td>
<td>9 058</td>
</tr>
</tbody>
</table>

The recruitment grant is wholly financed by the state. Students are expected to spend their spare time on their studies and to finance their own learning-related expenses. They are also expected to refrain from salary or unemployment benefits. It is important to point out that the adult education recruitment grants and unemployment benefits are mutually exclusive. The right to take study leave while employed is regulated in the Employee's Right to Educational Leave Act (1974:1687).

Experience from the Adult Education Initiative showed that for many people with limited education, what was necessary was to overcome a reluctance to study. When they have actually got over their initial lack of confidence, they are prepared to take the financial risks otherwise entailed in studying within the loan system. The recruitment grant may be awarded for a maximum of 50 weeks, irrespective of the extent of the studies. A basic principle of the state study support system is that the student and society should in some way share responsibility for the investment and risks involved. Thus if, after a period of study, students continue to pursue a regular course of study, it is reasonable to expect them to transfer to the ordinary study support system.

The grant system is largely based on the principles of the study support system, but is constructed as a complement to it and is regulated by a separate Act. The organisation of the grant has necessitated certain adjustments to adjacent legislation in order to clarify its consequences for other grant systems. Rules
coordinating the various systems have been drawn up so that one cannot receive a recruitment grant simultaneously with, for example, other forms of study support.

7. Framework conditions
To achieve greater flexibility in adult education requires that places on courses are more closely bound up with decisions on financial grants. A decision on a recruitment grant should be made as closely as possible to the individual, especially with regard to persons who would not otherwise have applied to study. Thus the new system aims at improving local authorities' capacity to provide reliable information about the financial conditions for these studies in connection with advisory services and students' acceptance on courses. The proposed organisation for processing applications is intended to enable local authorities to plan more efficiently which will contribute to greater flexibility, shorter processing times and more cost-effective operations.

Recruitment grants will be awarded solely for certain studies at schools under state supervision (see section 5). This will guarantee that the studies undertaken are documented in a manner recognised as adequate for entrance into further education or as a qualification when applying for employment. The system is well-known among Sweden's citizens.

8. Achievements
As the reform has not yet been launched, no account can be presented of the extent to which political objectives have been achieved.

9. Administrativ arrangements
The local authority should be able to decide on those who are eligible for recruitment promotion grants during their period of study. The final decision will, however, be made by the National Board of Student Aid (CSN) which also has financial responsibility. The local authorities should examine whether an applicant fulfils the conditions for being awarded a recruitment grant. Local authorities will also draw up basic guidelines for how the recruitment grant is to be used and will initiate consultations on these operational guidelines between relevant representatives of local or regional partners to the labour market, agencies and disabled peoples' organisations.

For each local authority, the National Board of Student Aid will estimate a specific resource framework according to a distribution key established by the Government. Reallocation between local authorities will be possible. Local authorities will be given direct access to certain electronically stored information and will thus have current financial information at their disposal. They will also help individual students with their applications and forward them to the National Board of Student Aid. The National Board of Student Aid will decide on, and be responsible for payment of the recruitment grant and other necessary administration.

10. Evaluation
A follow-up system will be linked to this resource framework. An evaluation of its use will be made by 2005 at the latest.
A Swedish Mechanism for the Co-finance of Lifelong Learning

1. Name of initiative

Special adult study/training (SAST) grants

2. Nature of initiative

Special adult study/training grants constitute a form of temporary study support linked to the Adult Education Initiative (AEI). The Government started this five-year investment in 1997.

3. The prime mover of the initiative

These adult training grants were launched by the Government. No other parties were involved in formulating and proposing the initiative and there are no other contributors to this scheme for co-financing lifelong learning, apart from the students themselves.

4. Political Goals

To facilitate the recruitment of those most needing education, the government introduced this initiative within the framework of the study support system. In conjunction with the AEI it was expected that the new SAST grant would give a considerable overall boost to the level of knowledge in the country, providing those with lower levels of education the opportunity to obtain employment and continue with
further education.

5. **Programmatic Objectives**

The grant is primarily intended for unemployed persons aged 25-55 who have not completed three-year upper secondary school. In certain cases, even employed persons can receive this grant. A crucial condition is that the employer recruits a replacement while the student is at school. Since the structure of the SAST grant must be adapted to flexible adult education courses, the grant is awarded for both full- and part-time studies. It should, for example, be possible to pursue studies at only 25 per cent of full-time. It was expected that some 100,000 persons per year would wish to participate in this scheme. For this reason the government allocated approximately SEK 5 billion for each of the five years.

Students are expected to spend their spare time on their studies and to finance their own learning-related expenses. They are also expected to refrain from salary or unemployment benefits. SATS and unemployment benefits are mutually exclusive.

Special adult study/training grants are available for learning activities at basic and upper secondary levels. Basic adult education is equivalent to the nine-year compulsory school education. Courses are intended to provide the foundation of knowledge required for communal and professional life and for further studies. A final certificate provides compulsory school equivalence for adults with a pass in four core subjects: Swedish, English, mathematics and social studies. Other courses and subjects may also be included in the final certificate. Local authorities are obliged to offer basic adult education to those who have not completed compulsory school.

Upper secondary adult education and upper secondary school for young people have the same syllabuses and curriculum. They offer students the qualifications necessary for further studies at institutions of higher education. At present there are 17 different three-year national programmes. Fifteen of the 17 programmes are primarily intended to prepare students for working life. Students determine themselves their rate of study and the number and combination of subjects. Students who have completed all core subject- and other courses equivalent to approximately three years’ full-time study are entitled to a final certificate from upper secondary adult education. The most popular courses are computer knowledge/technology, mathematics, Swedish and English.

Adult education is equivalent, but not identical, to the education provided in upper secondary schools for young people.

Courses available to adults in Sweden take very different forms, are of varying length and are organised by three course providers: local authority adult education (Komvux), national schools for adults (SSV) and folk high schools. All these institutions provide both basic and upper secondary education.

Special adult study/training grants are available for a maximum of 12 months full-time studies.

6. **Principal features of the initiative**

Virtually all state or state-subsidised education is free of charge. The special adult study/training grant is thus designed to cover the student’s living costs during the study period, as well as study-related expenses, such as course literature. The grant is wholly financed by the state and is equivalent to the amount a person would have received in the form of unemployment benefit. A full-time student receives a minimum of SEK 7040 and a maximum of SEK 16,060 a month. The grant is taxable. The SAST grant represents a special recruitment support and is only intended to be awarded for a limited period of 12 months.
All matters relating to the SAST grant are administered by the National Board of Student Aid (CSN) and are regulated in an ordinance.

The student applies for the grant at CSN and if the funds set aside for this type of grant are insufficient for all eligible candidates, a selection is made on the basis of previous educational experience and the type of studies envisaged.

7. Framework conditions

Local government has been given greater overall responsibility for drawing up the organisation and infrastructure for adult education. New forms of cooperation have been developed between local government, national employment offices and the partners to the labour market, e.g. through the boards of national employment offices, adult education councils and other networks. The AEI is instrumental in mobilising resources in order to lower the threshold for persons with relatively little previous education to start studying, by, for example, initiating more targeted recruitment and providing information about the special adult study/training grants.

Special adult study/training grants are awarded solely for certain studies at schools under state supervision (see section 5). This guarantees that the studies undertaken are documented in a manner recognised as adequate for entrance into further education or as a qualification when applying for employment. The system is well-known among Sweden's citizens.
8. Achievements

The result of this initiative has been that until 2001 more than 357,000 people have pursued studies under the special adult study/training grant scheme. This is somewhat less than the expected numbers for 2000 and 2001.

Table 1. Numbers of students under the special adult study/training scheme, per calendar year

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</tr>
</thead>
<tbody>
<tr>
<td>No. of students with SAST grants</td>
<td>51,424</td>
<td>109,638</td>
<td>95,474</td>
<td>57,397</td>
<td>43,355</td>
</tr>
<tr>
<td>of whom women</td>
<td>72 %</td>
<td>73 %</td>
<td>73 %</td>
<td>71 %</td>
<td>72 %</td>
</tr>
<tr>
<td>of whom employees</td>
<td>15 %</td>
<td>24 %</td>
<td>21 %</td>
<td>16 %</td>
<td>19 %</td>
</tr>
<tr>
<td>Costs SEK million</td>
<td>2,710.4</td>
<td>7,692.8</td>
<td>5,896.5</td>
<td>3,540.4</td>
<td>2,634.8</td>
</tr>
</tbody>
</table>

The reason for not achieving the target of 100,000 grant-takers during the period 2000-2001 is primarily to be found in the dramatic decline of unemployed people during the same period.

The support has been an effective instrument in recruiting students from the target group. For other results, see Sweden's report on the AEI.

Administration of the support has functioned well. There are two reasons for this: partly that the system could be built into an existing administrative process and partly that it was constructed to be very similar to other state study support systems and therefore did not require too much effort in terms of information and training. The average cost for the administration of a particular matter has been around SEK 300.

9. Evaluation

The scheme has been evaluated by a committee appointed by the Government – the Commission for Adult Education and Training. This committee has studied operations continuously until early-2000. The evaluation has been made using various methods, including the collection and compilation of statistical data, in-depth interview surveys and the collection and processing of questionnaires. Studies have been made by public agencies and researchers linked to a university or other institution of higher education. The primary objective of the evaluation has been to analyse whether, and to what extent, the aim of this support scheme has been achieved and to present a proposal for the continuation, phasing-out or development of the special adult study/training grant scheme.
FINANCING ADULT LEARNING IN SWITZERLAND

The SVEB (Swiss Federation for adult learning) is the umbrella organisation of the Adult Learning Institutions in Switzerland. It is responsible for maintaining the connection on Adult Learning activities between the Swiss Government, the Cantons, the Regions and relevant Institutions. SVEB is organising the Swiss Adult Learning Week, working as a silent partner (since Switzerland is not in the EU). We have a good working relationship with sister organisations all over Europe, especially in the UK - NIACE and in Germany - DIE. In 1999 we organised for the OECD its first visit relating to its report on Adult Education in Different Countries and in 2000 I acted as a member of the Expert Group, visiting the UK as part of that work. SVEB is also a partner in the ELAP Network.

We are the initiator of the Swiss Forum for Adult Learning, a platform set up to discuss important issues such as individual learning accounts, the new law (2004), statistics and the digital divide. Also the Forum is launching a project to analyse the effects of a demand led financing system for adult learning.

ELAP in Switzerland

1. Launch of Initiative

Switzerland joined the ELAP Network in November 2001 after a Swiss learning account mechanism had been launched in January of that year. The mechanism - the annual training cheque, is rooted in the Law on Further Education for Adults (Law 7474), adopted on 18 May 2000 and which came into force on 1 January 2001. The training cheque initiative constitutes the most innovative element of this law. Social partners, the Government of Geneva and the Swiss Parliament support this initiative.

In a report by the Commission on Teaching and Education of the Geneva Higher Council (cantonal legislature), dated 8 June 1999, the majority of the Commission noted that this initiative was a measure that should make it possible to fight effectively unemployment, particularly long-term unemployment and indicated that in the medium-term, this measure should reduce State social security contributions and the costs of any fluctuations in the economic situation.

2. Objectives and Features

The initiative is based on an annual cheque system, valued to a maximum of 500 Euros per cheque. Individuals can use their cheque account over a period of 3 years to update their professional qualifications. The training undertaken has to be based on a plan that is approved by the Department of Careers and Vocational Training and selected from an approved list of Providers that have achieved the ‘eduQua’ quality accreditation.

Features of the Cheque
The main features of the training cheque, as defined in the Further Education for Adults Bill are:

**Further Education**

The term “further education” is defined as “all measures useful on a professional level from which the following may benefit: those wishing to improve their level of training, develop their general knowledge and their professional qualifications” (Article 2 of the Geneva Cantonal Law on Further Education for Adults of 18 May 2000 (p. 15).

**Purpose and Value of the Cheque**

The purpose of the annual training cheque is to support the acquisition of: basic knowledge and skills, including general development (but excluding leisure activities); professional qualifications; the development of professional skills and retraining; and general additional skills. The value of the annual training cheque represents 40 hours of courses in all areas of approved activity provided in Geneva to a maximum of 500 Euros per year and this sum may be accumulated from one year to the next up to a maximum of 3 years.

² Estimate of average annual cost of a training activity aimed at adults in Geneva: one “course” was estimated at 150 Euros (overall total including rental of premises). 40 “courses” a year come to 6000 Euros; with average participation by 12 applicants, the cost per participant would total 500 Euros.

**Beneficiaries**

The Cantonal Department for Study and Apprenticeship Grants issues the annual training cheques. Anyone within the statutory age range ( to years) and who has lived and been a taxpayer in the canton of Geneva for at least one year at the start of the training applied for, and whose income corresponds to the norms defined in the law, can benefit from the training cheque (c.f. section III). (Also taken into consideration are net private means, after deduction of an exemption of 20,000 Euros).

**Training establishments and institutions authorised to provide services**

The courses are provided by both public and state-approved establishments as well as by schools offering training approved within the framework of a Professional Reintegration Commission - this generally means institutions or establishments offering further education courses. Some private providers may also accept the cheques, but only on the condition that the courses they provide are not already offered by other categories of establishment (Article 4). Approximately 600 courses offered by 62 teaching institutions in Geneva can be accessed currently by using the annual training cheque. Subsidised courses cover a diverse range of subject areas including languages, computer technology, management and administration, technical and craft skills, and skills relating to tourism, hotel and catering, the health and social sector, arts, etc.

Information about the courses that can be paid for using the training cheque is available in various forms. A list of courses can be downloaded from the website of the Geneva Cantonal Department of Careers and Vocational Training. This list can also be seen at the 5 offices of this Department, as well as at the offices of various other public bodies (Tremplin-Jeunes, Projet-Emploi, Department of Study and Apprenticeship Grants). Institutions offering approved courses can also make available their list on an individual basis.

Before making an application for the annual training cheque, the applicant is advised to contact the institution offering the course so that their training needs can be identified and to ensure that the chosen course meets their specific requirements. Then, the applicant goes to one of the 5 offices of the Geneva
Cantonal Department of Careers and Vocational Training or to one of the offices of another approved public body. Apart from producing various administrative documents, the applicant must complete, with the help of a careers adviser, an “Annual Training Cheque Application”. If the application is accepted, the Department of Study and Apprenticeship Grants informs the applicant and advises the training institution of their enrolment on the chosen course. Rejection of the application is notified in writing.³

3. Quality Assurance and Learning Outcomes

The Geneva Cantonal Department of Careers and Vocational Training is responsible for implementing the law on Adult Further Education.

The Department of Careers and Vocational Training will draw up a report on an annual basis for the Higher Council setting out how the training cheques have been used.

Every 4 years, an external Commission will be set up by the State Council (the Cantonal Executive) to draw up an evaluation report. This evaluation will consist of information on the outcomes and numbers of people in training, the type of training undertaken and the effects of the training cheque initiative on employability and professional integration (particularly of the poorly qualified) (Article 12).

Information and Publicity

The State is responsible for the systematic dissemination of information to the population about measures to encourage adults to train. It supplies the literature, as well as advice, and co-ordinates information about further education (Article 7).

Following a decision by the Cantonal Employment Office, the funding for training courses for the registered unemployed is, in principle, covered by unemployment insurance (federal financing). Training courses that are undertaken using the training cheque must not affect an individual’s availability to seek and take up a job.

Information about the annual training cheque application procedure can be obtained using the same methods as for information about other available courses.

Preliminary Information about Use of the Cheque

There is a slight discrepancy between the number of applications for cheques and the number of cheques issued (acceptance rate: 94%). In March 2002, the number of applications was higher than in the other months. This phenomenon is explained by a media information campaign that took place. According to an interview with one of the managers of the Geneva Cantonal Department of Careers and Vocational Training, there were approximately 2,000 requests for information about the annual training cheque during the first six months of 2001 (against some 400 applications officially filed). The projections for 2001 had been 2 000 applications officially filed.

The Beneficiaries of the Annual Training Cheque

The distribution of successful applications according to gender was as follows: 40% women and 60% men. We note that this difference is similar to the results of the Swiss survey into further education in 1996 (Federal
According to the statistics for the 1st six months of 2001 published by the Geneva Cantonal Department of Careers and Vocational Training, administrative processing of the applications took no more than 3 days in 81% of cases. Statistics Office, 1997), from which it emerged that women have more restricted access to vocational training than men.

The greatest number of individuals using the training cheque fell into the 26 to 40 years age bracket, the age of full professional potential (20% of applications). The training cheque was not taken up so much by younger people (3% for 18-20 year olds and 13% for 21-25 year olds). Those nearing retirement age comprised only a small percentage of the total (0.5%).

The nationality of beneficiaries are made up as follows: 58% Swiss nationality and 42% with foreign nationality.

The distribution of successful applications according to the level of qualifications was presented as follows: 21% had a federal aptitude certificate (CFC), 17% another higher education diploma, 19% a university degree, and 12% higher vocational training. 69% of successful applications came from qualified or highly qualified people, whereas applications from poorly qualified (level of qualification equivalent to compulsory schooling) totalled only 12%. It should be noted that the training cheque is aimed particularly at improving the situation of the poorly qualified in the job market.

The Types of Training

Successful applications showed that over 80% of the courses were focused in three areas: languages (49%), computer technology (22%) and management and administration (11%). There was very little involvement in technical training (2%) or activities linked to tourism (1%) or the hotel and catering sector (<1%).

Vocational Training: a practice (still?) not very Widespread

The results of the 1996 further education survey undertaken by the Federal Statistics Office (1997) showed that during the period observed, over 2/3 of active workers had not improved their skills on a professional level and that they had not benefited from any support in this area from their employer. What has become of the beneficiaries of the training cheque in Geneva?

We should point out that people crossing the border every day to work who are domiciled in France are taxed at source on the income from their work in Geneva. Part of the fiscal taxation stays in Geneva.

According to information obtained from one of the managers of the Geneva Cantonal Office of Careers and Vocational Training, most beneficiaries of the training cheque listed in the “looking for a job” category, are not unemployed, but are not excluded from the list of potential recipients of the said cheque by the Geneva Cantonal Law on Further Education for Adults.
Beneficiaries of the training cheque confirm the trend highlighted by the Swiss survey in 1996: in fact, 74% of the applicants for the training cheque had not taken any training course in the previous 12 months. This percentage shows that the cheque might give a boost to vocational training in Geneva, in accordance with the wishes of the legislator when drawing up the new Further Education for Adults bill. We should also point out that only 6% of training courses financed by the cheque are taken at the employer’s request.

The course providers

70% of successful applications concern courses given by a training institute (Geneva Institute of Further Education for Adults, IFAGE), whereas the other institutes come in at under 1% and 6%. However, this situation has changed since courses have been offered by new service-providers in 2002.

4. Ownership, Governance and Framework Conditions

A bill was filed before the Higher Council of Geneva in June 1996. It came in the wake of a popular employment initiative against exclusion, filed in September 1994 by the Geneva Community of Union Action (CGAS) and was invalidated almost a year later by the Higher Council of Geneva. This initiative had proposed the development of a real economic policy through reflation by implementing a bold investment policy; it also recommended job sharing, the social treatment of unemployment and encouragement of further education. The Commission for Teaching and Education of the Higher Council of Geneva was commissioned to study the aforementioned bill. The report from the majority of the Commission found that further education for adults was under-developed; aggravated by the decentralisation of skills specific training in the Swiss federal system and by the lack of co-ordination between the various public authorities concerned (Report by the Commission for Teaching and Education of 8 June 1999, p. 3).

It is appropriate here to provide a few points of information which make it possible to define the context of the 1996 bill to which we have just referred. A survey into further education carried out in Switzerland in 1996 (Federal Statistics Office, 1997) showed that those trained to the highest levels and those with the greatest opportunities to train had had the best access to further education, and that the poorly qualified or unqualified were severely under represented in the further education process. Moreover, in an analysis into the causes of the rise in unemployment in Switzerland and in Geneva, Flücker and Morales (1994) noted that in the canton of Geneva, one of the structural factors affecting unemployment was linked to a relatively low level of qualifications amongst the foreign work force.

At the time of the drafting of the new further Education Bill the Training Cheque aroused the most debate. Discussions concerned the following points:

- **The nature of the activities taken into consideration**: should the cheque be used for all training measures, including those that come under general knowledge?
- **The beneficiaries**: who should benefit from the cheque and what restrictions should be imposed (age, income, private means)? Should those who are poorly or badly trained be targeted?
- **The link with a possible training plan**: is it mandatory that the applicant draws up a training plan?
- **The duration of the measure**: should the measure be permanent or temporary?
- **The possibility of accumulating** the cheque from one year to the next.
- The value of the cheque: how many hours and how much?

5. Impact and Outcomes

The level of qualifications of those participating varies extensively; 16% of the participants have only finished the basic educational. This percentage is very close to the general population where the percentage is 18.9% (according to an evaluation by the official politics?). The Adult Learning institutions and the media are the most effective instruments to inform people about the existence of the cheque. Within the last analysis 21% of the people, who applied for a cheque stated that they were not able to improve their further education without financial support.

The introduction of the cheque has also had an impact on the courses offered. Within one year, the courses that were available with a cheque had increased by about 50%. All courses offered through the cheque are available on the internet, including prices, duration etc. This was not possible previously.

The first analysis of the cheque is very encouraging. It shows that the measures taken are also addressing the needs of people with low qualifications and that people are encouraged to ask for information. Finally, the offers are larger and more transparent.

Part 2: A policy report for the government

As a result of involvement in the ELAP Network a second project emerged from another direction, the parliament asked for a report concerning the effects of financing and co-financing the demand side of the training market. We have to propose pilots, similar to those taking place in Holland. The problem will be the discussion in the Parliament about the actual finance involved. Also we will have to implement the pilots using existing courses. However, in order to try and get more Swiss examples of courses we have approached several firms and the Department of Human Resources of the Swiss government.

**Target**

Generally speaking all firms want to collaborate to improve the skill levels of their staff.

There are some firms as IKEA, Migros SBB (the railway company), Siemens who want to promote an integrated personal development strategy for their staff.

**Target Group**

In principle the research is open to everybody but in reality, only the designated partners are likely to benefit.

**Policy / Framework**

Here there is a division between

- Individual needs and
- The demands and expectations of the firms

Normally firms pay for the courses they require. In the case of individuals the support is between 0 and 100%. IBM has an individual tuition contribution of 75%, IKEA pays between 25 and 50%. The example of Migros will be presented later. Siemens and SBB are paying about 50% and these courses
have to be taken during leisure time. UBS provides a system of individual financing and after 10 years service you can choose between money or learning. Many people choose a period of learning from 6 to 8 weeks.

MIGROS is a major supermarket chain and private training provider in Switzerland. It offers annual training cheques of 840 Swiss Francs to each of its 870,000 employees and their families. These cheques can be used for a wide variety of courses. Employees make their choice from a brochure of MIGROS courses covering both leisure and educational subjects, and are reimbursed for the MIGROS contribution. 50% of the courses taken up are leisure activities, 35% languages and 15% IT.

In 2001 only about 10% of the MIGROS workforce took up their entitlement. It is not entirely clear why more employees do not participate and a number of promotional activities are planned to increase participation – wider marketing; an increase in the MIGROS contribution to 1000SF; simplification of the payment system and the broadening of choice to include other learning providers. Generally, it is individuals who are already involved in training that take up their entitlement.

The MIGROS Club provision represents 24% of the training market and the company invests 150 million SF each year. This expenditure on learning for its employees is subject to tax.

**Evaluation**

Evaluation of the various company initiatives does take place, but generally they are of a quantitative rather than qualitative nature. Most of the firms have no systematic evaluation of their interventions. Some firms have introduced learning contracts for their staff, but the activities relating to staff training and development in small and medium companies is likely to be very limited.

To obtain a better understanding of the level and nature of company support for staff training and development we have created a general framework of Financing in Adult Learning.

**Conclusions**

There is a difference between public/private and other beneficiaries. If the State (Government) supports the suppliers there is no competition. For individual financing we try to motivate people to choose their own way of learning. If the money is given directly to the providers (in Switzerland, the high schools get an individual contribution for every participant) the money follows the students.

On the private side we have different instruments for financing such as:

- Private savings accounts
- Advanced credits?
- Individual contribution after having attended a course – just like I have illustrated

From our research we concluded that it is very important to think about the purpose/goal of a financial mechanism. Especially when you are discussing it in relation to a policy framework.

Before we can propose a pilot project we have to think about the goal we want like achieve.

An individual learning account, for instance, can be used as an administrative mechanism, to enable the money to follow the student. If the goal is to have flexibility of choice for individual, then the learning
account might be better. If you want to motivate the people to take part in courses then an individual learning account would help.

But to get a clear view about the functions of the different financial mechanisms we have to continue our work in ELAP in cooperation with the OECD.

By the end of 2003, when the ELAP/OECD programme is concluded we will have more information about our work. Thank you.

Sources

a. Bibliographical references

Flückiger, Y and Morales, D (1994, Analysis of the causes of the rise in unemployment in Switzerland and in Geneva. Geneva: University of Geneva, Report by the University Department observing employment, no. 1


b. Document by the Department of Careers and Vocational Training, Geneva

Information document entitled “How to benefit from the Annual Training Cheque”.

Document entitled “Annual Training Cheque: statistics for the 1st six months of 2001”.

c. Legal texts and Report by the Geneva Higher Council

Geneva cantonal law on Further Education for Adults (no. 7474, 18.5.00).

Regulations of application of the Geneva cantonal law on Further Education for Adults (13.12.00).

Regulations modifying the regulations of the law on training, professional careers and the work of young people (13.12.00).

Report by the Commission for Teaching and Education, commissioned to study bill no. 7474 (PL 7474-A) of 8 June 1999.

d. Websites

Site for the Geneva Cantonal Department of Careers and Vocational Training:
http://www.geneve.ch/oofp/per/cheqfor.htm

Site for the Geneva Department of Study and Apprenticeship Grants:
http://www.geneve.ch/bourses/formation/welcome.asp
UNITED KINGDOM

OECD Report on the English Individual Learning Account Programme

1. Name of initiative
Individual Learning Accounts (ILAs).

2. Nature of initiative, when it was launched and what is its expected duration?
Individual Learning Accounts made available public money for individuals to gain the skills they needed for employment. The overall aim was to widen participation in learning and to help overcome financial barriers to learning faced by individuals.

The programme was kick-started using £150 million of funds from Training and Enterprise Councils (TECs). This offered a contribution of up to £150, alongside small contributions from individuals, which together funded certain training opportunities. Employers were encouraged to make voluntary contributions to these funds.

ILAs were launched nationally in September 2000 and rapidly became successful. Unfortunately, due to allegations of serious fraud and theft the programme had to be closed in November 2001. Ministers immediately gave an undertaking to introduce a successor programme, but in October 2002 announced that this would be considered further in the context of a wider review of the funding of adult learning and a skills strategy for the future. Further details are due to be announced in Summer 2003.

3. Who was prime mover in developing and launching the initiative?
The present Labour Government made a firm commitment to ILAs in its 1997 manifesto.

The Department for Education and Skills, in partnership with its private sector delivery partner, Capita Business Services Ltd, developed and implemented ILAs in England under the leadership of the then Secretary of State for Education and Skills, David Blunkett.

Separate Individual Learning Account programmes, with different conditions and rules, were developed in the other UK countries of Northern Ireland, Scotland and Wales.

4. Political goals
The ILA programme was universal; everyone aged 19 or over (subject to some nationality and residency conditions) had a right to an ILA. In this way, ILAs were designed to make an important contribution to the Government’s objective of developing in everyone a commitment to lifelong learning.
The original delivery model, piloted in a variety of forms through Training and Enterprise Councils (TECs), envisaged the concept of a real, as opposed to a virtual, account where individuals could bank and save their own money in addition to any other contributions from, for example, Government, employers and trade unions. Despite extensive discussions with financial institutions, there was little enthusiasm from the finance sector to take this model on a national basis as it involved the maintenance of high volumes of low value transactions. Also, extensive market research found that individuals were not attracted by the notion of savings accounts solely for learning.

It was decided, therefore, to keep the concept of the individual, universally available, account but based on discounts for learning. It was felt that a new delivery mechanism was necessary in order to achieve the sort of cultural change in attitudes to training that was desired. In order to be sufficiently attractive for individuals to contribute to their learning, the mechanism had to be empowering, giving control and freedom of choice. Equally, the level of discount had to be sufficient to incentivise individuals to manage, plan and invest in their own learning throughout their lives, whilst ensuring they retained a personal stake through individual contributions.

5. **Programmatic objectives**

The aims and objectives for ILAs were as follows:

**Overarching:**

- to contribute to the government’s objective of developing in everyone a commitment to lifelong learning.

**Strategic objectives:**

- to contribute to creating a better-equipped workforce for tomorrow’s world
- 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 and contribute to the National Learning Targets, particularly amongst targeted groups where levels are traditionally low
- to repay public investment in ILAs through the benefits of increased earnings associated with increased learning
- to contribute to raising individual expectations of the benefits which learning can create

**Operational objectives:**

- establish a clear national framework for the operation on ILAs with a Customer Service Provider delivering a high quality service
- ensure that ILAs are properly integrated with other lifelong learning initiatives (e.g. learndirect, Union Learning Fund, etc.)
- use discounts on the cost of learning as incentives to encourage individuals to register for ILAs, particularly from the target groups: ethnic minorities, labour market returners, aged 21-30, non-teaching school staff
- ensure that users find ILAs easy to access and use and are satisfied with the process and the learning provided
- work with intermediaries (unions, employers, information, advice & guidance practitioners) to ensure that ILAs are in continuous use to buy repeat learning and that the number of dormant accounts is minimised.
Under the universal national framework, some specific groups were targeted through marketing:

- women returners,
- younger workers with low skills or few qualifications,
- self-employed people
- and non-teaching school staff.

6. Principal features of initiatives

ILAs were intended as a mechanism to encourage the development of wider choice and innovation in the delivery of training and to attract new providers, not just established providers known to TECs and the Further Education Funding Council. This in turn would support improvement in the training market as individuals and their funding would flow away from inefficient and ineffective providers and make room for new providers, particularly those operating in smaller niche markets and with new, non-traditional learners.

The programme was introduced with a target of one million account holders by March 2002. Since there was always a limit (one million) on the number of £150 incentives, two other incentives were also introduced:

- A discount of 80%, announced in the 1999 Budget, on a specific list of basic IT and maths courses, and
- A 20% discount on the cost of a wide range of eligible learning. Certain types of learning were, however, specifically excluded, for example, higher education courses, professional qualifications and also learning where the outcome is in pursuit of leisure.

A principal feature of ILAs was to bring in new learners and providers. Consequently the programme was designed to be simple and flexible for the learner and provider with the minimum of bureaucracy. It was designed to open up the learning market and to place as few restrictions as possible on what people could choose to learn; placing real purchasing power and consumer choice in the hands of learners for the first time. A fundamental principle of the design was that individuals had to pay a contribution for their learning. This personal investment aspect of ILAs was not only intended to give learners greater control over their personal development but also to increase their personal stake so that they would make sensible and informed decisions about their choice of learning. ILAs were not, however, intended to be a guarantee of quality of learning or learning providers as such Government endorsement might give an unfair market advantage to registered ILA providers.

7. Framework conditions

The delivery of the ILA programme was enabled through a partnership arrangement through which Capita Business Services Ltd (Capita) captured and processed data on individuals and learning providers and managed telephone and web-based call centre facilities.

The Department was responsible for the policy framework and overall design of the ILA programme, including the eligibility conditions for individuals and the definition of eligible and ineligible learning for funding. Capita were responsible for translating the policy intentions set out in the contract into a robust and functional system and for the operation of the system and associated call centre facilities to deliver the ILA programme. Their interpretation of this policy was presented in the form of a Business Rules Handbook, which was agreed by both the Department and Capita.
The Department and Capita jointly reviewed the services provided against the detail set out in the contract using formal quarterly and annual review mechanisms and by way of an annual customer satisfaction survey. Changes made to the service became part of the formal change control process.

8. To what extent have goals and objectives indicated above been achieved?

By 2 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. At that time, more than half the people who had opened an ILA since January 2001 had not been in learning in the last three years.

ILAs were clearly achieving the aim to make learning more affordable and accessible and playing their part in encouraging people to take responsibility for their own learning and development. Expenditure on the programme 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 programme had reached some £180m and had doubled since May 2001 reflecting rapid programme expansion over the period, exceeding all expectations. This also raised further concerns about the way the programme had been promoted and sold particularly in the light of growing evidence that some companies were abusing the system offering low value, poor quality learning. When considered together, the sharp increase in the volume and nature of the complaints we had received forced us to explore what action could be taken to safeguard public expenditure and secure value for money. We introduced a number of changes, including a requirement for learning providers to adhere to an agreement.

Despite these revisions to the programme, the number of complaints continued to rise, and on 24 October 2001, the Secretary of State announced the decision to suspend the scheme from 7 December. Having made that decision, colleagues within Government and the devolved administrations were informed. Over 8500 registered providers and 2.6 million account holders were then informed individually in writing. However, further evidence of widespread serious fraud came to light during November, and a decision was taken on the advice of the police, to close the programme with immediate effect on 23 November 2001.

It was clear that the light-touch, non-bureaucratic nature of the programme designed to reach non-traditional learners was successful - 1.4 million learning episodes were booked - but regrettably, this also enabled a minority of unscrupulous learning providers to act against the ethos of the programme. Other key design principles to reduce financial barriers to learning and encourage individuals to take responsibility for their learning were also in part successful - 16% of ILA redeemers had no previous qualifications and 22% had not participated in any training/learning in the 12 months preceding ILA use.

9. Administrative arrangements

The non-bureaucratic nature of the programme, while a strength, was also a weakness as it allowed instances of fraud to go undetected for so long.

Together with our delivery partner we have looked at how the integrity of our systems can be improved for any future ILA-type scheme. We think it is possible to maintain ‘lightness of touch’ around the learner application process while making much more robust the provider registration, monitoring and IT security processes.
10. Evaluations

An extended Departmental research brief providing updated information on how ILA holders viewed and used their ILAs was published on 21 December 2001. The research followed on from a previous study in spring 2001 (‘Evaluation of ILAs – England’, published September 2001). It was conducted by York Consulting and involved a telephone survey of 659 Individual Learning Account (ILA) holders, including those who had been contacted as part of the earlier survey and more recent ILA holders. The research showed that:

- 91% of ILA learning met or exceeded expectations.
- 85% of ILA redeemers said the ILA had increased the training/learning options open to them.
- More than half ILA redeemers (51%) said they had little (27%) or no (24%) prior knowledge of the subject(s) they were studying with ILA support.
- 22% had not participated in any training/learning in 12 months preceding ILA use.
- 16% of ILA redeemers had no previous qualifications.
- 54% of redeemers said their ILA made them more interested in learning.
- ILAs continued to attract more women than men (66% of recent redeemers were female compared to 59% of redeemers in the spring 2001 survey).
- In common with the previous survey the majority of recent redeemers (82%) possessed some form of qualification prior to opening their ILA.
- Over a half of recent redeemers (56%) were employed – this is lower than in the previous survey (69%).
- It estimated that over half (54%) of recent redeemers would have been able to pay for their most recent ILA supported course without their ILA. This finding does not, however, give a true ‘deadweight’ estimate because it is not possible to say whether they would actually have paid for learning in the absence of encouragement through the ILA programme.

11. Structured experimentation

Some structured experimentation or piloting took place in connection with the ILA scheme, particularly around using trade unions and community groups to promote the programme to non-traditional learners and those with particularly low skill levels.

The ILA Community Group projects attracted people who had never previously heard of ILAs (two thirds of those who opened them through the projects) and encouraged the participation of larger proportions of ethnic minority groups (14% from ethnic minority groups compared with 5% nationally). They also attracted a higher percentage of people with no qualifications (22% against 16% nationally) and 73% of users (compared to about 50% nationally) said they would not have been able to fund their learning without an ILA.

An evaluation (TUC Learning Services) of accounts opened through the Union Learning Fund showed 79% of learners are from those groups least likely to participate in learning.

The Small Firm Learning Account (SFLA) was aimed at increasing participation in learning, through the take-up of ILAs among owner managers and their employees in companies of 5-49 people. This innovative pilot project, which operated in Leicestershire and Lincolnshire, engaged 352 firms in 3 months with 1242 employees opening accounts during the period of the project. It was refocused following the withdrawal of ILAs and re-launched as the Small Firm Development Account (SFDA) early in 2002. The new pilot will be formally evaluated in due course.